

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 13, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 13, 2011 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 Rivera and Greg Seyfer.

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

Chair Urban moved to the approval of the minutes from the November 10, 2010 Commission meeting. Commissioner Rivera 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 future Commission meetings:

- 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)
- May – No Meeting
- June 9, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by May 25, 2011)

Chair Urban called on HGI-Lakeside, LLC for an update on the bankruptcy case and a discussion on their commitment for capital improvements at the Osceola property. Sean McGuinness, legal counsel to the senior lenders, and David Ross, Chief Executive Officer, were present to answer questions. Mr. McGuinness noted that he was before the Commission in June 2009, shortly after Herbst filed for bankruptcy, and provided an update as to the expected timeline for the bankruptcy proceedings, and the process. He advised that the timeline was close to what was projected; the company emerged from bankruptcy on December 31, 2010 as projected. The reorganization plan called for the lenders to convert their debt into equity pursuant to the bankruptcy, and the operating subs were converted to limited liability companies. The plan was submitted to the bankruptcy judge in October 2009; objections were filed by the bond holder contingency and Clarke County Development Corporation (CCDC). The objections were denied by the judge; the bondholders appealed the judge's decision, but CCDC did not. Mr. McGuinness advised that the bondholder's case was settled last month. The judge's ruling was that the plan of reorganization could proceed subject to approval from the

three gaming jurisdictions – Iowa, Missouri and Nevada. Subsequent to IRGC's approval on November 10th, Missouri gave its approval on December 1st, and Nevada did so on December 16th. Upon receipt of the approvals from the gaming jurisdictions, the proper filings were made with the bankruptcy court, and no objections were received by the court about Herbst emerging from bankruptcy. The lenders converted their debt to equity on December 31st; and the sub-corporations converted themselves to limited liability companies. Mr. McGuinness advised that the company holding the license for the property is HGI-Lakeside, LLC. The company used to be a corporation. Under Nevada corporate law, entities can be converted from one form to another, but the entity retains all of the obligations and rights back to the date of original formation. Mr. McGuinness stated that all of the vendor contracts approved for HGI-Lakeside, Inc. remain as obligations going forward so there is no need to reconsider any of the vendor contracts that have previously come before the Commission. He thanked everyone for their assistance in helping to move the process forward. He turned the floor over to Mr. Ross.

Mr. Ross stated that he approached the lender group regarding development in Osceola after listening to the Commissioner's earlier comments; he advised that the lenders have set aside \$10 million for development purposes in Osceola. He stated that while they are confident about the hotel expansion, the owners are also looking to see what other types of development might be available/possible in Osceola. They plan to have a market feasibility study completed to determine what would be best for the property, CCDC and the community. Mr. Ross stated they would present a plan to the Commission at mid-year with construction to commence in the fourth quarter. There are 88 acres of undeveloped land, not all contiguous, but there is room for growth and opportunity.

Mr. Ross advised that there is a good team in Osceola, and that he is meeting with employees today to hopefully remove some of their trepidation with regard to various rumors. He noted that there have been some maintenance issues and property neglect, which will be resolved immediately. Mr. Ross stated that the property has to do a better job of attracting return patrons.

Chair Urban, noting that the Commission will be taking up the excursion boat license renewals at the March 3rd meeting, stated that the Commission would expect a presentation or timeline on the proposed development at that time. She pointed out that an expanded and/or new hotel was promised in 2009.

Mr. Ross stated that the current hotel will be expanded, but requested additional time to work with the city, county and CCDC to determine what they would like to see in terms of additional development. He noted that company representatives have a 3:30 meeting with CCDC today. Mr. Ross stated that allowing them time to complete a feasibility study would allow them to bring alternative projects, in addition to the hotel, to the Commission. He reiterated the company's intent to present development plans to the Commission in mid-year with construction to commence in the fourth quarter. Mr. Ross stated that if the Commission wanted something at the March Commission meeting, it would be for the hotel as the market research could not be completed by that time.

Commissioner Hayes stated that it would be interesting to see the specifics of a plan. He is glad to see the \$10 million set aside for development in Osceola, but feels it is more critical to see the \$10 million expended during the 2011-2012 license year.

Mr. Ross stated that he was at the meeting when the presentation was made regarding a hotel in 2009. He noted they had a partner at that time; they were unable to obtain the necessary financing. Mr. Ross stated that HGI-Lakeside would be doing the hotel themselves this time around; that the funding is there. He assured the Commission that the goal is to commence construction no later than the fourth quarter of this year.

Commissioner Cutler stated that Lakeside should be prepared to provide an update on the steps they have taken to move this process forward between today and the March Commission meeting.

Mr. McGuinness stated that Mr. Ross and some of the board members wanted to be sure that they could be as responsive as possible at the March meeting for the license renewal; he noted that had Mr. Ross waited to approach the lender group until after the company exited bankruptcy and asked for an amendment to achieve the hotel financing, it could have taken as much as 60 days to accomplish.

Chair Urban stated that the Commission sees the possibilities for the Osceola property, and is looking forward to seeing some plans. She noted that the Commission had received a letter from Jerry Crawford, legal counsel for Herbst, regarding the payments to CCDC, which indicated that when all of the payments are taken in account and credits received from building and development, that it will be in excess of 3%. Chair Urban stated that the Commission needed further clarification.

Mr. Crawford stated that the agreement reached at the time Herbst acquired the Osceola property from Grace, was for 1.5%. The parties agreed that Herbst would prepay an additional point, or approximately \$3.2 million, which would extend for 8 years or almost 2012. Further, the parties agreed that the payment to the sponsoring entity would go from 1.5% to 2.5 % at the end of the 8 year period, but that Herbst could buy down from 2.5% to 2.0% through additional mutually agreed upon and specified capital expenditures at the site. Mr. Crawford clarified that the percentage payable to CCDC by Herbst could go from 2.5% to 2.0%, but only if Herbst spent an additional dollar for every fifty cents of credit, or go down to 2.0% by spending an additional 1%, for a total of 3%. He stated that with today's announcement of \$10 million for the hotel, that will put Herbst above the 3%.

Commissioner Hayes noted that Mr. Ross had stated that the new company, HGI-Lakeside, LLC, had assumed all of the contracts previously entered into by HGI-Lakeside, Inc. He stated that he was seeking to verify that the new company was not in violation of any of the contracts, has made any payments required by the contracts, and is in compliance with the terms of all of the contracts, specifically, the CCDC contract and any contracts with the City of Osceola, Clarke County or the Osceola Water Board.

Mr. McGuinness advised that the obligations were not “transferred” as the entity remains the same. While the entity is changing its form, the obligations of the prior form carry forward to the new form. He stated that the Bankruptcy Plan envisioned that all of the vendor agreements would be paid and fully satisfied. He advised that to his knowledge the company was in compliance with regard to vendor contracts. Mr. McGuinness stated that the contracts with CCDC and the City remain the same. He stated there is an issue with the Water Board contract, which Doug Gross, legal counsel for CCDC, mentioned at the November Commission meeting; the issue has to do with the number of employees to be employed by the facility. Mr. McGuinness stated that he understood the issue arose due to changes in technology in the gaming industry and the addition of table games at Prairie Meadows Racetrack & Casino (PMR&C), which impacted the table games at Lakeside. He stated that Herbst went to the City and the Water Board to seek a change in that particular aspect of the agreements. The City agreed to remove that stipulation; however, it appears the Water Board has not. Mr. McGuinness advised that the Water Board has not filed a formal notice of default, nor was it raised during the bankruptcy proceedings.

Bob Thursby, General Manager, stated that in May 2009 he approached the City, the Water Board and CCDC and advised them there were two items that Herbst would like to have changed in the various agreements. One was the amount of land Herbst leased around the lake since they no longer cruise and did not want the responsibility. They advised the Water Board that they would pay the same amount going forward for a significant decrease in the amount of land. He also advised everyone that the facility did not have 500 employees due to the following circumstances: the advent of ticket-in/ticket-out technology and the addition of table games at PMR&C. Mr. Thursby stated that Lakeside’s table game revenue went from \$10 million per year to \$5 million per year. He noted that table games are very labor intensive, and as the table games went away so did some of the employees. He stated that Herbst was very proactive in seeking the changes; noting that the City did sign off on the change, but the Water Board did not.

Chair Urban moved on to the next agenda item, CCDC’s request for the Commission to reconsider their decision to grant Herbst Gaming, LLC a license. Mr. Ketterer stated that the agenda item is not a parliamentary position of the Commission; that the language for the agenda item was taken from a letter received from CCDC, which requested that the Commission reconsider its decision. Noting that the Commission is in the midst of the license renewal process, Chair Urban stated that the Commission is receptive to receiving new or additional evidence or information that CCDC has to offer and will take it into consideration at the March Commission meeting.

Mr. Gross asked Mr. Ketterer if the previous statement meant that reconsideration was not before the Commission at this time. Mr. Ketterer advised that there was no motion for reconsideration made by a Commission member. Mr. Gross concurred, but stated that a member could make the motion at this time. Mr. Ketterer then asked if the motion would be in order. There was a brief discussion about Robert’s Rules of Order.

Mr. Gross thanked the Commission for the questions posed to HGI, and stated that CCDC is pleased that the company has emerged from bankruptcy. He stated that the basis for CCDC's request for reconsideration of the granting of the operator's license was the change in facts/circumstances from the time the decision was made. Mr. Gross stated that CCDC feels the Commission granted the license at the November meeting as it appeared the Commission felt they did not have a choice because of the actions of the Bankruptcy Court; that the Commission could not require Herbst to sit down with CCDC and renegotiate the Management Agreement, even though it is not assignable. A review of previous Commission actions shows that any time there has been a new licensee, the qualified sponsoring organization and the new licensee have re-negotiated the management agreement. Mr. Gross stated that since the company is no longer in bankruptcy; they are no longer subject to the jurisdiction of the Bankruptcy Court and their hands are not tied. If Herbst so desires, they have the ability to negotiate with CCDC regarding the management agreement. Mr. Gross requested that the Commission instruct Herbst to do so. He stated that whether it is done under a Motion to Reconsider or subject to renewal of the license, the Commission can put conditions on the license, and has done so in the past. Mr. Gross stated that CCDC is requesting the Commission instruct HGI-Lakeside, LLC to do more than talk about Lakeside development. CCDC and the community have heard for two years that the hotel would be renovated, additional rooms, and an upgraded property. He stated the appearance of the property is such that it looks like the new owners are trying to recoup as much money as possible. He stated that it is the Commission's responsibility to stand and support the interests and rights of Iowans, Iowa licensees and communities.

Mr. Gross requested that the Commission either instruct HGI-Lakeside via a Motion to Reconsider or conditions placed on the license renewal to:

- Spend the \$10 million authorized under the credit agreement for a new hotel; and
- Sit down with CCDC and re-negotiate the management agreement.

Mr. Gross noted that Mr. Crawford stated that previous negotiations allow for a one-time payment and a step-up in the payment once capital improvements are made. He stated that particular provision relates to the City, not CCDC. The City and the Water Board are the landlords as they own the land. Mr. Gross stated that CCDC receives the lowest rate from an operator of any co-licensee in the state. He stated that the agreement contains a provision which requires the agreement to be re-negotiated in the event it is to be assigned to another entity. Mr. Gross stated that CCDC has submitted a proposal to re-negotiate to HGI-Lakeside, but has not received a response.

Chair Urban stated that she was happy to open the matter for reconsideration if there is a motion from the Commission. None was forthcoming.

Mr. Gross advised that a number of individuals from the community were present, and would like to address the Commission. Jim Kimball, a member of CCDC and the City Council, stated that he would like to see more development at the site, and HGI Lakeside

is indicating they will do so; however, they have been telling the community that for some time. There is concern that the new owners are a group of Las Vegas bankers and their main purpose is to recoup the losses they suffered. It is his opinion that HGI-Lakeside is telling the Commission all the things they are going to do, but in the meantime, they will suck the property dry as long as they can. The community does not want that to happen.

Wil Reisinger, Chair of CCDC, stated that the entire board is made up of local community members, who serve without pay. Everything they do is done for the community; and the Commission is the tie between the casino and the community. He noted that neither the Commission nor CCDC has had to deal with a bankruptcy before. Mr. Reisinger stated CCDC did not appeal the Bankruptcy Judge's Decision with regard to the assignability of the management contract because the Commission is supposed to protect the qualified non-sponsoring organizations and the communities. He referenced the contract with the Water Board which contains a requirement that the facility maintain a set number of employees, which they now choose to forget about because it doesn't really apply. Mr. Reisinger stated that Osceola started working in 1995 to get a casino in the community. A license was finally granted in 1998, and the facility opened in 2000. He called the facility the lifeblood of the community; the cornerstone of the community. He noted the Las Vegas owners showed up approximately four years ago. While he understands the fact that they are running the show; the "show" belongs to Iowa, Osceola and the Commission. It is not supposed to be run by a Bankruptcy Court in Las Vegas or bankers from New York. Mr. Reisinger noted that the owners have been talking about a hotel and additional development for a number of years, but the community has yet to see any of those promises fulfilled. He stated that the Commission should hold their next meeting at Osceola to see the decline in the facility. Mr. Reisinger stated that CCDC has been trying to work with HGI, but keeps getting the line that their hands are tied because they are in bankruptcy. He noted while that was true, it was not CCDC's fault. He stated the Commission needed to assist CCDC in getting HGI to sit down with them to find a solution to the issues at the property.

Chair Urban stated that the Commission is sympathetic to what is occurring and looks forward to seeing some changes.

Mr. Gross introduced Helen Kimes, a CCDC member. She stated that Osceola is very fortunate to have the casino. She noted the property was sold to Herbst several years ago, at which time CCDC negotiated and agreed to accept a certain amount of money upfront, which was to be held for a development project in Osceola; the money is still being held in escrow. The agreement included a provision that any time the ownership was transferred, and she would consider this ownership change a transfer, the management agreement would have to be re-negotiated. It is CCDC's opinion that the management agreement should be re-negotiated at this time. They agreed to accept less money in the past; but feel they are entitled to re-negotiate the contract and the percentage they receive at this time. She stated that no one has taken CCDC's request to re-negotiate the contract seriously. CCDC feels they have been treated rather shabbily by HGI.

Mr. Gross again thanked the Commissioners for asking the questions of HGI that they did and reiterated his request that the Commission instruct HGI to work with CCDC in good faith on development at the site and to re-negotiate the management contract.

Commissioner Hayes asked Mr. Gross if he believed HGI was in default of their contract with the Water Board. Mr. Gross answered in the affirmative. Commissioner Hayes asked what the remedies were. Mr. Gross stated that the Water Board has asked HGI for their recommendations on what they wish to do in regard to the default, but they have yet to receive a response. They hope to receive some type of response prior to taking any further legal actions. Mr. Gross stated the Water Board would have all the rights and remedies available to them under the breach of any contract. He stated that if HGI lost their lease agreement with the Water Board, HGI would not have the ability to operate. Mr. Gross stated that the City, Water Board and CCDC would appreciate it if HGI took them seriously.

Chair Urban again asked Mr. Crawford to address the issue of the percentage that CCDC receives. Mr. Crawford stated that the new ownership group has been in charge for 13 days, and that they are amenable to Commissioner Hayes' suggestion that a condition of the license renewal be that HGI will fully spend at least \$10 million on projects that are undertaken in 2011-2012. He stated that HGI-Lakeside would agree to the condition as a condition of re-licensure.

Mr. Crawford noted that Mr. Ross indicated there were a number of rumors circulating within the employee group; he believes that is fairly common in smaller communities. He indicated that HGI-Lakeside is eager to resolve those. Mr. Crawford advised that Mr. Ross did meet with CCDC on October 24th at which time he reviewed all of the potential development and expansion plans that he is interested in pursuing in Osceola. He noted that Mr. Ross has a 27-year record in the gaming industry and has accomplished many of the same things he is proposing for Osceola. Mr. Crawford stated that the entire CCDC Board and staff were invited to Las Vegas last fall to view the kinds of expansion projects Mr. Ross has achieved in Las Vegas and hopes to achieve in Osceola. Mr. Crawford stated that HGI looks forward to providing the Commission with additional information prior to March. He stated that HGI, by July 1, will inform the Commission whether they intend to expand the existing hotel or proceed with a separate hotel development on the property. Mr. Crawford emphasized that it is not whether, but which. He advised that a meeting to start those discussions with CCDC is slated for this afternoon.

Commissioner Cutler asked whether funds were available for the maintenance and upkeep of the property, such as replacing light bulbs, etc. Mr. Crawford answered in the affirmative; stating that those are funds over and above the \$10 million set aside for development projects. Mr. Crawford stated that yesterday was the first that HGI management had heard about maintenance issues at the property. He advised that there was going to be an on-site inspection later today, and assured the Commission that those issues would be resolved prior to the March meeting.

Chair Urban asked about the percentages that would be going to Clarke County or the City. Mr. Crawford stated that he would have to review the documents, but indicated that his recollection was that funds for all three entities are to be administered by the City. Chair Urban asked that he send the Commission a letter clarifying the matter. Mr. Crawford indicated he would do so.

Chair Urban advised that all information would be taken into account at the March 3rd Commission meeting. She moved to the contract approval portion of the agenda and called on Diamond Jo.

Todd Moyer, General Manager, presented a contract with Giese Sheet Metal for preventative maintenance of the casino's HVAC system.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted by Diamond Jo. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-01)

Chair Urban called on Argosy Casino. Kees Eder, General Manager, presented a contract with Kor for new casino chairs.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by Argosy Casino. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-02)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Sales and Security Agreement
- Clear Channel Airports – Scrolling Display at Eastern Iowa Airport
- Konami Gaming, Inc. – Server Replacement and License Support
- Neesvig's, Inc. – Specialty Food Purchase
- Wells Fargo – Second Amendment to Credit Agreement
- Windstream – Data Services Agreement

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts as submitted by RCGR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-03)

Chair Urban called on Grand Falls Casino Resort (GFCR). Dan Kehl, Chief Executive Officer, and Ken Bonnet, Chief Financial Officer, were present to address the financing for the project and the contracts that were before the Commission. Chair Urban advised that the Commission would take separate votes on the financing and contracts.

Mr. Kehl advised that obtaining the financing has been a long road as the capital markets have been difficult. The loan has been closed and the funds are in escrow waiting for the Commission's approval of the agreement. Chair Urban asked if there was anything new or additional information contained in the large submission of financing documents. Mr. Bonnet advised that there were no changes; that in addition to what was submitted there is another 6-8" of supplemental schedules.

Hearing no further comments or questions concerning the financing for GFCR, Chair Urban requested a motion. Commissioner Seyfer moved to approve the financing for GFCR as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-04)

Chair Urban moved to the contracts submitted by GFCR. Mr. Kehl presented the following contracts for Commission approval:

- AA Horwath & Sons – Construction – Purchase Laundry Equipment for Hotel
- American Video & Security – Purchase Surveillance System & Equipment for Property
- Britons Custom Carpets – Construction – Carpet Supply
- Brockway Mechanical & Roofing – Construction – Interior Water Features
- Community Oil Company – Propane Gas Supplier
- Computer Service Innovations, LLC – Construction – Low Voltage Contractor & Equipment
- Great West Rock Company, LLC – Construction – Landscaping & Irrigation
- Great West Rock Company, LLC – Construction – Grand Falls Water Feature
- Grundman Hicks Construction – Construction – Waste Water Facilities
- Harms Oil Company – Propane Gas Supplier
- Modern Gas Company – Propane Gas Supplier

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by GFCR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-05)

Chair Urban asked for a construction update. Mr. Kehl noted that Sharon Haselhoff had distributed some pictures that were taken at the site yesterday. He stated that construction is progressing. There will be a 35' man-made waterfall that will be visible from the highway, as well as from the hotel rooms. Sheetrock is being put up. Mr. Kehl stated that while the original projection for opening was July 4th, he indicate that staff is working on plans to be open by Memorial Day provided the building can be completed and they receive occupancy approvals from the State Fire Marshal's Office.

Commissioner Cutler asked if weather had impacted construction progress. Mr. Kehl advised that the workers continue to work outside; that they have not lost any work days

recently. He noted they did lose approximately three weeks during the summer due to rain.

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

- Black Hills Energy – Natural Gas Provider
- Deffenbaugh – Waste Disposal for facility
- Global Payment Gaming Services, Inc. – Credit Card/Cash Advance Transaction Provider
- US Bank d/b/a Ultron Processing Services – Provide ATMs for the facility

Hearing no comments or questions concerning the contracts, Chair Urban 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. 11-06)

Chair Urban called on Lakeside. Mr. Thursby presented the following contracts for Commission approval:

- Ainsworth Game Technology – Lease/Purchase Slot Machines, Parts & Supplies
- Flynn Wright – Marketing Services
- Multimedia Games – Lease/Purchase Slot Machines, Parts & Supplies
- ShuffleMaster, Inc. – Lease/Purchase Electronic Table Games, Parts & Supplies
- RK Fuels – Fuel Purchase for C-Store

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

Chair Urban called on IOC Waterloo. Bari Richter, General Manager, presented the following contracts for Commission approval:

- Verizon Select Services, Inc. – Purchase of Network Equipment for High Speed Floor for SDS
- Bally Technologies, Inc. – Purchase of Slot Accounting System

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOC Waterloo. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-08)

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

- Black Hills Energy – Natural Gas Provider
- Deffenbaugh – Waste Disposal for Facility
- Global Payment Gaming Services, Inc. – Credit Card/Cash Advance Transaction Provider
- Midwest Electrical Contractors – UPS Backup and Generator Installation
- US Bank d/b/a Ultron Processing Services – Provide ATMs for the facility

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Horseshoe Casino/BRGP. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-09)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with the International Union of Operating Engineers for a labor agreement with the maintenance department.

Hearing no discussion or comments regarding the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Mystique Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-10)

Chair Palmer called on PMR&C. Gary Palmer, General Manager, introduced Lynette Rassmussen, the new chair of the PMR&C Board of Directors.

Chair Urban asked Mr. Palmer to provide an update on the hotel construction. He indicated that they hope to have the hotel substantially completed by March 1, 2012. They have hired Heart of America (HOA) as a consultant to help with leadership training, purchasing of furniture, and staff training for one year.

Chair Urban moved to the matter of the lease between PMR&C and Polk County. She advised that the Commission will not be taking a vote on the matter as it is a continuation of the lease that was voted on eight years ago, and is now on a month-to-month basis. She requested an update on the negotiations. Mr. Palmer indicated that the negotiations have been cordial, and believes the parties are close to reaching an agreement. He stated they have met five or six times. He believes the parties can reach a conclusion soon.

Chair Urban stated she is aware that it is difficult for both sides; but advised that the Commission does not want the lease to continue on a month-to-month basis indefinitely.

Commissioner Rivera asked if the sides were meeting on a weekly basis. Mr. Palmer indicated it was close. He stated that when an issue is resolved, each side has to take it

back to their full Board for consideration. He stated that a meeting was scheduled for the following week.

Chair Urban noted there is six weeks until the next Commission meeting; she advised that the lease would be an agenda item.

Chair Urban moved to the race dates for the standardbreds. Mr. Palmer advised that the standardbreds will have a 10-day race meet at PMR&C, similar to last year. The purse will be \$550,000. He noted that PMR&C packed the track for the 2010 meet; however, the standardbreds have requested that the track be removed as in previous years. The standardbred group agreed to pay \$100,000 out of the \$1,000,000 they receive for the county fair races, and PMR&C will cover the balance of the expense.

Chair Urban stated that the staff also felt the track should be scraped for safety purposes; that PMR&C was very fortunate there was no bad weather during the meet that could have resulted in some catastrophic injuries.

Derron Heldt, Director of Racing, presented the amended race date calendar, which reflects the dates for the standardbred meet. Chair Urban clarified that it did not make any changes to the dates previously approved for the thoroughbreds and quarter horses. Mr. Heldt indicated that it did not.

Commissioner Seyfer asked if it was going to be \$100,000 that the standardbreds would pay toward the scraping of the track. Mr. Palmer stated that PMR&C obtained an RFP for scraping the track last year, and the \$100,000 will cover approximately half the cost of scraping the track.

Hearing no further discussion or questions concerning the standardbred race dates, Chair Urban requested a motion. Commissioner Seyfer moved to approve the standardbred race dates as presented. Commissioner Hayes seconded the motion.

Commissioner Hayes noted that the Commission had not received the same documentation, such as officials, security, etc., that has been received for the thoroughbred and quarter horse meet. Mr. Ketterer stated that information is contained in the season approvals, and PMR&C just has to submit that 45-days in advance of the start of the meet.

Commissioner Seyfer asked if the Commission needed to set the purse amount. Mr. Ketterer stated that he felt the motion should contain the purse amount and that the track is to be scraped. Commissioner Seyfer amended his motion to include those items. Commissioner Hayes concurred. The motion carried unanimously. (See Order No. 11-11)

Chair Urban, noting this is the second year the standardbreds have been given a reprieve at PMR&C in regard to being taken off the race schedule, stated that it is her hope that

PMR&C management would meet with the standardbred organization and work out an arrangement so that this matter does not come before the Commission in the future. She stated that the future of the standardbreds is probably in racing at the county fairs, but that they would need assistance in terms of financing. Chair Urban stated that PMR&C and the standardbreds need to take whatever steps are necessary in order for them to keep the purse money, etc., and that it needs to be done before the issues reach this point next year. She stated that PMR&C should take the initiative in the matter. Chair Urban stated that the Commission would like to see standardbred racing continue as they have a long history in the State of Iowa, and wants to nurture horse racing, but feels it is time for them to consider a different venue. Chair Urban requested that Mr. Palmer provide updates on this issue throughout the coming year.

Chair Urban moved to the season approvals for the thoroughbred and quarter horse meets. Commissioner Seyfer moved to approve the season approvals as submitted by PMR&C for the thoroughbred and quarter horse meets. Commissioner Rivera seconded the motion. Commissioner Hayes noted that the approval should be contingent upon 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 10, 2010 Commission meeting.

Commissioners Seyfer and Rivera concurred with the amendment to the motion. The motion carried unanimously. (See Order No. 11-12)

Chair Urban moved to the additional contracts. Mr. Palmer presented the following contracts for Commission approval:

- Blue Frog Graphics – Printing Services
- Casey's General Stores – Miscellaneous Purchases (RP)
- Control Installations of Iowa – Surveillance Equipment
- Durkan Patterned Carpet – Specialty Carpet for Casino
- HOA Development, LLC – Hotel Consulting Services
- Potthoff Foods – Food Products
- Pristine Linen – Linen Service
- R&D Industries – Audio-Visual Engineering Services
- Ziegler Caterpillar – Maintenance Equipment

Commissioner Hayes asked Mr. Palmer to elaborate on the contract with HOA Development, LLC for hotel consulting services. Mr. Palmer stated that it is a twelve month contract. HOA will help PMR&C design the rooms, buy furniture, the telephone system, and provide staff training for the various positions (front desk, housekeeping, etc.); basically the whole show as PMR&C is new to the hotel business. Mr. Palmer noted that one advantage of working with HOA is that they operate six hotels in the Des Moines area and hotel staff hired by PMR&C will be able to receive hands-on training at these properties.

Commissioner Hayes asked if the design assistance was for the interior or exterior of the hotel. Mr. Palmer advised that they would be assisting with interior design – colors, room sizes, how many suites, how many smoking rooms, etc. He stated that PMR&C staff members have really learned a lot about the hotel business in the last month.

Commissioner Rivera asked how many employees PMR&C expected to hire for hotel operations. Mr. Palmer stated there will be some carryover from the current housekeeping staff, but estimated they would need to hire an additional 15-20 housekeepers, as well as front desk staff since it will be open 24/7. He estimated 50 people. Mr. Palmer noted that PMR&C already has security.

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 Cutler seconded the motion, which carried unanimously. (See Order No. 11-13)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 3, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 3, 2011 at Stoney Creek Inn & Conference Center in Johnston, IA. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM, and called on Jack Ketterer, Administrator of IRGC, for amendments to the posted agenda. Mr. Ketterer advised there were two additions to the agenda: Isle of Capri is seeking approval of their refinancing agreement prior to closing under Agenda Item 9D, the license renewal for IOC Black Hawk County, and the City of Davenport requested to be on the agenda to address the Rhythm City renewal. This has been added to Agenda Item 9I, the license renewal for IOC Davenport.

Chair Urban requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Rivera seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the January Commission meeting. Commissioner Seyfer moved to approve the minutes from January 13, 2011 as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Urban called on Mr. Ketterer for announcements. He advised that the final two meetings of the fiscal year will be on April 14th at Harrah's in Council Bluffs and June 9th at Stoney Creek in Johnston. There is no meeting in May. Mr. Ketterer stated that the meeting dates for FY 12 will be announced at the April 14th Commission meeting.

Chair Urban moved to the contract approval portion of the agenda and called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Purchase Slot Machines
- Commercial Audio and Video, LLC – Purchase Sound System for New Casino
- DeWild Grant Reckert & Associates Co., Inc. – Construction: Additional Engineering Services
- DLR Group/KKE – Construction: Change Order for Additional Architectural Services
- Electronic Gizmos & Display Systems – Construction: Acrylics
- Electronic Gizmos & Display Systems – Construction: Interior Directional Display Package
- Electronic Gizmos & Display Systems – Purchase Slot Sign Package

- IGT – Purchase Slot Machines
- Konami Gaming, Inc. – Purchase Slot Machines
- Konami Gaming, Inc. – Purchase Konami Slot System
- Konami Gaming, Inc. – Konami Slot System Support 2011
- Lyon County – Resort Agreement
- Midwest Casino Supply – Purchase Casino Chairs
- Midwest Gaming Supply – Purchase Table Games Equipment & Supplies
- Midwestern Mechanical – Construction: Change Orders for Adjustments to Fire System per Insurance Company requirements
- Reliance Electric – Construction: Change Orders for Additional Electrical Work for New Casino
- Riverside Casino & Golf Resort – Rates: Hotel Rooms, Food and Other
- Target Commercial Interiors – Purchase FF&E for New Resort
- TSP – Construction – Change Orders for Additional Concrete Work
- WMS Gaming – Purchase Slot Machines

Ms. Haselhoff advised that the Target contract should have been marked as an Iowa company with an out-of-state address. She noted they have 22 stores in Iowa.

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts submitted by GFCR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-14)

Ms. Haselhoff advised that Joe Massa, Chief Executive Officer, distributed photos taken two days ago at the property. She reported that with the completion of a few more milestones, the property will be ready for a grand opening on Thursday, May 26th. They are starting to work on the finishing touches – carpeting, wallpaper, kitchen equipment is being installed, and the first shipment of slot machines has arrived. There is power throughout the property, and the first test of the backup generators will take place on Friday. Informational meetings will be held on Friday for table games, with the table game school commencing on Monday. Ms. Haselhoff stated that the property would open ahead of schedule and under budget. She stated that all of the directors have been hired, and they are starting to hire supervisors and managers.

Commissioner Rivera asked how many employees Grand Falls would have. Ms. Haselhoff indicated there would be in excess of 700 employees.

Chair Urban called on Horseshoe Casino. Janae Sternberg, Vice President of Finance, presented the following contracts for Commission approval:

- CB Lodging d/b/a Springhill Suites – Lodging for Patrons
- Metro Liquor d/b/a Metro Wine Spirits and Tobacco – Liquor Vendor
- Nebraska Furniture Mart – Furniture Vendor

- Roberts Communication – Simulcast Uplink services
- United Tote – Tote Services

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Horseshoe Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-15)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C) and requested an update on the hotel. Brian Wessels, Director of Finance, advised that the hotel construction is still on schedule; that they are starting to install the steel for the framework of the hotel.

