

**IOWA RACING AND GAMING COMMISSION**  
**JANUARY 12, 2012**  
**COMMISSION MINUTES**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 12, 2012, 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. Commissioner Seyfer moved to approve the agenda as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the November 10, 2011 Commission meeting. Commissioner Heinrich moved to approve the minutes 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 provided the following information regarding future Commission meetings:

- 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)
- May – No Meeting
- June – June 7, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by May 23, 2012)

Mr. Ketterer took this opportunity to announce his decision to retire as Administrator of IRGC effective the end of March. He indicated that he had spoken with all of the Commission members over the last two weeks, advised the Governor, and had informed Commission staff. Mr. Ketterer stated that he intended to work to insure a smooth transition and assist the Commission in any way possible to provide stability and continuity as everything moves forward in the coming weeks. He advised that it has been a pleasure to work with the current Commission, past Commission members, staff of the Commission as well as other agencies, and those within the industry.

Chair Urban accepted Mr. Ketterer's resignation. She likened him to the energizer bunny and that everyone expected that he would be with us forever. Chair Urban advised that Mr. Ketterer's resignation is effective March 29, 2012.

Chair Urban called on Mr. Ketterer regarding the Final Adoption of the rules. Mr. Ketterer advised that the rules were initially Noticed for Intended Action in September;

then in November the Advanced Deposit Wagering (ADW) rules were Emergency Adopted due to the length of time for publication and public hearing, which prevented the Commission from being able to Final Adopt the rules at the November meeting. At that time, staff believed that Prairie Meadows Racetrack & Casino (PMR&C) and the horsemen might be rolling out ADW betting the first of the year and the Commission did not want them to have to delay putting the program in place because of the effective date of the rules. The Commission requested the Emergency Adoption in November knowing that under the regular rules process the Commission would be Final Adopting the rules at this meeting and that the rules would be effective March 15, 2012. Mr. Ketterer advised that at this time it appears that PMR&C and the horsemen will not be rolling out ADW betting until April 1<sup>st</sup>, making the Emergency Adoption process unnecessary. Mr. Ketterer stated that the Final Adoption before the Commission today is necessary, with the rules becoming effective March 15<sup>th</sup>. At that time, the ADW Emergency Adopt rules will be revoked. Mr. Ketterer advised that the Commission has not received any negative comments from the public at public hearing or the Legislative Rules Review Committee. Mr. Ketterer recommended final adoption of the rules by the Commission.

Hearing no comments or discussion concerning the rules, Chair Urban requested a motion. Commissioner Rivera moved to approve the final adoption of the rules as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-01)

Chair Urban called on Isle of Capri Casinos, Inc. (IOC) for an update on the ongoing negotiations for the sale of the Davenport facility. Michael Fries, Vice President of Legal Affairs, noted that he had previously advised that IOC had hired Innovation Group to assist with the sale process. IOC and Innovation Group are in the process of evaluating the various proposals received from a variety of entities. Mr. Fries stated while IOC is still open to working with Davenport's preferred developer, MSEG. He advised that purchase agreements will be sent to the other parties involved in the next few days. He stated that IOC would keep the process moving forward and would keep the Commission apprised of new developments. Mr. Fries stated that IOC is moving the process along as quickly as they can.

Mr. Ketterer asked if it was correct to state that the city is not standing in IOC's way and preventing them from working with entities other than their preferred provider. Mr. Fries stated that IOC is not working with the city in the current process as they have a signed development agreement with MSEG, and MSEG is not part of the process with Innovation. Mr. Fries indicated that Mr. Ketterer's original statement was correct.

Mr. Ketterer asked Mr. Fries when he felt IOC would be selecting one of the entities to bring something before the Commission. Mr. Fries indicated it is IOC's goal to have something to the Commission prior to the March meeting, but noted there are issues that are outside of their control.

Chair Urban stated that the Commission would be eager to see something before March, particularly since the license is up for renewal at that time. Mr. Fries indicated IOC would be in attendance at the meeting for the license renewal.

Hearing no further comments or questions concerning the situation in Davenport, Chair Urban moved to the contract approval portion of the agenda and called on Harrah's. Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- Certegy – Check Verification Service
- Konami – Slot Machine Purchases
- Richardson Sales and Service – Chair Repair
- The Service Companies – Cleaning and Housekeeping Services for Property

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Harrah's. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-02)

Chair Urban called on IOC Bettendorf. Stacy Hall, legal counsel, presented a contract with Shared Solutions and Services, Inc. (3S) for the installation of new hardware/software in the phone cabinet to operate the facility phone system.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by IOC Bettendorf. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-03)

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

- Mediacom – Internet and Cable Provider
- Plaza Products – New Carpet and Installation

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Wild Rose Emmetsburg. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-04)

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

- Incredible Technologies – Slot Machines, Equipment and Leases
- National Paper Supply – Ecolab Supplies

- NEC Corporation of America – PBX Replacement Project

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-05)

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

- Cummins-Allison – Count Room Machine
- Pilot – Purchase Fuel for Casino Vehicles and To Give Away to Patrons
- WH Sutton – A/C-Heater/Water-Electric Repair Work

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by HGI-Lakeside. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-06)

Chair Urban asked Mr. Thursby for an update on the hotel and Pilot Travel Stop. Mr. Thursby advised that the hotel is moving along rapidly due to the great weather Iowa has been experiencing. He indicated that it is fully enclosed; the sheetrock will be completed by the middle of next week and the tapers and painters are close behind. Mr. Thursby stated the project is approximately two weeks ahead of schedule and is on budget.

Chair Urban asked about a proposed opening date. Mr. Thursby advised that the hotel is scheduled to open on May 25<sup>th</sup>.

Chair Urban asked about the Pilot Travel Stop. Mr. Thursby advised that it is open and is very busy. He indicated that the facility runs a shuttle service between the travel center and the casino and gets anywhere between 25-40 people from the travel center who come to the casino. Mr. Thursby stated they are happy with the way that is working at this time.

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

- American Video & Security – Replacement of Surveillance Equipment
- Grand Falls Casino Resort – Computer Cost Sharing
- Harris Golf Cars Sales & Service – Golf Car Fleet for Blue Top Ridge
- WMS – Purchase and License Fees for New Slot Machines

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. 12-07)

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

- First Administrators, Inc. – Benefit Plan Administrator
- Keloland Stations – Advertising
- Siouxland Propane/Plains Marketing LP – Propane Gas Supplier
- Sanford USD Medical Center – Health Plan Costs
- AmSan – Environmental Services Supplies
- Argus Leader Media – Advertising
- Avera McKennan hospital – Health Plan Costs
- Bally Gaming, Inc. – Slot Machine Lease
- Chartaire, Inc. – Air Charter Services
- Dean Foods – Dairy Products
- Doll Distributing, LLC – Beverage Purchases
- Edward Don – Food & Beverage Supplies
- Farmers Brothers Coffee – Beverage Purchases
- Hawkeye Foodservice Distribution – Food Purchases
- Hound Dog Promotions – Promotional Items
- Iowa Alcoholic Beverages Division – Alcoholic Beverage Purchases
- IGT – Slot Machine Lease
- Johnson Brothers – Beverage Purchases
- Keloland Stations – Advertising
- King Food Service – Food Purchases
- Konami Gaming, Inc. – Konami Slot System Support
- Lyon Rural Electric Cooperative – Utilities: Consumer Electric
- MedOne HealthCare Systems – Health Plan Costs
- Neesvig's Inc. – Food Purchases
- Riverside Casino & Golf Resort, LLC – Support Services: Internal Audit & IT
- Robert's Dairy Company – Dairy Products
- Romeo Entertainment – Entertainment Booking Service
- Sanford Clinic – Health Plan Costs
- Sanford USD Medical Center – Health Plan Costs
- Siouxland Propane/Plains Marketing LP – Propane Gas Supplier
- Stern Oil – Propane Gas Supplier
- Sysco FoodService – Food Purchases
- US FoodService – Food Purchases
- Wells Fargo Business Elite Card – Credit Card Purchases
- WMS Gaming – Slot Machine Lease

Chair Urban asked Mr. Massa if GFCR was using Neesvig's, an out-of-state vendor, more than some of the in-state food vendors. Mr. Massa advised that they are very competitive on their pricing. He noted GFCR had included several food vendors in the

contract submissions, indicating they had not reached the limit of \$100,000 with some of them, but could.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by GFCR. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-08)

Chair Urban asked how much snow the area had received. Mr. Massa stated that he had not seen any all winter, but had been advised that there was a little on the ground now. Chair Urban stated that fact should have been beneficial to business. Mr. Massa answered in the affirmative, noting that the weather is nicer than portrayed in the press.

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

- Certegy – Check Verification Service
- Greyhound Equipment Co. – Purchase of Greyhound Lure Equipment
- Konami – Slot Machine Purchases
- Omaha Steaks – Meat Supplier
- Premier Midwest Beverage – Beverage Provider
- Richardson Sales and Service – Chair Repair
- The Service Companies – Cleaning Service for Property

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/Bluffs Run Greyhound Park. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-09)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with Multimedia Games for the purchase of slot machines and equipment.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Mystique Casino. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-10)

Chair Urban called on Prairie Meadows Racetrack and Casino. Ann Atkins, Director of Operations, introduced Derron Heldt, Director of Racing, who was available to answer any questions regarding the quarter horse meet race dates or the season approvals for the thoroughbred and quarter horse meets. The quarter horse meet will commence on August 18, 2012 and run through October 27, 2012 with three days of racing per week for a total of 220 races. Evening performances and post times requested are Friday and Saturday at 6:30 PM, with a matinee performance and post time requested for Sunday at 1:00 PM.

Special race days of Friday, October 26<sup>th</sup> and Saturday, October 27<sup>th</sup> are scheduled for a 7:00 PM post time.

Chair Urban noted that the dates indicate that PMR&C was successful in being awarded the Quarter Horse Challenge Races. Mr. Heldt answered in the affirmative, noting PMR&C was awarded the races in late November, early December.

Mr. Ketterer asked Ms. Atkins if either she, Mr. Heldt or Tom Lopic would explain the Challenge Races for the Commission members.

Ms. Atkins introduced Tom Lopic, President of the Iowa Quarter Horse Racing Association (IQHRA). Mr. Lopic advised that PMR&C was awarded the races on December 1<sup>st</sup> by the American Quarter Horse Association (AQHA). He read several excerpts from the press release. They are as follows:

- “The Challenge is quarter horse racing’s version of thoroughbred racing’s Breeders’ Cup. It consists of six races worth more than \$1 million combined. Horses qualify for the finals by winning regional challenge races in the United States, Canada, Mexico and Brazil.”
- Darrell Hare, the Challenger’s director of racing, said PMR&C was chosen because of its facilities, which will include its incoming 168-room hotel, and the prominence of its quarter horse program. They’ve become a major influence in the country. They have a strong desire to get a national presence and this will bring top championship-type horses to them.”
- “They have a lot going for them. It’s an excellent facility. They do an excellent job in marketing. They have a lot of enthusiasm and they’ve done a good job of growing their quarter horse program.”

Mr. Lopic stated that Mr. Hare’s comments highlight what the IQHRA has been trying to accomplish the last couple of years at PMR&C. He thanked PMR&C for their willingness to work with him. Noting that he travels to various tracks around the country, Mr. Lopic stated that he has been heavily promoting PMR&C. He noted that last year they brought in Ben Hudson, the owner and writer of Track Magazine, the most prominent horseracing magazine in the country. Mr. Hudson had never been to PMR&C before, and was very impressed by everything he saw during his visit.

Mr. Lopic noted that Remington Park attempted to have the Challenge races at that facility, but were unable to do so. PMR&C stepped up and showed the AQHA what they thought they could do. The AQHA is very excited about coming to PMR&C. Mr. Lopic noted that in addition to bringing the Challenge races to PMR&C, the AQHA will be holding their annual convention at PMR&C and the area, which will bring a significant amount of money to the area for hotels, food, bus tours, etc.

Mr. Lepic advised that he has been receiving updates from Jill Paxton, Director of the Horse and Dog Breeding Program in the Iowa Department of Agriculture and Land Stewardship, advising him of the increase in the number of thoroughbred and quarter horse mares being brought into Iowa from all over the country. He stated that he was at Los Alamitos for the Los Alamitos \$2 Million Race. He was in the Winner's Circle with Tom Bradbury, who indicated that he wanted to get involved in the Iowa program. Mr. Lepic advised that he and Mr. Bradbury purchased two mares that will be considered Iowa quarter horses.

Mr. Lepic thanked the Commission, PMR&C for their vision for the future. He indicated that the IQHRA will do everything within their power to make everyone proud during the Challenge Races.

Hearing no further comments or questions concerning the proposed race dates for the 2012 quarter horse meet, Chair Urban requested a motion. Commissioner Seyfer moved to approve the 2012 quarter horse race dates as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-11)

Chair Urban moved to the season approvals submitted by PMR&C for the thoroughbred and quarter horse meets and requested a motion. Commissioner Seyfer moved to approve the season approval request, including the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI background checks.
- Continuing compliance with conditions entered into the record at the November 10, 2011 Commission meeting.

Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-12)

Chair Urban moved to the contracts submitted by PMR&C. Ms. Atkins presented the following contracts for Commission approval:

- AFSCME/IUOE Local 234 – Collective Bargaining Agreement
- American Gaming Systems – Purchase of Slot Games and Parts
- American Gaming Systems – Leased Slot Games
- Ball Construction Services, LLC – General Contractor – Various Projects
- Bally Gaming, Inc. – Purchase of Slot Games and Parts
- Bankers Trust – Banking Services and Credit Cards
- Casey's General Stores – Miscellaneous Purchases
- Creative Artists Agency – Entertainment Agency
- Farmers Supply Store – Purchase of Equipment, Parts, Service and Supplies
- Graham Construction – General Contractor – Various Projects
- Hansen Company, Inc. – General Contractor – Various Projects

- Konami Gaming, Inc. – Purchase of Slot Games and Parts
- Larson & Larson Construction, LLC – General Contractor – Various Projects
- Multimedia Games – Purchase of Slot Games and Parts
- Murphy Tractor and Equipment – Maintenance Equipment
- Neumann Brothers, Inc. – General Contractor – Various Projects
- R&D Industries – Audio-Visual Engineering Services
- Shive-Hattery, Inc. – Engineering Services
- Sportech, Inc. – Pari-mutuel Wagering Totalisator Services
- The Weitz Company – General Contractor – Various Projects
- Titan Machinery – Grounds Keeping and Heavy Equipment
- William Morris Agency – Entertainment Agency
- WMS Gaming, Inc. – Purchase of Slot Games and Parts
- Ziegler, Inc. – Maintenance Equipment

Chair Urban voiced a concern about the contract with Ball Construction Services, LLC due to recent newspaper articles referring to financial issues, and also feels that they may have changed their name. She requested that the contract be excluded from consideration at this time; that PMR&C do some due diligence and resubmit in March if they desire.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion regarding the remaining contracts. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C, minus the Ball Construction Services contract. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-13)

Chair Urban moved to the hearings before the Commission and called on Harrah's regarding a violation of Iowa Code §99F.4(22), the self-exclusion policies. Ms. Sternberg advised that the matter had been resolved through a Stipulated Agreement.

Mr. Ketterer advised it is up to the Commission to determine the amount of the administrative penalty within the range of \$3,000 to \$20,000. He indicated there are no other recent violations of this nature at Harrah's.

Hearing no further comments or questions regarding the Stipulated Agreement, Chair Urban requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted and established the administrative penalty at \$3,000. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-14)

Chair Urban moved to the second hearing with Horseshoe Casino, also for a violation of Iowa Code §99F.4(22). Ms. Sternberg indicated this matter had also been resolved via a Stipulated Agreement.

Hearing no comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Mr. Ketterer advised that there were no other recent violations of this nature at Horseshoe. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted, and established the administrative penalty at \$3,000. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-15)

Chair Urban moved to the final hearing with Riverside Casino and Golf Resort for a violation of Iowa Code §99F.9(5), allowing a minor access to the gaming floor. Mr. Franz indicated this matter has also been resolved via a Stipulated Agreement, and indicated he would answer any questions.

Commissioner Rivera asked how many violations of this nature had occurred at Riverside within the last year. Mr. Franz indicated this is the second one before the Commission; that one occurred in April 2011. He stated that Riverside does take their responsibility to maintain the integrity of gaming and prohibit minors on the gaming floor very seriously. He indicated this instance was the result of a mistake by a security officer, who did request an ID from the individual. As the ID was on paper, he was unable to scan it, but did proceed to check identifying factors, but failed to check the birth date. Mr. Franz stated that they continue to emphasize the importance of reviewing all identifying factors on the ID. He indicated that they are in discussions with their legal counsel about the possibility of bringing charges against the individual as signs are posted at the entrances regarding the age requirement to gain entrance to the gaming floor.

Commissioner Rivera asked how these types of situations are handled with the staff – ongoing training, etc. Mr. Franz advised that there is training that takes place throughout the year regardless of a violation. Commissioner Rivera asked about the frequency. Mr. Franz advised that it is every six months, but there are regular training sessions within the security department and discussions emphasizing the importance of checking IDs.

Commissioner Rivera asked the amount of the administrative penalty for the previous infraction. Mr. Franz advised that it was \$20,000.

Mr. Ketterer noted that Riverside's proximity to Iowa City provides some unique challenges; however, he pointed out that if one facility lets its guard down, the whole industry can suffer the consequences. He stated that the individual was challenged upon entry; left the floor and attempted to re-enter at a different entrance where he was turned away. He then returned to the original entrance where he was allowed to enter the gaming floor and was again admitted to the gaming floor. Mr. Ketterer advised that the fine for the first two violations within a year is \$20,000; however, if a third violation occurs within 365 days, the administrative penalty increases to \$30,000.

Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Seyfer moved to approve the Stipulated

Agreement as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-16)

Chair Urban moved to Administrative Business, a Commission appointment pursuant to Iowa Code §99D.6 which gives the Commission the authority to appoint a successor to Mr. Ketterer as Administrator to fulfill the balance of his current term which ends on April 30, 2014. She called for any discussion.

Chair Urban stated that Brian Ohorilko has worked with Mr. Ketterer for many years, and started at PMR&C. She noted that he has been involved in all facets of the gaming industry over the years; and recently wrote the study on intrastate internet gaming that was submitted to the Governor. Chair Urban stated that Mr. Ohorilko has a tremendous amount of passion for the industry, is extremely knowledgeable about the industry and the intricacies of the gaming equipment. He has attended numerous conventions, and has spoken and been on panels. Chair Urban stated that Mr. Ohorilko is well-acknowledged nationally, as well as locally, for his work in the gaming industry. She indicated that Mr. Ohorilko is coming to the Commission with the highest recommendation from Mr. Ketterer as an individual well suited to assume the duties of Administrator for the Commission.