Chair Urban asked if there was any new information regarding the lease with Polk County. Mr. Wessels stated that the parties are still negotiating.

Chair Urban noted that the Commission approved a contract with HOA at the January meeting as a consultant to assist with leadership training and the training of employees. She noted that in a follow-up phone call/e-mail from Gary Palmer, General Manager, the Commission now understands that the contract should have either been for \$100,000 or the description of the contract should have been different. Chair Urban asked Mr. Wessels to provide further clarification at this time.

Mr. Wessels advised that the HOA contract should have been in the amount of \$5 million. HOA will be providing consulting and training, but they will also be purchasing furniture, fixtures and equipment for the hotel at PMR&C. Chair Urban asked if approximately \$4.5 million would be for the furniture, fixtures and equipment. Mr. Wessels answered in the affirmative.

Mr. Wessels submitted the following contracts for Commission approval:

- Bankers Trust Company – ATM Services Agreement
- ECS, Inc. – Audio/Video Equipment
- Imagine This – Promotional Items
- Xerox Corporation – Printing Equipment Lease

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. 11-16)

Chair Urban called on Mystique Casino/Dubuque Greyhound Park regarding the 45-day plan for the upcoming live race meet. Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address any

questions. Mr. Hoeger stated that the live meet will commence on April 30th and end on October 30th.

Mr. Hoeger presented the following contracts for Commission approval:

- International Association of Machinists – Labor Agreement for Casino
- Mission Creative – Full Service Advertising Agency
- Modern Piping, Inc. – Install 2 Package Boiler for Reheats
- United Steel, Paper & Forestry, Rubber, Manufacturing Energy, Allied Industrial Service Workers International Union (USW) – Labor Agreement for Security Department

Hearing no comments regarding the 45-day plan or the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the 45-day plan and contracts as submitted. Commissioner Hayes moved to amend the motion to include the following staff recommendations:

- The completion of all appropriate DCI backgrounds, continued approval of simulcast schedule requests to insure compliance with all regulatory requirements and performance of a required tote test prior to live racing.
- 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.

Chair Urban called for a second to the amended motion. Commissioner Cutler seconded the amended motion. The amendment to the motion carried unanimously. (See Order No. 11-17) Chair Urban then called for a vote on the motion to approve the 45-day plan and the contracts. The motion carried unanimously. (See Order No. 11-18)

Chair Urban called on Mark Vander Linden, Executive Officer of the Iowa Gambling Treatment and Prevention Program in the Department of Public Health. Mr. Vander Linden advised that March 6 – 12, 2011 is National Problem Gambling Awareness Week. He stated that the program receives funding through the General Fund to help persons affected by problem gambling and provide information, training and support for the counselors providing treatment services. In 2010, the treatment providers served over 948 individuals, which was up slightly from the previous two years, but the number was average for the last five years. Mr. Vander Linden provided the following information regarding services for Fiscal Year 2010:

- 2.7% of Iowans are affected by a pathological gambling disorder; this is five times higher than in other states. He stated there is a significant gap between those needing services and those being served in Iowa. Efforts are being made to narrow the gap by working with the 1-800-Bets-Off helpline and the treatment

providers to reach more individuals. Alternative methods have been developed to reach individuals for whom normal treatment options are not feasible due to a variety of circumstances.

- Those seeking help are split between men and women; slightly more women than men are seeking treatment. 95% have a high school or higher education; 91% are white; 44% are employed full time; 57% have between 1-3 children; 30% receive help for debt of \$20,000; 32% have filed for bankruptcy; 37% have lost or greatly jeopardized their jobs, education or career opportunities; 20% admitted to illegal acts to finance their gambling activity; and 17% have been arrested in the last 12 months. National studies indicate that 17% of pathological gamblers attempt suicide; 20% suffer from major depression and 76% reported substance abuse prior to seeking treatment.
- Mr. Vander Linden stated there is clear evidence that individuals seeking treatment are getting better. At this time, 98% in treatment indicated their gambling activity was much less than when they entered treatment. In following up with the same individuals, 93% have maintained the decrease in activity six months later. Seventy-seven percent have indicated their gambling debt is much less than when they entered treatment and that was maintained by 57% six months later following admission to treatment. Ninety-nine percent indicated their life was much better than when they entered treatment, and that was maintained by 92% six months later.

Mr. Vander Linden advised that there is a lot more information on problem gambling at the Department's website: www.1800betsoff.org/.

Commissioner Rivera asked if the statistics he just provided are available at the 1-800-Bets-Off website. Mr. Vander Linden indicated that most were.

Commissioner Hayes asked Mr. Vander Linden what he thought the impact of state-sanctioned internet gambling would be on those individuals currently being served by the various programs. Mr. Vander Linden stated that he felt it would increase the number of people gambling. He hopes, that should the legislation pass, there would be safe guards in place to prevent underage individuals from gambling; thereby somewhat limiting the harm to problem gamblers. Mr. Vander Linden advised that when new gambling options are introduced, there is a spike in the number of individuals gambling, but that it then levels off after a period of time.

Commissioner Hayes asked if the individuals using the treatment services now gamble at all different venues – casino, unregulated, etc. Mr. Vander Linden advised that they did track this type of information. Last year, internet gambling accounted for 1.5% in the last six months. The highest number, 61%, reported playing slot machines in the six months prior to seeking treatment. Mr. Vander Linden stated that internet gambling is not causing problems for those individuals seeking treatment.

Commissioner Rivera asked if the agency tracked the number of individuals seeking help but that do not follow through. Mr. Vander Linden indicated that they try. If an individual commences treatment and drops out; they follow-up with them to try and determine why. He stated that the data provided this morning includes everyone from those receiving information to those in treatment. Mr. Vander Linden stated that staff does a very good job of getting individuals into treatment. Commissioner Rivera asked if treatment information is provided to family members as well. Mr. Vander Linden answered in the affirmative.

Commissioner Cutler asked how much is spent on marketing annually. Mr. Vander Linden advised that \$428,000 is allotted for health promotion campaigns state-wide.

Hearing no further questions for Mr. Vander Linden, Chair Urban called on Mr. Ketterer to review the Year-to-Date Economic Impact reports filed by the licensees. Mr. Ketterer advised that the licensees submit economic impact data in four categories: payroll and related expenses; operating expenses, equipment, supplies and services, and statutorily required payments and charitable donations (contributions to the non-profit licensees, direct donations from the operators, and other contributions to local government).

Mr. Ketterer stated that the Commission focuses on equipment, supplies and services, which is the subject of many of the contracts brought before the Commission at each meeting for approval. The licensees are required by Iowa Code to substantially use Iowa sources for goods and services. He stated that the Commission understands that purchases such as gaming equipment are not available in Iowa. Additionally, many facilities are located on the borders and expenses for media may require that they advertise with the TV station, radio or for buses that come from outside the state from other than Iowa sources. Excluding the gaming equipment and the specialized and necessary sources, the Commission focuses on the other discretionary items. In 2009, the Iowa percentage was 87.65%; this year it was 86.15%, down 1.5%. Mr. Ketterer stated that the Commission always likes to see that figure above 80%. In reviewing individual properties, the only ones that would be questionable are Ameristar at 71% this year (86% in 2009); and Marquette at 64% (74% in 2009). He conceded that part of the issue with Marquette is the size of the city (400) and that the bulk of the population is across the river. Mr. Ketterer advised that the Commission would like to see the properties keep their Iowa percentages above 80%.

Mr. Ketterer advised that the overall contributions for all sources (payroll, operating expenses, taxes and fees, and charitable contributions) was in excess of \$900,000. All expenditures totaled together were just over \$1 billion; which was a fraction of a percent less than 2009.

Commissioner Hayes clarified that the above figures did not include any expenditures for Lyon County. Mr. Ketterer indicated that was correct. Commissioner Hayes stated more was being spent in Iowa than was reflected by the reports. Mr. Ketterer, taking Commissioner Hayes' comment into account, again answered in the affirmative.

Chair Urban noted that Mystique Casino had \$77,000 in donations not given in Iowa. She asked where that money went. Mr. Ketterer stated that it more than likely was distributed in the tri-state area. He asked Mr. Hoeger to correct him if he was wrong. Mr. Hoeger stated that his explanation was correct. Commissioner Cutler stated that Iowa West does the same thing in Council Bluffs.

Chair Urban moved to the Excursion Gambling Boat and Gambling Structure License Renewals and called on Iowa West Racing Association/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino (IWRA/Ameristar). Jerry Mathiasen, Associate Executive Director of IWRA, addressed the license renewals of Ameristar and Harrah's. He requested the Commission's support of both license renewals. Mr. Mathiasen stated that IWRA has an excellent relationship with both Ameristar and Harrah's, and that they are key corporate citizens. He noted that the November 2010 referendum passed with over 80% support. To date, the Iowa West Foundation has contributed \$250 million to various non-profits. Mr. Mathiasen stated that Iowa West's top priority is education, and funds have been distributed for curriculum improvement, summer school, technology updates and a new college access program. Another top priority has been neighborhood revitalization, and IWRA funded a neighborhood center in Council Bluffs hoping that it would be a catalyst for neighborhood associations. The center led to the development of 12 new neighborhood associations in Council Bluffs. Mr. Mathiasen advised that IWRA has also funded a public art program and described various pieces of art and sculpture throughout the city. Mr. Mathiasen noted that IWRA has started going down a different path and has started granting operational funding grants due to the tight economic times. It has been their experience that many non-profits are struggling to stay afloat and these grants will help them to continue their operations. Mr. Mathiasen again asked for the Commission's support of the license renewal applications for Ameristar and Harrah's. He introduced Monty Terhune, General Manager at Ameristar; and Bo Guidry, General Manger at Harrah's and Ms. Sternberg, who were available to answer any questions regarding their respective license renewals.

Mr. Terhune stated that Ameristar considers it a privilege to operate in Iowa. He stated that while 2010 was a challenging year, Ameristar continued to reinvest in the property in the amount of \$7-8 million; \$1.5 million for a new surveillance system. Mr. Terhune stated that he has tried to focus on Iowa vendors since his arrival at the property, and is optimistic their Iowa percentage will be back up in 2011. He advised that Ameristar has several million in capital improvements planned for the current year as well. With regard to problem gambling, Mr. Terhune advised that Ameristar participates in a variety of programs, and has implemented the VeriDocs procedure to supplement their efforts to curb underage gambling. Additionally, they are working to get every team member to consistently request an ID, and provided focused training last September and December regarding fraudulent documents. Mr. Terhune stated that a significant number of team members volunteer throughout the community.

Mr. Terhune requested approval of Ameristar's license and a contract with G & D America, Inc. for a new count machine and monthly service.

Hearing no comments or questions for Mr. Terhune, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted, and to renew the license subject to the renewal of the licenses for the following IWRA board members by March 17th: Emma Chance, Patricia Hannan, John Nelson, Jack Ryan, Ron Tekippe, Barbara Walsh, Gary Woods, John Burns, Rick Crowl, David Kuper, M.D., Susan Miller, Suellen Overton, Georgia Sievers, Charles Smith, J. Todd Graham, Jerry Mathiasen, Timothy Miller, and Jacquelyn Dix. Commissioner Hayes stated that if the licenses are not renewed by March 17th, he would expect an explanation at the next meeting.

Chair Urban called on Mr. Ketterer for an explanation of the licensing process. Mr. Ketterer stated that board members and employees of the non-profits are required to be occupationally licensed and be backgrounded. Occupational licenses are renewed every two years, similar to all gaming employees and IRGC staff. Mr. Ketterer advised that the IRGC Licensing Offices contact all non-profit entities ahead of time to remind them when their board members' licenses are up for renewal.

Commissioner Rivera asked for confirmation that IWRA did have the information advising of the board and staff members that needed to be relicensed. Mr. Mathiasen confirmed that they did, and apologized for the oversight on their part.

Chair Urban requested a second to the motion. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-19)

Chair Urban called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel (Harrah's). Ms. Sternberg stated that Harrah's is pleased with their relationship with IWRA, and is committed to Iowa. She requested the Commission's approval of their license renewal and an additional contract with Bluffs Beverage d/b/a Premier Midwest for beverage purchases.

Hearing no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted, the contracts contained within the license renewal and to renew the license subject to the renewal of the licenses for the following IWRA board members by March 17th: Emma Chance, Patricia Hannan, John Nelson, Jack Ryan, Ron Tekippe, Barbara Walsh, Gary Woods, John Burns, Rick Crowl, David Kuper, M.D., Susan Miller, Suellen Overton, Georgia Sievers, Charles Smith, J. Todd Graham, Jerry Mathiasen, Timothy Miller, and Jacquelyn Dix. Commissioner Hayes stated that if the licenses are not renewed by March 17th, he would expect an explanation at the next meeting. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-20)

Chair Urban called on Washington County Riverboat Foundation, Inc./Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort (WCRF/RCGR). Tim Putney, President of WCRF, requested renewal of the license. He advised that to date WCRF has awarded approximately \$15,800,000 to charitable organizations; \$3,500,000 has gone to the nine county municipalities within Washington County per an agreement requiring

them to share 25% of their income. Mr. Putney stated that WCRF has granted 350 grants totaling anywhere from \$500 to \$2 million. He noted that during the summer of 2009, WCRF ran a special grant program to reach organizations that had not previously received any funding; 84 grants of \$2,000 each were given out. Most were to new organizations.

Chair Urban asked how much of the \$15.8 million was distributed this past year. Mr. Putney advised that it was just over \$3.2 million.

Dan Franz, General Manager, stated that WCRF is a very good partner. He noted that he became the general manager part way through 2010, and prior to that was the Controller and did not have an opportunity to get out a lot. Since becoming manager, he has been happy to get out in the various communities and see what the funds from WCRF have allowed the communities to accomplish. Mr. Franz requested the Commission's approval of the license renewal, the contracts included in the license renewal, and the two additional contracts as submitted:

- Atronic Americas, LLC – Lease Order – Participation
- The Gazette – Advertising Print

Hearing no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal, the contracts contained therein, and the additional contracts as submitted by WCRF/RCGR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-21)

Mr. Ketterer explained that the non-profit licensees for Washington County, Black Hawk County, Worth County and Palo Alto County, as would Lyon County, have contracts with the operator that were entered into after 2004, and; therefore, the operators are required to give at least 3% of their adjusted gross revenue (AGR) to the non-profit. Mr. Ketterer stated that all are in compliance with that requirement. He advised that all of the agreements contain clauses that indicate the amount would change if there was a tax increase. Mr. Ketterer stated that when staff reviewed the agreements, it was unclear what the reduced rate would be, but it can not be less than 3% of AGR. Mr. Ketterer asked the non-profits to review their agreements in the event of a tax increase.

Chair Urban called on Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo (BHC GA/IOC Waterloo). Beth Knipp, Executive Director of BHC GA, advised that IOC Waterloo and BHC GA have an excellent relationship, and that IOC has lived up to its commitments and is an asset to the community. The grants from IOC Waterloo have allowed a number of important projects in Waterloo and the Cedar Valley area to be funded. Over the past twelve months, BHC GA has awarded over \$8 million to 33 different projects. Ms. Knipp noted that the previous figure included \$5 million toward the construction of a \$26 million Sports Complex over eight years. BHC GA gave \$1 million to the Northeast Iowa Food Bank, has funded numerous safety equipment purchases, improvements to playgrounds

and recreational areas. BHC GA has distributed funds to 175 different projects and has \$17 million committed. Ms. Knipp requested approval of BHC GA/IOC Waterloo's license.

Hearing no comments or questions for Ms. Knipp, Chair Urban requested a motion. Commissioner Hayes moved to approve the renewal of the license of BHC GA/IOC Waterloo subject to the renewal of the individual licenses of the following BHC GA Board Members by March 17th: William Dotzler, Robert Fulton, and George Scully. Ms. Knipp advised that BHC GA was aware the individuals had not renewed their licenses and will make sure that it is taken care of right away.

Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-22)

Bari Richter, General Manager, stated that it is impressive to see the changes within the community from the funds generated by IOC Waterloo to the non-profit. She stated that the focus of operations is to maintain strong integrity and the property has a strong track record regarding underage gambling. They have also done training for extreme situations such as a robbery, natural disaster, etc. in order to assure the best outcome possible. Ms. Richter stated that team members also have a strong working relationship with the Division of Criminal Investigation (DCI) on property. She thanked the Commission for renewing the license.

Ms. Richter introduced Ed Quatmann, General Counsel for Isle of Capri Casinos, Inc. Mr. Quatmann addressed the Commission regarding IOC's request for approval to refinance their existing senior credit facility. The company announced publicly earlier in the week that they are in discussions with their bank lenders to amend the credit facility at this time as it is an advantageous time to do so, not because they have to do it. The refinancing would leave IOC with a revolving credit facility in an aggregate amount of up to \$325 million and a term loan facility in an aggregate amount up to \$500 million. The revolver would be due in 2015 and the term loan would be due in 2017; under the existing credit facility they would be due in 2012 and 2013 respectively. Mr. Quatmann stated that the company anticipates the credit facility will include other terms similar to the existing credit facility. It will have the same collateral package as the current financing package.

Commissioner Rivera stated it was her understanding that no additional assets were being collateralized. Mr. Quatmann indicated the answer was no at this time, and the company is working hard to maintain the same collateral package.

Mr. Ketterer asked if the refinancing would provide IOC with a little more flexibility with regard to their loan covenants. Mr. Quatmann advised that the new credit facility would be a continuation of where they are at today, but stated that the credit agreement does contemplate the continued pay down of debt, which the company has been doing for some time.

Hearing no further comments or questions for Mr. Quatmann, Chair Urban requested a motion. Commissioner Cutler moved to approve IOC's request to refinance their Senior Secured Credit Facilities. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-23)

Chair Urban called on Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (WCDA/DJW). Kim Koenigs, Executive Director of WCDA, distributed a packet of material containing information regarding the two grant cycles for 2010 and a DVD, which shows how the funds are making a difference in Worth County. In 2010, WCDA distributed, \$1, 695,500.15 in regular grants to eleven different counties and \$67,092.67 to food banks in eight different counties. Ms. Koenigs informed the Commission that in 2010, 104 Worth County seniors received scholarships for \$5,434.30 each; 1,321 Worth county students received a gift card for free school supplies; 72 pre-school students got free pre-school; hundreds of teachers received money to use in their classrooms; student fees were reduced, and curriculums and technology were improved. Worth County schools received a total of \$1,695,500.14 in 2010. In the five years that DJW have been in operation, WCDA has distributed more than \$18 million in grants. Ms. Koenigs stated that the referendum held last December passed with an 86.21% approval rating by county voters. She requested approval of the license renewal application of WCDA/DJW.

Kim Pang, General Manager at DJW, stated that the I-35 corridor has been good to the property, allowing them to continue to grow their clientele base from the Minnesota area. He noted that the WCDA Board is very hands on and routinely sees various board members at the property. Mr. Pang advised that DJW and WCDA have a very good relationship. Mr. Pang also submitted a contract with Data Business Equipment for the purchase of new ticket kiosks.

Hearing no comments or questions for Mr. Pang, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application of WCDA/DJW, the contracts contained in the license renewal and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-24)

Chair Urban called on Dubuque Racing Association/Diamond Jo, LLC d/b/a Diamond Jo (DRA/DJ). Mr. Hoeger requested approval of the license renewal application; noting that the parties have a good relationship. He advised that DRA received in excess of \$3.5 million last year. Mr. Hoeger stated that DRA receives approximately 4.5%, which is passed through to charities and the City of Dubuque.

Todd Moyer, General Manager of DJ, stated that DJ is very active in the community. In 2010, the Diamond Jo National River Museum opened in the harbor, which was made possible by an \$8 million grant from the DJ. Diamond Jo also donated their former office space to the museum. Mr. Moyer stated that the museum has had visitors from all 50

states and 22 countries. Mr. Moyer requested the Commission's approval of the license renewal.

Mr. Ketterer stated that during the Commission's visit to Dubuque last October, they were shown the new ice arena, made possible by a significant contribution by DRA. He asked about the use and reception of that facility. Mr. Hoeger stated that DRA contributed approximately \$1.4 million toward the \$7 million project. He stated that the facility has been a great success in terms of the community and the hockey team. Mr. Hoeger stated that the facility is open ten months out of the year.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts contained in the license renewal and the license renewal application for DRA/DJ subject to the license renewal of DRA board member Daniel Kruse by March 17th. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-25)

Chair Urban called on Missouri River Historical Development, Inc./Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City (MHRD/Argosy). Mark Monson, President of MHRD, stated that MHRD/Argosy had a great referendum and a good year in 2010. He stated that MHRD has distributed just short of \$10 million since they started receiving funds in 1994. In 2010, MRHD distributed just under \$1.6 million. Mr. Monson stated that for the third year in a row, in conjunction with Argosy, MRHD distributed \$41,000 to four colleges within the county. He stated that MHRD and Argosy have a great working relationship. Mr. Monson stated that Argosy provides 350 good jobs when jobs are needed very badly. He requested that the Commission approve the renewal of the license.

Kees Eder, General Manager, concurred with Mr. Monson's comments regarding the relationship between the two parties.

Hearing no comments or questions regarding the MHRD/Argosy license renewal, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal of MHRD/Argosy. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-26)

Chair Urban called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (SCRA/IOCB). Nancy Ballenger and Sally Rogers, General Manager and Director of Finance respectively, were available to answer any questions concerning the license renewal application. Ms. Ballenger advised that SCRA President Terri Ping was unable to attend, but did send her remarks. On behalf of Ms. Ping, Ms. Ballenger noted that IOCB has been very successful in working with SCRA over the years. She advised that SCRA has three main goals for their funding: education, government and non-profits. Ms. Ballenger stated that SCRA received approximately \$3.3 million from IOCB. She informed the Commission that SCRA, combined with the

Riverboat Development Authority (RDA) in Davenport, have contributed approximately \$108 million to area non-profits since 1991.

Ms. Ballenger stated that IOCB was recognized by the Greater Quad Cities Hispanic Chamber of Commerce for their support of the Hispanic community, which is on the rise in the area. Additionally, IOCB was recognized by Meeting America, which is a meeting and convention publication, for the Mid America Center. She noted that the City of Bettendorf built the facility, but IOCB manages it. The facility, which has been open for two years, has allowed IOCB to bring in conventions and groups that previously were not coming to the Quad Cities. Ms. Ballenger advised that the facility recently hosted a conference for John Deere Robotics; there were 325 attendees from 17 countries. She stated that this was the first time this meeting had been held in the Quad Cities; it has previously been held at various locations around the world.

Ms. Ballenger stated that in memory of Bernie Goldstein, IOC has started an initiative in the company called Community Aces and team members are encouraged to go out and volunteer their services in the community. Last year, 1,000 hours were donated to 77 different organizations. She noted that Bettendorf is getting ready to celebrate 20 years of gaming in the Quad Cities, and does have a few employees that have been with them since the beginning.

Ms. Ballenger submitted a contract with The Printer, Inc. for postage and mailing services for approval.

As there were no comments or questions, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of SCRA/IOCB and the additional contract as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-27)

Chair Urban called on RDA/IOC Davenport, Inc. d/b/a Rhythm City Casino. Mo Hyder, General Manager, introduced Mary Ellen Chamberlin, President of RDA. Ms. Chamberlin noted that Davenport is also getting ready to celebrate the 20th anniversary of riverboat gambling; The President Riverboat set sail on April 1, 1991. She stated that RDA holds the longest continuous gambling license in Iowa. Ms. Chamberlin advised that due to the large number of buildings and organizations helped in the past, RDA has become more creative and is now helping to fund operating costs, marketing, etc. RDA provided seed money for a consortium of 100 art and entertainment organizations to help promote Davenport as a cultural tourism destination. They have also started a housing consortium and a corridor beautification program. Ms. Chamberlin advised that RDA has provided \$100,000 to the Scott County Housing Council, who has also received state and federal funds, for the purpose of rehabbing housing in the area. Ms. Chamberlin stated that RDA has been able to leverage \$4 for every dollar given. She stated that the riverboat has brought a new element of giving into the area.

Mr. Hyder stated that Rhythm City has an excellent working relationship with RDA, and collaborates with them on many different events in the community. For the past two years, RDA and Rhythm City have attracted over 30,000 tourists for a summer festival. Mr. Hyder advised that Rhythm City employs approximately 300 individuals; 56% have been with the company in excess of 5 years. He stated that the employees are community ambassadors and participate in community events. Mr. Hyder stated the employees are committed to complying with the rules and regulations. Management and team members continue to operate the boat efficiently and effectively. They paid \$15 million to the state in taxes and contributions and donations totaled approximately \$2.2 million. Mr. Hyder stated that Rhythm City received community support regarding their license renewal via a letter from the Quad Cities Chamber of Commerce.

Mr. Hyder stated that IOC/Rhythm City is aware that the city of Davenport is present and has taken a position regarding the renewal of Rhythm City's license. He advised that IOC corporate officers have spoken with the city's chosen developer and will continue to work with the city in a cooperative and professional manner. Mr. Hyder stated that the management and team members at Rhythm City are committed to providing a safe, friendly environment. He requested the Commission's approval of their license renewal application.

Commissioner Rivera asked how many of the 300 employees were full time versus part-time. Mr. Hyder indicated the 300 figure included some part-time employees, noting that there is some fluctuation in the number of employees. Commissioner Rivera asked how much fluctuation. Mr. Hyder indicated it could be between 18-20%, depending on the season.

Chair Urban called on the Davenport representatives. Mayor Bill Gluba introduced the following City Council members: Alderman-at-Large Gene Meeker, Alderman-at-Large Jason Gordon, Alderman and Finance Chairman Jeff Justin and Alderman Bill Bloom, representing the downtown district. City Attorney Tom Warner was also present. He stated that Alderman Meeker would be speaking following the conclusion of his remarks.

Mayor Gluba pointed out that Davenport is where riverboat gambling returned to Iowa. It was the intent that gaming in Iowa, as in other states, would come with the promise of economic development, tourism, jobs, and added revenue for state and local governments and charitable organizations. Gambling was not just to benefit private casino interests. Mayor Gluba stated that while gambling has evolved across the nation and in Iowa, Davenport still has a boat/barge. He pointed out that new land-based casinos have opened in Dubuque, Riverside, Clinton and Waterloo, and that Jumer's recently opened a \$150 million land-based casino/hotel across the river in Rock Island.

Mayor Gluba advised that IOC signed a development agreement in 2005 for a \$43 million project, including a 181-room hotel, all of which would have attracted more tourists, and produced more revenue and jobs for the city, county, state and charitable groups. He pointed out that over five years have passed and IOC has failed to submit any

plans for review that would lead to construction. He stated that Rhythm City attracts fewer tourists, generates less revenue and has experienced a decrease in jobs. Mayor Gluba referenced editorials published in the Quad City Times. He stated that Davenport is tired of being treated like an afterthought, and losing revenue, tourists and jobs to Illinois. Additionally, the city is tired of seeing money taken from the local citizens by IOC and invested in places like Missouri, New Jersey and elsewhere.

Mayor Gluba stated that due to IOC's failure to make any significant investment in Davenport, and failure to honor previous commitments, the City Council solicited and found a new investor willing to move gaming in Davenport into the current century. The investor is poised to invest a minimum of \$75 million in Davenport to bring a first rate, land-based casino complex to the Iowa Quad Cities area and bring some real competition to eastern Iowa. Mayor Gluba stated that the investor is actively seeking to purchase IOC's interests in Davenport. On behalf of the City of Davenport, Mayor Gluba requested that the Commission grant a temporary or conditional license to RDA/Rhythm City.

Mayor Gluba noted that Iowa Code states that the casino operator "must" maximize the overall net benefit of the license. Based on IOC's public comments, the decline in revenue at the Davenport property and the findings of the Cummings Associate report, it is clear that IOC is not maximizing the license in Davenport. Mayor Gluba also pointed out that Iowa Code states the casino operator must operate with community support. He stated that IOC does not have the support of the City Council; that they voted unanimously to request that their operating license be terminated and bestowed upon the new operator who is willing to invest in a land-based casino/hotel complex.

Mayor Gluba asked the Commission to end IOC's monopoly on gaming in Scott County. He again requested that the Commission grant RDA/IOC/Rhythm City a 90 to 180-day temporary or conditional license during which time IOC would be expected to consummate the sale of their casino interests in Davenport. Mayor Gluba stated that IOC's years of inaction and lack of investment is costing everyone \$8.8 million per year.

Mayor Gluba turned the floor over to Alderman Meeker, who spoke on behalf of the City and the City Council. Alderman Meeker noted that Davenport received one of the first CAT grants in 2001-2002 for the redevelopment of downtown Davenport, and through that effort, attracted over \$200 million in private and public improvements. The City then solicited a second CAT grant, which was rejected based on IOC's promise to invest approximately \$45 million in the downtown area, including a new 181-room high-rise hotel. Additionally, IOC was going to lease a large parking garage from the city. Alderman Meeker again asked the Commission to only grant a temporary or conditional license to RDA/IOC/Rhythm City.

Alderman Meeker, noting that Davenport is the third largest city in Iowa, stated that Davenport is experiencing a loss in revenue and potential jobs due to the lack of

investment in the downtown area; that the city is a victim of a third tier gaming operation while casinos in other areas have invested heavily in their communities.

Ms. Chamberlin stated that she agrees with many of the previous statements, but does not agree that the license should be conditional or temporary as that would destabilize the market and raise concerns for the employees and patrons. She stated that there has already been some destabilization to the market. Ms. Chamberlin stated that RDA is willing to work/negotiate if there is a new operator.

Commissioner Cutler asked the status of the negotiations at this time. Mr. Quatmann stated that he disagreed with a significant amount of the characterization just verbalized. He stated that it is clear the city has something in mind that it would like to do; IOC understands that and has indicated they will cooperate with the process as outlined by the city. Mr. Quatmann pointed out that the city has chosen a developer other than IOC; IOC has had conversations with the selected developer and he expects those conversations will continue. He stated that he agreed with Ms. Chamberlin that a conditional or temporary license for the sole purpose of facilitating the transaction does not seem appropriate and will only serve to further destabilize the market. Mr. Quatmann stated that he believes all parties are in a business mode and are working through the process.

Chair Urban stated that she thought Mayor Gluba had used the word "impasse". Mr. Warner indicated that the city has had some "professional" meetings with IOC and Mr. Quatmann, who has assured the city that IOC will continue to negotiate with the preferred developer. Mr. Warner stated that the city was not asking the Commission to grant a license that would put them out of business, and was having a difficult time understanding the panic. He stated the city is simply asking the Commission to grant a license for 90-180 days at which time the city and IOC could come back before the Commission and provide a progress report.

Mr. Quatmann stated that IOC was not aware of any impasse; that conversations have been ongoing.

Commissioner Cutler asked if there was any difference between "conversations" and "negotiations". Mr. Quatmann stated that conversations precede negotiations; that it is all part of the same process. He pointed out that the City has chosen a developer that is new to gaming and does not have any other operations. Mr. Quatmann stated that he believes there is a process the proposed developer needs to go through to learn about gambling and how it works. He stated that it was his understanding that the proposed developer had started that process.

Commissioner Cuter asked if the conversations/negotiations would lead to discussions about how much he is willing to pay for IOC's operations. Mr. Quatmann answered in the affirmative; it is his understanding that the proposed developer needs to select a site, and that there is a process the developer needs to go through prior to any discussions regarding price.

Commissioner Seyfer asked if IOC had made a decision to not go to a land-based facility. Mr. Quatmann stated that he would not characterize the situation in that manner. He stated that the city commissioned a study in 2008, which found that a \$150 million investment in downtown Davenport was justifiable. The city presented IOC with the study and gave them an option of doing that or cooperating with the process to find a developer that would make the investment. IOC chose the latter option. Mr. Quatmann stated that IOC has invested \$75 million into the Davenport property to date.

Commissioner Rivera noted that a previous speaker addressed the unrest in the community during the negotiation process. She asked if that had affected revenues or employment. Mr. Hyder stated that there is continually something in the media regarding these issues, which has a tendency to have an impact on the psyche of the employees; he emphasized that Rhythm City does have a very strong employee base that believes in the operation and the community. Mr. Hyder stated that IOC is doing everything they can to manage that particular aspect of the situation. From a customer's standpoint, he stated that as soon as something is printed in the paper, the facility starts getting phone calls inquiring as to whether or not the property is open, what should they do with their Players' Club points, and whether they should throw away the mail; all of which does have an impact on visits to the facility and ultimately, revenues.

Commissioner Rivera asked what steps IOC/Rhythm City is taking to offset the negative effects of the publicity. Mr. Hyder stated that the management team has been working very closely with the employees to make sure that they understand the realities and try to keep them focused in order to provide the customer with the best entertainment value in order to keep them from crossing the river.

Commissioner Rivera asked if Rhythm City is continuing to do business with smaller businesses within the community/surrounding areas, which could also be impacted. Mr. Hyder answered in the affirmative stating that they all need assurance as some of them have long term contracts with the facility.

Mr. Ketterer stated that when IOC purchased the Davenport property in 2000 he thought they paid \$57 million. He asked if IOC had made any major investments in the property in the 11 years that they have owned it. Mr. Hyder stated that the rebranding and switch over of the facility was another \$30-40 million; that the total investment over the last 11 years is \$75 million. He indicated they are continuing to reinvest in the property; noting that 4% goes back into taking care of maintenance-type items; they are planning to re-carpet the facility and paint the facility inside and out.

Alderman Justin stated that he is part of a small group of aldermen trying to work through this issue with IOC. He conceded that IOC has spent money to maintain the boat, but that does not amount to capital investment; it is just keeping the current asset going. He stated that it is in the city's best interests to maintain the employees and market share. Alderman Justin stated that the proposed developer has been informed that jobs and a larger market share are important.

Mayor Gluba stated that the time for discussion is past, and it is time for serious negotiations. He stated that he has had people tell him that they are excited about a brand new world-wide big gaming operation coming to Davenport. Mayor Gluba stated that he didn't understand EBITDA, but felt the value of the property was going down due to a lack of investment. He pointed out that IOC was supposed to build a land-based facility in Bettendorf, and wondered what happened to that investment. Mayor Gluba stated that gaming was about raising money for the cities, state, counties and charitable organizations.

Commissioner Seyfer stated that the Commission does not have the authority to force someone to sell their property in three months. He stated that he is not willing to grant a conditional/temporary license. He wants to renew the license, with a detailed progress report from both sides in three months. Commissioner Rivera stated that she agreed with Commissioner Seyfer's comments. After a recent visit to Jumer's, she stated that IOC has a stiff competitor. She expressed her hope that both parties can come to an agreement,

Commissioner Seyfer moved to approve the license renewal of RDA/IOC Davenport, d/b/a Rhythm City with the City of Davenport and IOC giving a detailed progress report at the June Commission meeting, and subject to the occupational license of RDA Board member John Maxwell being renewed by March 17th. Commissioner Rivera seconded the motion.

Ms. Chamberlin stated that it is difficult for some board members who need to be re-fingerprinted to get to the licensing office as they are only open in the mornings during the week, and all of RDA's Board members have other jobs. Commissioner Hayes stated that he made the motion because compliance with the Commission's regulations is important, and all of the casinos know that. Compliance starts at the top; if Board members are unable or unwilling to comply with simple regulations then it would behoove the non-profit to find different board members. Commissioner Hayes stated that he has previously been a member of a licensed non-profit board. He expressed his hope that the motion would not have to be made in the future for any of the casinos.

Chair Urban called for a vote on the motion, which carried unanimously. (See Order No. 11-28)

Following a short break, Chair Urban called on Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort (CCDC/Lakeside). Will Reisinger, President of CCDC, and Doug Gross, legal counsel, advised that they would like to hear from Lakeside prior to making any comments.

Jerry Crawford, legal counsel, stated that he did not address the Commission during the approval of the 45-day plan for Mystique Casino, but wanted to remind everyone that the IGA and Mystique are in the first year of a five-year agreement. He stated that the parties have had a very cooperative and positive relationship this year. Mr. Crawford advised

that some very interesting things are occurring at Mystique that the Commission will be hearing about in the future.

Mr. Crawford stated that Lakeside had provided materials to the Commission on the status. The Bankruptcy Counsel in Nevada advised the new Board that the Bankruptcy Court had resolved the issue of whether there was a breach of the agreement with the Water Board in Osceola; however, questions were raised. One of the questions was whether or not the Water Board had received notice of the bankruptcy proceedings, and whether there was an ongoing and continuing breach of the lease with the Water Board. Mr. Crawford advised that on Tuesday, in hopes of resolving the legal questions in this matter, Bankruptcy Counsel sought declaratory relief on those issues. He noted that while Bankruptcy Counsel advised the new board that they have no legal obligation beyond the present status of things, they did authorize David Ross, the Chief Executive Officer, to go forward with discussions and negotiations with CCDC, the City and the Water Board. Mr. Crawford stated that full resolution for HGI does not mean resolution with just one of the entities. He reminded the Commission that Herbst prepaid 1% at the time of the last transaction, and now CCDC is taking the position that that doesn't count because it went to CCDC and the Water Board, not just CCDC. He turned the floor over to Mr. Ross.

Mr. Ross thanked Mayor Diehl for his letter of support on behalf of the City of Osceola. He also thanked Wil Reisinger and Helen Kimes of CCDC for being available for meetings over the past couple of months, and their time commitment over the past 10 days. Mr. Ross stated that Lakeside is trying to put their best foot forward. He noted that the new board has been in place for 60 days and feels they have accomplished a lot. Mr. Ross stated that Lakeside did advance a global settlement, but have not yet achieved that goal.

Mr. Ross stated that Lakeside has had discussions with two hotel development companies, one of which has engaged an architect. He stated that if Lakeside is not successful in finding a partner, they are prepared to move forward with the hotel on their own; that \$10 million has been set aside by the lenders. Mr. Ross advised that the plan is to bring a project before the Commission on or before July and break ground in the fourth quarter. He stated that the only thing that has changed since the last time he addressed the Commission is the proposed tax rate, which could have an impact on the viability of the project. Mr. Ross stated that they continue to have discussions with their partners on this matter. He requested renewal of the license.

Mr. Reisinger agreed that CCDC and Lakeside have been moving forward in terms of discussions, but CCDC has not received any concrete time lines as to when things will take place. He noted that the November 10th Commission meeting minutes indicate that the Commission would expect firm plans in place by March 3rd regarding the new hotel or other amenities that will be added so that both parties are assured that things are moving forward. He stated that his concern today is that he can not tell the Commission that things are progressing. Mr. Reisinger noted the parties have been talking about a

hotel for five years. While he conceded that the new Lakeside Board has only been on the job for 60 days, Mr. Ross knew what was going on a year ago; that Lakeside has been holding off. Mr. Reisinger stated that CCDC is looking for a “shovel in the ground” commitment; that just because the money has been committed in the corporate budget, it doesn’t mean the project is moving forward. It won’t draw people to the facility that are passing by on the interstate. He stated that he felt CCDC finally had a commitment at the November Commission meeting; however, the letter he received yesterday from Mr. Ross indicated that the project was contingent upon whether or not the tax increase passed.

Mr. Gross advised that the Water Board holds the lease for the land on which the facility operates. The lease states that Lakeside is to maintain 500 jobs. Mr. Gross stated that when a casino was first proposed in Osceola, the number of jobs was a significant point of negotiation. He stated that he now believes the number of employees to be below 400. The Water Board has sent Lakeside a letter asking them what they are going to do about the default of the lease with regard to the number of jobs. Mr. Gross noted that the loss of 150 jobs and payroll turning over in the economy amounts to several million dollars. He stated that the Water Board made a proposal to Lakeside, but had not received a response until the previous evening when he received the same material the Commission received, which indicated Lakeside had sued the Water Board and was taking them back to the Bankruptcy Court in Nevada. Mr. Gross stated that every time CCDC gets close to having the Commission focus on an issue, Lakeside drags them back to Bankruptcy Court. He indicated that now the Water Board will have to determine whether to defend themselves in order to protect 500 jobs in the community that were negotiated in good faith. Mr. Gross stated that CCDC is not asking the Commission to negotiate their contract with Lakeside; that is not their responsibility; however, he pointed out it is the Commission’s responsibility to look after the interests of the people of Iowa. He believes Lakeside is trying to use the Nevada Bankruptcy Court to excuse them for not meeting specific requirements, namely the number of jobs and the 3% payment to the non-profit. Mr. Gross noted that at the November meeting Commissioner Hayes insisted that Lakeside have firm plans in place by March 3rd, and Mr. Ketterer advised CCDC that they would have an opportunity to address the issue at the March meeting. He noted that Lakeside failed to perform once again. Mr. Gross asked that the Commission grant Lakeside’s request for licensure conditioned upon resolving the issues with CCDC.

Chair Urban asked Mr. Ross what guarantees the Commission has that Lakeside will follow through on the previously mentioned issues. Mr. Ross stated that at the November meeting, the new Board of Directors was not in place and that the company exited bankruptcy on December 31, 2010. He stated that he did hear the Commission at the November 10th meeting; he took that information to the lenders and was able to secure \$10 million for development at the Osceola property. Mr. Ross stated that he feels there are several different opportunities for development on the property, and while Lakeside could rush into building the hotel; they were attempting to take time to develop a master plan, update feasibility studies and get input from CCDC. He reiterated that the credit agreement with the lenders specifically sets aside \$10 million for development at the

Osceola property. Mr. Ross stated that he has not changed what he stated at the November 2010 meeting. He reiterated that if a hotel developer does not materialize, Lakeside is prepared to proceed with the hotel on their own.

Commissioner Cutler asked Mr. Ross if the last statement meant that a tax increase would not impact the project at all. Mr. Ross stated that the proposed tax increase as presented at this time would have an impact on the property as a whole. He stated that he was not sure of the current tax situation.

Commissioner Hayes asked Mr. Ross what the proposed 14% tax rate increase would cost the property. Mr. Ross indicated it would be approximately \$6 million. Commissioner Hayes asked about the company's bottom line. Mr. Ross stated that he was not sure; HGI-Lakeside is a public company and haven't filed their 10K at this time. Commissioner Hayes asked if it was over or under 15%. Mr. Ross indicated that he felt it would be close to that number. Commissioner Hayes asked what other areas, besides the building of the hotel, of the operation could be impacted by the proposed increase. He asked if it could impact the number of employees. Mr. Ross indicated it was possible; that operators across the country are seeking efficiencies in operations. Commissioner Hayes asked if the tax increase could affect slot payouts. Mr. Ross stated that he has seen some operators do that; that he has seen some employees let go. He stated that without knowing the end result, the proposed tax increase is the only thing that has changed since the last time he addressed the Commission. Commissioner Hayes pointed out that everyone will know the outcome of the proposed tax increase by the end of April.

Chair Urban stated her belief that it was Mr. Ross who promised the Commission in 2009 that there would be a hotel at the Osceola property. Mr. Ross advised that he was at the meeting, but did not make the presentation. He stated that it was the previous Board of Directors that authorized the president of the company and the 360 Group to make a joint presentation. In the end, the 360 Group was unable to obtain the necessary financing for the project. The current Board and lenders have taken the concerns about financing off the table. Chair Urban stated that she didn't want to be addressing this same issue a year from now. The Commission has seen no plans. Mr. Ross stated that he would be happy to meet with the Commission and show them the development plans that have been shared with CCDC. He stated that the money is available, and the hotel expansion will occur. Mr. Ross stated that the hotel is the right thing for the property and the State of Iowa. He stated that Lakeside was attempting to look at other development opportunities on site that would benefit the property and make it more of a destination site.

Commissioner Rivera asked Mr. Ross if he would agree that without any capital improvements there more than likely wouldn't be any increase in revenues. Mr. Ross stated that they have made some changes to the property and in marketing which should lead to some increase in revenues, but the hotel would add to that increase. Commissioner Rivera asked about the lease agreement with the Water Board and the stipulation that 500 jobs be maintained. Mr. Ross stated that agreement was made with the previous operator and that he was not involved in the discussions. He stated the hotel

expansion would create additional jobs, as would other amenities as they are added. Commissioner Rivera stated she was happy to hear him promise additional jobs, but would like to know when that might occur. Mr. Ross stated that it was his understanding that it would be July when he brought an approved project back to the Commission and that construction would begin in the fourth quarter.

Commissioner Seyfer stated that the Commission is looking for something more than intent; that an approved project will be submitted in July and that construction will start in the fourth quarter.

Commissioner Seyfer asked Mr. Reisinger if CCDC has seen any plans. Mr. Reisinger stated that they have not seen anything specific, just general overall site plans. He stated that Lakeside doesn't want to spend the money; they want someone else to spend the money. He stated that a lot of the site plans CCDC has been shown are the same ones shown to them 5-6 years ago. He is cognizant of the fact that Mr. Ross works for a bigger company, but CCDC is frustrated by their inability to get firm answers. Commissioner Seyfer asked if the site plans CCDC has recently been shown were satisfactory 5-6 years ago. Mr. Reisinger stated those were the first plans for the hotel expansion.

Chair Urban asked Mr. Reisinger what his suggestion would be with regard to the renewal of the license. Mr. Reisinger stated that he would like to see a conditional license stipulating that Lakeside come back to the Commission in July with a definite plan and a physical time table in writing. He stated that the current revenues in Osceola are one-quarter to one-half of the other Iowa properties. The property looks the same as it did in 1997-98; Mr. Reisinger stated that Osceola is the most under-developed site in Iowa. He stated that any type of development that pulls travelers off the interstate will increase everyone's revenues.

Mr. Crawford stated that \$31 million has been spent on refurbishing the facility in the last five years. He concurred with Mr. Reisinger's statement that Lakeside would love to have a joint venture partner for the hotel. He further advised that there have been multiple meetings with different hotel development groups; noting that one has hired an architect. Mr. Crawford stated the reason Lakeside would like to have a joint venture partner is that they would like to use as much of the \$10 million as possible for additional related development at the site. He stated that if Lakeside has not been successful in attracting a joint venture partner for the hotel by April, Lakeside will proceed on their own but it will reduce the cash flow available to do other things that would make the property a more exciting and job-creating property. Mr. Crawford stated that Lakeside understands everyone's frustration; they have indicated they will bring a project before the Commission in July and will commence construction in the fourth quarter of this year. He stated that conditions outside of Herbst's control, like the Legislature authorizing table games at racetracks, have impacted the revenue and jobs at the facility. Mr. Crawford pointed out that Lakeside lost 50% of their table game revenue and several employees in a 90-day period; he noted that Lakeside was not the only facility to

experience a decline in table game revenue or employees due to that change. Additional factors attributing to the decline in revenue and employees were the recession and the advent of the ticket-in/ticket-out technology. He stated that Lakeside was only responding to conditions facing the property, not as a way to increase the bottom line.

With respect to the proposed tax increase, Mr. Crawford noted that it is a 63% increase. He stated that he has been told that six or more casinos in Iowa will close if that occurs, which will cost thousands of jobs.

Mr. Reisinger informed the Commission that he has an auto dealership in Osceola, and knows what tough times are; that he works on a single digit margin while the casinos work on a 26% margin. He stated that if Herbst would increase the footprint of the property, the number of jobs would not be an issue. Mr. Reisinger stated that the \$31 million referenced by Mr. Crawford was spent on the inside of the building; there have been no changes made to the outside of the building nor has anything been done that would increase the number of employees. Mr. Reisinger stated that Herbst has a monopoly, is making lots of money and needs to be held to the fire. He stated that the community was sold the idea of a casino based on the fact that it would create jobs; the last referendum passed with over 80% of the voters voting in favor of the continued operation of the casino, but those voters still believe the whole purpose of the casino was jobs, not gambling.

Commissioner Seyfer asked the date of July meeting. Mr. Ketterer stated that the meeting date has not yet been set, but would more than likely be the third Thursday of the month. Commissioner Seyfer asked if there was any reason that Herbst couldn't bring the project before the Commission at the June 9th meeting. Mr. Ross stated that if the Commission wanted to have the project before them on June 9th, Herbst would comply. Commissioner Seyfer asked if the Commission approved the project in June if there would be any reason why ground couldn't be broken in October. Mr. Ross stated that he felt that was reasonable.

Chair Urban called for a motion regarding Herbst's license. Commissioner Seyfer moved to approve the renewal of the license for CCDC/HGI-Lakeside d/b/a Terrible's Lakeside Casino Resort. Additionally, HGI will present plans for the Commission to review and approve at the June 9th Commission meeting and that the project will commence on or before October 1st. Commissioner Hayes seconded the motion.

Commissioner Cutler, noting that Commissioner Seyfer specifically stated the renewal of the license was not conditional, asked what would happen if Herbst doesn't come to the June meeting with a plan. Commissioner Seyfer stated that the license is for one year and that the following year he would probably vote not to renew the license.

Chair Urban called for a vote on the motion, which carried unanimously. (See Order No. 11-29)

Chair Urban called on Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton (CCCD A/WRC). Tom Fullerton, a CCCDA Board member, and Tim Bollmann, General Manager, requested approval of the license renewal application and were available to answer any questions. Mr. Bollmann stated that WRC is starting its third year in the land-based facility, and have experienced an increase in revenues each year.

Mr. Fullerton advised that Clinton County is proud to be celebrating the 20th year of gaming in the county; noting that WRC has been a great asset to the community. He advised that CCCDA was able to place \$2 million toward a \$20 million remodeling project of the riverfront. Additionally, they were able to put \$2 million into an industrial rail park that serves the community. Mr. Fullerton advised that the total cost of the project will exceed \$20 million. When it is completed, Clinton will have one of the newest and brightest rail service industrial parks served by the Union Pacific Railroad. Mr. Fullerton thanked the Commission for their support.

Commissioner Hayes asked what changes the CCCDA charitable grants committee has made since the new facility was opened. Mr. Fullerton stated that when the property operated on a riverboat, CCCDA received less than \$1 million per year; he thought they received approximately \$1.5 million last year. He noted that visitor counts are up.

Hearing no questions or comments concerning the license, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of CCCDA/WRC, L.L.C. d/b/a/ WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-30)

Chair Urban called on Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg (PACGDC/WR Emmetsburg). Amy Rubel, General Manager, stated that the facility gives 6% back to the non-profit, and that the community is so appreciative of the funds received. To date, PACGDC has received \$6 million, with \$1.6 million being distributed during the last grant process. Ms. Rubel stated that there would be a big party in the northwest corner of Iowa as WR Emmetsburg is getting ready to celebrate their five year anniversary and Grand Falls Casino Resort is planning to open Memorial Day weekend. Ms. Rubel advised that the referendum in Palo Alto County had the second highest approval percentage. She requested the Commission's approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of PACGDC/Wild Rose Emmetsburg, L.L.C. d/b/a WR Emmetsburg. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-31)

Chair Urban called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II L. C., d/b/a Catfish Bend Casinos II (SIRRC/CBC). Gary Hoyer, Chief Executive Officer, advised that SIRRC is a unique blend of three communities –

Burlington, Ft. Madison and Keokuk; and two counties – Lee and Des Moines, which has been in existence since 1990. He stated that SIRRC has done a lot within the communities, including commercial development projects – a library, tourist attractions, etc. Mr. Hoyer expressed regrets on behalf of Steven Staebell, the newly elected president of SIRRC, who was unable to attend due to previous commitments.

Hearing no questions or comments concerning the license renewal, Chair Urban requested a motion. Commissioner Hayes moved to approve the license renewal application of SIRRC/Catfish Bend Casinos II d/b/a CBC subject to the individual license renewal of SIRRC board members Steven Link and Joseph Steil by March 17th. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-32)

Chair Urban called on Upper Mississippi Gaming Corp./Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette (UMGC/LLCM). Todd Steffen, General Manager, advised that Sindee Gohde, Executive Director of UMGC, was ill and unable to attend, but did send her comments. In her comments, Ms. Gohde pointed out that UMGC has distributed \$4.2 million in Clayton County and the surrounding areas over the last 16 years. Mr. Steffen advised that UMGC and LLCM have a great relationship. The facility has completed a full year under the Lady Luck brand. The focus of the team members is to insure that the patron is having fun and receiving a great value for their money.

Mr. Steffen stated that in addition to the \$106,000 UMGC distributed in grants in 2010; LLCM donated an additional \$45,000 to charity. During the last month, employees volunteered 248 hours to various organizations, including local charities, communities, area Chamber of Commerce, schools, fire department, etc. Mr. Steffen stated there are approximately 140 employees at the property, and about 22% have been there since day one of operations.

Referencing Mr. Ketterer's remarks during the review of the economic impact reports, Mr. Steffen stated that LLCM does have some challenges in being able to purchase Iowa goods and services, but are able to work with several local businesses. He conceded that it may not be a significant amount of money, but it does mean something to the local businesses and producers. Mr. Steffen stated that the facility will purchase fresh produce for use at the facility when it is available. They also offer wine made at a local winery. Mr. Steffen requested the Commission's approval of the license renewal and the following contracts:

- JCM American Corp – Purchase, Maintenance of Replacement Bill Validators
- Konami Gaming, Inc. – Purchase, Lease, Parts, Maintenance of Slot Machines

Hearing no comments or questions regarding the license renewal or the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the license renewal of UMGC/Isle of Marquette, Inc. d/b/a LLCM and the two additional contracts as

submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-33)

Chair Urban moved to Public Comment and called on Wes Ehrecke, President of the Iowa Gaming Association (IGA), who distributed copies of the County Endowment Fund Program report. He stated that this is the fifth year of the program which benefits those counties without gaming facilities. The report shows how the counties have utilized the funds received from the program.

Mr. Ehrecke also commented on the 20th anniversary of gaming in Iowa, and noted that several communities will be celebrating. He stated that the industry now employs 10,000, and creates \$1.5 billion of capital investments. Mr. Ehrecke stated that a lot of the success of the industry comes with certainty with regard to various issues, but currently the industry is dealing with a lot of uncertainty pertaining to the tax rate. Mr. Ehrecke also stated that the IGA members are working to defeat the 63% increase in the tax rate. He noted that casinos are taxed on their gross revenue, not the net. Mr. Ehrecke advised that this tax increase would be devastating to the casino industry and would cause some of the facilities to default on their loan covenants, and would lead to six or more casinos closing. The members are stressing that a 63% increase in the tax rate will not mean a 63% increase in revenue to the state.

Chair Urban moved to Administrative Business. Dr. Keith Soring, Director of Racing, gave notice that parties interested in applying for the Horse Racing Promotion Fund for Fiscal Year 2011 in the amount of \$3,531.00 should submit their request to the Commission's Des Moines office by 4:30 PM on April 1st. He also advised that The Legacy Harness Horse Foundation, who received the 2010 funds, must submit a written accounting of how they utilized the funds and an affidavit stating that none of the funds were spent on any political activity or an attempt to influence legislation.

Chair Urban, on behalf of the Commission, thanked the non-profits for all that they have done for their respective communities and the difference it is making in the culture of Iowa. She called for a motion to adjourn. Commissioner Rivera so moved. Commissioner Hayes seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING & GAMING COMMISSION
MINUTES
APRIL 14, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 14, 2011 at Harrah's Casino Hotel in Council Bluffs, Iowa. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Greg Seyfer and Andrea Rivera.

Chair Urban called the meeting to order at 8:30 AM, and advised there was one amendment to the agenda under the financial audits, the addition of Lyon County as "O". She requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Urban called on Mayor Tom Hanafan to welcome the Commission to Council Bluffs. Mayor Hanafan gave a brief background on how gaming came to the Council Bluffs area and the many benefits it has provided to the community and county, as well as surrounding communities and counties. He thanked the Commission for their efforts in maintaining the integrity of gaming in Iowa.

Chair Urban moved to the approval of the minutes from the March 3, 2011 Commission meeting. Commissioner Rivera moved to approve the minutes from the March 3, 2011 Commission meeting as presented. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Urban called on Jack Ketterer, Administrator of IRGC, for announcements. Prior to the announcements, Mr. Ketterer introduced the following IRGC staff members in attendance: Licensing Assistants: Gina Goos, Linda Baxter and Julie Petersen; Gaming Representatives for Ameristar: Lynette Masker and Bryan Crowdy; Gaming Representatives at Horseshoe/Bluffs Run: Carol Fajen and Cory Ostermeyer; Racing Steward for Bluffs Run: Richard Woodsmall; and the Gaming Representatives at Harrah's: Max Zaragosa and Jeff Rethmeier. Mr. Ketterer also introduced the two newest IRGC staff members, Wayne Palmer and Doug Heilman, the Gaming Representatives for the Grand Falls Casino Resort in Larchwood.

Mr. Ketterer stated that there is no meeting in May, and the June meeting will be on June 9th at Stoney Creek Inn in Johnston.

Mr. Ketterer advised that the proposed meeting dates established for Fiscal Year 2012 are as follows:

<u>DATE</u>	<u>LOCATION</u>
July 21, 2011	Stoney Creek Inn, Johnston
August 25, 2011	Riverside Casino & Golf Resort
September 22, 2011	Grand Falls Casino Resort
November 10, 2011	Stoney Creek Inn, Johnston
January 12, 2012	Stoney Creek Inn, Johnston
March 8, 2012	Stoney Creek Inn, Johnston
April 19, 2012	Ameristar, Council Bluffs
June 7, 2012	Stoney Creek Inn, Johnston

He noted the dates would be posted on the Commission's website.

Chair Urban moved to the recognition of Commissioners Kate Cutler and Paul Hayes. Mr. Ketterer noted that they had not been reappointed to serve on the Commission and that this would be their last meeting.

Mr. Ketterer stated that Paul Hayes was appointed to the Commission in September 2008. He indicated that he was a quick study from the beginning and his career in accounting and broad expertise was valuable to the Commission. During the recent license application process, his pragmatic approach in dealing with various issues gained the respect of all impacted during the process. Mr. Ketterer stated that the Commission has been better for his service, and presented Commissioner Hayes with a plaque thanking him for his service to the Commission.

Commissioner Hayes thanked the citizens in the State of Iowa for the honor of serving on the Commission, and to hopefully have accomplished some good things for the state. He thanked the Commission members for the warm welcome when he joined the Commission and the ability to discuss numerous difficult topics over the last several years and reach good decisions. Commissioner Hayes thanked Mr. Ketterer and the staff for their work.

Mr. Ketterer noted that Kate Cutler joined the Commission in June 2002, and has the third longest tenure behind Diane Hamilton and Rita Sealock. He pointed out that Ms. Cutler served on the Commission during some of the most challenging times. The Commission was asked to lift the moratorium on new licenses as a result of the Supreme Court Decision nullifying the differing gaming tax rates. Mr. Ketterer advised that the

Commissioners agreed to consider new licenses only if certain changes were made in the law. The Legislature responded by passing a comprehensive gaming bill in 2004, which marked the end of most of the water requirements. Consequently, the Commission accepted ten applications and issued four licenses from December 2004 through May 2005. The Commission reviewed and evaluated the applications, visited the proposed sites and held additional meetings. Ms. Cutler served as Chair of the Commission from 2006 through 2008, during which time new casinos opened in Burlington, Clinton, Emmetsburg, Northwood, Riverside, and Waterloo. Mr. Ketterer stated that gambling revenues reached their highest level ever, \$1.415 billion of adjusted gross revenue, in FY 2008. He noted that Ms. Cutler has recently been involved in another application process. The Commission entertained two studies. The application process from July 2009 to May 2010 resulted in four applications, hours of study, visits to the proposed sites, and the awarding of one license. Mr. Ketterer thanked Commissioner Cutler for her outstanding service to the Commission.

Commissioner Cutler stated that she has enjoyed her time on the Commission, and that it was an honor to serve on the Commission. She thanked her fellow Commission members, and Mr. Ketterer and the IRGC staff. Commissioner Cutler also thanked the gaming industry for the integrity of the industry in Iowa.

Chair Urban told Commissioners Cutler and Hayes that the Commission would miss their expertise and assistance on the issues facing them. She wished them well.

Chair Urban called on Isle of Capri Casinos, Inc. regarding the refinancing of their Senior Secured Credit Facilities. Stacey Hall, legal counsel, advised that the final executed documents before them were the same as the documents presented and approved at the March Commission meeting. Chair Urban advised that no vote was necessary since the documents had been approved at the March Commission meeting.

Chair Urban called on Ameristar Casino, Inc. Troy Stremming, Vice President of Government Relations, presented Ameristar's proposed debt refinancing transaction. Mr. Ketterer asked Mr. Stremming to provide a brief summary. Mr. Stremming advised that the financial markets are recovering, allowing Ameristar to restructure their debt and use \$458 million to repurchase stock. The transaction will also give the company a substantial amount of flexibility to grow across the country and in Iowa.

Hearing no comments or questions for Mr. Stremming, Chair Urban requested a motion. Commissioner Cutler moved to approve Ameristar Casino, Inc.'s debt financing transaction. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-34)

Chair Urban 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:

- Bally Gaming, Inc. – Purchase & Installation of 6 Slot Machines
- Central Credit, LLC – Check-cashing Approval Protection Service
- Cummings Allison Corp. – Purchase & Installation of 1 Cummins JetScan MPS 4115 ECF w/Continuous Batch Processing
- Wild Rose Entertainment, LLC – Management Fees Agreement

Chair Urban asked Mr. Bollmann about the Cummings Allison contract. Mr. Bollmann advised that it is for currency counting equipment. The company is headquartered in Illinois, but does have an Iowa office.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by WRC. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-35)

Chair Urban called on Diamond Jo Worth (DJW). Kim Pang, General Manager, presented a contract with USA Security for a CCTV upgrade.

As there were no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-36)

Chair Urban called on HGI Lakeside (Lakeside). Bob Thursby, General Manager, presented the following contracts for Commission approval:

- Marketing Results, Inc. – Direct Marketing Consulting/Software/License Agreement
- Reif Oil Company – Fuel Purchase for Resale at C-Store

Hearing no 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. 11-37)

Chair Urban called on IOC Bettendorf (IOCB). Ms. Hall expressed regrets on behalf of Nancy Ballenger and Mo Hyder, General Managers at IOCB and Rhythm City respectively, who were unable to attend as they are dealing with flooding issues. Ms. Hall presented a contract with Tai Ping Carpet Americas for the manufacture and installation of fire-retardant wool carpet.