Vice Chair Lamberti noted that since Mr. Ketterer is resigning in the middle of his term, it provides a unique situation as far as moving forward. He indicated there are some known issues facing the Commission, some that are not as complicated as ADW. There is the possibility that the Legislature could take action on internet gambling, as well as the issues in Sioux City, Davenport and Osceola. Vice Chair Lamberti stated that he is excited to have some stability, continuity and someone who knows and has worked with Mr. Ketterer. He stated that Mr. Ohorilko is the right choice for the Commission as it moves forward and to fulfill the remainder of Mr. Ketterer's term.

Commissioner Rivera noted that Mr. Ohorilko worked very closely with the Administrator and Commissioners in 2009 during the license application process; stating that he prepared a matrix summarizing the various applications. She stated that since Mr. Ohorilko has worked under the tutelage of Mr. Ketterer, the Commission couldn't have a better candidate to fill the position. Commissioner Rivera stated that she felt Mr. Ohorilko will do a very good job.

Commissioner Heinrich, noting he has known Mr. Ohorilko for a short period of time, stated that he is very comfortable in appointing him to fulfill the balance of Mr. Ketterer's term.

Commissioner Seyfer stated that he has had the pleasure of working with Mr. Ohorilko for six years. He stated he was very pleased to receive his resume. He noted that Mr. Ohorilko is a certified to officiate various sporting events, which could prove beneficial at times. Commissioner Seyfer gave Mr. Ohorilko his full endorsement.

Chair Urban stated that the Commission's recommendation to the Governor would be that Mr. Ohorilko be approved to fulfill the term of Mr. Ketterer, which ends on April 30, 2014, with the salary established at the bottom of the pay range. She advised Mr. Ohorilko that his name would be sent to the Senate for confirmation. Chair Urban stated that not all Commissions and Boards work this way, but the Iowa Code gives the Commission members the right to appoint a successor.

Hearing no further comments, Chair Urban requested a motion. Commissioner Heinrich moved to appoint Brian Ohorilko to complete the balance of Mr. Ketterer's term, commencing on March 30, 2012 and ending on April 30, 2014; and establishing the salary at the bottom of the pay range. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-17)

As there was no public comment, Chair Urban requested a motion to adjourn. Commissioner Lamberti so moved. Commissioner Heinrich seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
MARCH 8, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 8, 2012 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. She thanked Wes Ehrecke, President of the Iowa Gaming Association (IGA), and the IGA for hosting the reception in honor of Jack Ketterer, Administrator of IRGC, the previous evening. Chair Urban requested a motion to approve the agenda. Commissioner Seyfer so moved. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the January 12, 2012 Commission meeting. Commissioner Rivera moved to approve the minutes from the January 12<sup>th</sup> Commission meeting as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to announcements. Mr. Ketterer provided the following information about future Commission meetings:

- April 19, 2012 – Ameristar, Council Bluffs, IA (Submissions due by April 5, 2012)
- May – No Meeting
- June 7, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by May 23, 2012)

At this time, Chair Urban called on Mr. Ehrecke to discuss the 2010-2011 County Endowment Fund program, which is subsidized by gambling funds. Mr. Ehrecke explained that money is distributed to foundations in counties without a casino. During the most recent distribution process, each county foundation received \$130,000. They are required to put 25% of the funds received into a permanent endowment and the remaining 75% is distributed to other non-profit organizations within the county.

At this time, Chair Urban asked Mr. Ketterer to approach the podium for a presentation. A copy of Chair Urban's remarks are attached and incorporated in their entirety by this reference. She presented Mr. Ketterer with a plaque, which read: JACK KETTERER - IN RECOGNITION OF YOUR DEDICATION AND SERVICE AS ADMINISTRATOR TO THE IOWA RACING AND GAMING COMMISSION FROM DECEMBER 2, 1983 – DECEMBER 31, 1988 AND MAY 3, 1993 – MARCH 29, 2012.

Mr. Ketterer thanked Chair Urban for her comments. He thanked everyone for the recognition, and recognized Karyl Jones, Director of Operations, and Julie Herrick, his assistant, who have been with him for a number of years. Mr. Ketterer also recognized Linda Vanderloo and Terry Hirsch who also worked for him for a number of years, and have retired. He indicated that all have had a part in the success of the Commission.

Mr. Ketterer noted that even though he was absent for four years, he has served under every Commissioner that has been appointed to the Commission. He indicated that there was never a time when he witnessed a Commissioner making a decision that was to promote their own self interest or further their personal gain, but only for what they felt would better the gaming industry in the State of Iowa and the people of Iowa, which not only speaks volumes about Iowa, but the individuals appointed by the Governor. Mr. Ketterer noted that the format for the licenses in Iowa set forth by the Legislature is unique to Iowa – a qualified sponsoring organization and operator. He noted there is nothing else like it across the country; and the format allows the gaming tax, which primarily goes to the state, also allows the respective cities and counties to receive revenue. Mr. Ketterer stated that often times there are needs within the community recognized by the citizens that the government really can't support; however, the non-profit organizations or the qualified sponsoring organization can do so. He stated that the county endowment foundations have also done an excellent job in that area. Mr. Ketterer indicated that the upcoming review of the economic impact statements will also show the impact the licensees are having on various communities all over Iowa.

Mr. Ketterer stated that the Commission responds to counties that have a referendum to approve gaming for their county. Upon a successful referendum, a qualified sponsoring organization and an operator team up to bring an application to the Commission, which may issue a license that facilitates the operation going forward. Mr. Ketterer likened the partnership between the qualified sponsoring organization and operator to a marriage, which experiences disagreements over time; however, he indicated that it is important for both parties to understand the privilege they have in the license and their stewardship in carrying that out in the jobs they provide and the distributions within their respective communities. Mr. Ketterer stated that he had enjoyed working with everyone; that it is something that he will not forget and looks forward to seeing all of them in the future.

Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park (HS/BRGP) regarding their request to resolve the payment of unpaid purse amounts for 2011. Lorraine May and Jim Quilty, representing HS/BRGP and the Iowa Greyhound Association respectively, were present to address the issue. Ms. May indicated that there is again a difference between the amount paid out in purses and the amount available for purses as the purse amounts are set forth in a dollar amount, and the purses are paid out on a point system. Ms. May advised that HS/BRGP has calculated the amount of underpayment on the current point percentages of 67.1% for regular points and 32.9% for Iowa-Bred points. She indicated that the dog owners and kennels are owed \$381,033.59; however, due to rounding, HS/BRGP will pay out \$381,409.01. Ms. May requested the

Commission's approval of the proposed payments as full satisfaction of the purse payments due for calendar year 2011.

Mr. Quilty advised that the Iowa Greyhound Association agreed with the payout calculations as calculated by HS/BRGP. He noted that there were concerns regarding export dollars that have not been resolved.

Chair Urban called for a motion to approve the payment of the unpaid purse amounts as set forth by HS/BRGP. Commissioner Seyfer so moved. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-18)

Ms. May advised that the purse structure is included in the 45-day plan, which is submitted and approved in November, which would be the appropriate time to address the concerns regarding export dollars.

Chair Urban called on Mystique Casino/Dubuque Greyhound Park (MC/DGP) regarding the approval of the 45-day plan for the upcoming live meet. Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address any issues. Mr. Hoeger advised that the 45-day plan included the Second Amendment to an agreement between the Dubuque Racing Association (DRA) and the Iowa Greyhound Association with regard to the export of DGP's signal during the live race meet.

Hearing no comments or questions regarding the 45-day plan, Chair Urban requested a motion to approve the plan with the staff recommendations, which are as follows:

- 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.

Additional requirement:

- 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.

Commissioner Lamberti so moved. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-19)

Chair Urban moved to the additional contracts submitted by Mystique Casino. Mr. Hoeger presented the following contracts for Commission approval:

- American Trust and Savings Bank – Refinancing of Existing Loan
- CR Signs – Digital Billboard

- Greyhound Equipment Company – Purchase Lure Equipment for Greyhound Racing
- The Printer, Inc. – Direct Mail & Printing Services

He advised that Mystique had refinanced their existing loan with American Trust, have arranged for a digital billboard, and direct mail and printing services. He noted that they have previously leased the lure equipment, but that is no longer an option.

Hearing no comments or questions regarding the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-20)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Brian Wessels, General Manager and Chief Financial Officer respectively, were present to address any questions.

With regard to the hotel update, Mr. Palmer advised that the hotel opened on March 1<sup>st</sup> and that everything is going very well. He thanked the Commission for their support during the construction.

Chair Urban asked about the occupancy rate. Mr. Palmer stated that it is around 98% on the weekends and varies during the week. He indicated they did a soft opening by having some of the players come in, and held a private Valentine's party for invited guests and staff to help determine what had been forgotten in the rooms. He said they received lots of good feedback.

Chair Urban noted that the hotel did open earlier than expected. Mr. Palmer stated that they opened about one month earlier than anticipated.

Chair Urban stated that she had toured the hotel the previous evening and found it to be impressive. She indicated that it is downplayed on the outside, but the interior is beautifully done. She noted former Commissioner Kate Cutler, who kept after Mr. Palmer about a hotel for ten years, was in attendance last night and got to see the fruition of her efforts.

Chair Urban called on Mr. Wessels about the recent articles in the newspaper regarding the cost of the hotel and how PMR&C financed it. She noted that she had asked the same question approximately a year ago and was informed that it was going to be paid from cash flow, and that PMR&C eventually sought approval for some financing. Chair Urban requested an explanation for the record.

Mr. Wessels stated that the total cost of the hotel was \$32.9 million, with a substantial amount of that figure being paid from cash flow. He indicated they will end up borrowing \$5 million. Chair Urban asked if that amount had already been borrowed. Mr.

Wessels indicated approximately \$1.7 million has been borrowed to date, and they will be borrowing additional funds in the next few days for a monthly payment.

Chair Urban asked if there was any forecast as to an increase in revenues at the casino as a result of the hotel. Mr. Wessels indicated that they anticipate an increase of 5-6% in gaming revenues over a period of several years.

Commissioner Lamberti stated that he also had an opportunity to tour the facility before it opened and that he was very impressed. He encouraged everyone to go see it, and indicated that it was a great addition to the facility.

Chair Urban moved to the allocation of the purses from gaming revenue for 2012. She noted that the distribution is based on the statutory allocation. She stated that money is also being paid out to the standardbreds, which will not be running at PMR&C.

Mr. Ketterer asked if the \$900,000 one-time addition to the purses was an underpayment from the 2011 meet. Mr. Palmer stated it is the result of an agreement made with the Legislature and the three horse breeds last year. The Legislature asked PMR&C to give an additional \$900,000 for purses for one year, and PMR&C agreed. In return, the standardbreds will no longer race at PMR&C.

Mr. Ketterer noted that PMR&C is going to have some additional gaming floor space, and have proposed adding some new slots and table games, and that they have received approval from Polk County to do so. He asked if the additional slots and table games are figured into their forecast for increased gaming revenues.

Mr. Palmer stated that when this project was started, it was a three-phase project: 1) linking the current facility to the new hotel; 2) the hotel, and 3) additional casino space created by the addition. He stated that the pro forma presented to Polk County last year in negotiating the eight-year contract did include the additional casino space. Mr. Palmer advised that PMR&C will be bringing a request for additional slot machines before the Commission at the April meeting; they currently have approximately 2,000 machines. He indicated the gaming expansion would cost approximately \$10.3 million for an additional 200-300 machines. He stated the new gaming area would be a perfect link to the new hotel, and was part of the original plan. Mr. Palmer stated that the revenue from the additional games was included in the projections for future years.

Mr. Ketterer noted there was some objection voiced on the part of the lessor, and asked the reasons behind the objection. Mr. Palmer stated the objection came from one supervisor who wanted more money in addition to the agreement consummated with Polk County last year. He noted that PMR&C had a good year last year; the weather was great and they didn't have to borrow as much money for the hotel, which helped revenues. Mr. Palmer noted that PMR&C was able to work out the issues with the majority of the Polk County Supervisors and will be moving forward with the project.

Mr. Ketterer noted there were concerns that the casinos might lose the smoking exemption, which would have had some impact on revenues; as well as discussions about increasing the tax rate the casinos paid to the state. He noted these two items created a certain amount of uncertainty at the time of negotiations between the parties.

Mr. Palmer stated that the agreement is actually a two-part contract which set forth what would happen on the down side and up side. He stated that under the current agreement PMR&C pays the county \$1.3 million per month in rent, or a total of \$15.6 million per year. The county will also receive \$10.4 million in net receipts this year and next, and in 2014, they will receive 5% of the adjusted gross revenues. Mr. Palmer stated that if the county were to receive the 5% this year, it would be less than the \$10.4 million. He stated that if the casinos had lost their smoking exemption, or if a tax increase had been implemented, PMR&C would have had to reopen discussions with the county as to the lease agreement as they would not have had sufficient revenues to pay what they are currently paying. Mr. Palmer stated that they tried to negotiate for the upside, as well as the downside. They are happy to be on the upside of things.

Commissioner Lamberti stated that he was troubled about the situation with Polk County, and some of the comments. He noted that gaming exists in Iowa to benefit the people of Iowa in large part through the non-profits and the tax revenue. Commissioner Lamberti stated that he is troubled by the fact that a landlord is making decisions about the expansion of a facility in a county, which in his opinion, is still underserved. He noted that while the Supervisors have constituents that they serve, the Commission serves the entire state. Commissioner Lamberti stated that he did not believe the Legislature intended that landlords have the ability to control the expansion of a facility.

Commissioner Rivera, concurring with the comments made by Mr. Ketterer and Commissioner Lamberti, stated the situation seems to be a bit one-sided where PMR&C and Polk County are concerned. She indicated the Commission only sees these issues in Polk County and no where else. Commissioner Rivera stated that she wished both sides would cease the constant bickering over issues and focus on the bigger picture of serving Iowa, not just Polk County.

Mr. Palmer stated that a majority of the Supervisors do work in that vein. He thanked the Commission for its comments.

Hearing no further comments or questions, Chair Urban returned to the approval of the allocation of purses from gaming revenue from 2012, and requested a motion. Commissioner Seyfer moved to approve the distribution of purses for 2012 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-21)

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

- AJ Allen Mechanical Contractors – HVAC Contractor
- Control Installation of Iowa – Surveillance Equipment
- Des Moines Steel Fence – Chain Link Fencing
- Excel Mechanical Company – HVAC Contractor
- Heartland Poker Tour – Organized Poker Tournaments
- International Sound Corp. – Television Graphics System
- KCCI Television, Inc. – Television Advertising
- ODS Technologies d/b/a TVG Network – Horse Race Advance Deposit Account Wagering Services
- Seneca Tank, Inc. – Water Tank Equipment
- The Weitz Company – General Contractor – Various Projects
- True Center Gate Leasing – Horse Race Starting Gate
- Waldinger Corporation – Mechanical and Electrical Contractor
- Wolin and Associates - HVAC Contractor
- Wood Roofing – Roofing Contractor

Chair Urban noted that a number of the contracts were for mechanical or HVAC, which had previously been approved. Mr. Palmer stated that the construction of the new storage facility and facility expansion will require that the work be rebid; the previous submissions are not high enough to cover the additional work and/or equipment. Chair Urban asked if the final contract would be brought back before the Commission. Mr. Palmer answered in the affirmative.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-22)

Chair Urban called on HGI-Lakeside. Bob Thursby, General Manager, submitted a Settlement Agreement and Mutual Release of All Claims between the City of Osceola, Iowa; the Osceola Water Works Board of Trustees and HGI-Lakeside for Commission approval. He thanked Chair Urban and Commissioner Lamberti for their assistance in getting this issue resolved, and requested approval of the contract.

Chair Urban stated that the settlement agreement contained two changes to the original agreements – the amount of the lease and the number of employees the facility is required to maintain. Mr. Thursby noted that the amount of land that is leased by the facility from the Water Board has also been adjusted.

Hearing no comments or questions concerning the Settlement Agreement, Chair Urban requested a motion. Commissioner Lamberti moved to approve the Settlement Agreement as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-23)

Chair Urban asked Mr. Thursby for a hotel update. He advised that the 90-room expansion is moving along very quickly, and expect to open it on May 18<sup>th</sup>, two weeks ahead of schedule. The amphitheater will be completed around September 1<sup>st</sup>. The existing pool is going to be removed and a party deck added; there will be a new indoor/outdoor pool, similar to Riverside's. Mr. Thursby indicated that by the end of third quarter this year, the quick-serve restaurant will be finished, which will allow them to expand their food and beverage operations, and add room service. He indicated that it is going to be a unique service to Iowa.

Chair Urban called on Mark Vander Linden, Program Manager for the Iowa Gambling Treatment and Prevention Program, to talk about National Problem Gambling Awareness Week. He advised that the week is an opportunity to raise the awareness of the consequences of gambling, as well as the program's success in mitigating problems associated with gambling. A copy of Mr. Vander Linden's comments are attached and hereby incorporated into the minutes.

Chair Urban called on Mr. Ketterer regarding the year-to-date economic impact reports. Mr. Ketterer advised that the reports are something that the Commission and licensees corroborated on several years ago. He noted that the figures are not audited, but do reflect a remarkable impact in the various communities and counties.

- Wages, Salaries, and Benefits - \$281 million
- Gaming Taxes & Other Taxes – In excess of \$390 million; \$331 million of that figures is for Admission Taxes

Mr. Ketterer stated that not-for-profit contributions in the state last year were almost \$42 million; donations directly by the operators, in addition to funds paid to the qualified sponsoring organizations via the operating agreement, totaled \$8.8 million, or approximately \$51 million that was distributed to different causes or needs in the various communities. He noted that the operators/licensees made contributions to municipalities in the amount of \$33 million, \$26 million alone to Polk County by PMR&C. The total for all charitable donations for all purposes statewide was \$84 million.

Mr. Ketterer stated that one of the areas the Commission tries to promote in accordance with legislation is Buy Iowa. The figures are broken down into Iowa vendors, and then non-Iowa vendors are broken down into gaming equipment, specialized/necessary source and others. Gaming equipment, which is not available in Iowa, accounts for approximately 15% of all equipment, supplies and services purchased, or a total of \$55 million. There is a specialized/necessary source for supplies and services. Some of the facilities, due to their geographical location on the borders, need to purchase their media advertising, charter bus services, beverage distributions from companies outside the state; these purchases amount to 6.6%. Mr. Ketterer stated that approximately 10% of the money that could be spent with Iowa vendors is spent with out-of-state vendors. He indicated this occurs as the Commission gives Iowa vendors the opportunity to bid and participate for the equipment, supplies and services; however, sometimes there is another

source that underbids them. Mr. Ketterer stated that over 67% of the money is spent in Iowa on supplies and services; and when gaming equipment and specialized sources that need to be procured out-of-state are excluded, the percentage increases to 87% for Iowa purchases. He stated that the 87% is an average and all of the properties are within 9-10% of that figure, except for Marquette, due to their location in extreme northeast corner of the state and being a smaller community. Mr. Ketterer stated the entire economic impact from the four areas of payroll, equipment, supplies and services, taxes and fees, and charitable donations comes to just shy of \$1 billion. He again noted that while these figures are not audited, they do paint a very accurate picture of the impact the licensees are having on the State of Iowa and their respective communities.

Hearing no comments or questions concerning the economic impact reports, Chair Urban moved to the excursion gambling boat and gambling structure license renewals and called on Iowa West Racing Association (IWRA)/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino. Jane Bell, Director of Government Affairs for Ameristar, made the following remarks on behalf of Jerry Mathiasen, Interim Executive Director of IWRA, who was unable to attend due to a prior commitment. Ms. Bell advised that today was the first day for Pete Tulipana, the new Executive Director/CEO, and that he would be introduced to the Commission soon. On behalf of IWRA as the non-profit license sponsor for Ameristar and Harrah's, Ms. Bell requested the renewal of the licenses. She stated that IWRA's relationship with Ameristar and Harrah's is excellent and both are valuable assets to the community. Ms. Bell noted that 80% of the voters in the 2010 referendum voted in favor of continuing gambling in Pottawattamie County. She pointed out that the income IWRA receives from Ameristar and Harrah's was a key factor in IWRA being able to weather the economic storm and maintain their granting level, which surpassed the \$280 million milestone with more than \$13 million distributed in 2011 alone. Ms. Bell noted that IWRA had made educational attainment in the local schools a top goal. She reported that the graduation rate had increased by 10% since IWRA's special partnership with the Council Bluffs school district commenced. Ms. Bell stated that IWRA provided over \$500,000 to the local Red Cross for flood recovery efforts for families in western Iowa and eastern Nebraska. On behalf of the IWRA, Ms. Bell again requested the Commission's approval of the license renewals for Ameristar and Harrah's.

Monty Terhune, General Manager, stated that 2011 was a unique year as they were directly impacted by the flooding that took place during the summer and fall. Ameristar was required to expend a significant amount of effort, time and resources in relation to the flooding; they have spent approximately \$2.1 million to date and will expend several more million in an effort to mitigate the damage done to the levee. Mr. Terhune stated that Ameristar has forged stronger bonds with the city and levee partners through the flood issues. He reported that while the percentage of Ameristar's purchases from Iowa vendors increased from 71% in 2010 to 78.5% he is not yet satisfied. He stated that the \$2.1 million for flood expenses is part of the reason. Mr. Terhune stated that they will continue to work on increasing the amount of money spent with Iowa vendors.

Chair Urban called for any comments or questions concerning the license renewal of IWRA/Ameristar Casino. Hearing none, she requested a motion. Commissioner Rivera moved to approve the license renewal application of IWRA/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-24)

Chair Urban called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel. Bo Guidry, General Manager, requested the Commission's approval of the license renewal application.

Mr. Ketterer asked if there has been any thought given to moving to a land-based facility. He noted that the numbers have been declining at the current property partially due to the success at Horseshoe and the fact that Ameristar has a larger and nicer boat. He stated that Harrah's has done a good job with the amenities offered at the facility.

Mr. Guidry advised that there have been some thoughts in that area, noting that with the success of Horseshoe they sometimes intentionally move customers over to the Horseshoe property, which is a partial explanation for a decline in the numbers. He stated that the management team has looked at options for going land-based, but they are cost prohibitive and don't feel it is in the best interest of the company to make that move at this time. Mr. Guidry stated that Harrah's was not as impacted by the flood as Ameristar. He indicated that Harrah's would keep the Commission informed in the event a decision is made to move to a land-based facility.

Mr. Ketterer stated that in 2008 when the Commission approved them going to a private equity company, the Commission asked about continued capital investment at the rate of return. The Commission was assured that there would be.

Chair Urban called for any further comments or questions concerning the license renewal. Hearing none, she requested a motion. Commissioner Seyfer moved to approve the license renewal application of IWRA/Harveys Iowa Management Co., Inc., d/b/a Harrah's Council Bluffs Casino Hotel as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-25)

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 approval of the license renewal for WCRF/RCGR. He stated that WCRF is very happy with the relationship they have RCGR. In the past year, WCRF awarded 102 grants in the amount of \$2.3 million, and they are on track to distribute another \$3 million this year from the grant pool. Mr. Putney indicated that approximately \$900,000 would go to municipalities in Washington County. He noted that the Riverside City Council just approved a \$4.2 million budget. He advised that seven years ago the city budget was just over \$900,000. Mr. Putney stated that the impact of the casino and the Kehl family has been tremendous; the Kehl family and the casino have kept every vow made to the county.

Dan Kehl, CEO of RCGR, concurred with Mr. Putney's comments that the two organizations have a great relationship. He stated that the Kehl family appreciates the opportunity the Commission afforded them in Washington County. He requested renewal of the license for WCRF/RCGR.

Chair Urban called for any comments or questions. Hearing none, she requested a motion. Commissioner Rivera moved to approve the license renewal application of WCRF/Riverside Casino & Golf Resort, LLC d/b/a RCGR, including the contracts included therein. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-26)

Chair Urban called on Black Hawk County Gaming Association (BHCGA)/IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo. Tim Hurley, Chairman of BHCGA, stated that the Board is focused on and is continually working to perfect the process of awarding grants. He advised that over the last 12 months, the BHCGA has awarded 45 grants totaling just over \$4.25 million with the majority going for property tax relief projects, and 1/6<sup>th</sup> going to charitable organizations and educational grants. Mr. Hurley noted that when the grant process commenced in 2008 approximately 250 grants totaling almost \$22 million were distributed. He advised that the previous figures did not include the 25% of net revenues that goes to the Waterloo Development Corporation. Those funds are specifically focused on downtown improvements in Waterloo. Mr. Hurley stated that BHCGA also distributes funds in the counties of Butler, Buchanan, Grundy, Bremer, and Tama.

Mr. Hurley advised that the private/public partnership, which includes BHCGA, is working very well and has accomplished some wonderful things in the Waterloo area. He noted that the Youth Pavilion, which has been in operation just over a year, recently welcomed their 100,000<sup>th</sup> guest; the Downtown Expo Center is open and is being utilized; and the Public Market is open and getting stronger. The Cedar Valley Sports Plex will break ground in April. Mr. Hurley advised that this is a \$25 million project that will be built in phases; \$18 million in private sector donations has already been raised. The BHCGA has committed \$5 million over eight years to the project. He noted that John Deere just announced a \$70 million investment in their Waterloo facility, bringing their commitment to the city to approximately a half billion. Mr. Hurley stated that the attitude in Waterloo has changed. He expressed his hope that the Commission would return to Waterloo to hold another Commission meeting and have the time to view some of the changes he just mentioned. He requested that the license renewal application be granted.

Chair Urban called for any comments or questions concerning the license renewal application. Hearing none, she requested a motion. Commissioner Heinrich moved to approve the license renewal application of BHCGA/IOC Black Hawk County, Inc., d/b/a Isle Casino & Hotel Waterloo. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-27)

Bari Richter, General Manager, presented a contract with Ryan Companies as the general contractor for the Lone Wolf project. She advised they are removing the Tradewinds dining area, which includes Pizza Hut, KFC, and Any Wich Way, and constructing a Lone Wolf sports bar and grill inside the entrance to the facility. The intent is to increase the enthusiasm of the facility. Ms. Richter stated the goal is to have the new sports bar and grill open by July 1<sup>st</sup>.

Chair Urban called for questions concerning the project. She inquired about the cost of the project. Ms. Richter advised the contract is being submitted for \$500,000, but acknowledged that she may need to request additional funding in April as they are continuing to finalize the project. Chair Urban asked if the project would be cash-flowed. Ms. Richter answered in the affirmative.

Chair Urban requested a motion regarding the contract. Commissioner Seyfer moved to approve the contract as submitted by IOC Waterloo. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-28)

Chair Urban called on Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (WCDA/DJW). Kim Pang, General Manager, and Deb Hanson, Chief Financial Officer for WCDA, were available to answer any questions. Mr. Pang requested approval of the license renewal application. He advised that in 2011 DJW had a payroll of \$11 million; paid \$21.5 million in gaming taxes; purchases of Iowa goods and services totaled approximately \$47.2 million or about 95% of total purchases. Mr. Pang stated that charitable contributions to WCDA were approximately \$5 million. He turned the floor over to Ms. Hanson to discuss some of WCDA's accomplishments.

Ms. Hanson advised that the Worth County Supervisors have purchased the assets of Xenia, which will allow the construction of the necessary infrastructure at the I-35 and DJW exchange. She noted that everyone is excited about the possibility of expanded development in the area. Ms. Hanson provided the following information regarding distributions for 2011 contained in a letter written by Kim Koenigs, Executive Director of WCDA: 111 Worth County seniors received scholarships in the amount of \$5,536.81; 1,127 students received a gift card for free school supplies; 71 preschool students attended for free; hundreds of teachers received money to use in their classrooms; student fees were reduced and technology and curriculums were improved. In total, the five school districts in Worth County received \$2,258,559.47; the Northwood-Kensett district alone received \$685,389.85.

With regard to grants, WCDA awarded 73 grants in the amount of \$1,532,727.39 to charitable organizations in the counties of Worth, Cerro Gordo, Mitchell, Winnebago, Wright, Hancock and others. Additionally, \$47,500.00 was given to food banks in eight counties. Ms. Hanson noted that the above figures do not include the \$272,679.08 that was given directly to Worth County from WCDA funds. In 5.5 years, WCDA has given

out more than \$22 million, which has had a profound effect on the county and the educational system. She advised that WCDA and DJW have a very good relationship.

Chair Urban stated that what the non-profit organizations are able to do for the various communities is overwhelming. She noted there is not another state in the country that has the same arrangement with the non-profits where the communities are able to benefit from the casinos as they do in Iowa.

Mr. Ketterer noted that business at DJW has gone through the roof, with some of that attributable to the good winter weather. He stated that he was curious about the patronage from Minnesota as it was initially expected the facility would only benefit from the I-90 corridor; however, it appears they are getting more and more penetration into the Twin Cities area even though there are tribal casinos in the area. Mr. Pang stated that approximately 65% of the patrons come from Minnesota. He stated that when the weather is good and the highways are clear, the residents of Minnesota choose to come to Iowa due to the variety of gaming options.

Commissioner Rivera stated that she passed through the area on a day when the weather was horrible and the parking lot was packed. Mr. Pang stated that the location on the highway is really great for DJW.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application and the contracts contained therein of WCDA/Diamond Jo Worth, LLC d/b/a DJW. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-29)

Chair Urban called on DRA/Diamond Jo, LLC d/b/a Diamond Jo (DJ). Todd Moyer, General Manager, and Roger Hoeger, representing DRA, were present to answer any questions. Mr. Moyer advised that DJ and DRA have a great working relationship and that just over \$3 million was distributed to non-profits in the area in 2011. He stated that the two entities have embarked on an ambitious co-marketing campaign called "Play Dubuque" in the Madison, WI and Rockport, IL areas with the intent of drawing new customers into Iowa and promoting Dubuque as a destination. Mr. Moyer stated that the campaign has grown this year to include additional businesses and services such as hotels and retail shops.

Mr. Moyer stated that one of their core values is giving back to the community. In addition to the \$3 million distributed to non-profit organizations, DJ team members volunteered in excess of 5,000 hours at local non-profit organizations. He stated their economic impact in 2011 was just over \$47 million, with 92% of that amount spent with Iowa businesses. If gaming equipment and specialized purchases are removed, the percentage goes up to 98%.

Mr. Hoeger advised that DRA has been in existence since 1985, and the Commission just approved their 28<sup>th</sup> year of racing. He noted that DRA serves as the qualified sponsoring

organization for DJ and is the license holder for the Mystique Casino operations. Mr. Hoeger stated that in 2011 approximately \$8.8 million was given to the City of Dubuque in the form of rent. They also receive an additional distribution along with the area non-profits. Mr. Hoeger advised that this would not be possible without the efforts of the DJ, and echoed Mr. Moyer's comments regarding the relationship between the DJ and DRA. He requested approval of the license renewal application.

Hearing no comments or questions regarding the application, Chair Urban requested a motion. Commissioner Heinrich moved to approve the license renewal application of DRA/Diamond Jo, LLC d/b/a DJ as submitted. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-30)

Chair Urban called Missouri River Historical Development, Inc./Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City (MRHD/Argosy). She requested that any individuals wishing to address the Commission approach the podium at this time. Lance George, General Manager, introduced Mark Monson, President of MRHD, and Steve Snyder and Tom Burke, Senior Vice President of Corporate Development and Senior Vice President of Regional Operations respectively for Penn National (Penn), who were present to answer any questions regarding the license renewal. Mr. George requested a one-year license. He stated that the property does have two important contracts expiring: the operating agreement with MHRD and the other is their lease with the city. Mr. George stated that Penn/Argosy understand that the granting of a one-year license would be conditioned upon the extension of both agreements. He stated that all parties involved have been identifying sites on which a land-based facility could be built. Mr. George stated that it is their intention to provide additional information along these lines at the April Commission meeting, as well as provide structural details to the Commission prior to the meeting.

Mr. Monson advised the Commission that as of January MRHD had distributed \$20 million to the various non-profits in the area. He requested that the license be renewed.

Commissioner Lamberti asked Mr. George if Penn/Argosy was going to have contract agreements before the Commission in April. Mr. Snyder confirmed that Penn has been in construction discussions with MRHD and recently those discussions have expanded to include the City of Sioux City. He advised that it was difficult to anticipate what the progress would be, but the goal is to report back to the Commission at the April meeting with the status of the negotiations. They also hope to have some definitive agreement in place by the June meeting due to the expiration of the agreement with MRHD in July and the termination of the current lease with the City in January.

Mr. Monson, referring back to Mr. Ketterer's comments at the beginning of the meeting, stated that the parties were going through a third-party counseling session. Commissioner Seyfer stated that it had better be successful.

Commissioner Lamberti stated that everyone on the Commission feels that way; everyone is aware of the time frames. He encouraged the parties to reach an agreement; that the alternative is not good for anyone.

Mr. Ketterer noted that the county has successfully passed the referendum several times. He stated that Argosy, Penn and MRHD entered into previous operating agreements; and MRHD has been able to accomplish great things for the community, the greater Sioux City area and the county. Mr. Ketterer expressed his belief that Argosy and Penn have been good corporate citizens, and have had a good relationship with MRHD and the city until recently when some things were taken for granted, which has caused the relationship to become strained. He stated that if the parties are putting the community, the employees and the citizens first, then there should be no reason they can't come to an agreement on a new operating agreement and new facility. Mr. Ketterer stated that the Commission reacts to what is brought before it. If there is no agreement between the qualified sponsoring organization and the operator, and the citizens have made it clear that they want gambling in the city/county, the Commission would be obligated to look elsewhere. Mr. Ketterer stated his belief that that would be a travesty due to all of the work that MRHD and Penn/Argosy have done. He encouraged the parties to keep the foot on the gas and reach an agreement.

Chair Urban called for any further comments or questions. She stated that she did not see any way for the Commission to grant a license without a condition due to the fact that the current operating agreement expires in July, necessitating the approval of a new agreement at the June Commission meeting. She requested a motion with regard to the license renewal for MRHD/Argosy. Commissioner Seyfer asked Mr. Ketterer to explain how a conditional license would work when there is a July deadline that has to be met.

Mr. Ketterer stated that the parties currently have a valid Operating Agreement, but would need to have a new agreement approved by the June 7<sup>th</sup> Commission meeting. He noted that most Operating Agreements contain a provision that calls for the Commission's approval, and assumed the one between MRHD and Penn/Argosy would be the same. He stated that if the agreement calls for the Commission's approval, the parties would need to submit it for the Commission's approval at the June 7<sup>th</sup> meeting, necessitating that an agreement be reached by the end of May.

Mr. Monson advised that MHRD disagreed with the July expiration date for the current operating agreement. He stated that the MRHD Board believes the agreement expires on January 28, 2013, while Penn believes it is July 6<sup>th</sup>. Mr. Ketterer stated that the Commission also believes it is July 6<sup>th</sup>; that the July date is what everyone has operated under until recently.

Commissioner Seyfer asked what happens if the parties do not come to an agreement by June if the Commission grants a conditional license. Mr. Ketterer stated that the license would expire on July 6<sup>th</sup>. Commissioner Seyfer asked what that meant. Mr. Ketterer

stated that the casino would be required to cease operations. Commissioner Seyfer stated that was he thought would occur.

Commissioner Lamberti asked if the Commission needed to make the license conditional relative to a specific date for either a new agreement or an extension. He stated that he does not want this issue to show up in court; he wants to see it resolved. He suggested that the motion include a condition for an extension of the existing operating agreement or a new agreement by the July 6<sup>th</sup> date.

Mr. Ketterer indicated that was fine, and asked Jeff Peterzalek, Assistant Attorney General, if he had any comments. Mr. Peterzalek indicated that the suggested action seemed appropriate.

Mr. Snyder reminded the Commission that there are two issues: the agreement with the qualified sponsoring organization that expires in July and the lease with the city that expires in January. He stated that all parties are duly motivated to meet the deadlines that are in front of them, but reiterated that there are two deadlines that occur within the licensing period being discussed. He asked that the Commission be cognizant of both deadlines in crafting the motion.

Chair Urban voiced her hope that the lease issue would be resolved long before January. Commissioner Seyfer stated that if the parties are able to resolve the first issue the second one would also be resolved.

Mr. Snyder stated that is Penn's hope as well. He stated that building a new land-based facility, starting with choosing the location, presents many hurdles that must be overcome in the time frame that is being discussed. He reiterated his earlier comment that all parties – Penn, MHRD and the city – are motivated to move as expeditiously as possible. He noted there are third party properties and private interests that need to be consulted and engaged in negotiations before final agreements can be reached.

Chair Urban stated that if the Commission gave MRHD/Argosy a conditional license that expired on June 7<sup>th</sup> and the parties came before the Commission with at least an extension of the Operating Agreement, then she felt everyone might be in agreement as long as it was a reasonable extension. Commissioner Rivera asked what Chair Urban considered a reasonable extension – 4 months; 6 months. Chair Urban stated four months or so. She stated that the Commission feels this situation has gone on long enough and that the parties need to sit down and resolve the issues.

Mr. Snyder stated the parties understand, and it is their goal to get the issues resolved, but there are many moving pieces and Penn is doing its best to get them resolved with the resources made available to them by MHRD and the City of Sioux City.

Commissioner Heinrich asked about the third-party principles that need to be included in the negotiations. He asked what percentage of the resolution to these issues would rely

on their coming together and affecting Penn's responsibilities. Mr. Snyder stated that Penn can get done what they need to get done, which is a commitment of capital, the design of the facility, negotiations with MRHD and the City of Sioux City. He advised that some of the site alternatives that have been discussed in the early negotiations are in third-party hands. Mr. Snyder stated that he can not anticipate what those negotiations might look like or the direction they might take. He indicated the most critical issue relates to where they will ultimately arrive at in terms of building a new land-based facility in Woodbury County.