As there were no comments or questions regarding the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by IOCB. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-38)

Chair Urban called on Rhythm City. Ms. Hall presented the following contracts for Commission approval:

- Tai Ping Carpets Americas, Inc. – Manufacture and Install Fire-Retardant Wool Carpet
- Bertch Cabinetry Mfg. – Custom Cabinetry and Woodwork
- Sherwin Williams – Paint and Decorating Services
- Color Inc. – Painting Entire Exterior
- Blackhawk Fleet – Dredging Services (RP)

Hearing no comments or questions regarding the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Rhythm City. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-39)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Additional Slot Machines
- Level 10 Appeal – Promotional T-Shirts
- Mercy Iowa City – Medical Health Plan Costs for 2011
- Vital Support Systems – Servers, Storage and Tape Back Up, Software Licenses
- William Morris Endeavor Entertainment, LLC – Entertainment Broker

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. 11-40)

Chair Urban called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- American Hotel Registry – Hotel Soft Goods
- Computer Service Innovations – Cabling, Hardware and Accessories
- Cintas – Casino & Resort Team Member Uniforms
- Coca-Cola Bottling Co. – Beverage Contract
- Data Business Equipment – Tick Redemption Kiosks; Drop Carts; Kiosk Carts
- Doll Distributing, LLC – Beverage Purchases
- Edward Don – Food & Beverage Smallwares
- Electric Gizmos & Display Systems – Casino Exterior Pylon/Monument Display Package
- Glazers Midwest – Beverage Purchases
- Hawkeye Foodservice Distribution – Food Purchases
- Johnson Brothers – Beverage Purchases

- Iowa Alcoholic Beverage Division – Alcoholic Beverage Purchases
- King Food Service – Food Purchases
- Loffredo Fresh Produce Co., Inc. – Food and Produce Purchases
- Myers-Cox Company – Purchase of Cigarettes, Sundries, Candy & Chips
- North Country Business Products – Micros Hardware Purchase
- Roberts Dairy Company – Food and Dairy Purchases
- SHI Software Hardware Integration – Hardware Purchases
- Target Commercial Interiors – Office FF&E
- Target Commercial Interiors – Guest Room TV, Hardware, Drapery Tracks & Installation
- Vital Support Systems – Network & IP Telephone – Professional Services
- Vital Support Systems – Servers, Software Licenses, and Professional Services
- U.S. Foodservice – Food Purchases

Chair Urban, noting the Target Commercial Interiors contracts were marked as Iowa contracts, stated they were actually negotiated with the corporate office in Minneapolis. She questioned whether Iowa would be collecting any sales taxes on the purchases. Ms. Haselhoff stated that Iowa would collect sales taxes on the purchases.

As there were no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by GFCR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-41)

Commissioner Rivera expressed her appreciation for the RTA forms showing the additional bids received.

Ms. Haselhoff distributed current photos of the construction site. She advised that they are on target for a May 26th grand opening; that directors have moved into their offices and computers are up and running; the elevator is to be tested next week; a job fair will be held next week; slot machines are being installed on the floor; kitchen equipment has been installed; and the number of staff is expanding everyday.

Chair Urban asked if individuals were able to make reservations for the hotel. Ms. Haselhoff advised that the reservation system would be up and running by the end of the month. Currently, calls are being routed to Riverside.

Hearing no further comments or questions for Ms. Haselhoff, Chair Urban called on Ameristar Casino. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- Haworth Marketing & Media – Media Agency
- Suzo Happ Group – Gaming Parts and Accessories
- Multimedia Games/MegaBingo, Inc. – Slot Machines, Equipment and Leases

Commissioner Hayes pointed out there were no Iowa vendors. Mr. Terhune stated that two of the contracts were for gaming equipment and/or parts; he promised to do better at the June meeting.

Hearing no further comments concerning the contracts, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-42)

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

- Cottingham & Butler Insurance – Property & Casualty Insurance
- Iowa Greyhound Association – First Amendment to IGA Contract
- Racetrack Television Network, LLC – Agreement to Distribute Simulcasts from Dubuque
- Roberts Communication Network, LLC – Simulcast Transmission Agreement

Hearing no comments concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Mystique. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-43)

Jim Quilty, representing the Iowa Greyhound Association (IGA), expressed the IGA's appreciation to the Dubuque Racing Association for working closely with them on establishing the simulcast of DRA's signal. It is something the IGA has wanted at the track for quite some time.

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, stated that they hope to have the hotel open by this time next year. He stated that the project is on schedule and under budget. He indicated that everything is looking good at this time.

Chair Urban asked Mr. Palmer for an update on the lease negotiations with Polk County. Mr. Palmer advised that the parties are still negotiating. He stated there is a meeting scheduled for Monday and all day Tuesday if necessary. Mr. Palmer indicated the lease is 90% complete. There is one article they are working on that is somewhat contingent upon legislative decisions pertaining to the smoking ban or increased taxes; the parties are working on how to denote a decrease in revenue at PMR&C, which would translate into a reduction of funds to the county. Mr. Palmer stated the parties are hoping to have the lease completed next week.

Chair Urban asked if PMR&C obtained a third party appraisal of the property. Mr. Palmer answered in the affirmative. It reflected three different appraisal scenarios: land lease; the property as is, and selling the property. He stated that the rent is fair; that the

debate is on net receipts. Mr. Palmer stated that both parties are negotiating in good faith.

Mr. Palmer presented the following contracts for Commission approval:

- Capital City Equipment – Maintenance Equipment
- Data Business Equipment – Cash Handling Equipment
- Global Payments, Inc. – Casino Guest Check Cashing and Credit Card Services
- Multimedia Games – Leasing of Slot Games
- Multimedia Games – Purchase of Slot Games
- Murphy Tractor and Equipment – Maintenance Equipment
- Rueters JCB Construction Equipment – Maintenance Equipment
- Ziegler Caterpillar – Maintenance Equipment

Hearing no discussion concerning the contracts, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-44)

Mr. Ketterer noted the live meet would be starting the following week. Mr. Palmer stated there is a lot of excitement. They have received more stall applications than they have ever had; there are 20 new trainers and a new jockey colony.

Chair Urban called on Dan Burg, Vice President of the Heartland Iowa Project. Mr. Burg, 1st Vice President, advised that the group wishes to build a racetrack, casino and hotel in the Council Bluffs area. The company has a group of investors willing to invest in the project who feel that it would be self-supporting. They are willing to move forward with the project if the Commission is willing to do so.

Mr. Ketterer asked Mr. Burg if the project included a casino. Mr. Burg indicated a casino was part of the original plan, but the track was the most important piece of the project.

Chair Urban asked if any of the individuals in the organization had a background in racing or gaming. Mr. Burg answered in the affirmative. Chair Urban asked if the organization is currently operating other casinos or racetracks. Mr. Burg answered in the negative.

Mr. Ketterer advised Mr. Burg that the reason he asked his question about the inclusion of a casino is that the Iowa Code states that in order for a racetrack to have a casino, the racetrack has to have been continuously licensed since January 1, 1999. Heartland would be required to submit two separate license applications.

There were no further comments or questions concerning the presentation by Mr. Burg for the Heartland Iowa Project.

Chair Urban moved to the review of the licensees' financial audits and called on Ameristar Casino. Mr. Terhune was available to answer any questions regarding the financial.

Hearing none, Chair Urban called on Argosy Casino-Sioux City. Joelle Shearin, Director of Finance, advised that 2010 was a record year; they experienced a \$2 million increase over the prior year. She advised that the closure of a pork processing facility did have an impact on their operations. Their EBITDA was \$20.4 million, which was an increase of 36.1% - the highest in the Penn National portfolio. Argosy completed the changeover to digital surveillance, and painted the lighthouse along with other upkeep obligations in an effort to keep the property fresh.

As there were no comments or questions concerning the Argosy financial statement, Chair Urban called on Catfish Bend Casinos (CBC). Gary Hoyer, Chief Executive Officer, and Donald Spears, Controller, were available to answer any questions.

Commissioner Hayes stated that the promotion and comp line decreased approximately 30% between 2009 and 2010. He asked if this was just a blip on the screen. Mr. Hoyer stated that CBC had evaluated their expenditures over the last year and a half and determined that it was heavy on the comp side. This revenue was shifted to the free play side. The change made the players happy and improved the operating revenues.

Mr. Ketterer asked about the 2012 refinancing of debt. Mr. Hoyer advised that it would occur in June 2012. Mr. Ketterer asked Mr. Hoyer for his thoughts on the refinancing. Mr. Hoyer advised that CBC is closely watching the Governor's tax rate proposal, and are working with the lenders to get a feel of what the financing might look like relevant to that. The issue is on their radar screen. Mr. Ketterer asked Mr. Hoyer if he was cautiously optimistic. Mr. Hoyer stated that he felt the interest rate would be higher and for a shorter time frame, but believes it will work.

Hearing no further questions or comments regarding the CBC financial audit, Chair Urban called on the Diamond Jo. Todd Moyer, General Manager, was available to answer any questions.

As there were no questions regarding the Diamond Jo audit, Chair Urban called on DJW. Mr. Pang was available to answer questions. Commissioner Hayes asked about the 40 acres of land that DJW leases. Mr. Pang advised that a 9-hole golf course and a clay pigeon shooting course take up approximately 30 acres of land.

Hearing no further comments or questions regarding the DJW financial audit, Chair Urban called on Harveys Iowa Management Company, Inc. (Harrah's). Ms. Sternberg was available to answer questions.

Commissioner Hayes noted that the audit does not break out the capital expenditures by property. Ms. Sternberg stated that \$3 million was spent on capital improvements in

Council Bluffs; all of the hotel rooms were renovated and the surveillance system was converted to digital. Commissioner Hayes asked about slot machine replacement. Ms. Sternberg stated that Harrah's replaces or converts 10-20% of the gaming floor each year.

Chair Urban called on Terrible's Lakeside Casino. Bob Thursby, General Manager, was available to answer any questions. Chair Urban noted that expenses were down considerably from 2009, and wondered if there was any correlation to the maintenance issues at the property. Mr. Thursby answered in the negative.

Chair Urban called on Wild Rose Clinton (WRC). Tom Timmons, Vice President of Operations, advised that he and Scott Evers, Chief Financial Officer, were available to answer questions on the financial audits for both WRC and Wild Rose Emmetsburg (WR Emmetsburg).

Commissioner Hayes noted that earlier the Commission approved an increase in management fees from \$1.1 million to \$1.2 million; however, the audit reflects the management fees as \$1.7 million. Mr. Timmons advised that revenues increased when WRC moved from the boat to the land-based facility; there has been no change in the dollar amount of the management fees.

With regard to the WR Emmetsburg audit, Commissioner Hayes noted there was a significant change in the marketing and distribution costs between 2009 and 2010. Mr. Evers advised the change was due to a classification change in how they are showing promotional items.

Hearing no further questions or comments regarding the audits for WRC or WR Emmetsburg, Chair Urban called on RCGR. Mr. Franz provided the following information:

- Assets of \$106 million; in 2010, there is \$128 million in property and equipment;
- Liabilities: \$98 million; bank debt has been reduced by \$10 million to \$70 million;
- Revenue was flat year over year; net revenue was up slightly, table play increased 7%
- Non-gaming revenue: golf revenue was up 14%
- EBITDA was up \$2.9 million from 2009. They controlled costs in order to return to the 2008 EBITDA revenues.
- Gaming taxes: \$19.3 million in gaming taxes and fees; \$7.4 million to the City of Riverside, and \$7.3 million in property taxes since opening. They paid \$3.2 million to the non-profit operator in 2010 and an additional \$267,000 in charitable contributions outside of payments to the non-profit operator.
- 97% of goods and services were purchased from Iowa vendors.

Mr. Franz advised that the facility took over the spa operations in July in order to have more control over the operation and hours. The golf course continues to be one of the top

100 courses. The redesigned holes were established in 2010 and should open later this month. He stated that the Golf for Injured Veterans Everywhere (GIVE) Foundation is still going strong. The foundation provides veterans with an opportunity to learn how to play golf and improve their quality of life. Mr. Franz stated that Riverside finished the year strong by making cost effective decisions without giving up quality.

Commissioner Seyfer asked what Riverside plans to do with the golf holes that were replaced. Mr. Franz advised that they will be maintained this year and will be used in a variety of ways – GIVE Foundation or practice holes. They will be evaluated as the year progresses. They are also discussing an RV park or possibly redesigning them into a 9-hole course.

Commissioner Rivera asked about charitable golf tournaments. Mr. Franz stated they are doing more and more. They have to find a balance between doing charitable events and running a business. Riverside does host a GIVE tournament and were approached by the Ronald McDonald House this year. Discussions are ongoing with them at this time. It is an event that may occur in the future.

Hearing no further comments or questions for Mr. Franz, Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park. Ms. Sternberg advised that \$2.6 million was spent on capital expenditures.

As there were no questions for Ms. Sternberg, Chair Urban called on the Dubuque Racing Association. Mr. Hoeger advised they made some positive accounting changes which resulted in a distribution of \$11.3 million. Capital expenditures were \$1.5 million.

As there were no questions for Mr. Hoeger, Chair Urban called on the Iowa West Racing Association (IWRA). Jerry Mathiasen, Senior Vice President, noted that IWRA is the license holder for Horseshoe Casino and the non-profit license holder for Ameristar and Harrah's. He introduced Tim Miller, the Chief Financial Officer for IWRA. Mr. Miller advised that the fee income for IWRA from the properties in 2010 was \$7,178,427, which helped the organization and the local charities through the tough times. He stated that IWRA hopes to be able to maintain their current grant giving levels.

Commissioner Cutler asked how much IWRA has distributed in grants. Mr. Mathiasen stated that the Iowa West Foundation reached the milestone of \$250 million in 2010 since its inception. They hope to break the \$300 million mark later this year.

Hearing no further comments or questions for Mr. Mathiasen or Mr. Miller, Chair Urban called on PMR&C. Mr. Palmer provided the following highlights of PMR&C's financial audit:

- Gaming taxes – Paid over \$44 million
- Charitables – Not including the facility lease: \$23 million; Including lease payments: \$40 million.

- Average 1300 employees; there are three different unions at PMR&C.
- \$10.5 million was spent on capital improvements
- Debt-free at this time, but is not sure how long that can be maintained with the construction of the hotel
- Revenues are down approximately 1.1% from the previous year while expenses have increased. He expressed optimism about the economy turning around.

As there were no questions for Mr. Palmer, Chair Urban called on Lyon County. Ken Bonnet, Chief Financial Officer, was available to answer questions.

Hearing none, Chair Urban moved to the approval of the distribution of the Horse Racing Promotion Fund. She noted there is \$3,531.00 available for distribution. The Commission received two applications for the funds: The Legacy Harness Horse Foundation and the Iowa Quarter Horse Racing Association (IQHRA). Chair Urban stated that The Legacy Harness Horse Foundation has received the funds the last four years.

Commissioner Hayes moved to divide the available funds in the 2011 Horse Racing Promotion Fund equally between The Legacy Harness Foundation and the IQHRA. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-45)

As there was no Public Comment, Chair Urban moved to Administrative Business and the election of a new vice chair to serve until the annual election of officers in July. Commissioner Cutler nominated Commissioner Seyfer to serve as Vice Chair. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-46)

Chair Urban stated that she will not be in attendance at the June Commission meeting, and two new members will be joining the Commission.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 9, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 9, 2011 at Stoney Creek Inn, Johnston, IA. Commission members present were Greg Seyfer, Vice Chair; and members Andrea Rivera, Carl Heinrich and Jeff Lamberti. Chair Toni Urban was absent.

Vice Chair Seyfer called the meeting to order at 8:30 AM and welcomed the newest members, Carl Heinrich and Jeff Lamberti. He then requested a motion to approve the agenda. Commissioner Heinrich moved to approve the agenda as presented. Commissioner Rivera seconded the motion, which carried unanimously.

Vice Chair Seyfer moved to the approval of the minutes from April 14, 2011. Commissioner Rivera noted one correction on page 2: the date of the March 2012 meeting should be March 8th. Commissioner Rivera moved to approve the minutes from April 14, 2011 as corrected. Commissioner Lamberti seconded the motion, which carried unanimously.

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

- July 21, 2011- Stoney Creek Inn, Johnston, IA (Submissions due by July 7, 2011)
- August 25, 2011 - Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 11, 2011)
- September 22, 2011 - Grand Falls Casino Resort, Larchwood, IA (Submissions due by September 8, 2011)

Mr. Ketterer advised that the Commission would be electing the Chair and Vice Chair for the following fiscal year at the July meeting.

Mr. Ketterer stated that Governor Branstad had signed Senate File 526, and provided the following synopsis. He noted there are three major parts to the bill; the first dealing with horse racing. The dates, number of racing days and purses were statutorily set; however, the Commission will still have to approve the calendar and benchmarks at the November meeting along with the pari-mutuel license renewals. One section dealt with Advanced Deposit Wagering (ADW), which Mr. Ketterer described as a major element in the future of horse racing. He stated that it is important for all parties, IRGC, Horsemen's Benevolent and Protective Association, and Prairie Meadows Racetrack & Casino (PMR&C), to gather information. Twenty states currently offer ADW; it is a very complex issue in the horse industry at this time. Mr. Ketterer also stated that he felt it

was important for PMR&C and the horsemen to agree but that they also need to take the racing fans into consideration, and what is best and most convenient and customer-service oriented for them. Mr. Ketterer stated that it is important to have a vision for the future as he believes racing will gravitate this way; that the days of people having to go to a racetrack or an off-track facility to place their bets are diminishing and the number of individuals wagering either at home on their computer or on their personal mobile devices is going to increase as the years go by.

The second portion of this bill dealt with Intrastate Internet Poker (IIP). The Legislature opted to have the Commission do a report, due December 1st, on the regulatory framework for IIP. He advised that Brian Ohorilko, Director of Gaming, will be gathering the information and preparing the report. The statute requires the Commission to consider the current state of IIP in Iowa, consumer protection, responsible gaming measures, licensing structures, regulatory recommendations, affiliations with 99F licensees, and collection of wagering taxes. The statute further directed the Commission to consult with 99F licensees, and tribes with Iowa compacts, potential hub operators and any other interested parties. Mr. Ketterer stated that the Commission was not required to make a recommendation on the legalization of IIP, and is to receive a report from the Director of the Department of Public Health on the societal impacts of IIP.

The third element of the bill had to do with the referenda. Facilities that have had two successful referenda votes are exempted from any further referenda unless required by a petition.

Mr. Ketterer touched briefly on the flooding in western Iowa and its impact on those properties. He stated that the Des Moines office has received and appreciates the updates from the four properties in western Iowa; Harrahs, Horseshoe Casino/Bluffs Run Greyhound Park, Ameristar and Belle of Sioux City. He stated that the contingency plans in Council Bluffs fall into two categories: one addresses the various river level stages and the other is if a levee is breached anywhere in Council Bluffs. Sioux City is on the high side of the river and most of the flooding occurs in South Dakota and Nebraska. He asked the affected properties to update the Commission on their preparations for the safety and evacuation of employees and patrons if necessary, as well as the outlook for the operation of their respective facility on a continuing basis.

Mr. Ketterer noted that today marks the opening of the Grand Falls Casino Resort in Larchwood. He congratulated Dan Kehl, Ken Bonnet, Joe Massa and everyone involved in the project. He indicated that it is a great facility and is worth the trip.

Vice Chair Seyfer called on Isle of Capri for an update on their negotiations/discussions with the City of Davenport. Ed Quatmann, Senior Vice President and General Counsel for Isle of Capri Casinos, Inc. (IOC) and IOC Davenport, the owner/operator of the Rhythm City in Davenport, stated that the City of Davenport has chosen MSEG, LLC from Chicago as its chosen developer for a downtown land-based casino; Steve Edelson is one of the main partners of the company. Mr. Quatmann stated that the parties have

made progress, and IOC has signed a Letter of Intent to sell Rhythm City Casino operations to MSEG, LLC. Both parties have given themselves 60 days to work on a definitive purchase agreement and conduct due diligence on each other. He stated that the terms of the transaction were hard for IOC to swallow. Mr. Quatmann stated that IOC understands what the City is trying to accomplish; IOC stated they would be cooperative, and have been cooperative. He advised that the definitive agreement will provide for all necessary consents and approvals of the Commission. The parties have entered into a confidentiality agreement. Mr. Quatmann thanked the employees at Rhythm City for a great job in protecting the customers and assets during the flooding, which occurred earlier this year. The facility will continue to operate and focus on operations, and will continue to do so until the sale is finalized.

Vice Chair Seyfer expressed the Commission's appreciation for the effort put forth by both parties in reaching an agreement, and indicated the Commission understood the need for confidentiality.

Bill Gluba, Mayor of Davenport, thanked the Commissioners for serving on the Commission and fulfilling the purpose of riverboat gambling in Iowa. He stated that the City is delighted IOC has come to a consensus with their chosen developer as the City has felt that IOC treated Davenport like an after thought; and revenues and attendance have declined costing the state and local governments approximately \$25,000 per day. He noted that Scott County has one gaming company competing against itself. Mayor Gluba stated that the \$75 million land-based development in downtown Davenport will provide an opportunity to compete with Jumer's. This will be the largest single private investment made in the history of downtown Davenport. He asked the Commission to stay vigilant and insure that IOC meets the deadlines.

Vice Chair Seyfer requested that IOC report at the end of the 60 days. Mr. Quatmann stated that the exclusivity runs for 60 days, which is August 2nd. He reiterated that the 60 days is an exclusivity period for the parties to work together. If they are close to getting everything completed, the parties will push the date further out if needed.

Commissioner Rivera asked where the new facility is to be built. Mr. Quatmann stated that MSEG will build their facility in downtown Davenport.

Vice Chair Seyfer called on Wild Rose Entertainment, Inc. regarding their request for approval of debt refinancing for Wild Rose Clinton (WRC) and Wild Rose Emmetsburg (WRE). Scott Ivers, Chief Financial Officer, stated that the refinancing is through a local bank. He noted that the Commission has been provided with a summary of the significant changes.

Hearing no discussion or comments regarding the refinancing, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the debt refinancing for WRC and WRE as presented. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-47)

Vice Chair Seyfer called on HGI-Lakeside. David Ross, Chief Executive Officer of Affinity Gaming, formerly Herbst Gaming, stated that the company emerged from bankruptcy on January 1, 2011. He advised that they have executed a construction agreement, subject to the Commission's approval, for the project. Mr. Ross stated that the project has an accelerated timeline, and the intent is to be under construction by the 3rd quarter of this year. He stated that the project is more than a hotel expansion. Mr. Ross stated the company is very excited about the possibilities at Lakeside. Mr. Ross turned the floor over to Ferenc Szony, President of Affinity Gaming. He also introduced Bob Thursby, General Manager at Lakeside, Scott Travers, Regional Manager, and the architect and contractor for the project, who will walk the Commission through the presentation.

Mr. Szony stated that the project started with an expansion in the number of hotel rooms from 60 to 150 total. It was also determined that the existing hotel rooms are in need of renovation. Other amenities that are planned are a year-round pool (indoor/outdoor), an entertainment venue, plus additional food and beverage venues. During the past five months, the company interviewed and has received bids from four Iowa contractors. Mr. Szony stated that the company has selected Larson & Larson as the contractor for the project. Mr. Szony turned the floor over to Pierce Cody of Simonson and Associates.

Mr. Cody advised the Commission that there are four major components to the project being presented – a new 90-room hotel, renovation of the existing 60 hotel rooms, the addition of new waterfront amenities, including an amphitheater and stage to help promote additional entertainment opportunities, and some internal changes to add additional food and beverage venues. He provided additional information about the new hotel and renovation of the current hotel:

- New 90-room hotel: Will make use of the natural grade of the site; there will be rooms with exits out the back facing the lake. There will be a new courtyard facing the lake. Two additional floors will have king and queen rooms plus one large corporate suite. A new lobby will be created at the center of the three wings of the hotel so that all of the hotel rooms will be in easy walking distance of the lobby; it will also serve to separate hotel and events center traffic. A separate events center entrance will also help prevent cross traffic. The indoor pool will be redesigned with glass that is able to be opened making the pool an indoor/outdoor pool. The fitness center will be enlarged, and several back-of-house functions will be consolidated in this wing. The current design allows for future expansion.
- Existing 60-room hotel: Will be totally renovated/refurbished to match the new hotel. The existing hotel lobby will be changed to smaller breakout spaces. Waterfront amenities include a new outdoor patio; all first floor rooms will have a private patio. The new waterfront stage will have a total seating capacity of 1,000. Removal of the existing pool will allow for the creation of an area that can

be utilized for small corporate functions, weddings, etc. They are adding a small convenience/quick service food area that will face the parking lot.

Mr. Cody turned the floor over to Brent Cooper, Vice President of Larson & Larson Construction. Mr. Cooper stated that they are an Iowa contractor, and the project will provide approximately 150-175 construction-related jobs. He advised that the project is being presented to the Planning & Zoning Commission for the city of Osceola this evening; the City Council meeting is July 5th. They hope to break ground by July 11th, subject to the necessary approvals from the city of Osceola and the Commission. Concrete work would begin in early August, with a goal of having the project enclosed by the first of the year, and the entire 90-room hotel expansion completed by Memorial Day. Once the new hotel is completed and turned over, complete renovation of the current hotel will begin along with exterior site work for the new hotel on the south side and the amphitheater as weather allows. The goal is to have this portion of the project completed by July 4th, 2012, and completion of the renovation of the existing hotel by Labor Day 2012. Mr. Cody acknowledged that this is a very aggressive schedule, but believes it can be accomplished.

As there were no questions relating to the project, Vice Chair Seyfer moved to the proposed refinancing. Mr. Ketterer asked Mr. Ross if the main purpose of the refinancing was to obtain more flexibility. Mr. Ross answered in the affirmative; noting that the new terms are less restrictive.

Hearing no discussion or questions regarding the refinancing documents, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the refinancing documents as presented. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-48)

Mr. Ketterer noted that some of the breakdown of costs were estimates at this point. He stated that it is his understanding that if the proposed project does come in under the projected \$10 million that Affinity is planning to put the remainder of the \$10 million into development of the property. Mr. Ross answered in the affirmative. He stated that should any of the committed funds not be utilized for this project, they will be placed in an escrow account to be utilized for additional development at the facility. Mr. Ross stated they are very confident the proposed project will utilize all of the committed funds.

Commissioner Rivera asked if the financing for the project will remain in place should it exceed the \$10 million. Mr. Ross answered in the affirmative. Mr. Szony stated that the project as presented is approximately \$10.65 million.

Doug Gross, legal counsel for Clarke County Development Corporation (CCDC), the non-profit license holder, noted that the parties have had a rocky relationship for the last several months. He thanked the Commission for taking the stance they did at the March Commission meeting. He noted that two days earlier the project was a \$7 million project; however, due to the commitment Affinity made regarding the cost of the project, the

scope was increased to meet the previously stated dollar amount. Mr. Gross stated that CCDC did not want to hold up the project in any way, and wants to insure that the construction project moves forward as scheduled. He stated it is the first time that CCDC has heard a complete description of the project, but they don't have any specific objections. He advised that CCDC is pleased with the timeline set forth; noting that they are appreciative of the aggressive timeline. Mr. Gross stated that the Commission is approving refinancing that CCDC has not seen; and are hopeful that the Commission has reviewed it carefully so that the company does not end up in financial trouble again. He stated that some of the issues between CCDC and Affinity are due to the fact that Herbst over-leveraged the company. Mr. Gross stated that CCDC would have liked to have had the opportunity to review the proposed refinancing prior to Affinity submitting it to the Commission and receiving the Commission's approval. Mr. Gross asked the Commission to encourage Affinity to work with CCDC to share their plans, receive input and review documents and information so that CCDC can be helpful to them as both parties try to achieve their goal, which is jobs and economic growth for the community. He stated that one issue that has not been resolved is the fact that CCDC receives 1.5% of gross gaming revenues, which is less than half of any other non-profit licensees in the state, and less than half of the statutory minimum established by the Legislature for new licensees in 2004. Mr. Gross stated that lost revenue has an impact on the community. He again asked the Commission to encourage Affinity to continue to work with CCDC to discuss a resolution of the Management Agreement. Mr. Gross stated that CCDC has submitted proposals to Affinity but has not heard back from them. He again thanked the Commission for their stance at the March Commission meeting. He asked the Commission to take a strong stand with Affinity regarding the Management Agreement moving forward. Mr. Gross asked the Commission to support the construction project.

Vice Chair Seyfer stated that he, and all Commission members, would encourage mutual cooperation on all fronts; that it would be beneficial to everyone.

Mr. Ross concurred that CCDC had not seen the last series of printouts for the project, but advised that the project does include many components set forth at the last meeting between the two parties. He stated they will work to improve their communication with CCDC.

Mr. Ketterer stated that regarding the refinancing, legal counsel for Affinity contacted the Commission and advised that the Board was not going to vote on it until Thursday (June 2nd). The refinancing was added to the agenda as they hope to close it within the next 10 days to two weeks. He stated the refinancing issue was somewhat similar to the construction contract; noting that it is in everyone's best interests to move forward. Mr. Ketterer stated that in looking at the contract approvals coming up on the agenda for Affinity, there was a question whether they should sign and submit them as the Commission had not had an opportunity to review them. He advised that the Commission's past practice in similar situations with other properties where a construction project is out for bids and bids are due a week after the Commission meeting, and the facility selects a contractor and then has another five-six weeks before

the next Commission meeting in order to receive approval, the Commission has given the facility the OK to go ahead with construction so as not to hold up construction for five or six weeks just for the Commission's approval, especially when an Iowa vendor is involved. Mr. Ketterer suggested that the Commission defer approval on the two contracts submitted by Affinity Gaming relating to the proposed project until the July 21st Commission meeting, but allow the process to keep moving forward.

Mr. Ketterer stated that he and Mr. Ross had had a discussion about the issues between CCDC and Affinity. With respect to the legal issues outstanding between the parties, the 1.5% and lease with the Water Board, Mr. Ketterer suggested that the legal counsel for each party was more than capable of handling the discussions. Additionally, Mr. Ketterer advised Mr. Ross that if he or Mr. Szony were in Osceola, they should make a point of taking the time to spend approximately 30-40 minutes to speak with CCDC Board members, or that Mr. Thursby could do so if there was going to be a significant amount of time between their visits. This would keep CCDC current on what has occurred over the last month and give them a heads up on what will be happening in the coming months. Mr. Ketterer stated that he felt establishing this line of communication would go a long ways in resolving the issues between CCDC and Affinity.

Commissioner Heinrich stated that he had visited with various principles involved in this matter about their concerns; however, he didn't see any evidence of not wanting to cooperate. He stated that he believes it is just a matter of the two parties putting forth the effort and doing it. The issues have been set forth and progress is being made. Commissioner Heinrich stated that he has visited the Council Bluffs properties and Osceola yesterday.

Vice Chair Seyfer stated that he concurred with Mr. Ketterer on the deferral of the approval of the contracts for the construction project until the July meeting to provide the Commission members an opportunity to review the information.

Mr. Ross stated that they were hoping to break ground on July 11th, and asked if the project was on hold until the Commission's approval. Vice Chair Seyfer advised that the project could move forward as presented. Mr. Szony advised the Commissioners that the project was not subject to the refinancing of the company.

Mr. Ketterer stated that if any of the Commission members had questions regarding the project prior to July 21st, they could contact him or Affinity.