Commissioner Heinrich asked if Mr. Snyder was saying it was possible to resolve these issues in three or four months or that it could take longer because the third party won't cooperate. Mr. Snyder stated that he could not definitively state that everything would be resolved in that time frame, nor would he expect the Commission to believe him if he did so. He indicated it is a possibility Penn might be back before the Commission on an interim status because of the complexity of the issues to be resolved. Commissioner Heinrich stated that it was probably in everyone's best interests to make sure operations continued rather than shutting down and having to start all over again. Mr. Snyder stated that on behalf of the team members and the non-profit organizations that have benefited from distributions by MHRD, it is critical that the revenue stream not cease.

Mr. Ketterer stated that the agreement with MHRD could be completed without all of the details of the land-based facility being tied down; that the agreement could anticipate that there is going to be a land-based facility. He stated his belief that the Commission wants to see a land-based facility, whether it is with these two parties or some other parties because that is what the community has indicated with the passage of the referendum. Mr. Ketterer stated that he did not think Penn should indicate that they can't come up with an operating agreement because not all issues are tied down; that the Commission understands that there are numerous details that need to be worked out with acquiring property and the selection of the site. He stated that the Commission is not trying to push the envelope on that; they want the parties to perform the necessary due diligence in a responsible manner. That said, Mr. Ketterer indicated the parties should work toward an operating agreement that anticipates the issues that have not been resolved and anticipates an addendum that may come later.

Mr. Snyder stated that he understood what the Commission is saying and indicated that he would like to get as much wrapped up as quickly as possible to avoid this conversation at any point in the future. Mr. Monson informed the Commission that MHRD offered Penn a one year extension in December, but were turned down.

Commissioner Seyfer moved to approve the license application of MRHD/Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City conditioned upon the parties negotiating and submitting a new operating agreement by June 7, 2012. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-31)

Following a short break, Chair Urban called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (SCRA/IOC Bettendorf). Nancy Ballenger and Sally Rogers, General Manager and CFO respectively, were present to answer any questions.

Ms. Ballenger expressed regrets for the President of SCRA, who was unable to attend. She stated that the SCRA Board is great to work with and does a tremendous job. Ms. Ballenger advised that they awarded 134 grants totaling \$3.3 million. She noted that they focus on three areas: education, government, and other non-profit organizations. Grants are distributed twice a year.

Ms. Ballenger advised that IOC invested approximately \$3 million back into the property in the form of slot equipment, and new chairs for the hotel. They also re-carpeted and repainted the casino. She stated that the color pallet is a little more soothing than in the past. She advised that gaming revenue has increased. Additionally, with 40,000 square feet of meeting space between the hotel and convention center, they have hosted several national, international, state and regional conventions. She noted this is their fourth year, and the convention business is really gaining some traction. Ms. Ballenger advised that IOC Bettendorf was recognized by the Quad Cities Convention and Visitors Bureau with the Jim Graham Award, which is given to organizations that exemplify Mr. Graham's dedication in the community and support of tourism. She requested renewal of the license.

Mr. Ketterer asked Ms. Ballenger if there had been any discussion of moving to a land-based facility. Ms. Ballenger advised that there are new renderings, and discussions are taking place.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the license renewal application of SCRA/Isle of Capri Bettendorf, L.C. d/b/a IOC Bettendorf as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-32)

Chair Urban called on Riverboat Development Authority/IOC Davenport, Inc. d/b/a Rhythm City Casino (RDA/RC). Mary Ellen Chamberlin, President of RDA, showed a powerpoint which highlighted the rejuvenation of downtown Davenport. She noted that one of the intents of the original riverboat legislation was to rebuild the river towns that had been hit hard by the loss of manufacturing jobs. She advised that most of downtown Davenport was boarded up. Ms. Chamberlin stated that the Downtown Partnership leverages private investment, and is also part of the Quad Cities Chamber of Commerce. It is involved with economic development, the clean safe team, various festivals, marketing, communications, and strategic planning. Ms. Chamberlin advised that RDA and RC provide some funds for marketing and staff for many of projects shown in the video. She referenced the Smith District Fund, which gives one-half of one percent annually in unrestricted funds to the Downtown Partnership to do marketing and development in the area around the casino, and other areas. Ms. Chamberlin provided

talking points throughout the powerpoint. She advised that 58 new businesses have opened in downtown Davenport from 2010 through 2012. At the conclusion of the presentation, Ms. Chamberlin requested renewal of the gambling license.

Mo Hyder, General Manager, stated that RC was proud of their relationship with RDA, and works with them to draw people downtown. He noted the facility has approximately 300 employees, who are also great community advocates. Mr. Hyder also requested renewal of the gaming license for the upcoming year.

Mike Fries, VP of Legal Affairs, advised that IOC has been working very hard with a number of potential buyers for the RC property. He noted that there are some structural issues that have arisen during the process. He stated that the process is not complete yet, but that it is getting closer every day. Mr. Fries stated that he hoped to come back soon with a definitive purchase agreement. He stated that he would continue to keep staff apprised of any progress.

Mr. Ketterer asked if IOC recently had a situation where they engaged in an RFP with Innovation Group to identify potential purchasers, and had a party they were working with who then backed out. Mr. Fries stated that no two deals are alike; parties come and parties go and the process drags on. He did indicate that one potential purchaser did recently decline to participate in the process.

Chair Urban asked if there are other potential purchasers for the property. Mr. Fries answered in the affirmative.

Commissioner Lamberti encouraged the parties to get something done; that the Commission is concerned about the loss of market share and revenue to the state. He stated that the Commission is aware of the challenges placed in IOC's path by the city, which are not really impacting the renewal of the license. Commissioner Lamberti stated that he would like to see something happen sooner rather than later, and does not want to be talking about this issue during license renewal next year.

Mr. Fries stated that IOC has heard the various comments made by the Commissioners and Mr. Ketterer today and take them very seriously.

Mr. Ketterer stated that IOC has been diligent in keeping the Commission apprised of what they were going to do and went through a process, some of which was affected by the agreement that the city made. He noted that there has been some market share shift due to a new facility in Illinois and the lack of capital investment in Scott County by IOC to the extent that the adjusted gross revenue has declined resulting in the state losing \$6-10 million annually. Mr. Ketterer advised that a decline of that magnitude not only gets the attention of the Commission, but also the Legislature and Governor's Office. It is incumbent on the Commission to rectify the situation, and that is what they are doing today. Mr. Ketterer reiterated that IOC has been forthright in keeping the Commission apprised of what is happening, but stated that the process needs to be completed.

Ms. Chamberlin stated that RDA is totally committed to continuing to work with IOC and the city toward a land-based facility somewhere in Davenport. She stated that is about all they can do until such time as a purchase agreement is entered into.

Hearing no further comments or questions, Chair Urban called for a motion. Commissioner Heinrich moved to approve the license renewal application of RDA/IOC Davenport, Inc., d/b/a RC as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-33)

Chair Urban called on Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort (CCDC/Lakeside). David Ross, CEO of Affinity Gaming (Affinity), noted that it was one year ago that he was before the Commission and committed \$10 million toward capital improvements at the facility. He noted that the hotel was designed and construction started in July 2011, and it will open in May. Mr. Ross stated that Affinity was able to leverage its relationship with Pilot, with whom they have agreements in Nevada, and used approximately 11 acres of the 88 available for development, and opened a Pilot Travel Center on site. The project cost approximately \$3 million and created 30 jobs. He stated that Affinity believes in the property and the future of Iowa and in late 2011 realized the importance of investing in the most important asset of the property – the employees. Mr. Ross noted that wages had been frozen throughout the bankruptcy process; however, wages for employees were increased in February. He noted that the issues with the Water Board have been resolved but conceded that there is still work to be done. He indicated that significant progress has been made on other issues.

Amy Lampe, President of CCDC, noted that they had heard the comments about a \$51 million impact on the community and stated that the CCDC's share was approximately \$600,000. She stated that CCDC is proud of the work they are able to do in Clarke County, but don't feel that it can be called "overwhelming". Ms. Lampe asked the Commission to require HGI to renegotiate their contract with CCDC so that it at least meets the minimum, 3% of adjusted gross revenues.

Helen Kimes, past President of CCDC, stated that she was involved with CCDC prior to 1997 when Bill Grace and Southern Iowa Gaming came to Osceola. She advised that the gaming license was pursued to promote economic development in southern Iowa. Ms. Kimes stated that she was on the Executive Committee when Herbst Gaming purchased Southern Iowa Gaming; the license was assigned and renegotiated with CCDC's permission. She noted that she was President of CCDC in 2007 when Herbst filed for bankruptcy in Las Vegas. She pointed out that during and since that time CCDC has been in continuing discussions with Affinity in an effort to resolve the issue of the Operating Agreement. In her opinion, CCDC should not have to accept a contract that calls for 1.5% of adjusted gaming revenue when the other facilities collect significantly more. She indicated that the current operating agreement further represses economic development in the area.

Wil Reisinger, CCDC Board member, stated that the idea of a casino coming to Clarke County was sold to the community for the jobs it would create, the boost to the local economy, and entertainment. He stated that it was difficult to sell the citizens on the idea of a casino; however, the community needed the economic development, which is what sold the idea to the church community and the county. Mr. Reisinger stated that when the casino was first proposed, it was proposing 720 jobs; the facility currently has 290 employees. He noted that with assistance from the Commission, CCDC was able to get Affinity to make improvements to the property; something CCDC has been attempting to get done for almost ten years. Those improvements included expanding the hotel and remodeling the existing hotel rooms. Mr. Reisinger noted that a 5% improvement in revenue numbers, what PMR&C is expecting from the addition of their hotel, would only provide CCDC with an additional \$3,000 per month or \$36,000 in a year. He indicated that he is happy with the new hotel and truck stop, but they don't provide funds to help with economic development in the area. He pointed out that Clarke County is not a prosperous urban county, and CCDC needs everything it can get to help improve the local economy. Mr. Reisinger stated that Osceola was one of the earlier properties and at the time CCDC negotiated their operating agreement, the agreed upon percentage worked for what they wanted to do. He noted that there was a transition in the property at which time the operating agreement should have been renegotiated, and it didn't occur. That is the issue that CCDC has with Affinity. Mr. Reisinger stated that CCDC and Affinity are not on good terms and believe that they should receive a conditional license based on the fact that they should sit down with CCDC and renegotiate the terms of the operating agreement so that CCDC receives at least the statutory minimum of 3%, if not better. He pointed out that all of the money goes back to the city, county and state.

Chair Urban advised Mr. Reisinger that he lost her during his comments about an additional \$36,000. Mr. Reisinger noted that PMR&C indicated they expected a 5% increase in gaming revenues due to the hotel. Chair Urban pointed out that is just what is forecast. Mr. Reisinger stated that his point was that the additional \$36,000 was insignificant in terms of what CCDC could get if Affinity was forced to renegotiate the operating agreement. He reiterated that everything goes back into the community. He stated that CCDC is looking to the Commission to enforce the law.

Doug Gross, legal counsel for CCDC, stated that they have three issues:

- HGI-Lakeside is a new entity; they are not the previous entity. They are a new owner. Under Iowa law, they are considered a new entity. Mr. Gross stated that when they were before the Commission seeking a license, the Commission should have considered them a new licensee.
- Mr. Gross indicated that issue is important because if the Commission had considered them to be a new licensee, HGI would have been required to renegotiate the operating agreement and pay the minimum of 3%. He requested that the Commission reverse their error in November 2010 when they considered Affinity to be an existing licensee.
- Mr. Gross requested that the Commission consider Affinity to be a new licensee and require them to pay CCDC at least the required minimum. He noted that

Chapter 99F.5 requires a 3% minimum for new licensees. He reiterated CCDC's opinion that Affinity is a new licensee and requested that the Commission enforce Chapter 99F.5.

Jerry Crawford, representing Affinity, noted that Ms. Lampe is new in her position and that some Commission members are newer than others, set forth the following facts relative to Affinity and payments made to CCDC:

- The 1.5% paid to CCDC has averaged out closer to \$750,000 than \$600,000 over the last 8 years;
- Affinity prepaid a full percentage point, \$3.2 million, at the time the Operating Agreement was entered into. CCDC doesn't want to count that payment because they had to share that amount with the City of Osceola and the Water Board. He stated that when Affinity starts paying an additional 1.5% of adjusted gross receipts on February 1, 2013, the parties can determine amongst themselves who should receive the money and Affinity will pay the funds to whomever they are directed to by the parties.

Mr. Crawford stated that CCDC's interpretation that they have only been receiving 1.5% in the past and into the future is a misstatement of the facts, which is also over and above the fact that the Commission approved an agreement with the Water Board earlier today that increases the lease price from \$150,000 to \$245,000, and all the improvements previously outlined by Mr. Ross. Mr. Crawford requested that the license be renewed without conditions.

Mr. Gross acknowledged what Mr. Crawford stated in terms of the \$3.2 million; but pointed out that by granting the argument that the payment was in lieu of the initial 1.5%, the payment would have amounted to 1% through 2011. He indicated that if the payment is looked at from a present value basis, the payment is gone, and CCDC is still only receiving 1.5% on a going forward basis versus the legislatively mandated 3%.

Commissioner Heinrich asked if the Commission has the authority to make Affinity negotiate a new operating agreement; that it is his understanding that the only way the Commission would have any authority is if Affinity is considered to be a new entity. He stated that he didn't want to give the impression that the money wasn't important, but pointed out that he also felt the relationship between the non-profit and the casino is important and that this particular issue has been festering between the parties since he came on the Commission almost a year ago. Commissioner Heinrich advised that he is aware of the previous history of the license. He encouraged the parties to get the matter resolved; that the continued argument doesn't do the community or the state any good.

Mr. Crawford stated that there are not any financial differences between the parties; the only remaining issue is that CCDC wanted Affinity to agree that at some point in the future, that if there is a transaction, the new entity would be required to enter into a brand new negotiated agreement. Mr. Crawford stated that at this time no future transaction is contemplated. He stated that Affinity has taken the stance that "the law is what the law

is” and that the parties involved at that time can make their respective arguments regarding the operating agreement.

Mr. Gross stated that the parties are not in agreement on numbers; they can't agree on whether they have been receiving \$600,000 or \$750,000 a year. He stated that CCDC wanted Affinity to agree that if there should be a transfer or sale of the property in the future that they would have the ability to renegotiate the operating agreement at that time. Mr. Gross agreed with Mr. Crawford's comments on this particular issue. He stated that Affinity hid behind the Bankruptcy Court this time in order to avoid renegotiating the agreement. Mr. Gross stated that if the Commission had done its job, consistent with the Bankruptcy Court's actions, they would have required that the agreement be renegotiated in 2010. He noted that there were no stays issued by the Bankruptcy Court and that the Commission could have taken whatever action they chose and could have required the new licensee to pay the legislatively mandated minimum of 3%. Mr. Gross stated that the parties have talked about this particular issue until they are blue in the face; he requested that the Commission do their job – consider Affinity to be a new licensee and require them to pay the 3% minimum.

Commissioner Heinrich stated that what he was hearing Mr. Gross say was that negotiations would not work. Mr. Gross stated that was accurate; that they have been numerous discussions between the parties, some of which have included Commission members. He stated that the bottom line is that CCDC is paid less than half of the other non-profits in the state; and they are located in one of the poorest areas of the state. Mr. Gross stated that the money goes out of state, and reiterated his statements that Affinity has used the Bankruptcy Court as a shield; however, the Bankruptcy Court can't shield them from the Commission. Mr. Gross again requested that the Commission protect the citizens.

Commissioner Heinrich asked if money is the only issue. Mr. Gross answered in the affirmative.

Chair Urban pointed out that CCDC did go before the Bankruptcy Judge and asked that the operating agreement be renegotiated. Mr. Gross stated that CCDC did ask the Bankruptcy Court to give them the ability to renegotiate the contract; however, the Bankruptcy Court allowed the assignment of the operating agreement subject to the regulatory authority of the IRGC. He reiterated his earlier statement that under Iowa law when there is new management and new owners, the company is not considered to be the same entity. Mr. Gross stated that Herbst actually bought the property back from this group. He questioned why Herbst would be paying money to buy back some of their assets if they are the same entity. He again stated that Affinity should have been considered a new entity; therefore, they would have been a new licensee. Mr. Gross stated that Affinity did not want to be considered a new licensee because they didn't want to pay the required 3%.

Chair Urban stated that the Commission has stated on more than one occasion that when they read what the Bankruptcy Court said, the ruling never indicated that it was a change of entity and that was the issue the Commission dealt with. Mr. Gross stated that the Commission needs to look at Iowa law with regard to the successor question.

Chair Urban called for any further comments or questions. Commissioner Lamberti, noting that he was not on the Commission when that decision was made, stated that it was possible a different Commission would have made a different decision but stated that he did not think the current Commission was going to revisit the issue for a number of reasons. He indicated the decision may be subject to litigation, but at some point the Commission has to say that is the decision and the parties need to move on. Commissioner Lamberti stated that at some point he would like to see the distribution reach the mandated minimum, but is extremely frustrated with the amount of energy spent on the other issues. He noted that he is cognizant that the money is important, and is pleased about the capital investments made at the property, but suggested that new people be brought into the negotiations in an effort to try and reach an agreement. Commissioner Lamberti stated that is where the issue is ultimately going to be resolved unless it is resolved in a courtroom. He expressed his hope that it would not come to that; that the Commission has consistently encouraged the parties to resolve the issue amongst themselves.

Ms. Kimes advised the Commission that unless the property changes hands again, the current Operating Agreement will continue at 1.5% for 45 years. She believes that it is absurd that the Commission would allow something like that to continue. She indicated there was an article in the *Las Vegas Time Herald* which stated that David Ross said, "We are new people, new owners." She questioned how the Commission could not issue a new license; that it didn't make sense to her. She reiterated her earlier comment that it was ridiculous for CCDC to continue to receive 1.5% for the next 45 years or until the property is sold.

Chair Urban called for a motion. Commissioner Heinrich stated that it is his opinion that the parties can resolve this issue if they so choose without the Commission. He expressed his hope that they would do so for the good of their own community and the state. He stated that he did not have enough knowledge about the amount of money involved to state that it wouldn't destroy anyone. He again requested that the parties work to resolve the issue.

Commissioner Lamberti moved to approve the license renewal application of CCDC/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-34)

Chair Urban called on Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton (CCDA/WRC). Tim Bollmann, General Manager, stated that they have a very good relationship with their non-profit partner. He

noted that the property had a record year in 2011, which translates to a record year for the non-profit. He indicated it was a great year for community reinvestment. He requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of CCCDA/Wild Rose Clinton, L.L.C. d/b/a WRC as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-35)

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 a representative of the non-profit was not in attendance as they were still celebrating the distribution of approximately \$2 million in grants the previous Saturday. She indicated that both entities are proud of what they have been able to accomplish in the community and requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application of PACGDC/Wild Rose Emmetsburg, L.L.C. d/b/a WR Emmetsburg as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-36)

Chair Urban called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casino II (SIRRC/CBC). Gary Hoyer, CEO of Great River Entertainment, the parent company of CBC, stated that CBC also has a good relationship with their non-profit. He advised that SIRRC has had a positive impact in southeast Iowa with their three community and two county combination. Mr. Hoyer stated that each community utilizes their funds in a different manner: Burlington – economic development and community enhancement projects; Keokuk – aid to the police and fire departments and convention and tourism; and Fort Madison – community grants. Recently the city has been championing a new youth complex. Mr. Hoyer requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of SIRRC/Catfish Bend Casinos II, L.C. d/b/a CBC as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-37)

Chair Urban called on Upper Mississippi Gaming Corp./Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette (UMGC/LLCM). Bill Gustafson, General Manager, and Sindee Gohde, Executive Director of UMGC, were present to answer any questions. Mr. Gustafson noted that although the facility is small, they have the friendliest team members. The focus of the property is on value, fun and food; purchases of food and produce from area producers have increased by 128%, which translates into \$15,000 to

local farmers and businesses. He advised that UMGC was able to make grant distributions in the amount of \$172,000, and LLCM distributed another \$32,000. He pointed out that over the last year, the 230 team members donated or volunteered over 2,300 hours to various charities, the schools, fire department, etc. Mr. Gustafson requested approval of the license renewal application.

Ms. Gohde advised the Commission that UMGC only receives 50 cents for every individual that enters the boat. She encouraged everyone to come up and experience the comfort of a small town. She stated that if she is on property without her badge, she is treated as a customer; if she has her license badge on, patrons and staff act as if she is there to speak with them. Ms. Gohde stated that she loves seeing the funds put to work in the community and county. She advised that Clayton County is one of the smallest and poorest counties in the state. UMGC has distributed \$4.5 million in grants since the license was originally granted. Ms. Gohde also requested approval of the license renewal application.

Hearing no comments or questions regarding the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of UMGC/Isle of Capri, Marquette, Inc. d/b/a LLCM as submitted, including the contract contained therein. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-38)

Chair Urban moved to the hearings before the Commission, and called on Argosy Casino Sioux City for a violation of Iowa Code §99F.9(5)(Minor). She noted that Commission staff and the facility had entered into a Stipulated Agreement. Mr. George advised the Commission that the last violation occurred in 2006; and that training was administered immediately after the incident. He noted that employees are required to test out of the training.

Hearing no comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Lamberti moved to approve the Stipulated Agreement as presented. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-39)

Mr. Ketterer advised that Stipulated Agreements had been reached with IOC Waterloo for their violations; however, the parties are still working on some of the language and other details. He indicated that the final details could be worked out in the next week or so and the hearings deferred until the April Commission meeting.

Chair Urban moved to Public Comment and called on Francis Biagoli. Mr. Biagoli thanked the Commission for addressing the issue of problem gambling. He pointed out that it has been very important to have Mr. Ketterer on board for the last several years. He stated that in the mid-1990's problem gambling wasn't on anyone's radar, and Mr. Ketterer and other Commission staff were instrumental in bringing the issue to the forefront and addressing it at Commission meetings on an annual basis.

Chair Urban moved to Administrative Business and the notice of the Horse Promotion Fund. Mr. Ketterer stated that the Notice regarding the availability of the funds was posted on the Commission's website. Applications for the funds in the amount of \$3.124.74 are due in the Commission's Des Moines office by 4:30 PM on April 6, 2012. He indicated that a recommendation for the distribution of the funds will be made at the April meeting.

Chair Urban again thanked Mr. Ketterer for his service and wished him well in his retirement.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

(Attachments start on the next page)

FAREWELL TO JACK KETTERER ON HIS RETIREMENT - March 8, 2012

In the beginning it was the Governor and the Legislator and in December of 1983 you, Jack Ketterer, came to Iowa to be the first administrator of the Iowa Racing and Gaming Commission. And except for a brief stint away, you oversaw the development of gambling in Iowa - assisting the legislature write the code and devising the rules by which the games would be played. But you didn't stop there. You looked after the expansion of that gambling industry in Iowa as it developed from a horse track and dog tracks to riverboats and moored barges and when you thought the job was done, you had a vision that all of these casinos should be land-based and have slot machines and table games and become community centers scattered throughout the state and that each facility besides its gaming should have a hotel and bowling alleys and spas and restaurants and shops and lots of entertainment. And with each step forward and with a watchful eye, you oversaw the gambling industry in Iowa as it grew and expanded to a billion dollar industry.

And when these institutions numbered 18, you said, my job is done and I will rest. You mentored a successor in your image - we will see -

And then, you , Jack Ketterer, looked back on all that you had done and said, " I will retire!"

Today, Jack, we celebrate your many accomplishments! You became the heart and soul of Racing and Gaming in Iowa!!

As Administrator of the commission you have been the epitome of **professionalism**.

You are **fair and neutral** letting the commissioners study the issues and facts and arrive at their own conclusions.

You are **patient**, often repeating an issue or an explanation several times before we all "got it".

You have been a teacher and especially for those of us who weren't lawyers - you taught us that amongst other things, the law needed to be applied fairly.

Your political **philosophy** has served you well and enabled the Commission to make decisions that are relevant and in the best interest of all Iowans. Where an administrator might be politically charged, you are non-partisan. Whether the players are Doug Gross or Jerry Crawford, Jack, you were always neutral.

You are a terrific boss to your staff caring about their welfare and being **supportive and compassionate** when needed.

Your **unflappable** style is always a calming force - even when the troops are up in arms over something the commission will or will not do, you stand your ground.

The integrity which you have displayed has served this state well -

Your peers gave you national recognition last year as 2010's Gaming Regulator of the Year - Americas, an award normally reserved for individuals in larger jurisdictions. Your recognition nationally is one that was well deserved. You have set a high standard for the industry.

When you won the award they stated and I quote... "The Iowa Racing and Gaming Commission embodies Ketterer's philosophy, his values and his beliefs. He has always worked beyond the status quo in areas of regulation and legislation, and at all times keeping the bigger picture in view. His concerns for each community, the citizens of Iowa in general and even beyond the industries of racing and gaming, have been apparent. From creating jobs to ensuring the welfare of animals, Jack Ketterer is certainly worthy of this prestigious award."(end of quote)

May you enjoy many years of good health and happiness with your family and friends-

May you leave this position knowing that your contribution to Iowa was a worthy one.

### **Report to the Iowa Racing and Gaming Commission**

**March 8, 2012**

National Problem Gambling Awareness Week is March 4th through 10th. This week offers an opportunity to raise the awareness of the potential consequences of gambling and honor the successes achieved in reducing and mitigating the harm associated with disordered gambling.

I'd like to take a few minutes to talk about the nature of problem gambling in Iowa as well as the fantastic network of supports available.

For those of you who may not be aware of the work of the Office of Problem Gambling Treatment and Prevention, we work with agencies state-wide to provide:

- **Counseling** for problem gamblers and those affected by the gambling behavior of a family member
- **Primary Prevention and Education** services to inform Iowans of the risks and responsibilities of gambling
- **Secondary Prevention** services for groups at increased risk of problem gambling
- **Helpline referral and education** services through 1-800-BETS OFF and

[www.1800betsoff.org](http://www.1800betsoff.org)

- **Training and Professional development** for counselors providing problem gambling treatment and common co-occurring disorders.
- **And new this year - Recovery Support Services** . A designated pool of funding managed by each of our providers used for a menu of practical supports for persons receiving problem gambling counseling and on the road to recovery.

I'd like to acknowledge that the agencies that provide these services are at the front line. Their staff are talented, well qualified, committed and passionate about the work they do. This is really hard work.

In September 2011 IDPH released a report about the gambling attitudes and behaviors of adult Iowans. The original intent of this project was to provide an update to the last prevalence survey on problem gambling behavior in Iowa that was done in 1995. Needless to say much has changed since that time and it was well past due. I think the findings have provided us with a much better picture of the nature and impact of problem gambling than we've ever had before. Bottom line is there is good news and not such good news.

**Good news first:**

- Of the respondents who said they gamble at least occasionally, 80% said the main reason they gamble is for Entertainment of fun and about half said Excitement or Challenge was an important or very important reason for why they gamble.
- Approximately two-thirds of adult Iowans say they are extremely or moderately confident they would recognize the signs that a friend or family member has a gambling problem and 80% said if they have a gambling problem it would be Very Easy or Fairly Easy to talk about it with someone in their support system.
- Ninety percent of adult Iowans said they are aware of the gambling helpline 1800-betsoff.
- Despite a wide range and steady increase of gambling opportunities in Iowa, the prevalence of problem or pathological gambling remains low and in line with recent findings of other state and national studies.
  - o Seven-tenths of a percent of adult Iowans can be classified as pathological gamblers during the last 12 months.
  - o 2.0% have been or will be classified as a pathological gambler in their lifetime.

**And now the not such good news:**

- Even at roughly one-percent this still translates to 16,500 of our mothers, fathers, sisters, brothers and neighbors that need help right now. They are suffering enormous social, economic, and psychological implications. They are enduring lost relationships,

stifling debt, bankruptcy, substance abuse and extreme guilt and shame.

- 13% or roughly 300,000 Iowans have experienced at least one symptom of pathological or problem gambling in the past 12 months. This includes:
  - o 5% or roughly 83,000 who have bet more than they could afford
  - o Approximately 66,500 said they have gambled for the purpose of winning back money lost.
- The adverse consequences of problem gambling is not limited to the problem gambler. We found that more than 1 in 5 (22%) of adult Iowans said they have been negatively affected by the gambling behavior of a family member, friend, or someone else they know.
- Not all persons who gamble are gambling for entertainment.
  - o Of those who gamble, a significant number are doing so with a goal to win money to use for paying bills including 17% of women and 8% of men.
  - o 11% gamble as a distraction from everyday problems and
  - o 35% said it was important to win money when they gamble.

We are *very* fortunate to live in a state whose citizens understand the need to address these issues. Further findings from the report revealed that:

- 85 % of Iowans support the use of public funds for problem gambling treatment.
- 76% support funding to provide information to adults about responsible gambling
- 90% support funding to educate young people about the risks of gambling.

This understanding and commitment extends as well to Governor Brandstad , the Iowa Legislature, the Iowa Racing and Gaming Commission, Iowa Gaming Association, and Iowa Lottery. Each in their own way has shown consistent and proactive efforts to promote responsible gambling and address problem gambling behavior.

During the past week the numerous events collaboratively hosted by casinos and their area providers signify a shared duty to inform Iowans of the risks and responsibilities of gambling. Additionally, the Iowa Lottery reached out to all of Iowa's television stations and asked them to run a 30 second public service announcement featuring Iowa Lottery CEO Terry Rich discussing National Problem Gambling Awareness Week. All the major networks and cable outlets in all of Iowa's television markets agreed to run the announcement for free resulting in nearly \$59,000 worth of advertising run at no cost.

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
APRIL 19, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 19, 2012 at Ameristar Casino in Council Bluffs, 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. Commissioner Rivera moved to approve the agenda as presented. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban called on Mayor Pro-Tem Matt Walsh, who welcomed the Commission to Council Bluffs on behalf of Mayor Tom Hanafan and the citizens of the community. He noted that Ameristar and Harrah's, formerly Harvey's, started construction on their respective facilities in 1996. Mayor Pro-Tem Walsh stated that Council Bluffs at that time could have been described as a sleepy Iowa river town dependent upon the railroad and packing plants; now it is a vibrant tourist destination with a wide variety of community attractions. He advised that the three casino properties have played a major role in the metamorphic change. He provided the following figures showing how casino-related expenses that are converted to local revenues from all three facilities impact the function of the local government and charitable organizations: \$8.5 million in real estate taxes; in excess of \$2 million annually in gaming taxes to the city and county; and admission fees add another \$2 million annually to the city's general fund budget. He noted that each facility has their own hotel accommodations that contribute hotel lodging revenue; and are responsible for the profitability of multiple other hotel properties. Mayor Pro-Tem Walsh advised that the city's finance department estimates that the ripple effect of the city's revenue associated with gaming is \$2.3 million annually. He noted that the casinos pay sales tax on local goods and services, and indirectly pay wages that are often used for local purchases. Local vendors benefiting from sales to the casinos make purchases and pay sales taxes. The city finance department estimates the casinos directly and indirectly generate \$7.8 million annually in sales tax revenue. Additionally, Ameristar and Harrah's pay between \$7-8 million annually in contracted license fees to the Iowa West Racing Association, which has been able to distribute over \$275 million through grants to various non-profit organizations throughout southwest Iowa since its inception. Mayor Pro Tem Walsh stated that casino management and many employees serve on a variety of non-profit boards and volunteer their time to numerous community events. He thanked the casino management and the Iowa Racing & Gaming Commission.

Chair Urban moved to the approval of the minutes from the March 8, 2012 Commission meeting. Commissioner Rivera moved to approve the minutes as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban called on Brian Ohorilko, Administrator of IRGC, who introduced the following Commission employees assigned to the Council Bluffs properties: Gaming Representatives (GRs) Lynette Masker and Bryan Crowdy at Ameristar; GRs Max Zaragosa and Jeff Rethmeier at Harrah's; GRs Carol Fajen and Cory Ostermeyer at Horseshoe Casino; Steward Richard Woodsmall at Horseshoe; and Licensing Assistants Julie Petersen, Linda Baxter and Gina Goos. Mr. Ohorilko thanked them for their hard work on behalf of the Commission.

Mr. Ohorilko then advised that there would be no Commission meeting in May and that the June meeting would be held at Stoney Creek Inn in Johnston on June 7<sup>th</sup>, with submissions due in the Commission's office by May 23<sup>rd</sup>.

Mr. Ohorilko provided the following dates and locations for Commission meetings for Fiscal Year 2013:

<b><u>DATE</u></b>	<b><u>LOCATION</u></b>
July 12, 2012	Prairie Meadows, Altoona
August 23, 2012	Riverside Casino, Riverside
September 27, 2012	Hotel Julien, Dubuque
November 15, 2012	Stoney Creek Inn, Johnston
January 10, 2013	Prairie Meadows, Altoona
March 7, 2013	Stoney Creek Inn, Johnston
April 18, 2013	Harrah's, Council Bluffs, IA
June 6, 2013	HGI Lakeside, Osceola

He noted that the schedule is similar to years past.

Chair Urban called on Mr. Ohorilko with regard to the recognition of Chair Toni Urban and Commissioner Andrea Rivera as their terms are ending and they were not reappointed to the Commission. Mr. Ohorilko stated that he was grateful for the opportunity to get to know and work with Chair Urban and Commissioner Rivera throughout their time with the Commission. He noted that all Commission members face unique challenges, and that they were no exception – whether they were on a long bus tour throughout the state visiting proposed gambling structure sites, working through various purse agreements or reading Commission related packets and e-mails after spending a long day at their full-time job or other community-related duties. Mr. Ohorilko stated that Chair Urban and Commissioner Rivera always performed their due

diligence and served the citizens of Iowa with the highest of integrity and character. He called Commissioner Rivera to the podium and presented her with a plaque which read: In appreciation of your service to the Iowa Racing & Gaming Commission from May 1, 2009 through April 30, 2012.

Commissioner Rivera stated that it has been an honor and a privilege to serve on the Commission and with her fellow Commissioners. She also acknowledged the guidance she received from former Commission members Kate Cutler and Paul Hayes when she was first appointed to the Commission. Commissioner Rivera thanked the staff for their excellent direction and help when she had questions.

Mr. Ohorilko called Chair Urban to the podium and presented her with a plaque which read: In appreciation of your service on the Iowa Racing & Gaming Commission from May 1, 2006 through April 30, 2012 and as Chair of the Iowa Racing & Gaming Commission from July 29, 2010 through April 30, 2012.

Chair Urban stated that it has been an honor to serve on the Commission and the State of Iowa. She thanked the general managers, the attorneys, the casino staffs, her fellow Commissioners and Commission staff for making it a pleasant experience. Chair Urban noted that the State is dependent upon the revenue from the casinos and racetracks; but stated that she feels a sense of pride when the non-profits appear before the Commission and report on what they have been able to accomplish within their communities.

Chair Urban called on Isle of Capri (IOC) for an update on the negotiations regarding the sale of the Rhythm City Casino in Davenport. Stacy Hall, IOC's outside legal counsel, advised that IOC has continued the process of negotiations with proposed purchasers of the property, and is working diligently to reach an agreement for the sale of the property. She stated that IOC hopes to be able to submit a definite purchase agreement as soon as possible. Ms. Hall advised that she will keep the Commission apprised of any developments.

Chair Urban called on Penn National (Penn)/Missouri River Historical Development (MRHD) for an update on negotiations on a new operating agreement. Tom Burke, Vice President (VP) of Regional Operations for Penn, introduced Carl Sottosanti, VP of Legal Affairs, and Lance George, General Manager of the Sioux City facility. Mr. Burke stated that the parties have been working on this issue since last fall; and that Penn has spent a significant amount of time evaluating a number of sites for a land-based facility. He advised that based on strong requests from the city and MRHD, they have narrowed their focus to one downtown location; Penn is committed to that including all of the challenges and stresses that go along with developing a downtown location. Mr. Burke stated that Penn has spent a significant amount of money on pre-development and planning over the last several months. In late March they developed some concept details and presented a power point plan to MRHD and the city. He noted that subsequent to the presentation, the city has had some questions and Penn is currently awaiting a response from the city. Also, at the request of the city, Penn delivered and presented two term sheets last week to

the city and MRHD. Mr. Burke advised that Penn management at all levels is aware of the situation and believes that a resolution can be reached by the June meeting. He called on Mr. Sottosanti to provide an overview of the proposed land-based facility.

Mr. Sottosanti thanked the Commission for their patience in dealing with the complex situation in Sioux City. He concurred with Mr. Burke's comments that a resolution can be achieved by the June meeting as all parties – the city, MRHD, Penn, and the citizens of Sioux City – have a tremendous amount at stake. He expressed his belief that the parties have made tangible progress since the last time they were before the Commission, and provided the following information regarding location, what the new facility would look like, the cost and proposed opening date.

**Location:** He noted that Penn was initially skeptical about the possibility of a downtown site, but now believes a downtown site will be a win-win situation for all parties involved. A downtown site has been selected and Penn has made substantial progress on the design of the proposed facility.

**Design:** Hollywood-style branded facility that represents Penn's upscale brand, which they feel will fit in very nicely in Sioux City. The proposed facility will have 110,000 square feet of gaming entertainment space, 750 slots and 25 tables, 3 dining areas including a steak house, and based on discussions with MRHD, a multi-entertainment venue. The facility will also have a gift shop and a parking garage with approximately 1,500 spaces.

**Cost:** Mr. Sottosanti advised that the current estimate for the proposed project is \$100 million; which he believes is a significant investment on Penn's part.

**Timing:** Mr. Sottosanti stated that Penn is prepared to start the project within 60 days of receiving the necessary approvals; and believes that the project can be completed within 18 months from commencement (groundbreaking).