Vice Chair Seyfer moved to the contract approval portion of the agenda and called on The Isle Casino Hotel Waterloo (The Isle). Bari Richter, General Manager, presented the following contracts for Commission approval:

- Capital Sanitary Supply – Janitorial Supplies
- Aramark Uniform Services – Laundering Services
- Success Promotions – Marketing Promotional Vendor

Hearing no comments or discussion concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by The Isle. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-49)

Vice Chair Seyfer called on Diamond Jo (DJ). Kim Pang, General Manager for Diamond Jo Worth (DJW), presented a contract with Crescent Electric for electrical supplies.

Hearing no discussion concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contract as submitted by DJ. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-50)

Vice Chair Seyfer called on DJW. Mr. Pang presented a contract with Critical Systems Services, Inc. for maintenance and testing of the UPS system.

Hearing no discussion concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contract as submitted by DJW. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-51)

Vice Chair Seyfer called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, presented the following contracts for Commission approval:

- Southeast Iowa Regional Riverboat Commission – Not-for-Profit License Holder
- W. R. Faeth – Purchase of Cigarettes
- WMS Gaming, Inc. – Lease and Purchase of Slot Machines
- Bally Gaming, Inc. – Lease and Purchase of Slot Machines

Hearing no discussion regarding the contracts, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contracts as submitted by CBC. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-52)

Vice Chair Seyfer called on Isle of Capri Bettendorf (IOCB). Sally Rogers, Director of Finance, presented the following contracts for Commission approval:

- PMI – Purchasing Service to facilitate Carpet Purchase w/Tai Ping Carpet
- Konami – Purchase Slot Machines and Parts
- T Skorman Productions – Booking and Production Services
- Isle of Capri Casinos, Inc. – Credit Agreement and Revolving Note (RP)

Commissioner Heinrich moved to approve the contracts as submitted by IOCB. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-53)

Vice Chair Seyfer called on Rhythm City. Ms. Rogers presented the following contracts for Commission approval:

- PMI - Purchasing Service to facilitate Carpet Purchase w/Tai Ping Carpet
- Isle of Capri Casinos, Inc. – Credit Agreement and Revolving Note (RP)

Hearing no discussion concerning the contracts, Vice Chair Seyfer called for a motion. Commissioner Rivera moved to approve the contracts as submitted by Rhythm City. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-54)

Vice Chair Seyfer called on Lady Luck Marquette (LLM). Todd Steffens, General Manager, submitted a related party contract with Isle of Capri Casinos, Inc. for a credit agreement and revolving note.

Hearing no discussion or questions concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contract as submitted by LLM. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-55)

Vice Chair Seyfer called on Ameristar Casino. Paul Czak, Director of Finance, presented a contract with Newt Marine for vessel dredging and various slip/harbor maintenance.

Hearing no discussion or questions regarding the contract, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Ameristar. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-56)

Mr. Czak reported that Ameristar does not anticipate any disruption of service due to flooding with the exception of moving some employee parking.

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

- Coca-Cola – Soda for Casino/Restaurant
- Office Systems, Inc. – Equipment Lease

Hearing no comments or questions regarding the contracts, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contracts as submitted by WRE. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-57)

Vice Chair Seyfer called on WRC. Tim Bollmann, General Manager, presented a contract with Seminole Energy Services for the purchase of natural gas.

Hearing no comments or questions regarding the contract, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contract as submitted by WRC. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-58)

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

- Aristocrat – SPC Board Replacement/Slot Machine Leases
- Bally Technologies – Slot Machine Lease Agreement
- IGT – Slot Machine Conversion
- Marshall's Furniture & Carpets – Hotel Renovations
- Coca-Cola Refreshments, USA, Inc. d/b/a Midwest Coca-Cola Bottling Co. – Beverage Agreement
- Trane U.S. Inc. – Service Agreement for HVAC System
- Department of Veterans Affairs – TEE Tournament

Vice Chair Seyfer asked for an explanation of the TEE Tournament. Mr. Franz advised that it is a week-long event for disabled veterans through the Iowa VA, and is different from Riverside's GIVE program. The event will be held in September and will utilize almost all of the hotel rooms. Riverside is the center of events, but the event will also utilize other local golf courses, bowling alleys etc. This is a team building event for the veterans; they compete for awards. Mr. Franz stated that it is a substantial event and RCGR will be hosting the event for the next two years.

Commissioner Rivera asked if the veterans' families were invited to the event as well. Mr. Franz advised that families can attend; but there are a significant number of volunteers employed for the week. He noted that a number of the veterans are blind.

Hearing no further comments or questions regarding the contracts, Vice Chair Seyfer requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by RCGR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-59)

Vice Chair Seyfer called on Grand Falls Casino Resort (GFCR). Mr. Franz presented the following contracts on behalf of GFCR:

- AmSan – EVS Equipment and Janitorial Supplies
- Chartaire, Inc. – Air Charter Service
- Computer Net Services – Wireless and Wired Internet for Property
- Contech Construction Products, Inc. – Construction-Pedestrian-Style Connector Bridge
- Cummins Allison Corp. – Cage and Count Room Equipment
- Elavon (US Bank) – Electronic Gift Card Program/Processing

- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Global Payments Gaming Services, Inc. – Credit Card Cash Advance/Debit Card Cash Advance
- Great West Rock Company, LLC – Construction – Landscaping & Irrigation
- Great West Rock Company, LLC – Construction – Grand Falls Water Feature
- Livers Bronze Co. – Construction – Decorative Railings
- Lodgenet Interactive Corporation – Equipment & Programming for In-Room Television
- Lodgenet Interactive Corporation – Equipment & Programming for Public Viewing Television
- Lodgenet Interactive Corporation – Digital Signage Services
- Marsh USA, Inc. – Insurance Premiums – Builders Risk, Property, Auto, Crime, Work Comp. General Liability, and Inland Marine
- Marsh USA, Inc. – Insurance Premiums – Pollution Liability
- Qwest Communications Company, LLC – Long Distance Phone Service
- Shuffle Master, Inc. – Table Games Equipment Leases
- Tech Art, Inc. – License/Maintenance Agreement: Table Games Card Readers
- Tomra of North America, Inc. – Capital Lease: Reverse Vending Machine
- Ultron Processing Services, Inc. (US Bank) – Service Contract: ATM Services
- Wells Fargo Merchant Services, LLC – Credit Card Processing

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by GFCR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-60)

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

- Rutherford Investment Management Co. – Suite at University of Nebraska's Memorial Stadium
- Xerox Corp. – Copy and Printer Services

As there were no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Harrah's. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-61)

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

- G&T Lawn Landscape – Grounds Maintenance
- Omaha Deli Provisions, Inc. – Deli Meat Provider
- Xerox Corp. – Copy and Printer Services

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-62)

With regard to the possible flooding, Ms. Sternberg advised that Harrah's and Horseshoe anticipate being able to stay open. They are having daily meetings with the employees and the management team has plans in place to insure the safety of the patrons and employees. She advised that it is business as usual at both properties.

Vice Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, advised that the hotel construction is on schedule and under budget. They are planning to open on March 1, 2012.

Vice Chair Seyfer asked for an update on the lease negotiations. Mr. Palmer stated that PMR&C and the Polk County Board of Supervisors have reached a tentative agreement. The Board of Supervisors will hold a public hearing on the agreement next Tuesday, and then vote on it on the following Tuesday. Mr. Palmer advised that there is one more amendment to the agreement with the City of Des Moines. A meeting to resolve that matter is scheduled for next week.

Mr. Palmer presented the following contracts for Commission approval:

- Des Moines Asphalt and Paving – Asphalt Paving Contractor
- ECS, Inc. – Audio-Visual Equipment
- Grimes Asphalt and Paving – Asphalt Paving Contractor
- Hansen Company, Inc. – General Contractor
- Inteconnex – Hotel Surveillance System
- Micros – Hotel Property Management Software
- North Country Business Products – Micros Point of Sale, Paper Products and IT Supplies
- Shive-Hattery, Inc. – Engineering Services

Hearing no comments or questions regarding the contracts, Vice Chair Seyfer requested a motion. Commissioner Rivera moved to approve the contracts as submitted by PMR&C. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-63)

Vice Chair Seyfer moved to Public Comment and called on Tom Lopic, President of the Iowa Quarter Horse Racing Association (IQHRA). Mr. Lopic commenced his comments by thanking IRGC and PMR&C's Board of Directors for their support of Senate File 526. He advised that based on the passage of the bill, two new stallions have already been brought to Iowa and individuals who had left the IQHRA are rejoining. Mr. Lopic stated that it is important for PMR&C, the Iowa Thoroughbred Breeders and Owners Association and IQHRA to work as a partnership, not to just race horses, but to make

PMR&C a better place. He advised that the IQHRA, in conjunction with the American Quarter Horse Racing Association, put together a 15-page booklet on simulcasting.

Mr. Lepic advised the Commission that the IQHRA's By-Laws allow the Association to have an Executive Racing Secretary, and introduced John Hernandez, who will be fulfilling those duties. He provided the Commission with a copy of the job description for Mr. Hernandez. Mr. Lepic stated that Mr. Hernandez currently works for PMR&C calling the thoroughbred and quarter horse races, and is bi-lingual, which will prove beneficial in his position. He stated the IQHRA has received a number of phone calls from new trainers seeking information about coming to PMR&C.

Mr. Lepic thanked the Commission for the \$1,765 the IQHRA received from the Horse Promotion Fund, which was utilized to put together a newsletter that was sent out to the membership.

Mr. Lepic stated that the IQHRA has held their general meeting and election of officers in January for the last several years, but has changed the meeting to August this year so that the weather will not prevent members from other areas of the state from attending. Election of officers will be conducted by a mail-in ballot, with responses due by January 1st.

Mr. Lepic stated that the IQHRA wants to partner with PMR&C to help attract more patrons to the track to gamble and watch the races. He stated that he has received commitments from the wrestling staff at the University of Iowa to be at PMR&C on opening night of the quarter horse meet; the second weekend will be Iowa Basketball night. Additionally, the editor of Track Magazine, the main quarter horse magazine, has agreed to come and participate in the Mornings @ The Meadows program, which will also serve as a benefit for disabled jockeys. Todd Leggett, a former jockey at PMR&C who was injured in Oklahoma last year and won't race again, will be in attendance.

The IQHRA is also having a "Dare to Wear Pink Night" to honor all breast cancer survivors. Those in attendance will be invited to walk around the track prior to the start of the races. Their goal is to raise \$10,000.

Mr. Lepic stated that the Youth Days program has been cut to two days, Friday and Saturday, due to the change in the meet dates. He provided additional information about other events occurring during the quarter horse meet.

Vice Chair Seyfer called on Wes Ehrecke, President of the Iowa Gaming Association, who distributed copies of State of the States, the annual report of the American Gaming Association. The report compares Iowa to other gaming jurisdictions on jobs, revenues, etc. The report shows that over 80% of the population considers gambling to be an acceptable form of entertainment.

Vice Chair Seyfer moved to Administrative Business. Mr. Ketterer gave Notice of the Dog Promotion Fund, and indicated the form would be available on the Commission's website on Friday.

Mr. Ketterer advised that the regulatory fees for Fiscal Year 2012 can't be established as the Legislature has not established appropriations. He stated that in the absence of definitive information, the Commission would resume collecting fees based on Fiscal Year 2011 fees and then adjust them as needed when information from the Legislature and Governor's Office is received.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION
MINUTES
July 21, 2011

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 21, 2011 in the Northwoods Conference Center at Stoney Creek Inn & Conference Center, Johnston, Iowa. Commission members present were Toni Urban, Chair; Greg Seyfer, Vice Chair; and members Carl Heinrich, Jeff Lamberti and Andrea Rivera.

Chair Urban called the meeting to order at 8:30 AM, and called on Jack Ketterer, Administrator of IRGC, for amendments to the agenda. Mr. Ketterer stated that agenda items 8C (Request for Additional Performance on Saturday, July 23); 8F (Agreement with the City of Des Moines) and 8G (Capital Improvement Request) under Prairie Meadows Racetrack and Casino have been withdrawn and agenda items 12A and C under Hearings have been deferred until the August Commission meeting.

Chair Urban requested a motion to approve the agenda as amended. Commissioner Heinrich so moved. Commissioner Rivera seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the June 9, 2011 Commission meeting. Commissioner Rivera moved to approve the minutes as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Urban called on Mr. Ketterer for announcements. He provided the following information about the upcoming Commission meeting dates and locations:

- August 25, 2011 - Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 11, 2011)
- September 22, 2011 - Grand Falls Casino Resort, Larchwood, IA (Submissions due by September 8, 2011)
- November 10, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2011)
- December – No Meeting

Chair Urban moved to the next agenda item and called on Horseshoe Casino/Bluffs Run Greyhound Park and Iowa Greyhound Association (IGA) concerning the audit of the Escrow Accounts for 2010. Jim Quilty, legal counsel for the IGA, was available for questions.

Hearing no questions concerning the escrow account audit, Chair Urban moved to the approval of the Dog Racing Promotion Fund. Mr. Quilty was available to answer any questions regarding IGA's application for the funds.

Dr. Keith Soring, Director of Racing for IRGC, advised that IGA was the only applicant for the funds, and their application was submitted in a timely manner. He further noted that all of the requested information was submitted.

Chair Urban asked how much money was in the fund. Mr. Quilty advised that the amount varies from year to year, but has been a little over \$20,000 the last few years.

Hearing no further questions or comments regarding the IGA's application for the dog racing promotion fund, Chair Urban requested a motion. Commissioner Heinrich moved to approve the IGA as the recipient of the Dog Racing Promotion Fund for fiscal year 2012, contingent upon compliance with the following conditions:

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, 2011 through December 31, 2011, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2012.
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, 2011.

Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-64)

Chair Urban called on Wild Rose Clinton (WRC) regarding their request for approval of the First Amendment to the Amended and Substituted Riverboat Gambling License and Operations Agreement. Tim Bollmann, General Manager, was available to answer questions.

Chair Urban asked Mr. Bollmann to provide some background information regarding the agreement. Mr. Bollmann stated that this amendment calls for WRC to pay Clinton County Development Association (CCDA) a fee equal to 4% of adjusted gross receipts through the term of the Amended and Substituted Riverboat Gambling License and Operations Agreement commencing August 1, 2011. A paragraph was included that defines “adjusted gross receipts” and allows for further modification should there be a statutory or regulatory change in said definition. Additional changes were made to clean up other areas of the agreement.

Hearing no further comments or questions concerning the agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the First Amendment to the Amended and Substituted Riverboat Gambling License and Operations Agreement as submitted by WRC. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-65)

Chair Urban moved to the contract approval portion of the agenda, and called on HGI Lakeside. She indicated that the Commission would like to hear the update on the groundbreaking and construction prior to taking up the contracts.

Bob Thursby, General Manager, advised that a groundbreaking ceremony for dignitaries was held on July 7th, and work started immediately. Actual work on digging the foundation has commenced. The project is on schedule and moving forward.

Mr. Thursby submitted the following contracts for Commission approval:

- Larson & Larson Construction – Construction of Hotel Addition
- Taylor International Corp. – Construction Management Services
- Baker Electric – Electrical Work
- Clear Channel Outdoor – Marketing on Billboards
- T. Skorman Productions – Booking & Production Services
- Metro Fish – Food & Supplies for Kitchen

Chair Urban noted that Taylor International Corporation has been hired to provide construction management services in the amount of \$300,000. She indicated that she felt there was an Iowa company that could provide the same services. Mr. Thursby noted that Affinity Gaming is a small operation and does not have a construction department or construction management personnel on staff. He stated that the Board of Directors selected the company as several of them have worked with the company previously and have a high comfort level with their ability to perform the work. Chair Urban expressed her continued concern with the selection of an out-of-state company.

Ferenc Szoney, President of Affinity Gaming, pointed out that Larson & Larson was selected to do the actual construction of the hotel and renovation of the existing property, and will be utilizing local subcontractors. Mr. Szoney stated that he and other management team members felt it was important to have someone that could sit down with them on an as-needed basis to go over paperwork related to the project as they do not have any construction knowledge. He concluded his remarks by indicating that Taylor's offices are in close proximity to his office.

Commissioner Rivera noted that several other out-of-state gaming companies have completed construction/renovation projects without an out-of-state construction management company; that possibly Affinity management could have tapped into their knowledge.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by HGI-Lakeside. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-66)

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

- United Beverage, LLC – Beverage Distributor
- Konami Gaming, Inc. – Purchase of Slot Machines and Parts; Lease Agreement

As there were no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by LLCM. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-67)

Chair Urban called Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- ComputerNet Services – Wireless/Wired Internet Services
- Hawkeye Sports Properties, LLC – Marketing & Sponsorship Contract
- Seminole Energy Services – Natural Gas Sales Agreement

As there were no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by RCGR. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-68)

Chair Urban called on Grand Falls Casino Resort (GFCR). She requested an update. Joe Massa, Chief Operating Officer for RCGR and GFCR, advised that the facility had a successful opening with good crowds. He indicated that the management team is happy with what they have seen so far and are on track to meet the projections set forth when the facility was designed. The 30' sign at the entrance to the facility has been completed and the outdoor pool has been opened. They are in the process of finalizing the plans for the RV park.

Mr. Massa presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Lease Slot Equipment
- First Administrators, Inc. – Benefit Plan Administrator
- IGT – Lease Slot Equipment
- Lyon Rural Electric Cooperative – Utilities: Consumer Electric
- Neesvig's Inc. – Food Purchases
- Shift 4 Corporation – Credit Card Secure Payment Processing
- Wells Fargo Business Elite Card – Credit Card Purchases
- WMS Gaming – Lease Slot Equipment

Chair Urban asked about the contract with Neesvig's for food purchases, noting that it is with an out-of-state company for food purchases in the amount of \$390,000. She noted that the Commission had allowed some leeway on out-of-state contracts during the construction phase as it was the correct thing to do. Chair Urban stated that the form indicates the contract was put out for bid.

Mr. Massa stated that GFCR has not signed a contract with Neesvig's for \$390,000, but is trying to anticipate what their total purchases might be. He indicated that they make food purchases from a variety of vendors and will only make purchases from the company if they have the lowest price.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts for GFCR as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-69)

Chair Urban called on Ameristar Casino. Paul Czak, Director of Finance, presented a contract with Hesco Bastian USA for flood mitigation efforts. He advised that the river levels are virtually unchanged from the June meeting; however they have stabilized. Mr. Czak stated they are trying to prepare for when the water levels go down. There will be

maintenance needed on the levee and possibly the boat. He indicated they are still open and have not lost any additional parking spaces to the water.

Chair Urban asked if they have noticed a change in business as a result of the flooding. Mr. Czak indicated they have not.

Commissioner Heinrich stated that he has been very impressed with the manner in which both Ameristar and Harrah's have worked with the City, the Corps and National Guard to insure the safety of the patrons, employees and the community.

Commissioner Rivera asked if they were still holding safety meetings every morning. Mr. Czak answered in the affirmative.

Hearing no further comments or questions for Mr. Czak, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-70)

Chair Urban called on Harrah's. Janae Sternberg, Director of Finance, advised that they are continuing to be proactive in their flood efforts. The levees in the area were reinforced by the City. Ms. Sternberg presented the following contracts for Commission approval:

- Sudbeck Construction – Construction of Flood Barricades for Property
- Terracon Consultants, Inc. – Testing and Monitoring of Rubble Dump

As there were no comments or questions, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-71)

Chair Urban called on Horseshoe Casino. Ms. Sternberg submitted a contract with Sudbeck Construction for construction of a flood barricade around the property. She indicated this would be done only in an emergency.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Horseshoe. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-72)

Chair Urban called on Prairie Meadows Racetrack and Casino (PMR&C). Gary Palmer, General Manager, and Derron Heldt, Director of Racing, were available to answer questions regarding their 45-day season approval for the harness meet, which commences on October 7th.

Hearing no comments or questions regarding the 45-day plan, Chair Urban requested a motion. Commissioner Seyfer moved to approve the 45-day season approvals for the harness meet contingent upon the following staff recommendations:

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

Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-73)

Chair Urban moved to the approval of the agreements between the Iowa Horsemen's Benevolent and Protective Association, the Iowa Quarter Horse Racing Enterprise and Iowa Harness Horsemen's Association, which are required to be jointly submitted per Iowa Code §99F.6(4)a.

Commissioner Heinrich moved to approve the agreements with the Iowa Horsemen's Benevolent and Protective Association, the Iowa Quarter Horse Racing Enterprise and Iowa Harness Horsemen's Association. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-74)

Chair Urban moved to the hotel update. Mr. Palmer advised that the project is still on schedule and under budget. At this time, they still anticipate being able to open the hotel in March 2012.

Chair Urban asked Mr. Palmer what the monthly payments were going to be on the hotel construction debt. Mr. Palmer stated that hopefully they will be zero. He asked Brian Wessels, Chief Financial Officer, to address the question. Mr. Wessels advised that PMR&C is able to cash flow the construction project at this time. They do have a revolving line of credit that is reduced by \$3 million per year. He indicated there is not a monthly payment, per se. Mr. Palmer stated that the goal is to cash flow the entire project and not acquire any debt.

Chair Urban moved to the lease with Polk County. Mr. Palmer stated that the parties had worked on the terms of the lease for 6-8 months and feel they have reached an agreement that makes sense. Those involved in the negotiations were Michael O'Meara, Polk County Attorney representing the County; Tom Flynn, legal counsel for PMR&C; Mr. Wessels and himself. Mr. Palmer advised that the ability to perform capital improvements to the property was at the top of PMR&C's list during negotiations. The lease contains some provisions allowing for changes in the taxes or purses.

Chair Urban, noting that the Commission has inquired about capital improvements over the years, stated that she thought there would be something in the lease about capital improvements or money put into a reserve account for capital improvements. She expressed concern about PMR&C taking on debt and their ability to fund necessary capital improvements. Chair Urban stated that she did not see anything about doors, windows, HVAC and is not certain that they are covered. She indicated that she is not sure the County cares about maintaining the property, but the Commission does. She requested that PMR&C be prepared to discuss capital improvements at the August meeting and submit a plan as to how they plan to fund capital improvements, particularly in light of the fact that the facility is 20 years old.

Commissioner Rivera asked for an update regarding the fire earlier in the year and how that situation was handled. Mr. Palmer advised that they rented a building located about a mile from the facility, and are trying to get the building rebuilt before winter sets in. Mr. Palmer stated that the attorneys are negotiating; attempting to get a fair price for all the equipment that was in the building. Mr. Palmer stated that PMR&C is taking a risk in some areas as they are proceeding prior to reaching an agreement with the insurance company in order to keep the process moving forward. He stated that they hope to move into the building next spring.

Chair Urban asked if PMR&C received a tax abatement with the hotel. Mr. Palmer answered in the affirmative. The abatement is \$200,000 for ten years from the hotel/motel tax. Chair Urban asked if they received a tax abatement from Polk County. Mr. Palmer answered in the negative. He stated that the County will continue to pay all of the taxes until the opening of the hotel at which time PMR&C will become responsible for the taxes assessed on the hotel. Chair Urban asked if they had any idea what that figure might be. Mr. Wessels indicated that will depend on what the hotel is assessed at; however, PMR&C has used \$30 million in construction costs and \$15 million in real estate taxes.

Chair Urban noted that the lease states that PMR&C's share of any insurance proceeds must first go to any lender which has provided financing for Tenant's hotel construction or other operations, with the remainder being hereby assigned and made payable to the landlord to secure rent or other obligations. Mr. Flynn advised that if the facility would burn down, insurance proceeds would first go to any lender, with the balance being utilized to reconstruct the facility. Chair Urban asked what would happen if the hotel burned down. Mr. Flynn stated that the County would work with PMR&C to rebuild. Chair Urban questioned if that is what the lease states. Mr. Flynn stated his interpretation was that the proceeds would be disbursed and the hotel would be rebuilt. He stated that the County owns the property and wants to have a rebuilt casino with a licensee.

Chair Urban moved to Item 22 of the lease which states that PMR&C will not make any changes in the manner in which the members of the board of directors are elected or appointed. She asked Mr. Palmer what is going to happen if the current management for PMR&C or IRGC is not in the picture. Mr. Palmer stated the current agreement, in place

since 2002, is that four representatives are appointed by Polk County (three from the Des Moines Partnership and one from organized labor), one from the horsemen's group, one from Polk County and five at-large representatives. He stated that the make-up of the Board is in PMR&C's By-Laws.

Hearing no further comments or questions concerning the lease, Chair Urban requested a motion. Commissioner Seyfer moved to approve the lease between PMR&C and Polk County as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-75)

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

- Des Moines Register – Advertising and Subscription Expense
- Global Spectrum, LP – Suite License and Advertising Agreements
- Infomax Office Systems – Office Equipment Lease and Maintenance
- Lightning Slots – Leased Slot Games
- McAninch Corporation – Racetrack Surface Maintenance
- Titan Machinery – Grounds Keeping and Heavy Equipment
- Xerox Corporation – Print Center Equipment Lease

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by PMR&C. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-76)

Chair Urban indicated that she would like to also discuss simulcasting at the August meeting. She requested that PMR&C be prepared to give a report on their simulcasting contracts and how they were renegotiated.

Chair Urban moved to Public Comment. Frank Hardy, representing Wild Rose Casino, stated that he had a question as to who determines where Iowa gaming revenue goes. He advised that the issue became more complicated July 1st when the Iowa Supreme Court issued a decision in Pavone vs. Wild Rose Casino, in which four justices awarded \$10 million of Iowa gaming revenues to John Pavone by virtue of a casino management contract. The Court of Appeals held that there was no such contract; however, on July 1st, the Iowa Supreme Court ruled that there was a contract. Wild Rose argued that there could be no contract without the Commission's approval. The Supreme Court indicated that Wild Rose did not raise that argument in a timely manner. Mr. Hardy stated that Wild Rose raised the issue as soon as it could. He further advised that this decision overrules the Alfredo case. Mr. Hardy stated that this case is not about politics or money, but about constitutional implementation. He stated that the Pavone award encroaches on the Commission's authority to approve contracts and allows entities or individuals to obtain gaming revenues without the Commission's approval, creating a threat to the integrity of gaming in Iowa.

Commissioner Seyfer asked what the Alfredo case was. Mr. Hardy advised that in the Alfredo case the Iowa Supreme Court held that no contract can be enforced to distribute gaming proceeds for managing a casino unless the Iowa Racing and Gaming Commission approved the contract.

Commissioner Rivera asked the date of the case. Mr. Hardy stated that the ruling was issued in 1996.

Commissioner Lamberti stated that he was previously made aware of this situation and had an opportunity to review the case. He indicated that from the Commission's standpoint it does not appear that the Iowa Supreme Court considered the statutory or regulatory structure of the Commission's role with respect to management contracts or other contracts, and the fact that they need to be submitted to the Commission for approval. Commissioner Lamberti indicated that he did not know why the Iowa Supreme Court did not take that into consideration; however, the end result is that the body that has been determined by the Legislature and Governor to make decisions on how gambling is regulated, where the funds go and how contracts are approved has now been thrown out the window and the Court is now making those decisions. He also indicated there is a separation of power issue as well. He noted that the structure set up in the Code, and by the rules that have been adopted, were designed to preserve the integrity of the industry in Iowa. Commissioner Lamberti stated that he understands the merits of the Court saying that on a contract-basis they find that there was sufficient evidence to find that there was a contract, which happens in a number of cases; however, the Court did not consider the law or regulations which state that the Commission has to approve the contracts.

Commissioner Lamberti stated that the matter is coming to the Commission very late in the process, and that the Commission must be very careful about picking sides. He noted that he had asked if the Commission had ever been asked to weigh in at any time in the proceedings and received a negative answer. He indicated that now might be the opportunity to weigh-in with the Court and suggest that they consider the intent of the Legislature and Governor in terms of the regulation of gaming in Iowa; that the case has a direct impact on the gaming industry. Commissioner Lamberti, again noting that the Commission has been brought in late in the process, stated that since the Court is being asked to reconsider the case, the Commission should file a brief in the matter stating that the Commission is concerned about the integrity of gaming in Iowa and that the Supreme Court should consider the law and regulations in making their final decision in this matter.

Commissioner Seyfer concurred that the issue is being brought to the Commission late and that the Commission does need to be careful about the appearance of picking sides. He stated that the Commission is in place for a purpose. Commissioner Seyfer stated that if the Commission does decide to file a brief, it is his opinion that it should be limited to the recitation of the Code and Iowa Administrative Code setting forth the Commission's rule and duties.

Commissioner Lamberti stated that the Code and Rules do cover why contracts have to come before the Commission for approval; that the Commission's overriding concern is the integrity of gaming in Iowa. He concurred that a brief should be filed, and that it should just address the law.

Chair Urban, noting that she had read some of the court cases, felt it was unprecedented for the Commission to get involved in any legal cases that have to do with the licensees. She indicated that she believes the statute is clear, and is not sure that it is appropriate for the Commission to get involved. Commissioner Urban stated she did not have a problem with Mr. Hardy getting information from Mr. Ketterer, but does have some concerns about getting involved in the litigation.

Commissioner Lamberti conceded that while the Commission would be getting involved in litigation, it was not litigation that the Commission sought or was the result of a Commission decision. He stated that the Court's decision is in direct conflict with the Commission's authority and power. He feels the Commission has to weigh-in in order for the Court to at least consider the Commission's concerns. Commissioner Lamberti stated that he is not sure the Court would accept a letter and that this appears to be the Commission's only opportunity to get information before the Court through a Friend of the Court brief. He indicated there is a chance the Court may not even accept that, but is certain they would not accept a letter.

Chair Urban asked Commissioner Lamberti if he was making a motion. Commissioner Lamberti moved to have the Attorney General's Office file a Friend of the Court brief, limited to the law and expressing the Commission's concerns about the effect the decision will have on the Commission's role within the law. Commissioner Heinrich seconded the motion.

Commissioner Lamberti noted that there is a time constraint; that the brief should be short and simple.

Jeff Peterzalek, Assistant Attorney General representing the Commission, stated that the Commission's comments took him by surprise. He noted that there are two lawyers on the Commission who are very knowledgeable; that Commissioners Lamberti and Seyfer make very good points. Mr. Peterzalek stated that the matter is a very complicated legal issue and there are some points that should be considered prior to proceeding to file a brief. He stated that he also needs to discuss the matter with the Attorney General to determine if he is willing to do what is being proposed.

Chair Urban, noting there is a motion on the floor, asked Mr. Ketterer for direction, or if the Commission could go into Executive Session. Mr. Ketterer stated that he was not sure if Executive Session was an option, and deferred to Mr. Peterzalek. Commissioner Lamberti indicated that he thought it could fall under legal strategy. Mr. Peterzalek stated that since it was not the Commission's litigation, he did not think that statute would apply.

Commissioner Seyfer asked Mr. Peterzalek how soon he could get back to the members with his concerns and a response from the Attorney General.

Mr. Peterzalek stated that he could address some of his concerns immediately; concerns as to whether the Attorney General's Office would be in a position or willing to file a brief will require a discussion with the Attorney General. He also indicated that he needed to do some research. Mr. Peterzalek stated that he could have answers within a couple of days.

Mr. Ketterer suggested that the Commission delegate the matter to a subcommittee of two who could discuss the issues and make a decision. Chair Urban asked if the Commission members were agreeable. Commissioner Seyfer indicated that he would like to have a subcommittee of three. Mr. Ketterer advised that three would require an open meeting as that would constitute a quorum of the Commission. Commissioner Seyfer suggested that Chair Urban and Commissioner Lamberti serve on the subcommittee.

Chair Urban asked if the motion was withdrawn. Commissioner Lamberti stated that he would like to amend the motion as he still feels that a brief needs to be filed unless someone can present a good reason why that can't happen – concerns within the AG's office, etc.