**Will the project hurt the city financially:** Mr. Sottosanti stated that he believes the answer is no; Penn feels the most recent proposal makes the city whole and creates some new beneficiaries because Penn will no longer pay the docking fee that is 3% of Adjusted Gross Revenues (AGR) that goes solely to the city, but will be paying property taxes, which are divided between the city, county, and schools. He stated that Penn has also proposed a financial formula which they believe makes the city whole.

**MRHD:** Mr. Sottosanti stated that Penn is in discussions with them regarding the economic package, however, Penn expects the new facility to increase revenue by approximately 20%, which should benefit everyone – MHRD, Penn and the city.

Mr. Sottosanti stated that the above is not a done deal; that there are still some real challenges ahead: development of a downtown site, roads, and acquisition of all the necessary properties. It is his opinion that significant progress has been made on this

front. He is aware of the fact that many believe there are significant open items on the table with regard to economics, but reiterated Penn's belief that the issues can be resolved in a timely manner. Mr. Sottosanti advised the Commission that Penn's balance sheet enables them to get the project done without relying on the volatile capital markets.

Mark Monson, President of MRHD, introduced Ron French, VP of MRHD; David Bernstein, a MRHD board member; and Bob Scott, the mayor of Sioux City. Mr. Monson noted that the parties are running out of time; that MRHD started talks with Penn in July 2011 and have been meeting and communicating with a variety of individuals representing Penn on a somewhat regular basis since that time. He stated that some of Penn's representatives have used tactics that MRHD felt were threatening and overbearing. He advised that MRHD feels little progress has been made over the previous eight months, and they are frustrated. Mr. Monson stated that Penn's last offer, which was to be their last and best offer, actually decreased the amount offered to MRHD previously. He stated that MRHD has looked at what the other non-profit organizations are receiving and have seen what is possible and the offer is nowhere close. Mr. Monson stated that MRHD will not accept something subpar for the citizens of the county that they will have to live with for decades, or even a century, which has been proposed. It is his opinion that over the last eight months MHRD has been bullied. He noted that MRHD offered an extension of the current contract to Penn during the December board meeting, which Penn rejected. Mr. Monson stated that the purpose of extending the current Operating Agreement to March 2013 was for the purpose of maintaining the 325 jobs; he indicated that MRHD does not feel responsible for this issue. Mr. Monson stated that Penn's decisions will determine whether or not the jobs remain viable. He stated that the MRHD board is not optimistic at this point, and requested some direction. Mr. Monson turned the floor over to Mayor Bob Scott.

Mayor Scott advised that this issue was so important to him that he elected to stay home and attend the Commission meeting rather than attending a long-standing steak dinner that the city has held in Washington, D.C. He stated that the city has been willing to negotiate with Penn and has tried to make staff available for meetings. Mayor Scott stated that he asked Penn to submit a final and best offer last week; however, that shows that once the Tax Increment Financing (TIF) component expires, the city would receive somewhere between \$200,000 - \$600,000 less revenue than they are receiving today. He questioned why he and the city council would put the city at risk on \$25 million of TIF bonds and take the facility off the river for less money; they would be better served to leave the casino at its current location. Mayor Scott stated that the city council prefers to have the facility downtown. He noted that they are concerned about the loss of jobs, as anyone would be. Mayor Scott stated that he ran on a platform of creating economic development; that it is his job to try and work with them and make Sioux City a community where they can grow their business. He stated that as mayor he would do whatever he could to save the 325 jobs. Mayor Scott pointed out that the State of Iowa has given the Commission a lot of authority. He stated that the city is done negotiating; they have done their part. Mayor Scott advised that it would be irresponsible for city leaders to accept a proposal that would provide less revenue 20 years from now than what

they receive today. He requested the Commission's assistance in moving the situation off dead center. He reiterated that the city is done negotiating; stating that is all five votes of the city council. Mayor Scott stated that the council feels they have done what they needed to do, and are done negotiating with Penn. He indicated that if MHRD wanted to continue to negotiate with Penn, that would be their business but the city would not be a participant.

Mr. Sottosanti stated that as a matter of course Penn does not think it is a good idea to negotiate publicly or to ask for the Commission's intercession at this point. Penn is of the opinion that civil minds can handle the situation behind closed doors. He indicated that he would not address some of the previous statements made, but indicated that he did not agree with some of the most offensive comments made. Mr. Sottosanti requested that the Commission judge people by their actions, not their words. He advised that Penn has put real money at risk; nor did they initiate a lawsuit – they were the recipient of a lawsuit. He reiterated Penn's belief that the parties can come to an agreement.

Chair Urban called for any questions from the Commission. Commissioner Seyfer stated that he had some questions for MHRD, and asked if they had seen the plans referred to by Mr. Sottosanti. Mr. Monson answered in the affirmative. Commissioner Seyfer asked for MRHD's thoughts on those plans. Mr. Monson stated that there are some obstacles, but the plans are not all bad. Commissioner Seyfer noted that Penn has presented a plan calling for a \$100 million investment; he asked what the obstacles were. Mr. Monson advised that there are some street and location obstacles and a few other things but none of them are sufficient to kill the plan. Commissioner Seyfer asked if the overall plan as proposed could meet with MRHD's criteria. Mr. Monson again answered in the affirmative, but indicated he was not sure it met with the city's criteria.

Commissioner Heinrich asked if the main issue is an economic issue. Mr. Monson indicated it was from MRHD's standpoint. Commissioner Heinrich asked if Penn concurred with that statement. Mr. Sottosanti indicated his agreement.

Commissioner Lamberti stated that based on what he has heard he is not overly optimistic that the parties will reach an agreement. He concurred with previous statements that all parties, including the Commission, are frustrated with the situation and concerned about the jobs. He asked a representative from Penn what the company's intention is if there is no agreement by the deadline.

Mr. Sottosanti stated that was a good question. He advised that right now their intent is to negotiate in good faith until the deadline. He indicated that if the parties are close to a resolution at the time of the deadline, Penn would entertain any commercially reasonable alternative. If an agreement is not eminent, Mr. Sottosanti stated that he did not know what Penn would do.

Commissioner Lamberti indicated that was part of his concern; that the deadline is six weeks away from a possible closure and potential loss of jobs. He encouraged all parties

to continue to negotiate. Commissioner Lamberti advised that he was not speaking on behalf of the Commission, just for himself. He suggested that it may be necessary for the Commission to ask all parties to bring forth a Plan B or Plan C if an agreement cannot be reached. Commissioner Lamberti stated that he is going to do everything he can to prevent the loss of jobs. He stated that if the parties reach a stalemate, the Commission has to be prepared to entertain other options in order to move forward and that it is something all parties should keep in mind as the deadline approaches. Commissioner Lamberti again reiterated that he is not speaking for anyone but himself. He does not believe the Commission is going to let the situation run up against the July 7<sup>th</sup> deadline and do nothing. He encouraged all parties to reach an agreement fairly quickly, and if not, then they need to rapidly move to other ideas and plans.

Mr. Sottosanti advised that Penn shares the Commission's concern regarding the jobs. He stated that Penn will heed Commissioner Lamberti's admonition to negotiate and will prepare alternative proposals in the event an agreement cannot be reached.

Commissioner Rivera noted that while the jobs are important, this situation is not just about the jobs. Another important factor is the revenue to the State of Iowa which will be lost if the facility is shut down. She also encouraged the parties to move forward and resolve this matter. Commissioner Rivera concurred that the Commission has been dealing with this situation since July 2011 and that the Commission has been very patient but it is now up to the parties to get it resolved.

Chair Urban noted that this not been the year of compromise, but feels the Commission is looking at a problem that could potentially get worse. She encouraged compromise on everyone's part in an effort to reach an agreement.

Commissioner Seyfer asked the parties if they were negotiating while they were all present for the Commission meeting. Mr. Sottosanti advised that there had been some discussions this morning, but that the negotiating and compromise is largely a one-way street.

Mr. Bernstein stated that he has been the key point of contact with Steve Snyder from Penn. He noted that he and Mr. Sottosanti have had a couple of conversations; and that Mr. Sottosanti's characterization was a great over-simplification of the issue. Mr. Bernstein advised that MRHD has done its due diligence and looked at the rates the various non-profit organizations around the state are receiving, as well as what the facilities look like. He stated that when MRHD says "not enough", they are stating that what has been offered to Sioux City as a community does not compare to Emmetsburg or Waterloo. Sioux City has been offered slightly just over half of what the other communities receive on a percentage basis. Population-wise, Mr. Bernstein indicated that Sioux City is just as strong as Waterloo, if not stronger. He indicated the MRHD board is wondering why they should have to accept significantly less than the other communities, or just the statutory minimum. Mr. Bernstein stated that MRHD is appreciative of the offer of a \$100 million facility, which they feel is the right amount of

investment for the market, but it also requires a substantial investment from the city to make that happen. He indicated that the offer from Penn needs to be something that further benefits and puts MRHD/Sioux City on a par with the other communities in Iowa with land-based casinos that have been built in the past five years. Mr. Bernstein stated that when MRHD says “not enough”, it is not that they are being arbitrary, but is the result of a significant amount of due diligence.

Commissioner Seyfer stated that he asked a simple question: All the parties are present for the meeting, are negotiations being held or is it just posturing? Mr. Bernstein stated that there is no posturing taking place; that he is the main point of contact between MRHD and Penn. He stated that there have been weekly phone calls and conversations for many months. He advised that no negotiations are taking place today. Mr. Bernstein stated that MRHD asked Penn for their best and final offer; and without any kind of guidance or direction from IRGC, he suggested that maybe MRHD just needs to be told to take the 3% and go away. He indicated that if that was the case they would do so, albeit reluctantly, but intend to work as hard as they can in the meantime to benefit the community. Mr. Bernstein noted that a land-based casino in Sioux City would also benefit the state as Penn’s projections show an increase in projected revenue from \$60 million to \$78 million. He stated that his conversations with Mr. Snyder last week related specifically to the job issue. He advised that MRHD has continued to offer an extension of the current operating agreement; however, Penn continues to refuse to accept an extension. Mr. Bernstein stated that he believes they are rejecting the extension as it greatly improves their negotiating position. He stated that without the extension, and the jobs being held as hostage, it puts a lot of pressure on the non-profit board. Mr. Bernstein stated that when he brought up the agreement extension again last week, Mr. Snyder informed him that Penn would not be a part of their own lynching; and if an agreement is not going to be reached, that they need to notify the employees very soon. Penn has to provide the employees with a 60-day notice if they going to close the facility.

Chair Urban, noting that Mr. Bernstein had referenced the operating agreement for Waterloo, reminded him that Waterloo was a very unique situation; that there were three different companies competing for a license in that community. Mr. Bernstein indicated he was aware of the circumstances, but stated that MRHD did not understand why they don’t have a similar scenario. Additionally, he pointed that Emmetsburg has a market share that is 20% of Sioux City’s, and that non-profit is receiving 6% plus property taxes. Mr. Bernstein stated there are many cases of newer facilities that have been built in the last five years that receive significantly higher rates for the community than the 3% that is statutorily provided for, and feel they should not have to settle for the statutory minimum for their community.

Mayor Scott questioned why he as mayor should put the city at risk for \$25 million and give up 4.5 acres of prime city property for a deal that will provide less revenue to the city 20 years down the road than it currently receives. He stated that with the current proposal, he would opt to leave the casino operation on the river. He indicated that the

current offer from Penn does not make economic sense for the city. Mayor Scott stated that city would have to cover \$25 million of the proposed \$100 million investment.

Chair Urban moved to the next agenda item and called on Prairie Meadows Racetrack and Casino (PMR&C). Ann Atkins and Derron Heldt, Vice President of PMR&C and Director of Racing respectively, were present to address the agenda items. Ms. Atkins advised that Advanced Deposit Wagering (ADW) went live on Monday afternoon (April 16<sup>th</sup>). She indicated ADW was the result of a good effort between IRGC staff, the HBPA and PMR&C staff, who met multiple times over the last year. Ms. Atkins stated that it was great to have ADW up and running.

Chair Urban called on Mr. Heldt for an update on the upcoming live race meet. Mr. Heldt advised that the 67-day thoroughbred season starts the following day with a post time of 6:30 PM. He indicated there are 950 horses on the backside; they have a capacity of 1,350. He stated there are a number of horses that are being transported from other racetracks that feed into PMR&C's racing program. Mr. Heldt advised that 16 new trainers are coming to the meet this year, some of them have been nationally recognized – an Eclipse Award winner, number of wins or the amount of money won. These trainers are bringing in 270 new horses that have never raced at PMR&C.

Mr. Heldt mentioned a couple of significant events that will be taking place at PMR&C during the course of the live racing season:

- The National HBPA Conference, which will be held in conjunction with the Festival of Racing on June 29-30. He stated that this conference was made possible due to the addition of the hotel.
- The Quarter Horse Challenge Races that will be held on October 27<sup>th</sup>. This will be an international event with horses from South America and Canada.

Mr. Heldt stated that PMR&C is continuing to put money toward capital improvements that will benefit horse racing. During the recent off-season, PMR&C made extensive renovations in the test barn area, which had not been done since the facility opened. Mr. Heldt believes it is one of the premier test barn facilities in the country.

Chair Urban moved to PMR&C's request for approval of a remodeling project. Ms. Atkins stated that PMR&C has received approval from Polk County to proceed. She requested the Commission's approval for the casino expansion, which will add additional slot machines to the floor. The number of slots will increase from 2,000 to 2,250.

Chair Urban asked about the cost of the project and how it would be paid for. Brian Wessels, Director of Finance, advised that PMR&C would be using funds available through the current line of credit. The remodeling project is projected to cost approximately \$9.8 million. Chair Urban clarified that amount would be in addition to the \$5 million borrowed for the hotel. Mr. Wessels indicated she was correct.

Hearing no further comments or questions concerning the remodeling request, Chair Urban requested a motion. Commissioner Heinrich moved to approve the remodeling request as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-40)

Chair Urban asked Ms. Atkins how the addition of the hotel had impacted the parking situation at the facility. Ms. Atkins noted that the hotel is ramping up slowly so there have not been any parking issues so far. She indicated that if parking issues do arise, it will be the 4<sup>th</sup> of July and the ostrich/camel races. Chair Urban asked if she had any idea when they might build the parking garage. Ms. Atkins advised that it is still on their To Do List.

Chair Urban moved to the contracts submitted by PMR&C. Ms. Atkins presented the following contracts for Commission approval:

- Chesnut Sign – Sign Manufacture and Installation
- Johnson Brothers – Wine and Bar Mixes
- Karl Chevrolet – Purchase of Cars, Trucks and Parts
- MicroEdge, LLC – Grant Application Software License and Maintenance
- Roberts Communication Network, Inc. – Data Communication Services
- Roberts Communication Network, Inc. – Streaming Audio-Visual and Digital Archiving Services
- The Weitz Company – General Contractor – Various Projects

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 Heinrich seconded the motion, which carried unanimously. (See Order No. 12-41)

Chair Urban moved to the contract approval portion of the agenda, and called on Horseshoe Casino/Bluffs Run (HC/BR). Janae Sternberg, Director of Finance, presented a contract with Franklin Press, a direct marketing provider.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by HC/BR. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-42)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with Cottingham & Butler Insurance for property and casualty insurance.

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. 47-43)

Chair Urban called on Isle of Capri Marquette (IOC Marquette). No one was present from the facility. The contract was with Multimedia Games for the purchase of slot machines and parts, and lease agreements.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Rivera moved to approve the contract as submitted by IOC Marquette. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 47-44)

Chair Urban called on HGI Lakeside. Bob Thursby, General Manager, submitted a contract with Garner Printing for marketing services.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by Lakeside. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 47-45)

Chair Urban asked how construction of the new hotel was progressing. Mr. Thursby advised they are 4 weeks plus one day from taking possession; the grand opening will be held on Memorial Day weekend.

Chair Urban asked if the casino was seeing a lot of new business as a result of the Pilot project. Mr. Thursby answered in the affirmative, noting that approximately 70 trucks overnight at the Pilot facility. He stated that the casino's truck parking lot is still full as well, so the Pilot facility is generating additional business.

Commissioner Rivera asked Mr. Thursby what kinds of events are planned for the grand opening on Memorial Day weekend. Mr. Thursby stated there will be a ribbon cutting with local dignitaries and press. They will bring in their VIP Players for approximately four nights. He advised that the real culmination of the project will be on September 1<sup>st</sup> when the remodeling of the existing 60 hotel rooms is completed and the opening of the amphitheater. Commissioner Rivera asked if there were any plans for special entertainment. Mr. Thursby indicated there is none planned for Memorial Day. He indicated there will be entertainment booked for when the amphitheater is opened, but the contracts have not yet been signed.

Chair Urban called on Ameristar Casino. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- ASI, LLC d/b/a Ameritex Services – Laundry Services
- Seminole Retail Energy Services – Provide Natural Gas Transportation to ACCBI property

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-46)

Chair Urban called on Harrah's. Ms. Sternberg presented a contract with Franklin Press, a direct marketing provider.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-47)

Chair Urban called on Diamond Jo. Todd Moyer, General Manager, presented a contract with AJR Equities, Inc. for event merchandise for giveaways. He advised that Foreigner will be performing at the property Memorial Day weekend, and they are giving away a Dodge Challenger.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contract as submitted by Diamond Jo. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-48)

Chair Urban called on Diamond Jo Worth (DJW). Kim Pang, General Manager, submitted a contract with USA Security for the purchase of CCTV equipment to replace the current system.

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. 12-49)

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

- Aristocrat Technologies, Inc. – Purchase a& Installation of 12 Premium Viridian Wide Screen Slot Machines w/Gaming Software
- Mediacom Iowa LLC – Commercial Family Cable Video in Casino & Coaches Corner Sports Bar
- Mediacom Iowa LLC – Mediacom CATV for Hotel Rooms
- Myers-Cox Co. – Purchase of Cigarettes & Tobacco Products for Resale
- Pitney Bowes – Lease for Postage Meter System
- Heartland Retirement Plan Services –Employer and Employee Annual Contributions to Wild Rose Clinton 401K Plan

- WMS Gaming, Inc. – Purchase of 12 Video-Standard – G+ Slot Machines w/TITO

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by WRC. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-50)

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

- Lamar Companies – Outdoor Advertising
- New Century Press – Printing of Newspaper Inserts
- The Printer, Inc. – Direct Mail Marketing

Ms. Haselhoff stated that Grand Falls does have an outstanding summer concert series planned, and invited everyone to come up. Two of the concerts are Bobby Vinton and Big and Rich.

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Grand Falls. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-51)

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

- Mixed Media Group, Inc. – Advertising Agreement for Billboards
- Nesper Sign Advertising, Inc./Watchfire Digital Outdoor – Watchfire Digital Billboard
- University of Iowa Foundation – Gift Pledge Agreement – Kinnick Stadium Club Seats & Suite
- Wells Fargo – Debt Refinancing – Change in End Date
- Wells Fargo – First Amendment to Credit Agreement – Change in End Date
- Wells Fargo – Second Amendment to Credit Agreement – Change in End Date

Chair Urban asked for an explanation with regard to the Wells Fargo items. Mr. Franz explained that the original Request for Transaction Approval (RTA) was submitted in 2008 with an expiration date of March 2012; however, the contract actually expires in 2013. He noted that in reviewing the list of the current RTAs for the property, these contracts caught his eye. Mr. Franz stated that the property actually has another year before they need to refinance their existing loans.

Hearing no further comments or questions concerning the contracts, Chair Urban 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. 12-52)

Chair Urban called on IOC Bettendorf (IOCB). Ms. Hall presented the following contracts for Commission approval:

- Loffredo – Fresh Produce for Isle Restaurants and Banquets
- JCM American Corporation – Provides UBAs and Plastic Boxes for Slot Machines

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by IOCB. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-53)

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

- Sam's Club Direct – Purchase Cigarettes, Food/Candy and Liquor
- Loffredo – Provides Fresh Produce for Restaurants

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by RC. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-54)

Chair Urban moved to the review of the licensees' financial audits. She introduced Andrew Pulford, the Commission's Field Auditor; advising that he reviews the audits upon receipt and prepares all of the financial figures for IRGC.

Chair Urban called on Ameristar. Paul Zak, Director of Finance, was present to answer any questions. Commissioner Seyfer noted that the Council Bluffs property did pretty well within the Ameristar organization compared to other Ameristar properties. Mr. Zak concurred with the statement; advising that the Council Bluffs property did benefit from the strong regional economy.

Hearing no further comments or questions, Chair Urban called on Argosy Casino. As a representative was not readily available, she called on Catfish Bend Casino (CBC). Gary Hoyer, CEO of Great River Entertainment, and Donald Spears, Controller, were present to answer any questions. Mr. Hoyer thanked Chair Urban and Commissioner Rivera for their service on the Commission.

With regard to the financial audit, Mr. Hoyer stated that gaming revenue increased 1.5%, operating income increased by almost 7%, marketing and promotional expenses increased by approximately 3%, and at the parent level, overall revenue improved about 2.5%. Taxes and fees paid to the state, the three cities, two counties, and non-profit organizations were just short of \$11 million. With regard to the upcoming refinancing at the parent level, Mr. Hoyer advised that they have a balloon payment coming up in June that follows the 2007 initial financing with Morgan Stanley. He stated Great River Entertainment has engaged an investment bank, Macquarie Capital, to assist them with the refinancing. Mr. Hoyer advised that the company has been discussing and presenting a variety of options; however, they still have a ways to go before finalizing the refinancing. He stated that he is highly confident they will be successful in getting the necessary refinancing; and would present additional information at the June Commission meeting.

Hearing no comments or questions for Mr. Hoyer, Chair Urban called on Diamond Jo. Mr. Moyer and Kim McDermott, Director of Finance, were available to answer any questions. Mr. Moyer advised that casino revenues were up approximately 1% and DJ employed 353 full-time equivalent team members in 2011. They made distributions to the Dubuque Racing Association (DRA) in the amount of \$3.1 million. Mr. Moyer noted that DRA is going through their grant process now and will make the distributions in May.

Hearing no comments or questions for Mr. Moyer, Chair Urban called on DJW. Mr. Pang and Carrie Stapelkamp, Director of Finance, were present to answer any questions. Mr. Pang advised that gaming revenues increased 8%; and admissions were up by 14%. He stated that DJW continues to draw a significant amount of their business from the Minnesota market even though there is a casino in Minneapolis. Mr. Pang stated there are 309 full-time employees at DJW. DJW paid the non-profit, Worth County Development Authority (WCDA), \$4.7 million in 2011. During the most recent grant process, WCDA distributed just over \$2 million; approximately \$1.2 million went to promote education in Worth County. To date, WCDA has received over \$23 million.

Commissioner Rivera asked what kind of impact the Minneapolis casino has had on business at DJW. Mr. Pang indicated that it has not had a huge impact; they have a strong weekend business from Minneapolis. He indicated that he feels the bigger hurdle is the Minnesota Gaming Association's effort to bring Native American gaming to the area. Mr. Pang stated that 65% of DJW's business comes from Minnesota.

Chair Urban asked if the area was seeing an influx of seniors due to the stipends. Mr. Pang stated that DJW sees a lot of seniors coming to the property due to the good weather, but they are not moving into Worth County. He stated that people are moving to Worth County due to the scholarships given out by WCDA. The amount distributed to the graduating seniors has increased by 10%.

Hearing no further comments or questions for Mr. Pang, Chair Urban called on Harrah's. Ms. Sternberg advised that 2011 was a tough year economically due to the flooding; they had the most damage. Gaming revenues were down between 10-15% as the roads going north and south were closed for an extended period of time. She stated that the property felt they managed the situation well; they were able to remain open. Ms. Sternberg advised that they have done some major improvements to some of the damaged areas and they are off to a good start for 2012. She noted that while the numbers are flat, staying even is a good thing after last year.

Hearing no comments or questions for Ms. Sternberg, Chair Urban called on HGI-Lakeside. Mr. Thursby was available to answer any questions.

As there were no comments or questions for Mr. Thursby, Chair Urban called on Wild Rose Clinton (WRC). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, provided information for both WRC and Wild Rose Emmetsburg (WR Emmetsburg). He advised that both properties had record gaming revenues for 2011; WRC's revenue was up approximately 1% while WR Emmetsburg was up about 8.75%. Mr. Timmons stated that due to the increased revenues, the non-profit organization in Clinton received about \$1.6 million, while the Emmetsburg group received \$1.9 million.

Commissioner Seyfer stated there were a few deficiencies noted in the audit, and asked if they had been remedied. Mr. Timmons advised that they were addressed prior to the letter being issued.

Hearing no further comments or questions for Mr. Timmons, Chair Urban called on RCGR. Mr. Franz and Karlyn Ollendick, Chief Information/Compliance Officer, were present to answer any questions. Mr. Franz stated that RCGR celebrated their five-year anniversary and it was one of their best years. Revenues were up 5% overall, and they had record revenue of just over \$109 million. They broke monthly revenue records six out of the twelve months; in July they had over \$10 million in revenue. Mr. Franz advised that gaming revenue increased 5% year over year; non-gaming revenue was on par with that as well. He stated that food and beverage revenue was almost \$11 million. He advised that when RCGR was in the planning stages, food and beverage revenue was estimated at less than \$5 million. Mr. Franz stated that the revenue from entertainment has bounced back from 2010, and was up 28%. He noted that 2011 was really the first normal year for the golf course since it opened in 2007. The course flooded in 2008, 2009 was spent trying to recover, 2010 was spent trying to figure out where to place new holes, and in 2011 four new holes were built away from the river. The golf course was able to operate most of the year with 18 holes. Mr. Franz advised that RCGR was named the PGA Merchandiser of the Year for the third time in four years; and revenue from the performance studio was up 50%. All of the above resulted in an EBITDA increase of \$2.3 million from 2010, up to \$26.4 million. RCGR was able to reduce their debt by \$12 million during the year; they have reduced the total debt from \$100 million to \$58 million during the five years of operation. The non-profit received \$3.4 million in 2011, and has received \$17.1 million overall. Mr. Franz stated that RCGR employs 717, and over 200

of them celebrated their 5-year anniversary with the property. He noted that almost 30% have been there from the beginning.

Hearing no comments or questions for Mr. Franz, Chair Urban called on GFCR. Ms. Haselhoff and Ms. Ollendick were present to answer any questions. Ms. Haselhoff noted that 2011 was an exciting year for the property: the completion of construction during the winter months; the hiring of senior-level directors in January and February, opening of the table games school in March; job fairs in April, and the hiring of over 500 employees as they geared up for the opening. She advised that the grand opening was held on June 9<sup>th</sup>; everything was complete except for the outdoor swimming pool, which was completed a month later. Ms. Haselhoff noted that the \$120 million facility was built in less than one year.

Ms. Haselhoff advised that GFCR is owned by the Lyon County Casino Resort, which owns the assets and is responsible for the liabilities of the business. The business is owned by 459 unit holders representing approximately 750 Iowans. She noted that the numbers provided in the audit reflect just under seven months of operation: gross revenue was \$38.7 million, or \$32.6 million in gaming revenue, \$4.2 million in hotel revenue, \$4 million in food and beverage and \$875,000 in retail from the retail, spa and entertainment venues. Ms. Haselhoff reported that revenues have continued to increase during the first quarter in 2012. She stated that cost of sales for 2011 was \$2.5 million, or \$1.8 million in food and beverage, and \$693,000 in retail and entertainment. Expenses totaled \$34.8 million; \$9.7 million went to payroll, payroll taxes, and benefits; \$2.5 million went to marketing and marketing promotions, the City of Larchwood received \$152,000 in gaming taxes, Lyon County received \$520,000 in gaming taxes, fees, and property taxes, \$6.9 million to the State of Iowa, and \$1.2 million to the Lyon County Riverboat Foundation. Ms. Haselhoff advised that the result of the operation was a \$4.7 million net income loss. As they were able to take advantage of a prorated accelerated depreciation, their cash revenue and EBITDA was \$8.4 million for the seven month period.

Commissioner Rivera noted that Ms. Haselhoff indicated they had 500 employees when the facility opened. She asked if they retained that number after the opening. Ms. Haselhoff stated they had approximately 600 employees at the time the facility opened, but the number is now around 500. Commissioner Rivera asked if they were part-time or full-time. Ms. Haselhoff advised that they are full-time positions.

Chair Urban asked if the 450 equity owners have been invited to the casino, or if they have come. Ms. Haselhoff stated they were all invited to the grand opening; they had an investor meeting last October, and another annual investor meeting is scheduled for June.

Hearing no further comments or questions for Ms. Haselhoff, Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park. Ms. Sternberg advised that Horseshoe was not impacted by the flood like the Harrah's property. They used their national database to reach out to some of their VIP players and invited them to the property to experience the many amenities in the area. Ms. Sternberg stated that Horseshoe

experienced some of the best year over year months, and they were pleased with the results.

Hearing no comments or questions for Ms. Sternberg, Chair Urban called on the Iowa West Racing Association (IWRA). Jerry Mathiasen, Associate Executive Director, introduced Tim Miller and Jackie Dix, the Finance Director and Assistant respectively for IWRA. Mr. Mathiasen directed the Commissioners to page 3 of the audit which shows the amount of money that IWRA received in contract fees from Ameristar and Harrah's. He noted that the amount is status quo, and was down slightly in 2011 from 2010. However, for the first three months of 2012, revenues are up slightly. Mr. Mathiasen advised that the money received by IWRA is granted to a private charitable foundation, the Iowa West Foundation which then distributes the funds via grants throughout the area.

Hearing no comments or questions for Mr. Mathiasen, Chair Urban called on the Dubuque Racing Association (DRA). Mr. Hoeger reported that EBITDA compared favorably to the prior year when distributions are taken into account. He noted that Mr. Ohorilko had inquired as to the percentage of adjusted gross receipts that are paid out to the charitable organizations and the City of Dubuque; he indicated that it is approximately 6.9%. Mr. Hoeger advised that Diamond Jo contributes about 4.5% of their adjusted gross receipts to DRA.

Hearing no comments or questions for Mr. Hoeger, Chair Urban called on PMR&C. Mr. Wessels stated that casino revenues were up approximately 2.3%; the State of Iowa received \$45.1 million, and Polk County received \$28.4 million, which includes the lease payments, contributions and gaming taxes. The following communities/entities also received funds: City of Altoona - \$1 million, Des Moines - \$4.1 million, and Polk City School District - \$700,000. Mr. Wessels advised that charitable contributions were \$5.9 million; and salaries, wages and benefits totaled \$56.2 million.

Hearing no comments or questions for Mr. Wessels, Chair Urban called on Argosy Casino Sioux City. Mr. George noted that the facility was impacted by the flooding in 2011, and the opening of Grand Falls. He indicated they have had a difficult time trying to determine the actual impact that Grand Falls has had on their operation. Mr. George advised they are encouraged by the numbers for the first quarter.

Hearing no comments or questions for Mr. George, Chair Urban moved to the approval of the distribution of the Horse Racing Promotion Fund. She noted that three different entities had applied for the funds: Legacy Harness Horse Foundation, Iowa Thoroughbred Breeders and Owners Association and the Iowa Quarter Horse Racing Association. The amount available for distribution is \$3,124.74. Chair Urban requested a motion.

Commissioner Seyfer moved to distribute the funds equally among the Legacy Harness Horse Foundation, Iowa Thoroughbred Breeders and Owners Association and the Iowa

Quarter Horse Racing Association. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-55)

Chair Urban moved to the hearings for Isle of Capri Waterloo for violation of Iowa Code §99F.9(7) (Credit) and 491 Iowa Administrative Code 11.2(2)“h”, 11.4(5) and 11.9(3). She noted that both had been resolved by Stipulated Agreement. Ms. Hall was available to address any questions the Commission might have.

Mr. Ohorilko provided the following summary with regard to the first Stipulated Agreement: On November 3, 2011, at 1:34 AM a patron approached the bar and purchased an alcoholic beverage for \$3.75. The attendant processed the patron’s credit card for \$113.75; surveillance tapes showed the bartender returning \$100 in cash to the patron. Three minutes later the patron bought into a blackjack table for \$100, and played several hands of blackjack. At 2:21 AM, the same patron approached the same attendant and purchased another alcoholic beverage for \$3.75. The attendant processed the credit card transaction for \$113.75, returning \$100 cash to the patron. The patron then bought into a roulette table for \$100 and placed several bets. On November 4, 2011, a Revenue Auditor found the transactions as part of the daily audit of credit card transactions and reported it to the Surveillance Department for further review. No similar transactions have been noted by the Revenue Audit prior to or after this incident. On or about November 4, 2011, IOC Waterloo notified Commission representatives about the bartender who provided the cash. IOC Waterloo acknowledges that the above-mentioned facts constitute a violation of Iowa Code §99F.9(7), and has agreed to pay an administrative penalty in the amount of \$10,000. Mr. Ohorilko recommended approval of the Stipulated Agreement

Chair Urban noted that the above is a unique situation; one that the Commission has not dealt with previously. Ms. Hall concurred, and noted that it was an isolated incident. She advised that the bartender has been dismissed due to the violation, and staff has been provided with additional training.

Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement and administrative penalty of \$10,000. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-56)

Mr. Ohorilko provided the following summary with regard to the second Stipulated Agreement: On October 5, 2011, Commission staff was notified that a bonus jackpot of \$98,371.99 had been displayed on a machine as the amount won by a patron playing on that machine. Commission staff discovered that the jackpot was displayed on a machine that was put in play without all of the required testing being completed. The facility did not pay the jackpot at that time because they believed the machine was not configured to pay the amount displayed and the possibility that a malfunction had occurred. On October 12, 2011, Commission staff removed the required components from the slot machine and shipped them to Gaming Laboratories, Inc. (GLI) for a forensic

investigation. GLI concluded that the slot machine had not malfunctioned; rather that the amount displayed on the machine was due to the machine being incorrectly configured. This particular slot machine was available for play from 3:53 PM until 6:45 PM on October 5, 2011. On or about December 21, 2011, IOC Waterloo representatives informed Commission staff that the facility would be paying the \$98,371.99 to the patron. IOC Waterloo acknowledges that the above-mentioned facts constitute a violation of 491 Iowa Administrative Code 11.2(2)“h”, 11.4(5) and 11.9(3). Further, IOC Waterloo further agrees that they will not deduct the \$98,371.99 from gross receipts for the purposes of gaming tax. The Commission acknowledges that IOC Waterloo made full payment of the amount displayed on the slot machine to the patron involved; therefore, the Commission will forgo any administrative penalty. Mr. Ohorilko recommended approval of the Stipulated Agreement.

Chair Urban noted that the above was another unique situation for the Commission. She stated that IOC Waterloo did the right thing in paying the patron. Hearing no further comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Rivera moved to approve the Stipulated Agreement as presented. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-57)

Chair Urban moved to Public Comment, and called on Wes Ehrecke, President of the Iowa Gaming Association (IGA). Mr. Ehrecke, on behalf of the 18 member casinos, thanked Chair Urban and Commissioner Rivera for their dedication and commitment and taking the time to understand the multi-faceted gaming industry. He noted the vast amount of reading required and information to absorb. Mr. Ehrecke pointed out that they took their responsibilities seriously to uphold the integrity of gaming and put the necessary standards in place. The IGA presented each with a beautiful floral arrangement for a job well done.

Chair Urban stated that it was a pleasure to serve on the Commission. Commissioner Rivera concurred.

As there was no Administrative 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:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
JUNE 7, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 7, 2012, at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Jeff Lamberti, Vice Chair; and members Carl Heinrich, Kris Kramer, Dolores Mertz and Greg Seyfer.

Vice Chair Lamberti called the meeting to order at 8:30 AM and welcomed the two newest members to the Commission, Kris Kramer and Dolores Mertz.

Vice Chair Lamberti moved to the approval of the agenda. Commissioner Heinrich moved to approve the agenda as presented. Commissioner Seyfer seconded the motion, which carried unanimously.

Vice Chair Lamberti moved to the approval of the minutes from the April 19, 2012 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding upcoming Commission meetings:

- July 12, 2012 – Prairie Meadows Racetrack & Casino, Altoona, IA (Submission due by June 27, 2012)
- August 23, 2012 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 9, 2012)
- September 27, 2012 – Hotel Julien, Dubuque, IA (Submissions due by September 13, 2012)
- October, 2012 – No Commission Meeting

Vice Chair Lamberti called on Horseshoe Casino-Bluffs Run Greyhound Park/Iowa Greyhound Association (IGA) regarding the audit report of the escrow account for calendar year 2011. Jim Quilty, legal counsel for the IGA, noted that the escrow account was created as a result of an Arbitration Decision between the IGA and Bluffs Run Greyhound Park. He noted that arbitration occurs on an annual basis if the parties cannot come to an agreement regarding the amount of purses. Mr. Quilty stated that the fund was created in the mid-1990's and is used to supplement purses, and interest from the fund is used to promote greyhound racing and other expenses as approved by the Commission.

Vice Chair Lamberti called the Iowa Horsemen's Benevolent Protection Association (IHBPBA) for a brief report on their upcoming national convention to be held at Prairie Meadows Racetrack and Casino's new hotel commencing June 28<sup>th</sup> through July 1<sup>st</sup>. Jon Moss, Executive Director, noted that the local chapter had worked very hard to bring the bi-annual convention to Iowa this year; the convention is held at various tracks around the country. He advised that the National HBPA has a regular organizational structure, but is made up of a conglomeration of all the different HBPA organizations in the various states. Mr. Moss advised that the various organizations could represent an entire state or just one racetrack. He noted that the membership of the National HBPA is approximately 30,000; the Iowa organization has approximately 1,100 members. There are approximately 30 affiliate members around the country. He stated that the National HBPA represents about 72% of the races, 72% of the races written, and 62% of purses at all of the racetracks in the United States and Canada. This amounts to approximately \$600 million on an annual basis. The National HBPA has an economic impact of approximately \$34 billion annually.