Commissioner Lamberti amended his motion to state that unless otherwise determined by the subcommittee of two, the Commission should file a Friend of the Court brief asking the Supreme Court to take into consideration the Commission's statutory authority to approve contracts and management agreements within the gaming industry as set forth in the Iowa Code and Administrative Rules.

Commissioner Heinrich stated it was his understanding that an "Aye" vote would be giving the OK for a brief to be filed unless the subcommittee finds some reason not to, a decision which the balance of the Commission would accept. Mr. Peterzalek advised that another reason a brief would not be filed is if the Attorney General chooses not to do so. Commissioner Heinrich seconded the motion.

Chair Urban stated it was her understanding that the motion was to file a brief on behalf of the Commission with regard to the statutes, but in the interim there will be a meeting with Mr. Peterzalek, Commissioner Lamberti and herself to resolve the issue of whether it is even feasible to do so.

Chair Urban called for a vote on the motion, which carried 4-1. Chair Urban voted nay. (See Order No. 11-77)

Chair Urban moved to Administrative Business. Mr. Ketterer advised that the budget bills pertaining to IRGC and DCI still have not been signed. Once they are signed, staff will calculate the regulatory fees, which will then be disseminated to the licensees. The fees will be put on the August agenda for approval by the Commission. Mr. Ketterer

advised that there will not be any regulatory fees assessed on the weekly tax reports until that time.

With regard to the Advanced Deposit Wagering, Mr. Ketterer stated that staff continues to meet with PMR&C, the horsemen and the potential wagering operators in order to move the process along. He advised that Brian Ohorilko, Director of Gaming, has made considerable progress on the intrastate internet poker study which is due to the Legislature on December 1st. He is hoping to have a draft ready by mid-to-late September.

Chair Urban moved to the election of the chair and vice chair for Fiscal Year 2012, and called for nominations. Commissioner Seyfer nominated Commissioner Urban to server as chair for FY 12. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-78)

Chair Urban called for nominations for vice chair for FY 12. Commissioner Seyfer nominated Commissioner Lamberti to serve as vice chair for FY 12. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-79)

Following a short break, Chair Urban reconvened the meeting and moved to the Hearings portion of the agenda. She called on Mr. Ketterer who advised that the hearing involving Lady Luck Casino Marquette (LLCM) had been resolved through a Stipulated Agreement reached with LLCM. He stated that on March 5, 2011 a female patron, who was exhibiting visible signs of intoxication, was seen consuming an excessive amount of alcohol and gambled at five different slot machines during her time on the gaming floor. These facts constitute a violation of 491 IAC 11.2(1) and 11.2(2)b. Mr. Ketterer advised that the penalty is not to exceed \$15,000. The Division of Criminal Investigation has not referred the matter to the Alcoholic Beverages Division (ABD). Mr. Ketterer stated that should the Alcoholic Beverages Division assess a penalty with regard to this incident, the Commission will make the funds available, not to exceed the lesser of either the amount of the penalty paid to the Commission or the fine or penalty levied by the Division, which shall be used to pay the administrative penalty or fine levied by ABD. Mr. Ketterer stated that staff recommended approval of the Stipulated Agreement with a penalty not to exceed \$15,000.

Hearing no comments or questions regarding the Stipulated Agreement, Chair Urban called for a motion. Commissioner Seyfer moved to approve the Stipulated Agreement with Lady Luck Casino Marquette with a penalty of \$15,000. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-80)

Chair Urban moved to the hearing for Riverside Casino & Golf Resort. Mr. Ketterer advised that this hearing had also been resolved through a Stipulated Agreement. He stated that on April 12th, the security officer posted at the turnstile failed to request identification from the minor involved, who proceeded to a slot machine and gambled for a few minutes. After walking away from the slot machine, the minor approached the

stage bar and purchased cigarettes from the bartender on duty. Upon the completion of the transaction, the bartender was cited by a deputy for selling cigarettes to a minor. Mr. Ketterer stated that the minor was part of a sting operation for the County Sherriff's Office. Mr. Ketterer stated that Riverside acknowledges that the above constitutes a violation of Iowa Code 99F.9(5), and have agreed to a \$20,000 administrative penalty.

Mr. Ketterer advised that staff recommended approval of the Stipulated Agreement. Chair Urban requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted for RCGR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-81)

Mr. Franz advised the Commission that RCGR is very committed to insuring the integrity of gaming in Iowa. He advised that the security officer has been terminated; and the management team has reviewed the security officer program and has increased the wages, which will hopefully help attract a better applicant. They have also reviewed the advancement program. A meeting was also held with the security director and the shift managers about monitoring the podiums. Mr. Franz stated that RCGR is constantly striving to do better.

Chair Urban moved to the hearing for the Isle of Capri Bettendorf (IOCB). Mr. Ketterer stated that this hearing had also been resolved through a Stipulated Agreement. He advised that the security officer failed to request identification from a minor, allowing him to gain access to the gaming floor unchallenged. During the seven and one-half hours the individual was on the gaming floor, he came into contact with several employees, but only played a slot machine on a couple of occasions. This constitutes a violation of Iowa Code 99F.9(5). Mr. Ketterer stated that staff recommended approval of the Stipulated Agreement and a fine of \$20,000.

Nancy Ballenger, General Manager, stated that this incident was a tough one for the facility as the security officer had been with the facility since 2002, and was devastated that he missed this minor. She stated that he served his suspension and is now working in the accounting department. Due to the number of employees encountered on the gaming floor, Ms. Ballenger stated that all employees have been told that if they feel an individual is underage, they are to contact their supervisor who will then contact the security department so that the individual's identification can be checked.

Hearing no further comments or questions regarding the Stipulated Agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement entered into between the Iowa Racing & Gaming Commission and IOCB. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-82)

Chair Urban moved to the final hearing, the appeal of an Administrative Law Judge's Decision regarding the Disqualification of "Navajo Woman" in a race at PMR&C on July

12, 2010. Attorneys representing the State and the Appellant, Larry Donlin, were Mr. Peterzalek and Rick Olson, respectively.

Mr. Peterzalek stated that the matter before the Commission today presents an unusual situation that only arises in limited circumstances, but is not clearly addressed in the Administrative Rules nor has the Commission provided any previous guidance in this area. He noted that the Commission authorizes the Board of Stewards to watch every single race that is run at PMR&C. Mr. Peterzalek pointed out that the three stewards at PMR&C, Ralph D'Amico, Rick Evans and Gerald Hobby, have extensive experience in the horse racing industry, have achieved the highest accreditation and are licensed in multiple jurisdictions. Upon the completion of a race, the Stewards have three options:

- They can declare a race official and the purses will be paid out;
- They can post an inquiry sign on the electronic totalizator board, allowing them to review the tapes and determine what action to take;
- A participant can lodge an objection after the completion of the race. The stewards will determine if it is a valid objection and the purses will be paid out accordingly.

Mr. Peterzalek stated that the Board of Stewards' decision in this matter was to disqualify the horse according to the Commission's Administrative Rule 491-10.4(4)6 which states in part, "... The decision of the stewards as to the extent of disqualification of any horse in any race shall be final for purposes of distribution of the pari-mutuel pool." The Commission watched a video of the race in question.

Mr. Peterzalek stated that the only issue here is how/when stewards make a decision during a race as far as placement or disqualification. He stated that it is important to note that what is not at issue here is that the stewards did not deny an occupational license or take any action against the jockey. Mr. Peterzalek stated there is nothing in the rules that sets forth how to deal with a situation as shown here, which is that the stewards made a decision to disqualify the horse. The video was played again.

Mr. Peterzalek stated that the issue before the Commission is whether or not the horse clipping heels and falling down affected the outcome of the race. The Administrative Law Judge determined that if the horse, whose rider was thrown, had not attempted go into a hole that was too small, the incident would not have occurred. Mr. Peterzalek stated that the facts are not the issue in this appeal; what is at issue is what is the standard for the stewards or the ALJ to make a ruling specific to or where the stewards are making a decision after events in order to move on with that race.

Mr. Peterzalek distributed copies of rules, which were highlighted, that he felt were pertinent to the case. Those were under the stewards' general authority as the Commission has authorized the stewards to supervise all of the races; the stewards have the authority to regulate and resolve all conflicts or disputes between all other racing officials, and licensees, and other persons addressed in Chapter 491 of the rules; and all three stewards must be present in the stand during the running of each race. He reiterated

the fact that the decision of the stewards as to the extent of a disqualification of any horse in any race shall be final for purposes of distribution of the pari-mutuel pool. Mr. Peterzalek indicated this is also true in other jurisdictions, including California, Kentucky and New York. Additionally, the rules state that the stewards shall have the authority to determine all questions arising with reference to entries and racing. Persons entering horses to run at licensed facilities agree in so doing to accept the decision of the stewards on any questions relating to a race or racing, which goes to the argument that potentially the stewards' decisions are final.

Mr. Peterzalek moved to another section of the rules, Extent of disqualification under Fouls, which states in part: "The stewards at their discretion may determine if there was sufficient interference or intimidation to affect the outcome of the race and take the appropriate actions thereafter." He noted that is what happened in this case. The argument becomes what deference does the Commission or ALJ, if there is an ALJ hearing, pay to the stewards' decision – a decision made by individuals with decades of experience in the horse racing industry.

Mr. Peterzalek stated that he felt there were three options available to the Commission in this matter:

- They could decide that the Stewards' decision was final, no appeal to anybody;
- They could determine that since the authority and discretion is vested in the stewards, they could eliminate the ALJ hearing and any appeals would go directly to the Commission; or
- They can continue to delegate the Commission's authority to the ALJ and have the ALJ issue a proposed decision for the Commission to consider.

Mr. Peterzalek recommended that the Commission continue the ALJ hearings; but that the ALJ, under these limited circumstances that are under discussion today, reviews the Board of Stewards' decision under an abuse of discretion standard – did the stewards abuse their discretion in determining what action to take – rather than what the ALJ did in this case by just looking at and substituting his own judgment for the stewards. The other option, which is what occurred here, is to let the ALJ consider the case and arrive at his own decision. The problem with doing it in this manner is that eventually the stewards could indicate that if that is the way the Commission wants to operate, then just get rid of the stewards. Mr. Peterzalek stated that he did not fault the ALJ or Mr. Olson in this matter as there simply is no guidance from the Commission on situations such as this. He stated that if the Commission wants to continue to do everything as it has been, then everyone knows what the rules are going in and there won't be any arguments over this particular issue. In the ALJ hearing, Mr. Peterzalek, on behalf of the stewards, argued that the Commission should provide guidance as far as how situations such as this one should be handled and that in those instances where it truly is a discretionary situation, that the ALJ review those cases under an abuse of discretion standard.

Mr. Peterzalek called for any questions. Commissioner Lamberti stated it was his understanding from the previous comments, and without all of the rules before him, that there really was no specific provision dealing with the appeal process from a stewards' decision. Mr. Peterzalek stated there are no provisions dealing with stewards' decisions in this particular situation; there are rules in Chapter 4 of the Commission's rules that deal with contested case hearings as discussed earlier in regard to actions against a licensee, or the license itself, by the Gaming Representative or Gaming Board on the gaming side or the Board of Stewards on the racing side, but there are no rules with regard to this situation.

Commissioner Lamberti stated that as things stand at this time, the situation falls under the general provisions of Iowa Administrative law. Mr. Peterzalek stated that the rules he mentioned earlier accurately give the authority for the stewards to make the decision based on those rules; the issue is concern over abuse of discretion of the rule. It is an interpretive issue for the Commission.

Chair Urban called on Mr. Olson. Mr. Olson provided the following history on how the case ended up before the Commission: He stated that the appeal was filed timely and the Commission designated an ALJ to issue a proposed decision. The hearing was held before ALJ John Priestler; testimony was given by two of the stewards, two of whom voted to disqualify the horse and one did not. The stewards' decision was appealed. The hearing was a de novo hearing, which allowed the stewards to testify as experts in front of an ALJ. Mr. Olson stated there is an important rule that Mr. Peterzalek did not give them; but did agree that the rules do not provide much guidance in this situation. Mr. Olson advised that he had the film slowed down to 25% speed so that viewers at the hearing would not have to watch it as close as the version being shown today. He noted that the stewards have the ability to slow the film down in their stand at the track as well. Mr. Olson stated that during their testimony neither of the stewards indicated that the actions of the disqualified horse affected the outcome of the race, which is the key to this case. He stated that a foul could be committed, but if it does not affect the outcome of the race, then that foul is not actionable. Mr. Olson indicated that the stewards could not testify that the incident affected the outcome of the race because it happened very early in the race. He questioned whether the horse (Sunny Shark) in question would have come in fifth or better, with the understanding that the first five horses are paid, but for the fact that he stumbled. Mr. Olson noted there is a rule which states that the offending horse may be disqualified if in the opinion of the stewards the foul altered the finish of the race, regardless of whether the foul was accidental. He stated that the stewards testified that the track was sloppy; "Navajo Woman" shied from the water by the rail causing the next two horses to move to their right as well. The horse that fell, "Sunny Shark", was trying to come up in between two horses. Mr. Olson stated there are instances where the stewards are able to determine whether or not a foul affected the outcome of a race; especially those that occur close to the finish of the race. He noted that when the horses leave the gate, all of the horses are bumping each other (fouling) in theory; but it is not affecting the outcome of the race.

Mr. Olson advised that approximately 18 years ago he appeared before the Commission to try a case rather than having an administrative appeal and an ALJ do the hearing. He indicated the situation was a fiasco for the Commission, as the members did not have any expertise in the horse racing industry; it was painful for the Attorney General and himself as well as the expert witnesses that were brought in to testify. This was the point at which the Commission decided to go with administrative hearings before an ALJ. Mr. Olson concurred with that decision; stating that the issue before the Commission is not whether or not they agree with the facts, but whether the stewards' decisions on disqualification should be final with no option to appeal. If that is the decision, changes will need to be made to some administrative rules. If the Commission determines that the stewards' decision is not final, and the appeal to the ALJ is final, thus removing the Commission from the loop; Mr. Olson indicated that the parties can live with that decision. That determination would require changes to both the Code and administrative rules. Mr. Olson distributed a copy of a rule which states that any horse may be disqualified if in the opinion of the stewards the foul altered the finish of the race. He stated that based upon the testimony received by ALJ Priester and after viewing the video, there is no way to determine if the foul did alter the finish of the race because no one could have predicted the accidental foul and it happened so early in the race. Mr. Olson played the video again, pointing out that the No. 3 horse (Navajo Woman) is the horse disqualified but the horse that stumbled is No. 1A (Sunny Shark). He advised that just because the horse's number is 1A doesn't mean that he comes out of the 1st post position. He pointed out the fact that "Navajo Woman" is clearly in the lead when "Sunny Shark" stumbles further back in the field. Mr. Olson provided the following scenario of what happened during the race: Navajo Woman shied from the water along the rail moving away from the rail which caused the next two horses to move to the right in a chain reaction. He noted that "Navajo Woman" finished second. Mr. Olson advised that purse money is distributed to the first five finishers. He requested that the Commission reject Mr. Peterzalek's appeal of the ALJ Decision.

Commissioner Lamberti pointed out that Mr. Olson had indicated the standard of review was not that important; Commissioner Lamberti indicated that he felt it was the single most important thing to come out of this case since the ALJ referenced discretion but then went on to apply the substantial evidence test. He questioned why the standard is not abuse of discretion under the Administrative Rules. He indicated that he did not see any justification for the ALJ to apply the substantial evidence standard and then substitute his judgment for the stewards' judgment. Commissioner Lamberti stated that he did not see anywhere in the law in the Administrative Proceedings section where that would be the standard.

Mr. Olson stated that he felt it is the standard. He stated that the Commission does not have a rule nor does Iowa Administrative Code Section 17A address abuse of discretion at this level of a hearing, which he feels is why Mr. Peterzalek included a suggestion in his brief for the abuse standard. Mr. Olson stated that he is fine with whatever the Commission wants to do in the future; work can be done in the next Legislative session to change the statute and rules, but the law is what the law is at this time. He stated that the

ALJ's Decision was proper; the issues raised by Mr. Peterzalek in his brief were not brought up before the ALJ at the time of the hearing, nor was there any legal argument presented that the standard should have been abuse of discretion instead of substantial evidence or that the stewards' decision was final and that the appeal should have been filed in District Court. Mr. Olson advised that he concurred with Mr. Peterzalek that there needs to be some kind of guidance in these situations for the future. Mr. Olson noted that this situation could be put before four or five attorneys and another ALJ, and none of them would agree on whether or not there should be a de novo appeal, whether or not the standard should be substantial evidence, or an appeal based upon both findings. Mr. Olson stated that with substantial evidence or abuse of discretion, there is some factual finding made by the stewards and a hearing is held. He indicated that did not occur. Mr. Olson stated that he did not think the standard could be used the way the rules are currently written.

Chair Urban called on Mr. Peterzalek for his rebuttal argument. Mr. Peterzalek stated when rules are unclear, the Commission is allowed to provide interpretation and guidance; it does not require a change in the rules. The Commission can change the rules in the future if they would like more clarity. He indicated the most significant issue in this case was whether the incident could have affected the race or not. Mr. Peterzalek stated that if the stewards did not believe the situation could have affected the outcome of the race, they would have done nothing and called it a clean race and moved on. He stated that the stewards determined that the incident did affect the outcome of the race because one horse did not finish. Mr. Peterzalek stated that the appeal wasn't meant to get into an argument over the facts; that the issue is what is the standard of review that is involved in the case. He pointed out that Mr. Olson suggested a de novo hearing, a de novo appeal; to start the process from scratch and let the ALJ decide. He noted that while ALJ Priester does a great job and is involved in several hearings for IRGC and other matters in front him, he does not have any horse racing experience. Mr. Peterzalek stated that at some point deference has to be given to the stewards whom the Commission has authorized to make these decisions at the time of each and every race. It is not feasible to have someone come in after the fact and decide whether or not something occurred, where an ALJ can substitute his judgment for that of the stewards. He noted that no one filed any objections to the race, and no inquiry was held. Mr. Peterzalek stated that he and Mr. Olson are in agreement that the rules are less than clear in this situation, but that there is sufficient authority under the existing rules to make a decision for any of the options offered previously, but do need guidance from the Commission in order to be able to move forward in the future. Mr. Peterzalek stated that the standard of review should be abuse of discretion in the rare instances when these circumstances arise, and allow the ALJ to review the matter on that standard.

Chair Urban called Mr. Olson for his closing statements. Mr. Olson stated that the Commission had heard everything and declined the opportunity.

Chair Urban stated that the question before the Commission is whether or not they agree with the ALJ's Decision. She asked whether the members wanted to have a discussion or

go into Executive Session. Commissioner Lamberti expressed his preference for an Executive Session. Chair Urban requested a motion to do so.

Commissioner Lamberti moved to go into Executive Session pursuant to Iowa Code Chapter 21.5(f) to discuss the decision to be rendered in a contested case hearing conducted according to the provisions of chapter 17A. Commissioner Heinrich seconded the motion. The motion carried on a unanimous roll call vote. (See Order No. 11-83)

Chair Urban asked if a vote was necessary to leave Executive Session. Mr. Ketterer answered in the affirmative. Commissioner Heinrich moved to leave Executive Session. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-84)

Due to a prior commitment, Commissioner Rivera left the meeting at 11:00 AM.

Chair Urban reconvened the open meeting, and requested a motion regarding the matter before them.

Commissioner Lamberti noted that the case presented a very interesting set of legal issues, and that there could be some clarification of the rules that would be helpful in the future.

Commissioner Lamberti moved to reverse the decision of the ALJ based on the incorrect standard of review; the ALJ used the substantial evidence standard when it should have been abuse of discretion. He further noted that while the issue of the stewards' determination of the outcome of the race was interesting on its own, the ALJ failed in his decision to indicate that his decision had anything to do with the outcome of the race. Commissioner Lamberti stated that the ALJ simply substituted his judgment as to whether or not a foul occurred under an incorrect standard of review. He stated that if the ALJ had gotten to that issue there might have been a different resolution. Commissioner Lamberti summarized the above by stating that the motion would be to reverse the decision of the ALJ on the basis of the incorrect application of the standard of review, which should have been abuse of discretion. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-85)

Mr. Olson stated that he felt the ALJ's Decision did address the outcome of the race on the backside of the second page: "However, the undersigned does not find that "Navajo Woman" interfered with the other horses to the extent that it affected the outcome of the race." He speculated that the Commission may have missed that statement as they didn't have a lot of time to review the information, but stated that the issue was addressed in the ALJ's Decision.

Chair Urban thanked Mr. Olson for his comments. Hearing no further comments or business to come before the Commission, Chair Urban requested a motion to adjourn. Commissioner Heinrich so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 25, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, August 25, 2011 at Riverside Casino & Golf Resort (RCGR), Riverside, Iowa. Commission members present were Toni Urban, Chair; Jeff Lamberti, Vice Chair; and members Carl Heinrich, Greg Seyfer and Andrea Rivera.

Chair Urban called the meeting to order at 8:30 AM and called on Tim Putney, President of the Washington County Riverboat Foundation, who welcomed the Commission to Riverside. He described the facility as eastern Iowa's premier resort destination and the center of east central Iowa's entertainment/tourism industry. Mr. Putney stated that the non-profit received a check for \$370,000 for the month of July, which represents a record. They are awarding approximately \$3.2 million per year with approximately 10% of the grants being awarded to non-profit organizations outside of Washington County. Mr. Putney thanked the Commission for their insight and leadership in granting a license to Washington County. He stated that they have proven it was a good choice; and that it has been beneficial for their part of the state, as well as the entire state.

Mr. Putney introduced Dan Kehl, Chief Executive Officer of RCGR. Mr. Kehl stated it was a pleasure to welcome everyone back to RCGR for the annual golf event; and that he looks forward to seeing everyone at the Grand Falls facility next month.

Chair Urban stated that some of the proudest moments for the Commission are hearing about the funds that the non-profits receive for distribution through grants. She stated she wished there was more publicity surrounding the distributions as they have had such a tremendous impact on the state.

Chair Urban moved to the approval of the agenda, and called on Jack Ketterer, Administrator of the IRGC, for amendments to the agenda. Mr. Ketterer advised that agenda items 5G and 6E(9) have been withdrawn. He further noted that the Iowa Greyhound Association and Horseshoe Casino/Bluffs Run Greyhound Park had reached an agreement on the issues, but would be addressing the Commission to clarify where the situation stands and seek the Commission's approval.

Chair Urban requested a motion to approve the agenda as amended. Commissioner Lamberti so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the July 21st Commission meeting. Commissioner Rivera moved to approve the minutes from the July 21st

Commission meeting as submitted. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Urban called on Mr. Ketterer for announcements. Mr. Ketterer introduced the following Commission staff in attendance: Scott Ditch and Sue Hansen, Gaming Representatives at RCGR, and Kathy Howard, the Commission's Gaming Representative at Catfish Bend Casino in Burlington.

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

- September 22, 2011 - Grand Falls Casino Resort, Larchwood, IA (Submissions due by September 8, 2011)
- November 10, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2011)
- December – No Meeting
- January 12, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by December 29, 2011)

Mr. Ketterer stated that the trip to Grand Falls is well worth it as it is a beautiful facility and has a similar footprint to RCGR. He advised that the renewal of the pari-mutuel and racetrack enclosure licenses would be taken up at the November Commission meeting.

Chair Urban called on Isle of Capri Casino (IOC) for a review of the compiled financial audit for the four Iowa properties - IOC Bettendorf, Lady Luck Marquette, Rhythm City and IOC Waterloo. Sally Rogers, Director of Finance at IOC Bettendorf, advised that the properties did very well in Fiscal Year 11 despite the economy. She stated that year-over-year the properties reinvested \$41 million in the facilities.

Chair Urban moved to the ongoing negotiations between IOC Davenport d/b/a Rhythm City and MSEG, the City of Davenport's preferred operator, regarding the sale of Rhythm City. Michael Fries, Vice President for Legal Affairs, noted that the Commission had previously been advised that the parties had signed a Letter of Intent that allowed 60 days for due diligence. He stated that IOC has complied with every request for documentation and continues to work with MSEG. Mr. Fries noted that the exclusivity clause contained in the Letter of Intent has expired; IOC is just waiting to hear back from MSEG.

Chair Urban requested continuing updates on the negotiations.

Chair Urban moved to the contract approval portion of the agenda and called on Diamond Jo. Todd Moyer, General Manager, presented the following contracts for Commission approval:

- All Star Vacations – Event Merchandise (Giveaways)
- Imagine This – Event Merchandise (Giveaways)

- MTM Sales Corp. – Event Merchandise (Giveaways)

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Diamond Jo. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-86)

Chair Urban called on Catfish Bend Casino (CBC). Jerry Baum, Chief Operating Officer, presented the following contracts for Commission approval:

- Atronic – Slot Machine Purchases
- Great River Entertainment, LLC – Operating Agreement Amendment
- Multi Media Games – Slot Machine Lease/Purchase
- Huckleberry Entertainment, LLC – Purchase of Complimentaries
- Golden Eagle Distributing – Purchase of Beer

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by CBC. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-87)

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

- Ainsworth – Equipment Purchase
- Jensvold Motor Company – Customer Giveaways & Promotions
- Konami – Equipment Purchase

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by WRE. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-88)

Chair Urban called on Ameristar Casino. Jane Bell, Director of Government Affairs, presented a contract with ATCI, Inc. d/b/a Applied Information Systems (AIS) for IT Network Design.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-89)

Chair Urban called on Harrah's. Janae Sternberg, Director of Finance, presented a contract with Otis Elevator Company for elevator maintenance and repair.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-90)

Chair Urban called on RCGR. Dan Franz, General Manager, presented the following contracts for Commission approval:

- Acushnet Company – Wholesale to Retail Golf Pro Shop
- American Video and Security – Replacement of Surveillance Equipment
- Carousel Motors – Vehicle Purchases
- Hawkeye Foodservice Distribution – Food Purchases
- Loffredo Fresh Produce Co., Inc. – Food and Produce Purchases
- U.S. Bank Gaming Services/Ultron Processing Services/ U.S. Bancorp. – ATM Agreement
- Walnut Run, LLC – Golf Villa Rental Agreement

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by RCGR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-91)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, and Tom Flynn, Legal Counsel, were available for questions. The first item for PMR&C was an Agreement for Sharing of Gaming Revenue with the City of Des Moines. Chair Urban asked how this agreement was different from the previous agreements. Mr. Palmer stated that it was similar on the "top" side, but makes allowances for regulatory changes that could impact their revenue (e.g. smoking ban, tax increase), which would automatically trigger a renegotiation of the agreements with the city and county.

Hearing no further comments or questions concerning the Agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Agreement for Sharing of Gaming Revenue between PMR&C and the City of Des Moines as presented. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-92)

Chair Urban moved to the discussion regarding PMR&C's simulcast contracts, noting that the horsemen's organizations had indicated at one point that PMR&C was not maximizing the revenue from these contracts; that a substantial amount of money was being left on the table. She requested an update on the matter.

Mr. Palmer stated that the track continues to work with the horsemen and negotiate with the different tracks. He stated that in 2010, PMR&C took in an additional \$73,000 in simulcasting revenue. In 2011 to date, they have taken in an additional \$81,000. Mr.

Palmer noted that the simulcasting revenue is increasing due to communication and the track and horsemen working together.

Chair Urban noted that PMR&C previously had an individual on staff that managed simulcasting. She asked who was performing those duties. Mr. Palmer advised that the position falls under the supervision of Derron Heldt, Director of Racing. The individual who actually works with the various tracks and horsemen in negotiating the contracts is Marty Pohlmeier.

Commissioner Urban expressed her interest in receiving additional updates in the future.

Chair Urban moved to the discussion regarding capital improvements. Mr. Palmer stated that PMR&C had submitted documentation showing what they expected to spend on capital improvements for the time frame of 2011 through 2016. He noted that the figures do not include the hotel expansion, parking ramp, or “fish bowl” connecting the hotel and casino.

Chair Urban advised Mr. Palmer that the information received was what was received several months ago. She stated that she was looking for a more detailed report showing when they expect to have to replace windows, the roof, HVAC, etc. She noted that she is concerned about these types of capital improvements as the building is 20 years old, and feels management needs to start thinking about these types of issues. She requested a more detailed report regarding capital improvements.

Chair Urban moved to the recap of the thoroughbred season. Mr. Palmer noted there were weather issues in other areas of the United States that impacted the off-track simulcast, which was down 5% . On-track simulcast revenue was up 4%. Field size was 7.7, up from 7.6 last year. Mr. Palmer advised that a horse, trained by Bob Baffert, which participated in the Iowa Festival, went on to win the \$750,000 West Virginia Derby in its next start. He used that as an example to show the quality of horses that are coming to PMR&C. Mr. Palmer stated that PMR&C is very happy with the participation and quality of horsemen coming to the track.

Mr. Palmer advised that the quarter horse meet has just gotten underway. They have 625 horses on the backside; the stalls are fuller than in the past. The average field size is 8.8. He stated that for the first three days, on track handle was up 1% while off-track handle was up 12%.

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

- Bankers Trust Company – ATM Services
- Des Moines Asphalt & Paving – Asphalt Paving Contractor
- Farmers Supply Store – Equipment, Parts, Supplies & Service
- Freightliner of Des Moines – Truck & Trolley Equipment, Parts and Service

- Global Payments – Casino Guest Check Cashing Services
- Global Payments – Casino Guest Credit Card Services
- Metro Waste Authority – Waste Disposal
- Midwest Ambulance Service of Iowa – Ambulance and Emergency Medical Services
- Waldinger Corporation – Mechanical and Electrical Contractor
- Waste Management – Waste Disposal
- Wood Roofing and Sheet Metal – Roofing Contractor

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by PMR&C. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-93)

Chair Urban called on the Iowa Greyhound Association and Horseshoe Casino/Bluffs Run Greyhound Park. Jim Quilty and Lorraine May, legal counsels for the parties respectively, were present to address the Commission. Mr. Quilty advised that the parties have agreed to withdraw the request for withholding the 2% from stakes races. He stated that they have agreed upon the unpaid purse amounts from 2008, 2009, and 2010, and that Ms. May had set forth those amounts in her letter dated August 24th. Mr. Quilty indicated they are seeking the Commission's approval of those disbursements per the purse agreement for 2008, 2009 and 2010. He noted there are a few ancillary issues that the parties still need to resolve.

Ms. May also requested the Commission's approval of the unpaid purse amounts per the purse agreements from 2008, 2009 and 2010.

Hearing no comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the disbursement of unpaid purses for 2008, 2009 and 2010 as set forth in Ms. May's letter of August 24th per the purse agreement. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-94)

Chair Urban moved to the hearing for Terrible's Lakeside (Lakeside) for a violation of Iowa Code Section 99F.4(18) (Surveillance). Mr. Ketterer advised that IRGC and Lakeside have agreed on a Stipulated Agreement to resolve this issue. He stated that the incident occurred in May of this year when an explosion damaged an electrical switch gear and a large transformer, which left Lakeside without any back-up power for the facility. Temporary land-based generators were set up to provide primary power to the facility; these were replaced with permanent land-based generators. The transfer from the back-up power source to the temporary power source and then to the permanent power source required that all systems be shut down on two occasions. During the first conversion on June 1st, the surveillance department intentionally shut down the recording of the casino floor in anticipation of a planned power outage. Due to certain aspects of the conversion occurring ahead of schedule, the shutdown of surveillance occurred earlier

than anticipated by management. As a result, twenty-two patrons and several employees were still on the gaming floor at the time. IRGC staff became aware of the situation and checked with the Division of Criminal Investigation (DCI) to determine if permission had been received to shut down the facility's surveillance. DCI informed IRGC staff that it was not approved, nor were they aware that it had occurred.

Mr. Ketterer advised that the facts of the situation are not in dispute. He stated there is no precedent for this type of violation in Iowa; staff contacted three other gaming jurisdictions to see how they would handle this situation. They responded with administrative penalties ranging from \$10,000 to \$30,000. Mr. Ketterer stated that the Stipulated Agreement indicates the administrative penalty is not to exceed \$25,000. He advised that Lakeside wishes to present some mitigating factors. Mr. Ketterer advised that following the conclusion of Lakeside's comments, staff recommends the Commission approve the Stipulated Agreement and establish the administrative penalty, taking into account the mitigating factors.

Jerry Crawford, legal counsel for Lakeside, concurred with Mr. Ketterer's comment that there is no disagreement as to the facts of the case. He stated that surveillance was shut down for approximately 20 minutes on June 1st while there were still patrons on the gaming floor. Mr. Crawford advised that the area experienced a severe storm on May 25th and the hotel took a lightning hit. At 3:00 AM, the land-based generators exploded. The area had also experienced a significant amount of rainfall and the lake level was very high. Mr. Crawford stated that no one is sure what caused the explosion. The facility utilized the backup generators from the boat for a week until temporary generators could be brought in.

Mr. Crawford advised that in addition to the above, Lakeside was utilizing a new surveillance system that had been on the property for five months, and had never been shut down or rebooted; and had a new surveillance director that had been on the job for less than three months. He stated that upon arrival of the temporary generators on site, a meeting was held to discuss a timeline, with everyone understanding that an entire shutdown of the surveillance system would take sixty minutes, starting with non-casino related assets. Mr. Crawford advised that the shut down is a multi-step process that can not be stopped once it has been started. He noted that everyone was aware that forty minutes into the shutdown the casino floor had to be cleared; however, twenty minutes into what was anticipated to be a sixty minute shut down process, the surveillance shutdown was complete; and 22 people were still on the floor. Mr. Crawford advised that when it is anticipated that it will take sixty minutes to shut something down and you know that you will have surveillance back up and no one will be on the gaming floor while you are down, you don't notify anyone that you are going to be without surveillance with no one on the floor. He stated that the permanent power source came back on line and there was no incident the second time around. Mr. Crawford advised that there was zero intent on the part of anyone to violate any rule or regulation of the State of Iowa; there was no way for anyone to know that this was going to occur. He noted that Lakeside had lost an \$800,000 power source, six figures of which were not

covered by insurance. He asked that the Commission impose the lowest penalty based on the above facts.

Commissioner Heinrich asked how the communication with all involved parties was handled prior to the shut down. Bob Thursby, General Manager, advised that he had no specific e-mail or written notification to DCI; IRGC was notified as they were prepared for machine testing at the end of the process. He accepted responsibility for not discussing the planned shut down with the DCI prior to the process occurring.

Commissioner Rivera, noting that Mr. Crawford indicated the facility had never gone through the process of shutting down the surveillance system, asked if that had been done again since the incident occurred. Mr. Crawford answered in the affirmative; noting there were no incidents the second time. He advised that occurred when the facility switched over to the permanent power source.

Commissioner Rivera asked if they had gone through the process just one additional time. Mr. Thursby answered in the affirmative. He stated that they reviewed the original plan with the DCI and IRGC, and all of the specific timing and procedure issues were resolved. Mr. Thursby advised that normally surveillance would never be shut down.

Commissioner Rivera asked why a portion of the loss was not covered by insurance. Mr. Crawford it was due to the deductible on the policy, \$100,000.

Commissioner Seyfer stated that the most troubling aspect of the situation for him was that the DCI was not informed.

Hearing no further comments concerning the Stipulated Agreement or licensee's comment, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement, with an administrative penalty of \$15,000. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-95)

Mr. Ketterer stated that if this situation and set of circumstances would have happened and the DCI and IRGC would have been informed, it is his opinion that the matter would not be in front of the Commission. He stated that he understands about a new surveillance system and new surveillance director. Mr. Ketterer stated that the most serious aspect of the situation is the surveillance as it allows the DCI and IRGC to recreate the facts surrounding a situation. He noted there is seldom any dispute as to the facts in a case because of the surveillance tapes. Mr. Ketterer stated that he concurred with Commissioner Seyfer that the failure to notify the DCI was the most troubling aspect.

Commissioner Heinrich stated that he appreciated Mr. Thursby accepting responsibility for the situation; and that he agreed with the fine due to the circumstances.

Chair Urban moved to Public Comment. Wil Reisinger, President of Clarke County Development Corporation (CCDC), distributed a handout to the Commission. He noted that the Commission had encouraged CCDC and Affinity to work out their differences at the last meeting. He advised that they had met one time without any results. He expressed his doubt that the parties could find common ground, let alone a solution, at this rate. Mr. Reisinger stated that CCDC has very little or no communication or input with regard to site planning or development, and only learned through a third party about the planned truck stop and Subway shop – neither of which were included in previous discussions. He again requested that the Commission require Affinity to enter into meaningful negotiations with CCDC and establish a deadline of November 10th. Mr. Reisinger informed the Commission that the handout also included a comparison of the various casino sizes and the amount received by the non-profit, and a letter from CCDC member and Councilman, James D. Kimball, MD.

Chair Urban called for any comments and/or suggestions. Commissioner Heinrich asked if there was any particular reason why negotiations were not taking place. Mr. Reisinger advised that they had one meeting with Mr. Crawford, who then went on vacation, and CCDC hasn't heard from him again.

Chair Urban asked about previous negotiations. Mr. Reisinger stated that whenever CCDC asks the Commission to intervene, Affinity will comply. He stated that CCDC has had meaningful negotiations from their side and given Affinity what they want; however, Affinity doesn't give anything back.

Chair Urban asked Mr. Crawford if he had anything to add. Mr. Crawford advised that the attorney for CCDC and he had exchanged written proposals with regard to a meeting date and time. Due to various scheduling conflicts they could not agree on a meeting time; however, they are now scheduled to meet at 10:00 AM tomorrow morning. He stated that the addition of the new travel center is a big value-added component on the site. Mr. Crawford stated that it would be unfair for him to get into the facts surrounding the current tenant. He stated there is nothing with regard to the Subway or travel center that will prevent future expansion.

Chair Urban advised that the parties will be placed on the November agenda, with the hope that they will have met once or twice prior to that time.

Commissioner Rivera asked Mr. Crawford to supply the Commission with copies of the correspondence between himself and Mr. Gross regarding the intent to meet so that the Commission can see the comments made by both sides. Mr. Crawford answered in the affirmative, but stated that he was not sure the parties would want to put the contents of negotiations out for public content. Commissioner Rivera stated she was not requesting information regarding negotiations. She advised that she requested the documentation as Mr. Reisinger has indicated that Affinity is not willing to meet.

Commissioner Heinrich also encouraged the parties to continue negotiating; but the Commission does not need the details. He stated that it is important to have a strong relationship between the non-profit and the operator. Mr. Crawford indicated there was room for improvement.

Mr. Reisinger advised that he was willing to provide copies of correspondence with regard to meetings as well.

Chair Urban moved to Administrative Business. Mr. Ketterer stated that he felt the Commission would like to hear an update with regard to the poker study the Commission is required to file with the Legislature by December 1st. He advised that Brian Ohorilko, Director of Gaming, has coordinated and directed the compilation of the study, along with various staff members.

Mr. Ohorilko noted that the bill states the Commission is to prepare and submit a report to the General Assembly by December 1st regarding the creation of the framework for the state regulation of internet poker. The study is not to include any specific recommendations regarding legalization of the market. At this time, a committee has been created, which includes IRGC staff members and various regulatory professionals with extensive gaming backgrounds. Mr. Ohorilko stated that the majority of research has been conducted at this time, but believes additional information will continue to be received and incorporated into the study due to the evolving nature of the internet poker industry. He stated that meetings have been held with groups that have expressed interest or which the Commission feels are specialized in certain areas of gaming regulation. Those include federal jurisdictions that have legalized internet gambling, independent testing labs, casinos, potential hub operators, poker players, poker player alliances, poker room managers, Iowa Lottery, and an age verification provider, etc. Mr. Ohorilko stated that some writing has been completed, mostly outlining goals, research, methodology, limitations and discussing some of the literature and interviews that have been reviewed and/or conducted in researching the report. The study will contain information on various regulatory areas: age verification, security, player information, ways to determine the randomness of the card distribution, compulsive gambling detection, and various licensing structures. The goal is to point out the pros and cons; and identify the facts. Mr. Ohorilko stated that the next month and half will be the most challenging in trying to pull together all of the information; the intent is to have a rough draft completed by the end of September. By that time, the Commission should have received a report from the Director of Public Health regarding the societal impact of internet poker, which was also required by the bill. That information should be received no later than October 1st and will then be incorporated into the report.

Chair Urban moved to the regulatory fees for Fiscal Year 2012. Mr. Ketterer stated that the Code requires the Commission to collect regulatory fees, which are comprised of the Commission's appropriation from the legislature, and the DCI's cost of agents, and direct and indirect costs at each facility. In the past, appropriations were taken out of the General Fund and regulatory fees were submitted to the General Fund by the licensees.

Last year, the DCI, and this year, the Commission's appropriations were moved to a revolving fund, meaning that the fees are paid directly to the Commission and DCI. He noted that one of the issues affecting the regulatory fees this year was the late adjournment of the Legislature and the fact that the Governor has thirty days to sign bills. Mr. Ketterer noted that typically the Commission has the fees by the end of June and can begin collecting them on July 1st, the start of the fiscal year. This year the Commission did not have any mechanism to charge regulatory fees to the licensees, and none have been collected to date due to the late adjournment of the Legislature. Mr. Ketterer stated that the Commission has had their fees for a couple of weeks; however, there is a little more involved in determining the DCI costs, and those were just received on Tuesday of this week. He advised that the proposed fees were immediately sent to the general managers and Commission members for review. Mr. Ketterer requested that the Commission approve the fees as submitted. He advised the licensees that, if after further review, they felt adjustments needed to be made they should contact the Des Moines office. Any adjustments will be addressed at the September Commission meeting. Mr. Ketterer advised that both funds are required to cash flow, so the Commission has incorporated a policy of billing five weeks of regulatory fees up front on July 1st, and then regulatory fees will cease on May 24th for this fiscal year. At that point there won't be any more regulatory fees until the first week of Fiscal Year 2013. Mr. Ketterer again recommended that the Commission approve the regulatory fees as proposed with the understanding that any adjustments can be dealt with at the September meeting.

As there was no discussion concerning the regulatory fees for Fiscal Year 2012, Chair Urban requested a motion. Commissioner Seyfer moved to approve the regulatory fees for Fiscal Year 2012 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-96)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 22, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, September 22, 2011, at Grand Falls Casino Resort, Larchwood, Iowa. Commission members present were Toni Urban, Chair; Jeff Lamberti, Vice Chair; and members Carl Heinrich and Greg Seyfer. Commissioner Andrea Rivera was absent.

Chair Urban called the meeting to order at 8:30 AM, and called on Dan Kehl, Chief Executive Officer for Grand Falls and Riverside, for the welcome. He noted that 20 years ago his parents, Bob and Ruth Kehl, received the license for the Dubuque Casino Belle. Mr. Kehl stated that family was glad to have received this license. Mr. Kehl turned the floor over to Jeff Gallagher, President of Lyon County Riverboat Foundation (LCRF).

Mr. Gallagher pointed out that it had been three years since a busload of area residents traveled to Des Moines to attend a Commission meeting. He advised that two weeks ago during the half time of a local football game called the "Beef Bowl", LCRF distributed \$180,000 to the county school districts. Mr. Gallagher noted that the facility has only been open since June. He also stated that LCRF has just received their first round of grant applications; they received 50-60 applications for funding. Mr. Gallagher stated LCRF was happy to have the Commission at the facility, and that Kehl Management had made the facility one of the best in the state.

Chair Urban moved to the approval of the agenda. Jack Ketterer, Administrator of IRGC, stated that the Rules being submitted under Notice of Intended Action under Agenda Item 5 pertain to table games, gaming and Advanced Deposit Wagering. He noted that the proposed rules had been distributed to stakeholders and licensees, and that the Commission did receive some feedback, resulting in some non-substantive changes to the rules after the distribution of the agenda. Mr. Ketterer advised that there will be additional opportunities for public input on these rules prior to them being final adopted.

Hearing no further comments or questions concerning the agenda, Chair Urban requested a motion. Commissioner Lamberti moved to approve the agenda. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes for August 25, 2011. As there were no comments or questions concerning the minutes, Chair Urban requested a motion. Commissioner Lamberti moved to approve the minutes for August 25, 2011 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to announcements and called on Mr. Ketterer, who introduced Wayne Palmer and Doug Heilman, the IRGC Gaming Representatives assigned to Grand Falls. He stated that the gaming representatives, DCI agents and staff at Grand Falls have forged a great working relationship which has helped with the acceptance of the facility within the community.

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

- November 10, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2011)
- December – No Meeting
- January 12, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by December 29, 2011)
- February 2012 – No Meeting
- March 8, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by February 23, 2012)

He advised that the renewal of the pari-mutuel/racetrack enclosure licenses would be addressed at the November 10th meeting; and riverboat renewals will be taken up at the March 8th meeting.

Chair Urban moved to the Rules submitted under Notice of Intended Action. Mr. Ketterer advised that he and Brian Ohorilko, Director of Gaming, had split the rules; he addressed items 1-7 which reinstated language that was inadvertently removed; established rules for advanced deposit wagering; removed outdated rules; changed the definition of a claiming race; changed the workout requirements for quarter horses; and established waived claiming rules. Mr. Ohorilko addressed items 8-16 which removed unnecessary language; modified outdated games; improved the integrity of tournaments for patrons by establishing controls for tournament chips; clarified what information needs to be posted and “renting” a seat when playing table games; clarified wagering and shooting procedures for craps; removed an outdated rule; clarified which poker games should have Rules of Game on hand and what constitutes a “Bad Beat” and how the fund can be seeded and prevents an administrative fee from being charged; improves the integrity of games for players and establishes fundamental wagering rules for baccarat.

Mr. Ketterer again stated that there would be a public hearing regarding the proposed rules in addition to them being published in the rules review bulletin, providing additional opportunities for the public’s input on the rules. He recommended that the Commission adopt the rules under Notice of Intended Action.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Seyfer moved to adopt the proposed rules under Notice of Intended Action as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11- 97)

Chair Urban called on Isle of Capri Casinos (IOC) for an update regarding the sale of the Rhythm City facility in Davenport. Michael Fries, Vice President of Legal Affairs, advised that IOC has continued to work with MSEG; the City of Davenport's chosen developer. He indicated that IOC has submitted a purchase agreement to MSEG, but has not yet received a response. Additionally, Mr. Fries advised that since the exclusivity period has expired, IOC is opening up the bidding process to other parties that have expressed an interest in the property. He stated that he would keep Mr. Ketterer informed and would continue to report to the Commission.

Commissioner Seyfer stated that the Commission would like to see a land-based facility. He advised Mr. Fries that the Commission appreciates IOC's efforts to keep the process moving forward.

Chair Urban called on Wild Rose Entertainment, Inc. regarding their request for debt refinancing for the Emmetsburg facility. Scott Ivers, Chief Financial Officer, noted that Wild Rose had previously submitted a Commitment Letter from West Bank, and received Commission approval. However, in moving forward with the loan documents, there were variances between the commitment letter and the loan documents and the parties were not able to come to an agreement; therefore, Wild Rose sought financing from Bankers Trust.

Mr. Ketterer stated that the refinancing with Bankers Trust appears to be a much better deal for Wild Rose.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Seyfer moved to approve Wild Rose Entertainment's request for debt refinancing for the Emmetsburg facility with Bankers Trust as submitted. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-98)

Chair Urban moved to the contract approval portion of the agenda and called on Diamond Jo. Kim Pang, General Manager for Diamond Jo Worth (DJW) presented a contract with Seminole Energy Services for gas utility service.

Hearing no comments or questions regarding the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Diamond Jo. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-99)

Chair Urban called on DJW. Mr. Pang submitted a contract with Young Plumbing & Heating for a maintenance agreement for building environment systems.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by DJW. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-100)

Chair Urban called on Catfish Bend Casino (CBC). Jerry Baum, Chief Operating Officer, presented a contract with Fine Consulting, Inc. for marketing consulting services.

Chair Urban asked Mr. Baum if there was an Iowa company that could provide the services. Mr. Baum answered in the negative, indicating that the company utilized a highly prioritized system.

Commissioner Lamberti encouraged all of the licensees to provide more specific information regarding their out-of-state contracts prior to the meeting

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-101)

Chair Urban called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented a contract with SHI (Software Hardware Integration) for the purchase of computer hardware.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by GFCR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-102)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Culver's Lawn & Service – Snow Maintenance Contract
- Marsh USA, Inc. – Insurance
- Shuffle Master, Inc. – Table Games, Shuffler License and Lease Agreement
- Sound Concepts, Inc. – Stage and Lighting Contractor for Concerts
- Tech Art, Inc. – License Maintenance Agreement

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCGR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-103)

Chair Urban called on Argosy Casino Sioux City (Argosy). Lance George, General Manager, presented the following contracts for Commission approval:

- Trane – Request for HVAC Modification
- Bacon Creek Construction – Flood Response – Facility Modifications

Chair Urban called for any comments or questions. Commissioner Heinrich stated that Mr. George is new to the Sioux City property, and Iowa. Mr. George indicated that his previous position with Argosy was in Louisiana.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Argosy. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-104)

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

- Sign Productions, Inc. – Rebranding 4 Signs at Lakeside Casino
- Micro Gaming Technologies, Inc. – Players Club Kiosk Machines
- Pilot Travel Centers, LLC – Lease Agreement

Mr. Thursby advised the Commission that Sign Productions has been contracted to do signage at two other out-of-state properties in addition to the Iowa property.

Commissioner Seyfer asked Mr. Thursby to discuss the lease with Pilot Travel Centers. Mr. Thursby advised that Pilot will lease approximately 12 acres of land and take over operations at the current convenience store and add a truck stop. He stated that the project has received approval from the Osceola Planning & Zoning Commission and the City. Mr. Thursby stated that Pilot will invest approximately \$3.5 million and create 45 permanent jobs. There will be about 30 jobs during the construction phase.

Mr. Ketterer stated that it was great news that Affinity Gaming had elected to utilize an Iowa company to do signage projects corporate-wide.

Commissioner Heinrich asked about the hotel addition. Mr. Thursby stated that the project is back on track and is out of the ground. He indicated that it should be fully enclosed by December. Mr. Thursby stated they are looking forward to future development.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Lakeside. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-105)

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

- G2 Graphic Services – Print for Marketing Campaigns
- Grainger – Maintenance and Slot Tech Supplies
- J & R Liquors – Liquor Purchases

- Northstar Recovery Services – Clean-up and Repair of Property due to Flooding (RP)

Commissioner Heinrich asked if the flood waters were receding. Ms. Sternberg answered in the affirmative, indicating that it should be gone by the end of September. Commissioner Heinrich asked if they were finding a lot of mold and other issues related to the flooding. Ms. Sternberg again answered in the affirmative; indicating that there would be a lot of repair work to be done.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-106)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with Plaid Swan, a full service advertising agency.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Mystique. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-107)

Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park. Ms. Sternberg presented the following contracts for Commission approval:

- CB Lodging d/b/a Spring Hill Suites – Lodging for Patrons
- Farner Bocken – Cigarette and Candy Supplier
- Grainger – Maintenance and Slot Tech Supplies
- H Olafsson Intl. Specialty Foods – Specialty Items for Bakery
- J & R Liquor – Liquor Purchases

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run Greyhound Park. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-108)

Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park and the Iowa Greyhound Association regarding their request for approval of the arbitration panel and establishing the arbitration timeline. Mr. Ketterer stated that he had spoken with representatives for both parties, and they have agreed to arbitrate the purse supplement issue. Additionally, the parties have reached agreement regarding the arbitration panel members: Dale Peddicord, Lou Lavarato and John Nahra. The arbitration is scheduled for Tuesday, October 25th, with the decision due by November 1, 2011. Mr. Ketterer recommended approval of the arbitration panel and timeline.

Hearing no discussion regarding the request from Horseshoe/Bluffs Run and the Iowa Greyhound Association, Chair Urban requested a motion. Commissioner Lamberti moved to approve the arbitration panel of Dale Peddicord, Lou Lavarato and John Nahra with the arbitration decision due in the Commission's office by November 1, 2011. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-109)

Mr. Ketterer expressed regrets on behalf of Commissioner Rivera, who was unable to attend the meeting due to a conflict with work obligations.

Chair Urban called on Prairie Meadows Racetrack and Casino (PMR&C). Gary Palmer, General Manager, advised that the hotel is still on schedule and is slightly under budget. He indicated it is slated to open by March 1, 2012, but no later than April 1, 2012.

Chair Urban moved to the discussion on capital improvements and the funding thereof. She noted that PMR&C had submitted revised information, but indicated that she still had some questions; specifically under which category the replacement of the HVAC and air conditioning fall. Mr. Palmer stated that he thought it might be in the "Facility" category. He noted that Shive Hattery completed the study for them; the only thing not in the five-year plan is the parking ramp and hotel. Chair Urban stated that she felt the replacement of the HVAC and air conditioning would take sufficient revenues that they should have their own line. Mr. Palmer advised that further information would be provided.

Chair Urban stated that she also did not see anything regarding replacement of the roof. Mr. Palmer advised that repairs have been made over the years, but will provide that information as well. Chair Urban encouraged all facilities to plan for these types of capital improvements. Mr. Ketterer noted that one of the contracts being submitted for approval is for roofing, but didn't know if it was for the barn area or the grandstand. Chair Urban requested a further breakdown regarding capital improvements.

Chair Urban moved to the contracts. Mr. Palmer presented the following contracts for Commission approval:

- Breiholz Construction – General Contracts for Various Projects
- Chrims, Inc. – Track Settlements for Pari-Mutuel Betting
- Delta Dental – Employee Dental Insurance
- Graham Construction – General Contractor for Various Projects
- Hansen Company, Inc. – General Contractor for Various Projects
- High Plains Technology – Computer Equipment
- Larson & Larson Construction, LLC – General Contractor for Various Projects
- Nalco Company – Water Treatment Chemicals and Equipment
- Neumann Brothers, Inc. – General Contractor for Various Projects
- Porter Hardware, Inc. – Maintenance Equipment and Supplies
- Sirius Computer Solutions – Computer Equipment

- Snap-On Tools – Tools and Equipment
- The Weitz Company – General Contractor for Various Projects
- Wellmark Blue Cross Blue Shield – Employee Medical Insurance
- Wolf Construction – Roofing Contractor

Chair Urban noted that the RTA Summary indicated that six contractors have been asked to submit quotes on various construction projects and that one contractor will be selected for each project. Mr. Palmer advised that PMR&C is constructing a new maintenance building as well as a new storage building. An RFP was sent out and the bids are due within the next week. PMR&C is hoping to begin construction immediately.

Hearing no further comments or questions regarding the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-110)

Chair Urban moved to Public Comment. As no one had signed up, Chair Urban moved to Administrative Business. Mr. Ketterer advised that Mr. Ohorilko continues to coordinate the intrastate internet gambling study which the Commission was asked to complete by the Legislature. He noted that this is a fascinating and liquid topic; that are changes to the dynamics on a daily basis. Mr. Ketterer stated that the Department of Public Health is to submit information regarding the social impacts by October 1st. He stated that a rough draft of the Commission's study should be ready by the next Commission meeting.

Commissioner Seyfer asked about the golf course for Grand Falls. Mr. Kehl stated that construction was scheduled to start one year after the opening of the facility and that it would be paid for out of cash flow; however, they were able to cut a deal with the earth moving contractors. They are currently working on moving earth around so that construction can begin in earnest first thing in the spring. Mr. Kehl stated that the golf course may be able to open in late fall 2012, but more than likely it will be in the spring of 2013.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 10, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, November 10, 2011 at Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were Toni Urban, Chair; Jeff Lamberti, Vice Chair; and members Carl Heinrich, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM and requested a motion to approve the agenda. She noted that agenda item 8F(9), the Pepsi Beverages contract for Prairie Meadows Racetrack & Casino (PMR&C) was being removed. Commissioner Rivera moved to approve the agenda as amended. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the September 22nd meeting. Commissioner Seyfer moved to approve the minutes from the September 22nd Commission meeting as submitted. Commissioner Rivera seconded the motion, which carried unanimously.

Chair Urban moved to Announcements and called on Jack Ketterer, Administrator of IRGC. Mr. Ketterer advised that the intrastate internet poker report is in the final stages and will have it delivered to the Legislature by December 1st. He noted that it would also be posted to the Commission's website. Mr. Ketterer commended Brian Ohorilko for his work on the study, noting that he was absent today as he was presenting at an internet gaming conference in Las Vegas.

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

- December – No Meeting
- January – January 12, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by December 28, 2011)
- February – No Meeting
- March – March 8, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by February 23, 2012)
- April – April 19, 2012 – Ameristar Casino, Council Bluffs, IA (Submissions due by April 5, 2012)

He noted that the excursion gambling boat and gambling structure licenses would be renewed at the March meeting.

Mr. Ketterer took a few minutes to address a “white paper” released by the American Gaming Association regarding gaming regulations. He advised that he became aware of

the paper at an International Masters of Gaming Law (IMGL) conference in May. He stated that as he heard some of the ideas that were to be covered, he felt some sounded reasonable and would merit consideration and others are already being done in Iowa. Mr. Ketterer stated that with the intrastate internet poker study and the advanced deposit wagering issue to address over the summer months, staff did not have time to look at the issue and decided to wait for the paper to be released. The paper is titled "Improving Gaming Regulations: Ten Recommendations for Streamlining Processes While Maintaining Integrity". He again noted that some have already been instituted in Iowa, others will take collaboration with the Division of Criminal Investigation, and still others will need to be considered by staff. Mr. Ketterer stated that staff will be reviewing these recommendations and administrative rules to insure that the Commission is achieving its purpose. He noted that Commission member approval will be necessary as most of the suggestions involve the Commission's policymaking authority. Mr. Ketterer also noted that the Commission would be involving the industry during the process as well.

Chair Urban moved to the rules being submitted under Emergency Filing. Mr. Ketterer advised that these rules pertain to Advance Deposit Wagering (ADW), which was passed by the Legislature during the 2011 session in Senate File 526. At that time, Commission staff began the process of gathering rules from other jurisdictions and some uniform rules from the Association of Racing Commissioners International that are available for use by member states. Additionally, input was sought from PMR&C, horsemen's groups and advanced deposit wagering companies during the rule drafting process. A final draft was formulated for Notice of Intended Action, which was passed by the Commission on September 22nd in Larchwood. Mr. Ketterer advised that the rules have been published in the Administrative Bulletin, and that he and Mr. Ohorilko appeared before the Legislative Rules Review Committee on November 1st and a Public Hearing was held on November 8th, which no one attended. He stated that under the Administrative Rules timeline sufficient time has not lapsed since the rules were filed under Notice of Intended Action to allow the Commission to final adopt them today. That will occur at the January 12, 2012 Commission meeting, providing an effective date in early March.

From the standpoint of PMR&C and the horsemen, they have entertained various ADW operators to make presentations over the summer and early fall and are now in a position to select and negotiate an agreement in order to roll out ADW in order to get the revenue coming into Iowa that has left the state in the past. This fact is the reason the Commission is taking the parallel action in the rule process of filing these rules under Emergency Adoption which will allow PMR&C to begin offering ADW the first of January if they can do so without having to wait approximately 2-2 ½ months for the rules to become effective. Mr. Ketterer noted that IRGC typically does not do emergency rule filings, but there are times when they are utilized. Some criteria to be taken into consideration when doing emergency rules are:

- Implementing rules that effectuate a Legislative statute, which is the case here.

- Limits the process for public input; however, public input has not been denied or restricted in this instance as all of the stakeholders have been included in the process. Some of their thoughts have been incorporated into the rules.
- Notice of Intended Action was passed at a public meeting in September, and a public hearing was held earlier. The Emergency Adoption action is being taken at a public meeting. Mr. Ketterer stated that to date the Commission has heard nothing in opposition to the rules.
- The rules confer a benefit on the public. Mr. Ketterer noted that PMR&C and the horsemen will begin receiving revenue earlier than has previously been going out-of-state.

Mr. Ketterer stated that when the Notice of Intended Action rules process has been completed, the Final Adopt action in January and effective date in early March 2012, the Emergency Adopt rules will be repealed. The difference between the two processes is that if there is a challenge to rules that have been Emergency Adopted, the burden of proof is with the agency to show why the rules were needed. If the rules proceed through the normal rule making process for Notice of Intended Action, the burden of proof is on anyone who challenges the rules.

Hearing no further comments or questions concerning the Emergency Filing of the rules, Chair Urban requested a motion. Commissioner Seyfer moved to approve the rules for Emergency Filing. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-111)

Chair Urban moved to the contract approval portion of the agenda, and called on IOC Waterloo. Bari Richter, General Manager, presented the following contracts for Commission approval:

- Halvorson Trane – Maintenance and Inspection Agreement for HVAC System
- Rydell Chevrolet – Purchase of Vehicles for Marketing Promotions

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by IOC Waterloo. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-112)

Chair Urban called on IOC Bettendorf. Nancy Ballenger, General Manager, presented a contract with Prairie Dairy Farms for dairy products for use in the facility's restaurants.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by IOC Bettendorf. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-113)

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

- D & B Construction – Possible Construction Work for Flood Recovery Projects
- Olson Brothers Construction – Possible Construction Work for Flood Recovery Projects

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-114)

Chair Urban called on Diamond Jo Worth (DJW). Kim Pang, General Manager, presented a contract with Winnebago Cooperative Telecom Association for contracted telephone services for the facility.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJW. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-115)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- D & K Products – Turf Products
- Neesvig's Inc. – Specialty Food Purchases

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCGR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-116)

Chair Urban called on Grand Falls Casino Resort (GFCR). Joe Massa, Chief Operating Officer for Riverside and Grand Falls, presented the following contracts for Commission approval:

- AmSan – EVS Equipment and Janitorial Supplies
- Argus Leader Media – Advertising
- Chartaire, Inc. – Air Charter Service
- CJ Moyna & Sons, Inc. – Construction: RV Park & Golf Earthwork
- Fuerste, Carew, Juergens & Sudmeier, PC – Legal Fees
- Hound Dog Promotions – Promotional Items

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by GFCR. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-117)

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

- AmSan – Cleaning Equipment, Supplies and Services
- Hawkins Construction – Capital Construction Projects (Master Agreement Renewal)
- HGM Associates – Flood Repair Work
- US Foods – Food Provider

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Ameristar Casino. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-118)

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

- Central Credit – Check Guarantee Service
- Imagine This – Customer Give Aways and Promotions
- Waldinger Corporation – Repairs and Maintenance

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Wild Rose Emmetsburg. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-119)

Chair Urban called on Wild Rose Clinton. Tim Bollmann, General Manager, presented a new agreement with Clinton County Development Association (CCDA). He advised that instead of submitting an amended and restated agreement, which has occurred for a number of years, the CCDA had some needs from a long-term funding standpoint, the parties agreed to sit down and renegotiate the agreement. The new agreement calls for five 3-year terms with CCDA receiving an incremental increase in their funding in each of the extended terms.

Hearing no comments or questions concerning the new agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Gambling Structure License and Operating Agreement between Wild Rose Clinton and CCDA as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-120)

Chair Urban called on Isle of Capri, Inc. regarding their negotiations with MSEG for the Rhythm City property in Davenport. Michael Fries, Vice President for Legal Affairs, stated that when he last spoke to the Commission in August, Isle of Capri had submitted a Purchase Agreement to MSEG, but had not received a response. Since then MSEG has returned a marked up Purchase Agreement, which IOC quickly turned around and returned to them. He stated that IOC is uncertain as to any financing arrangements made by MSEG. Mr. Fries stated that IOC will continue to work with MSEG as the City of Davenport's preferred provider, but will also continue to work with additional third parties who have expressed an interest in the property.

Hearing no questions for Mr. Fries, Chair Urban called on Iowa West Racing Association/Horseshoe Casino-Bluff Run Greyhound Park. Bo Guidry, General Manager, addressed their request to renovate and change the designated gaming area on the third floor. He indicated that Horseshoe Casino-Bluffs Run is proposing to change 1,100 square feet of unused space in the club house and remove five pari-mutuel teller stations that have not been used in over 5 years in order to make additional space for the growing marketing area. Caesar's is combining all of the marketing services into a centralized location; the Bluffs' marketing department will go from six individuals to 60. Mr. Guidry indicated there would be no changes in the racing area.

Commissioner Heinrich stated that he felt the proposed changes would make good use of the space.

Jim Quilty, representing the Iowa Greyhound Association (IGA), stated that their concerns have already been resolved.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the request to renovate and change the designated gaming area on the third floor at Horseshoe Casino-Bluffs Run Greyhound Park. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 11-121)

Chair Urban moved to the approval of the Arbitration Decision. Mr. Quilty and Lorraine May, representing the Iowa West Racing Association (IWRA), were present to address the Commission.

Hearing no comments or questions concerning the Arbitration Decision, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Arbitration Decision as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-122)

Ms. May moved to IWRA's 45-day plan submission. She stated that since there is going to be an overage in the point money for 2011, they would like to prevent that from occurring in 2012. To that end, the parties have had some discussions as to what the points should be worth. Ms. May advised that Rory Santiago, Director of Racing at

Bluffs Run has reviewed the Iowa-bred points and regular points and has come up with an increase in the point values: regular points would increase from \$125 to \$130 and Iowa-bred point would increase from \$165 to \$175. Ms. May advised that the Arbitration Decision contains a provision that in the event there is an overpayment, the funds would be withdrawn from the escrow account, which has been true since the inception of the escrow account. The escrow account was created to supplement purses.

Mr. Quilty stated that IGA agreed with the goal of avoiding reconciliations of points at the year end, but would rather not have to withdraw funds from the escrow account. He stated that he is going to trust in Mr. Santiago's work and hope that they are close to being square on the point payments. Mr. Quilty indicated that if this experiment did not work out, the IGA would be asking for the Commission's assistance next year.

Chair Urban called for any questions. Mr. Ketterer advised that the Ms. May and Mr. Quilty had addressed the season approvals, item 7E. He stated that the staff has the following conditions to be included in any motion:

- 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.

He stated that any motion should indicate approval of the request for season approvals.

Mr. Quilty noted that there was an issue last year about what the kennel contracts would provide, and whether Bluffs would continue the long standing practice of withholding the 2% IGA check off funds. He stated that it is his understanding that Bluffs is again taking the stance that they will not continue the check off process as they did last year. Mr. Quilty asked that the Commission require Bluffs to continue to withhold the 2% check off as one of the conditions of the license renewal, subject to the IGA's willingness to pay for whatever additional accounting costs Bluffs incurs as was done last year based on their estimate, which was capped at \$2,500.

Chair Urban stated that the Commission would address the issues separately, and returned to the granting of the race dates. Ms. May stated that IWRA is requesting live racing dates for January 1, 2012 through December 31, 2012 with six performances per week for a total of 302 performances. Post time will be at 4:00 PM on Tuesday through Sunday with 15 races per performance. No races will be held on the following dates: January 23-27; April 8-10; and November 22, and December 23-27. The wagering format and takeout rates will remain the same for 2012. Ms. May stated that they have changed their start times and time off in order to maximize simulcast and export handle. IWRA also requested the continuation of year-round simulcasting.

Hearing no comments or questions concerning the requested race dates, Chair Urban requested a motion. Commissioner Rivera moved to approve the race dates as requested

by IWRA, including year-round simulcasting. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-123)

Chair Urban moved to the renewal of the pari-mutuel and racetrack enclosure gambling licenses for 2012 and the contracts contained within the license renewal. Jerry Mathiasen, Interim Executive Director of IWRA, requested the Commission's support of the license renewal application. He stated that IWRA's relationship with Harrah's and Ameristar has been excellent and has proven to be valuable to the community, noting that the 2010 referendum passed with an 80% approval. Mr. Mathiasen informed the Commission that the October 24th publication of Business Insider named 20 American counties that could become the next Silicon Valley; Pottawattamie County was number four on the list. He stated that he believes the efforts of the Community Economic Development, Community Development and the non-profit sector have played a role in receiving the designation. Mr. Mathiasen stated that a top priority of the Iowa West Foundation (IWF), which receives funds from IWRA, is education, and they have funded such programs as summer school, technology updates and a college access program. Another area has been neighborhood transformation, with the addition of twelve new neighborhood associations in the Council Bluffs area. He pointed out that IWF is playing a major role in the restoration of Council Bluffs' historical downtown district; noting that an Omaha restaurant in the Old Market area had elected to move to the area. With regard to social needs, Mr. Mathiasen stated that IWRA provided over \$500,000 to the Red Cross to assist families with the clean up of the homes and businesses get back on track as well. He concluded his remarks by introducing Bo Guidry, Senior Vice President and General Manager of Horseshoe Casino and Harrah's, for any comments that he might like to add.

Mr. Guidry advised that the Horseshoe, IWRA and IWF teams work very well together.

Commissioner Rivera asked the name of the restaurant that was moving from Omaha. Mr. Mathiasen advised that it was Dixie Quicks, which has an art gallery attached to it, which plays into the Association's efforts in the area of public art in the community.

Chair Urban asked if there were staff recommendations. Mr. Ketterer advised that they would similar to the recommendations he set forth earlier. Chair Urban requested a motion regarding the license renewal. Commissioner Lamberti moved to approve the pari-mutuel and racetrack enclosure gambling licenses for 2012 and the contracts contained with the application, and included the staff recommendations previously set forth. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-124)

Chair Urban returned to the season approvals. Ms. May stated that she would like to further address the point values and the 2% check off and the requirement of the Commission last year that Bluffs Run withhold from the payment of purses and pay to it to the IGA. She stated that Bluffs Run is the only track in the nation that is required to do that; and that they are trying to find a way to get out of the requirement that would still

provide the opportunity and the ease of collection. She suggested that instead of paying out the owners individually from Bluffs Run, they would pay the 15 kennels who would then pay the dog owners. Under this scenario, IGA would only have 15 kennels to collect the 2% withholding from, and most of the kennels are on the IGA board. Ms. May stated she did not feel that would be a significant challenge for the IGA.

Commissioner Seyfer asked Ms. May how long the current process of withholding the check off has been in place. Ms. May indicated that she did not know the exact time frame, but that it has been in place for years. Commissioner Seyfer noted that the Commission capped any additional Bluffs Run accounting expenses at \$2,500 for the year. He asked if there was any indication of what the actual cost for the year might be. Ms. Sternberg indicated that the costs would be close to the \$2,500.

Mr. Quilty stated that there are two issues Ms. May addressed in her proposal, one of which they discussed the previous evening. He stated that what is contemplated by paying the fifteen kennels all purses, including the 2%, is an elimination of direct pay, which has been a part of racing since its inception in Iowa and is the template that is followed nationally. Mr. Quilty stated that he had previously reviewed the minutes from the late 1980s or early 1990s when the Commission held a discussion as to whether Iowa should require direct pay through regulation or not; however, the Commission did not have to take action at that time as every racing facility in Iowa agreed, as did every track in the country, that direct pay was the way to go. He clarified that by "direct pay" he was referring to payments for the purse percentages that are due the kennel owners go to the kennel; and payments due the dog owners go directly to the dog owners for the ease of accounting purposes. He stated that if all the money goes to the kennel owner and the kennel owner goes bankrupt or disappears, the owner would be without their funds; direct pay insures dog owners and small breeders in Iowa and elsewhere that they are going to receive the funds that their dogs have won. He indicated if Bluffs' were allowed to abandon direct pay, they would be on an island of their own; that it would be bad practice and would endanger some owners in receiving their purses. Mr. Quilty stated that by funneling the 2% check off out to the kennel owners every week instead of one check going to the IGA, now they would be receiving 15 and they would be dependent on small business owners to become accountant. The proposed situation creates the potential for headaches and mistakes and is unnecessary when Bluffs has been doing this for years and IGA is willing to foot the bill for the additional costs.

Chair Urban asked Mr. Ketterer if Horseshoe/Bluffs Run was asking to modify their season approval submission. Mr. Ketterer answered in the negative; that the parties were asking the Commission to clarify what they want to do on this issue – continue as last year or incorporate the alternative proposed by Horseshoe/Bluffs Run. He noted that the motion would need to include the staff recommendations as well.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Seyfer moved to approve the season approvals as submitted, incorporating the following staff recommendations:

- Continue to submit simulcast schedule requests for approval by IRGC staff to insure compliance with all regulatory requirements.
- Applicant shall work with Commission staff on an ongoing basis to review procedures related to housing, management, care, infectious disease control and welfare of racing greyhounds; including periodic review with staff members and IGA members on track maintenance and safety issues.

Commissioner Seyfer also stated that the 2% check off procedure should continue under the current format. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-125)

Ms. May asked if the revised point structure was included in the previous motion. Commissioner Seyfer answered in the affirmative.

Chair Urban called on Dubuque Racing Association (DRA)/Mystique Casino. Roger Hoeger, Assistant General Manager; Jesús Avilés, President of DRA and General Manager; and Brian Carpenter, Director of Racing, were present to address any questions. Mr. Hoeger stated that DRA/Mystique Casino is requesting live race dates from April 28, 2012 through October 28, 2012 with six performances per week for a total of 161 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 7:00 PM. Matinee performances and post times requested are Wednesday, Saturday and Sunday at 1:00 PM. DRA has requested additional performances and post times for the following holidays: Monday, May 28 at 1:00 PM and Monday, September 3 at 1:00 PM. DRA/Mystique Casino also requested the continuation of year-round simulcasting.

Hearing no comments or questions concerning the request for race dates, Chair Urban requested a motion. Commissioner Rivera moved to approve the granting of race dates as set forth by DRA/Mystique Casino, including year-round simulcasting. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-126)

Chair Urban moved to DRA/Mystique Casino's application for renewal of the pari-mutuel and racetrack enclosure gambling licenses for 2012 and the contracts contained within the application. Mr. Avilés noted that the DRA is funded by Mystique Casino and the Diamond Jo. He advised that DRA helped fund the building of a new arena for youth hockey, and the club proceeded to win the Clark Cup in their first year. Mr. Avilés stated that DRA is going to assist with the development of Smith Island, which is the gateway to Dubuque and Iowa from Wisconsin. He noted that the island is home to a hotel, several restaurants, a baseball park, three veterans' memorials, and a number of activities, including the racetrack and casino. Mr. Avilés stated that DRA was successful in getting the development of the island a priority for the city; the project will proceed in small increments over a period of five to ten years. He advised that grant projects are funding in conjunction with Diamond Jo Casino. He further advised that additional projects are funded from the operations of the two facilities. Mr. Avilés stated that the city was

successful in bringing IBM and 1,350 jobs to the Dubuque area. Mr. Avilés requested the approval of the license renewal application.

Chair Urban noted that the Commission had the opportunity to tour the ice arena last October, and stated that it was a very beautiful facility.

Hearing no further comments or questions for Mr. Hoeger or Mr. Avilés, Chair Urban requested a motion. Commissioner Rivera moved to approve the renewal of the pari-mutuel and racetrack enclosure gambling licenses for DRA/Mystique Casino. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-127)

Mr. Hoeger distributed copies of 2010 Annual Report for DRA/Mystique Casino. He directed the Commission's attention to the middle of the book which shows that since 1985 DRA has returned \$621,251,204 to the community.

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C), and requested an update on the hotel. Gary Palmer, General Manager, and Ann Atkins, Vice President of Operations were present to address the agenda items. Mr. Palmer advised that the hotel project is still on schedule and under budget. He stated that all of the outside work should be completed in the next two weeks provided the weather cooperates. They hope to be able to open prior to April 1st.

Chair Urban requested an ADW update from PMR&C's perspective. Mr. Palmer advised that PMR&C had been working with the horsemen and inviting Commission staff to sit in on the meetings to make a determination of where they want to go; that this is a new venture for all of them. He stated that PMR&C has invited several ADW companies to the facility to make presentations to showcase their wares and what they do. Mr. Palmer indicated that the horsemen and PMR&C management team have mutually decided to hire and split the cost of a consultant from California that has been involved with ADW for a significant amount of time. The company will help with the selection process. Mr. Palmer advised that it has been a very interesting and exciting process; that everyone is learning a lot. He stated that they hope to be able to meet the January 1 deadline.

Chair Urban stated that the Commission gave them a little boost/push with the approval of emergency filing for the rules.

Chair Urban moved to the review of the quarter horse and standardbred meets. Ms. Atkins advised that the on track handle for the quarter horse meet was down somewhat but the off track simulcast handle was up approximately 38% based off of prior years. Starters were down somewhat, 7.7 compared to 8.7 last year. The Iowa-bred horses performed favorably in all stakes categories. She stated there were two or three great Iowa-bred horses that went on to the races in California. Ms. Atkins stated that the overall changes in the cost revenue gap, using the same accounting principal practices that have been utilized in the past, was down 14%. She indicated that should not be

construed as bad news as there were several new trainers that had never been to PMR&C before. Ms. Atkins stated that PMR&C worked with the Iowa Quarter Horse Racing Association (IQHRA) and had several different groups and individuals associated with racing at the track, which attracted a different crowd of individuals to the track to watch the races. She stated that even though revenues were down, the quarter horse meet was a great meet.

With regard to the standardbred meet, she noted that they are much smaller group of individuals, but the numbers were up for them this year. The on track handle was up approximately 19%; off track handle was also up. The number of starters was up 3% with approximately 7.75 horses per race. Ms. Atkins stated there were several festival horses that were Iowa-bred. She stated that the overall changes in the cost revenue gap, using the same accounting principal practices utilized in the past, were up 2%.

Ms. Atkins stated that all three meets were very successful.

Mr. Ketterer asked to what she attributed the decrease in the number of starters per race for the quarter horse meet. Ms. Atkins stated that PMR&C staff is working the IQHRA staff to determine why the number of starters decreased. She feels the number will increase next year due to the number of new trainers that were at PMR&C for the first time this year.

Chair Urban moved to the granting of race dates. Mr. Palmer stated that PMR&C is again requesting that the thoroughbred meet commence on April 20th and conclude on August 11, 2012 with four performances per week for a total of 603 performances. Evening performances would begin at 6:30 PM on Thursday, Friday and Saturday. A Sunday matinee performance would begin at 1:00 PM. Mr. Palmer noted this is different than what they have submitted in the past, but feel there are significant opportunities with the addition of the hotel to draw additional patrons to the facility for the weekend and provide them with the ability to create a fun family atmosphere on Sunday afternoons. He stated that PMR&C has tried Sunday racing in the past, but only for a year at a time. Mr. Palmer stated that the issue is consistency and that they believe the hotel will make a difference. He stated that PMR&C did conduct some research and found that the larger successful tracks race on Sunday, and believe that it is worth trying again over the next 3-4 years. PMR&C requested the continuation of year-round simulcasting.

Chair Urban stated that the Commission would be anxious to get the results after the next racing season to see the results of the change. She called for any comments or questions concerning the race dates.

Jon Moss, Executive Director of the Iowa Horsemen's Benevolent and Protective Association (IAHBPA), stated that he was asked by the IAHBPA Board and membership to address the Commission regarding their concerns on the requested race dates. He stated that Sunday race dates have not been successful in the past due to a lack of large bettors and ADW as the larger tracks are racing, not because of inconsistency.

Additionally, the IAHBPA does not believe the hotel will have any effect on Sunday attendance as that is typically a transition day for travel, regrouping from the weekend, etc. Mr. Moss stated that the family atmosphere aspect is a great idea, but the IAHBPA does not feel PMR&C is set up that way.

Mr. Moss stated that the IAHBPA feels the Monday-Tuesday race days have been very successful for PMR&C, especially in brand development. He stated that the IAHBPA understands many of the opportunities PMR&C sees to increase revenues through simulcasting and ADW. Mr. Moss pointed out that the ADW better likes to see consistency. He stated that if PMR&C's request to race on Sunday and Thursday is granted, the IAHBPA would like to have PMR&C maintain a statistical comparison of the days: Sunday for Monday, Thursday for Tuesday, Friday to Friday, and Saturday to Saturday. Mr. Moss requested that the race days be returned to Friday, Saturday, Monday and Tuesday if greater participation is not evident on Sunday and Thursday.

Mr. Moss advised the Commission that two horses that ran at PMR&C this year also raced in the Breeders Cup this year.

Mr. Moss requested clarification in two areas. The application indicates four performances per week for a total of 603 races. He indicated the IAHBPA would like that to say 67 days as their current contract with PMR&C indicates that they could run up to nine or ten races per day for a total of 607 races. Mr. Moss stated the IAHBPA is trying to avoid issues down the road regarding the number of performances.

Chair Urban thanked Mr. Moss for his comments and called for any comments or questions from the Commission members.

Commissioner Heinrich asked Mr. Moss if the IAHBPA is willing to try the proposed Thursday-Friday-Saturday-Sunday race schedule over a period of 3-4 years to obtain an historical evaluation, or if they wanted to revert to the previous race schedule after one year. Mr. Moss stated that it would depend on the outcome of the first year; if participation and revenues are down significantly the IAHPBA would request that the race dates be changed back to the current schedule of Friday-Saturday-Monday-Tuesday.

Commissioner Heinrich stated that it is necessary to make the change and give it some time in order to determine if it would be successful. Mr. Moss stated there are usually benchmarks to help determine if a meet is successful. Commissioner Heinrich asked Mr. Moss if he had any benchmarks in mind. Mr. Moss stated that the meets would break even or even show a slight increase, it would help ease some of the concerns of the IAHBPA.

Commissioner Rivera noted that Mr. Moss had indicated that the IAHBPA did not feel that the setup at PMR&C at this time was conducive to family activities. She asked if the other tracks that have been successful at racing on Sunday have the necessary atmosphere. Mr. Moss answered in the affirmative, and used Monmouth Park as an

example, indicating that they have various activities for the families, not necessarily relating to the races.

Commissioner Rivera asked what type of safety precautions are in place at these other facilities in the event of bad weather. Mr. Moss stated that the grandstand is open at these other facilities as they typically are not combined with a casino.

Commissioner Heinrich noted that previous attempts to race on Sunday had been called a disaster; he asked in what way. Mr. Moss indicated that he was not racing at PMR&C at that time. He indicated it was his understanding that part of the issue was the post times.

Chair Urban asked Mr. Moss if the motion was changed to state “with a minimum of four performances per week for a minimum of 603” if that would address the concerns of the IAHBPA. Mr. Moss answered in the affirmative. Mr. Palmer advised that PMR&C had already agreed to that request.

Commissioner Lamberti stated that it was his understanding that some time has passed since Sunday racing was held. Mr. Palmer answered in the affirmative. Commissioner Lamberti pointed out that PMR&C has provided their reasons for wanting to try it again and stated that it seems reasonable to him to allow PMR&C to do so but also agrees that the Commission needs to see numbers comparing the 2012 race meeting with 2011 prior to the license renewal for 2013.

Mr. Palmer advised that the horsemen get paid from the adjusted gross revenue; their pay has nothing to do with the handle. He stated that PMR&C wanted the opportunity to race on Sunday as they feel they can make more money for the thoroughbred owners and for themselves by having the races on Sunday when individuals come out to gamble, eat, etc. Mr. Palmer stated that PMR&C management is of the opinion that it won't take anything to beat the Monday and Tuesday numbers when no one was coming out. He reiterated that the horsemen are paid off the gaming revenues, not the betting revenues. Mr. Palmer stated that PMR&C will need two or three years to see if that was the right move. With regard to the family atmosphere, Mr. Palmer stated that because PMR&C has a problem with children and underage individuals gaining entrance to the casino floor they have to have security officers there to keep that from occurring. He advised that if Sunday racing is successful, PMR&C would look at ways to expand the grandstand area to accommodate more patrons. Mr. Palmer stated that they feel it is a win-win situation for everyone.

Commissioner Rivera asked Mr. Palmer if it was management's belief that the proposed changes would be more successful this time due to the hotel. Mr. Palmer stated that it was a piece of the puzzle. Commissioner Rivera asked what the other piece was. Mr. Palmer stated that they feel people will come out on Sundays with their families to eat and gamble. Commissioner Rivera stated that her question was how PMR&C was going to accomplish that. Mr. Palmer stated that Sunday is currently their best day of the week so they feel it makes sense to offer racing on a day when they already have a large

number of people coming to the facility. They are hopeful that the handle from simulcast will also increase but it is not a factor in what is paid to the horsemen for purses.

Commissioner Rivera stated that while it is great that PMR&C is trying something different, she is concerned that there isn't anything in place that wasn't there before when Sunday racing was not successful. She asked what steps PMR&C was going to take to make Sunday racing successful this time. Mr. Palmer advised that at one time PMR&C had great simulcast revenues out of New York on Mondays and Tuesdays. He indicated that live handle may not have been very good, but they could do a million dollars per day on simulcast from New York or \$20,000 for PMR&C. Mr. Palmer stated that amount was sufficient to take care of the light bill for the day, and PMR&C received some good exposure but not a lot of money compared to the ability to have more people come out and enjoy the sport and the atmosphere at PMR&C.

Hearing no further comments or questions concerning the race dates, Chair Urban requested a motion incorporating the minimum of four performances per week and a minimum of 603 races. Commissioner Heinrich moved to approve the race dates as submitted by PMR&C, incorporating the above changes, and the continuation of year-round simulcasting. Commissioner Seyfer seconded the motion. The motion carried unanimously. (See Order No. 11-128)

Chair Urban, noting that two separate plans have been submitted for the Quarter Horse Meet, suggested that any decision regarding race dates for the Quarter Horse Meet be deferred until the January meeting as she does not feel there is any urgency to decide the issue today. Mr. Palmer requested the opportunity to explain the reasoning behind the two plans and called on Ms. Atkins. She advised that Plan A would be the normal quarter horse meet. Plan B would run approximately three weeks longer with racing occurring three days per week. Ms. Atkins advised that PRM&C has applied to have the Quarter Horse Challenge Races, and a decision will not be made until sometime in December. If they are successful in securing the Challenge Races, the Iowa Races would be moved to Friday night, and have the Challenge Races on Saturday night making it a festival weekend. Mr. Palmer explained that the Challenge Races are the equivalent of the Breeders' Cup races for the thoroughbreds; that it would be a huge event for PMR&C.

Chair Urban stated that the Commission understands, but still does not see any urgency in deciding the matter today; that it can wait until PMR&C knows whether or not it will be hosting the Challenge Races.

Chair Urban moved to PMR&C's request for renewal of their pari-mutuel and racetrack enclosure gambling licenses for 2012, the contracts contained within the application and the following additional contracts:

- Atlantic Bottling Company – 5-Year Soft Drink Supply Agreement
- Bally Gaming, Inc. – Leased Slot Games

- Blytheco, LLC – Financial Accounting Software
- Brewer Meats, Inc. – Meat Supplier
- G&K Services – Linen Service
- Hawkeye Foodservice Distribution – Food, Equipment and Supplies
- Loffredo Produce, Inc. – Food Products
- Martin Brothers Distributing Co., Inc. – Food, Equipment and Supplies
- Reinhart Food Service – Food, Equipment and Supplies
- RSM McGladrey, Inc. – Financial Accounting Software

Hearing no comments or questions for Mr. Palmer regarding the license renewal application or contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the renewal of the pari-mutuel and racetrack enclosure gambling licenses for PMR&C for 2012, contingent upon the following conditions:

- The import and export contracts should continue to have the review and approval by staff to insure regulatory compliance.
- All marketing promotions that may affect live racing, particularly the racing schedule and post times, shall have **prior approval** from the IRGC.
- Ongoing updates to staff on track surface safety measures and improvements.
- An audit that covers the entire racing season as well as a yearly overall operations audit as provided by Iowa Code 99D.20.

Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-129)

As there was no Administrative Business or Public Comment, Chair Urban moved to the Hearings and called on Mr. Ketterer. The first hearing, resolved by a Stipulated Agreement, was for HG-Lakeside Casino for a violation of Iowa Code §99F.4(22), the self-exclusion policy. Mr. Ketterer advised that on January 28th of this year an individual completed the Iowa Statewide and Lifetime Self-Exclusion Form at PMR&C. The individual's status was added to Lakeside's player reward system. On June 16th, the individual approached a guest service center employee and requested to cash a credit card cash advance check. The employee discovered that the individual was on the statewide self-exclusion list and reported their findings to the security department, who approached the individual and advised him of his status. The individual recalled signing the self-exclusion paperwork, but believed it only pertained to PMR&C. At that time, the individual stated he had been gambling at Lakeside during the previous 3-4 weeks and had cashed other credit card cash advance checks and completed a tax form and had not been confronted previously. Further investigation revealed that the individual had provided his drivers license and signed a W-9 form in order for Lakeside to complete a Currency Transaction Report (CTR) for the individual to purchase \$15,900 worth of chips and his redemption of \$11,400 in chips. The Commission has a resolution in place, agreed upon by the licensees through the Iowa Gaming Association, which requires CTR transactions to be screened for self-excluded patrons since July 2008. Lakeside did not

have a procedure in place for this required screening. As a result of this incident, Lakeside has implemented a written procedure to begin checking the self-exclusion list as part of their CTR process and has provided training for all appropriate personnel on the function. Mr. Ketterer noted that Lakeside acknowledges the violation and has agreed to pay an administrative penalty of \$3,000 to \$20,000 to the Commission. Mr. Ketterer advised that staff recommends approval of the Stipulated Agreement.

Mr Quilty advised that Bob Thursby, General Manager of Lakeside, was unable to attend today's meeting. He noted that while everyone makes mistakes, Lakeside is making an effort to learn from the mistakes and has implemented written procedures and provided the necessary training to the appropriate personnel so that they have a better understanding of their responsibilities in this area. Mr. Quilty stated that the employee has been disciplined due to these events. He stated that Lakeside will do everything possible to ensure that this does not occur again.

Commissioner Seyfer asked if this was Lakeside's first violation. Mr. Ketterer answered in the affirmative.

Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement with an administrative penalty of \$3,000.00. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 11-130)

Randy Bechtel, Director of Slot Operations, provided a quick update on the hotel construction. He stated that windows were delivered on Monday, room structures are being installed and the hotel should be fully enclosed within the next two weeks. Mr. Bechtel advised that the project is on schedule and under budget.

Chair Urban moved to the hearing for Mystique Casino. Mr. Ketterer advised that this incident was also resolved with a Stipulated Agreement. He stated that an underage female gained access to the gaming floor of Mystique unchallenged on four occasions and gambled at Pai Gow tables and slot machines in August. Mr. Ketterer stated that Mystique acknowledges the above-mentioned facts constitute a violation of Iowa Code 99F.9, subparagraph 5, and has agreed to pay an administrative penalty in the amount of \$20,000 to the Commission. Mr. Ketterer recommended approval of the Stipulated Agreement.

Mr. Hoeger stated that he was in attendance at a Commission meeting in August or September when some penalties were assessed. Upon his return to Dubuque, employees were provided with extensive retraining in this area prior to this incident. Mr. Hoeger advised that Mystique has two certified TIPS trainers on staff, and have also brought in a DCI agent to provide additional training. He noted that the situation is slightly different in Dubuque as they do allow minors in the pari-mutuel area; however, this individual did go through the casino area. Mr. Hoeger stated that all individuals involved in this situation have again gone through training and have been disciplined. He advised that

Mystique has systems and processes in place, which were upgraded about three months ago based on the earlier hearings. He stated that Mystique does have a zero-tolerance policy.

Hearing no comments or questions regarding the Stipulated Agreement or for Mr. Hoeger, Chair Urban requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as presented. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-131)

Following a short break, Chair Urban moved to the Rehearing on the Commission's Decision RE: Disqualification of "Navajo Woman" in a Race at Prairie Meadows Racetrack and Casino on July 12, 2010. Rick Olson, representing the trainer of "Navajo Woman", stated that he would like the Commission to reverse its decision and affirm the decision of the Administrative Law Judge (ALJ); however, should the Commission elect not to do so, he requested that the Commission establish the standard for the case as abuse of discretion and remand the case to the Administrative Law Judge.

Jeff Peterzalek, Assistant Attorney General for the Commission, stated that in light of the limited circumstances under which the situation could occur and no prior clarification has been provided to the ALJs on this issue, concurred with Mr. Olson's request to remand the case to the ALJ to determine what was done factually on the dispute. He pointed out that the Commission could also adopt the facts and remand the case to the ALJ and be in the same position. Mr. Peterzalek noted that both he and Mr. Olson agreed during the first hearing that the rules were unclear in this situation. He stated that if the Commission wanted to hear additional arguments, both were prepared to do so. Mr. Peterzalek also noted that Julie Burger from the Attorney General's Office has been brought in as conflict counsel to assist the Commission in this matter. Mr. Peterzalek stated that he and Mr. Olson would be happy to answer any questions from the Commission or Ms. Burger. Hearing no comments or questions for Mr. Olson or Mr. Peterzalek, Chair Urban suggested the Commission go into Executive Session with Julie Burger to provide them with an opportunity to ask any questions that they might have. Noting that Mr. Peterzalek is an advocate for the case, Chair Urban stated that he would not be able to stay for the Executive Session. She indicated that she did not believe Executive Session would take very long.

Chair Urban requested a motion to go into Executive Session. Commissioner Lamberti so moved. Commissioner Heinrich seconded the motion, which carried unanimously on a roll call vote. (See Order No. 11-132) Commissioner Lamberti amended his motion to state that the Commission was going into Executive Session to deliberate with legal counsel. Commissioner Heinrich concurred with the amendment. The amended motion carried unanimously on a roll call vote. (See Order No. 11-133) Chair Urban requested that everyone clear the room.

Upon reconvening in Open Session, Chair Urban requested a motion to leave Executive Session. Commissioner Heinrich so moved. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-134)

Chair Urban requested a motion with regard to the rehearing. Commissioner Lamberti moved to grant the request for the rehearing for the purpose of remanding the matter to the ALJ with the instructions that the Commission believes the appropriate standard of review is abuse of discretion. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-135)

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

MINUTES TAKEN BY:

JULIE D. HERRICK