Mr. Moss stated that one of the main issues of the HBPA, especially at the affiliate level, is benevolence. He advised that on an annual basis, the HBPA distributes approximately \$11 million in benevolence in the form of medical and dental payments, pensions, disaster relief and emergencies. He noted that the main motto for the HBPA is "Horsemen helping horsemen". Benevolence will be one of the main topics at the convention.

Mr. Moss advised that some of the topics to be discussed at the convention are the National Racing Compact; Simulcasting; Uniform Model Rules for Racing; Medication; Advanced Deposit Wagering/Betting Exchanges; and immigration/immigration workers.

Mr. Moss invited all of the Commissioners to attend the conference. He noted that one of the panel discussions will be on Advanced Deposit Wagering. He advised that Mr. Ohorilko and a PMR&C representative would be sitting on the panel.

Vice Chair Lamberti called on the Isle of Capri (IOC) regarding the ongoing negotiations for the sale of the Rhythm City facility in Davenport. Michael Fries, Vice President of Legal Affairs, advised that IOC is continuing to work with a prospective buyer; that they are further in the process than they have been at any point in the past. IOC has outlined what they feel is an acceptable proposal to Isle, and are waiting to hear back from the buyer. Mr. Fries stated that IOC is aware that the prospective buyer is in discussions with the City of Davenport and Riverboat Development Authority (RDA); however Isle is not a party to those discussions. He explained that their ability to close is contingent upon the buyer reaching an agreement with the City and RDA.

Commissioner Seyfer asked if there is any particular timeframe. Mr. Fries advised that IOC is doing everything in their power to keep the process moving forward, and will keep the Des Moines office apprised of any developments.

Vice Chair Lamberti called on Penn National Gaming (Penn) and Missouri River Historical Development (MRHD). He noted that while the agenda noted a request for the approval of an Operating Agreement and an item pertaining to the license, the issue is much more complicated than that. In order to give everyone an opportunity to address the Commission and maintain some kind of structure, he called on Penn for their remarks.

Carl Sottosanti, VP of Legal Affairs for Penn, advised that Steve Snyder, Sr. VP of Development, Karen Bailey, Director of Public Affairs; Lance George, General Manager of the Sioux City facility; and Lorraine May, outside counsel, were also present. He thanked the Commission members for their patience in working through this matter, which he indicated has been more difficult than he imagined. Mr. Sottosanti stated that the Commission directed Penn to focus on two particular matters: 1) work out a business relationship and resolution with MRHD; and 2) to come back to the Commission with some alternatives for consideration. He advised that Penn heard the Commission loud and clear; and believes that they have left no stone unturned on either front. Mr. Sottosanti stated that Penn believes MRHD has done everything within their power to replace them and disregard their exclusivity commitment rather than work with them.

Mr. Sottosanti addressed the presentations at the March meeting, and indicated that some of the parties in attendance today might become quite animated. He stated that Penn would not participate in a public spectacle or tawdry debate; that they have too much respect for the process, the Commission and their constituents to do so.

Mr. Sottosanti advised that Penn has spent hundreds of thousands of dollars exploring a downtown site that was suggested to them by both MRHD and the city. He further advised that a significant amount of time was spent putting together Memorandums of Understanding (MOUs) for both the city and MRHD, and then answering questions about the MOUs. Mr. Sottosanti stated that Penn believes the MOUs demonstrated that MRHD's aggregate dollars would increase by up to 30%; that the city would be made whole; and that the MOU would benefit the county and the schools as a result of new property revenue. He noted that both the city and MRHD reluctantly told the Commission at the April meeting that the downtown site would work; however, Penn received a letter advising that the site was no longer available. Mr. Sottosanti stated that Penn, heeding the direction of the Commission and left without a site, suggested mediation to the city and MRHD; and proposed that Jack Ketterer, former Administrator of the Commission, serve as the mediator. Penn felt Mr. Ketterer would be an expert in the matter and that his integrity was beyond reproach. He stated that both parties rejected the mediation offer out of hand; again demonstrating to Penn MRHD's desire to replace them rather than work things out. Mr. Sottosanti stated that after MRHD was left with no other alternative after their recent legal wrangling failed; they offered Penn a 2½ year extension. He indicated that offer is misleading, noting that Penn promptly responded to MRHD and advised that without a dismissal of the lawsuit that MRHD has pending against Penn, that Penn could not see a partnership between the parties nor a stable base on which to move forward with any future investment. Mr. Sottosanti advised that Penn is still awaiting a response. He stated that without a dismissal of the lawsuit, Penn finds

themselves with a partner who is not committed to them. He stated that if all of the facts are reviewed objectively, MRHD had a plan to replace Penn and were frustrated that Penn did not capitulate and walk away from a \$100 million investment and has stopped at nothing to wriggle free of their contractual obligations since then.

Mr. Sottosanti stated Penn remains focused on their employees, their jobs and their families. He stated that Penn is the only answer to continuing the gaming operation in Sioux City. He advised that they are also focused on a near-term land-based development. Mr. Sottosanti, on behalf of Penn, requested that the Commission extend the license from the June date to the July date; and then renew their license but with a new qualified sponsoring organization (qso), Friends of Woodbury County, who shares their vision. He advised that their background information is ready to be submitted to the Division of Criminal Investigation; and that further details are ready to be reviewed by the Commission members and staff pending a license. Mr. Sottosanti stated that the new qso would not hurt the community; that the aggregate dollars would be at least the same or greater than what is currently provided to the existing qso. He turned the floor over to Mr. Snyder to discuss the proposed development.

Mr. Snyder advised that Penn had worked for 6-7 months developing a plan to build a new 110,000 square foot entertainment facility in downtown Sioux City that would be accompanied by a 1,500-stall parking ramp. It would include a sports bar, entertainment venue and room for up to 900 slot machines, 20 table games and a small poker room. He reiterated Mr. Sottosanti's comments that Penn has expended hundreds of thousands of dollars in resources in getting design work done in trying to plan for the downtown site; and then receiving the letter on April 27<sup>th</sup> indicating the site was no longer available. Mr. Snyder stated that Penn remains committed to investing in a new land-based facility in downtown Sioux City that will extend the current employment and increase the number of individuals who will have an opportunity to work at the facility by adding additional venues. He stated that Penn looks forward to a solid partnership with whoever is willing to accept their \$100 million investment to complete that facility; and hopes that it will be in Sioux City and be done relatively quickly. He advised that at this point in time, Penn has no clear guidance, and feels they are back to square zero. Mr. Snyder requested the Commission's support in facilitating an interim step that would allow them to build the facility in downtown Sioux City, extend employment and eliminate the cloud of uncertainty that hangs over the gaming operation – not just for 2½ years, but for a good long time to come. Mr. Snyder indicated that he would be happy to answer any questions.

Vice Chair Lamberti stated that the Commission would hear from MRHD first and then ask any questions that they might have.

Mark Monson, President of MRHD, advised that Dave Bernstein, MRHD member; and Curt Beason, legal counsel, were also present. He thanked the Commission for their time. Mr. Monson stated that given the current situation and time line, MRHD has accepted Penn's proposal for a simple extension to run until March 31, 2015, which the

Board has approved and signed. He stated that a copy has been provided to the Commission. Mr. Monson stated that the agreement will protect Penn's employees from uncertainty as MRHD continues to work toward their goal of a top-notch land-based casino in Woodbury County. He requested the Commission's support on this issue.

Mr. Bernstein stated that Penn's perspective of the issues as expressed by Mr. Sottosanti and Mr. Snyder were interesting, and somewhat overly optimistic in the manner in which the negotiations were described. He advised that the negotiations between the parties over the last year have been incremental, and only when MRHD drew a line in the sand or did not agree to Penn's proposal would Penn consistently up their offer. Mr. Bernstein stated that MRHD believes Woodbury County, whether it is them or another qso, in any proposal accepted and built in Sioux City, should be at terms that are on par with the state-of-the-art in gaming in Iowa. He stated that MRHD should not be forced to accept terms for a land-based casino that are sub-par in percentage or property tax valuation, etc.; that ratcheting up gross gaming revenues and still applying the minimum 3% to those is not necessarily an incremental gain or something that the State or community benefits from which is why the parties have been unable to reach an agreement. Mr. Bernstein advised that the 2½ year extension did come about in the last meeting between the parties, and then in subsequent dialogue, Mr. Snyder raised the matter of MRHD dropping their lawsuit against Penn. He stated that the 2½ year extension was not fabricated; it was discussed at significant length with Mr. Snyder. Mr. Bernstein requested the Commission's consideration; that MRHD is committed to not having the facility shut down, the employees and Woodbury County. He indicated MRHD is willing to do whatever is necessary, but also feels there needs to be a fair proposal going forward that matches some of the other proposals that have recently been approved for the State.

Vice Chair Lamberti opened the floor up for comments, questions, or additional information. Commissioner Heinrich, noting that the parties have been negotiating for approximately one year, stated the two main issues he sees are the percentage paid to MRHD and the city and the facility location. Mr. Bernstein concurred. Commissioner Heinrich asked how much give and take has really taken place during the year; noting that Penn has held to 3% and staying on the river. He inquired as to what MRHD has proposed. Mr. Bernstein advised that MRHD indicated a desire to see the facility go land-based, at which time Penn directed MRHD members to their facility in Perryville, which is basically the same size and scope as the current Sioux City operation, but with a buffet and gift shop. MRHD advised Penn that they were looking for something more in Woodbury County; that they had seen other facilities in Iowa with more amenities. Mr. Bernstein noted that Penn has gradually moved along; at one point Penn proposed a land-based facility if the city would TIF the parking ramp and skyways for approximately \$35 million. This proposal was subsequently dropped. He stated that Penn has always held the percentage to MRHD at 3% and moved along incrementally with the city on property taxes. Mr. Bernstein stated that at one point Penn offered MRHD 3.25%; however, MRHD based the 3.25% on \$70 million. This offer was also retracted as a more elaborate facility came into play. Mr. Bernstein stated that the 3% payment is the main issue for MRHD.

Commissioner Heinrich stated it is his understanding that the parties have essentially agreed to move to a land-based facility. Mr. Bernstein concurred.

Commissioner Heinrich asked what MRHD's original request was of Penn. Mr. Bernstein stated that MRHD felt it would be more prudent for Penn to submit a proposal to MRHD to review. Commissioner Heinrich stated that he is hearing that MRHD did not have a specific request for Penn. Mr. Bernstein indicated that was correct. He indicated that MRHD is also very aware of the various land-based facilities which have recently been built in Iowa. He referenced the Waterloo facility, which occurred in a competitive environment; the non-profit receives 6.75% plus the city receives property tax money. Mr. Bernstein stated that the parties have not approached that level in Sioux City, nor have they come anywhere close. He stated that the MRHD membership feels that what is being offered is many percentage points below what they feel they should be receiving.

Mr. Snyder stated that Penn has been aware of the Commission's desire to move from the riverboat facility to a land-based facility for several years. He advised that several years ago Penn looked at a location in Sioux City for the facility; however, for various reasons that didn't work out. Mr. Snyder stated that Penn has known throughout the negotiations, and has expected, to make a significant investment in a new facility in downtown Sioux City; that Penn has never had a preference to remain on the river on a permanent basis. He stated that principle negotiations have centered on how much capital Penn will invest in a new facility, what amenities will be included, and who will pay for them. He stated that if the parking ramp is going to be available for general parking purposes as well as for the facility, it is Penn's position that it should be a shared obligation. Mr. Snyder stated that the focus of the negotiations over the last six months has been more on the size, scope, dollar amount of investment and incremental jobs that would be created in Sioux City as a result of the investment in the downtown area. He stated that Penn has consistently reminded MRHD representatives that in return for the significant capital investment Penn could not also significantly increase operating costs in the form of higher payments to the qso. He advised that they have been relatively consistent at the 3% level; he noted they did offer 3.25% at one point based on incremental revenue in excess of \$70 million but have never offered that rate from dollar zero. Mr. Snyder stated that Penn views the process as trying to raise the tide of gaming, economic development and employment in Sioux City, and that everyone would benefit from a higher standard, higher scale, higher scope and higher employment. He stated that MRHD has never really asked for a specific percentage.

Commissioner Heinrich stated that he understood Penn was indicating that they did not feel they could successfully work with MRHD, leading them to request a new qso. Mr. Snyder advised that Penn does not feel they can successfully work with anyone that is suing them.

Vice Chair Lamberti noted that the Commission has been dealing with this issue for quite some time, and does not wish to rehash the merits on both sides, noting that he does

believe there are merits on both sides. He noted that both parties have expended a significant amount of effort over the last several months trying to come to an agreement to achieve the Commission's ultimate goal of a land-based facility in Woodbury County. Vice Chair Lamberti noted that the goal has not changed, and the Commission is faced with a unique and difficult situation which the Commission has not previously faced where there is a license running and no operating agreement in place. He noted that at the last meeting the Commission stated that if no agreement was reached then all parties should be prepared to look at alternatives. He advised that the Commission as a whole has struggled with how to move forward with other alternatives given where the negotiations stand. Vice Chair Lamberti expressed his hope that both parties feel they have received a full hearing of the issues on both sides, and does not want to rehash them other than to note that both parties have worked very hard to try and reach an agreement. Having said that, Vice Chair Lamberti noted that it is now June 7<sup>th</sup> and the Commission has a license that is about to expire, and there is no new operating agreement. He stated that he believes the best way to move forward is to consider other alternatives, but that it needs to be broader than what has been proposed to this point. Vice Chair Lamberti moved to open up the Woodbury County license for new applications to build and operate a land-based facility in Woodbury County; and that the process be open to all interested parties. He directed staff to work on the process: application, time frame, etc.

Commissioner Seyfer noted there are a couple of issues that need to be addressed: one being that the Commission needs to be assured that the existing facility would remain open, and to that extent the Commission will extend the current license through the end of the license year, or March 31, 2013. The second issue would be an extension of the current operating agreement.

Vice Chair Lamberti stated his intention to make a second motion to grant the license through March 31, 2013, on the condition that the parties agree to extend the operating agreement through that time. He indicated that if the first motion passes, and given the understanding that the licensing process will take some time, and certainly beyond March 2013, that the Commission would be committed to doing whatever is necessary to keep the facility open until such time as the new facility opens so that the employees are not impacted. He again indicated that this would hinge on an extension of the operating agreement.

Vice Chair Lamberti stated that he felt the motions reasonably set forth what he would like to see happen. He requested a second to his original motion. Commissioner Mertz seconded the motion.

Commissioner Heinrich clarified that the motion would open up the licensing process to both parties. Vice Chair Lamberti confirmed that the process would be open to any potential operators and potential non-profits; that the process would be as open as it could be.

Hearing no further discussion, Vice Chair Lamberti called for the vote. The motion carried unanimously. (See Order No. 12-58)

Vice Chair Lamberti moved to approve the license for Penn and MRHD through March 31, 2013 pending the agreement of the parties to extend the operating agreement through that date and beyond as jobs would be affected. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-59)

Vice Chair Lamberti called on Affinity Gaming regarding their request for approval of debt refinancing. Bob Thursby, General Manager, advised that there were three goals Affinity was seeking to achieve with the refinancing:

- Reduction of costs – They will save approximately \$5 million in interest annually.
- Increase operating flexibility – Under the current financial covenants through the current year following bankruptcy, the company is restricted to \$30 million in capital expenditures; almost half of which was spent at the Osceola property. Capital expenditures would be increased to \$40 million per year.
- The refinancing improved the company's capacity to improve its existing facilities and seek additional properties.

Hearing no comments or questions concerning the proposed refinancing, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the debt refinancing as submitted by Affinity Gaming, LLC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-60)

Vice Chair Lamberti moved to contract approvals and called on Lady Luck Marquette (LLM). Mr. Fries presented the following contracts for Commission approval:

- Aristocrat Technologies – Purchase of Slot Machines, Parts & Lease Agreements
- Bally Gaming, Inc. – Purchase of Slot Machines, Parts & Lease Agreements
- Konami Gaming, Inc. – Purchase of Slot Machines, Parts & Lease Agreements

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by LLM. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-61)

Vice Chair Lamberti called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Konami Gaming for slot machine leases, and the purchase of conversions and parts.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by WRC. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-62)

Vice Chair Lamberti called on Diamond Jo. Kim Pang, General Manager at Diamond Jo Worth, presented a contract with Porter Wallace Corporation for Event Merchandise.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Diamond Jo. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-63)

Vice Chair Lamberti called on IOC Bettendorf. Mr. Fries presented a contract with Multimedia Games for the purchase of slot machines and parts.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by IOC Bettendorf. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-64)

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

- Altorfer Power Systems – Pow-R-Guard Maintenance Agreement for Generator(s)
- Global Payment Gaming Services, Inc. – Extension of Check Guarantee Agreement
- Global Payment Gaming Services, Inc. – Extension of CCA/DCCA Agreement
- Seminole Retail Energy Services, LLC – Master Natural Gas Sales Agreement

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-65)

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

- Avera McKennan Hospital – Health Plan Costs
- Billion Automotive – Marketing and Slot Promotions
- Honkamp Krueger & Co., P.C. – Accounting Services

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-66)

Vice Chair Lamberti called on Catfish Bend Casino (CBC). Gary Hoyer, CEO, and Jerry Baum, COO, were available for questions. Mr. Hoyer presented the following contracts for Commission approval:

- Global Cash Access – Cash Advances
- Fildar Printing Company – Printing of Marketing/Promotional Materials
- Multimedia Games – Purchase/Lease of Slot Machines
- Central Credit – Check Warranty Fees
- Wells Fargo Bank, Berkadia Commercial Mortgage – Loan Extension

Mr. Hoyer advised that the contract with Well Fargo Bank, Berkadia Commercial Mortgage, is a request for a short term extension of their existing loan. He advised that it is beneficial to the company in both rate and term. Mr. Hoyer stated that they are continuing to seek a longer term for refinancing and hope to have that before the Commission by the end of the year.

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-67)

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

- Harrah's Iowa Arena Management, LLC – Management of Mid America Center
- MCL Construction – Construction of Doors for Concert Cove
- Midwest Diving Service – Dredging and Diving Company

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-68)

Vice Chair Lamberti called on Horseshoe Casino/Bluffs Run. Ms. Sternberg presented a contract with Harrah's Iowa Arena Management, LLC for management of the Mid America Center.

Commissioner Heinrich stated that he was pleased to see Harrah's and Horseshoe Casino take over management of the facility.

Hearing no further comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Horseshoe Casino/Bluffs Run. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-69)

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

- Advanced Digital Solutions – Surveillance System Upgrade
- Baker Group – Surveillance System Upgrade
- Control Installations of Iowa – Surveillance System Upgrade
- EPI Technologies, Inc. – Surveillance System Upgrade
- High Plains Technology – Computer Hardware, Software and Related Services
- IK Systems, Inc. – Surveillance System Upgrade
- Inteconnex – Surveillance System Upgrade
- JAMS – Promotional Items
- Mechdyne Corporation – Surveillance System Upgrade
- Technical Security Integration, Inc. – Surveillance System Upgrade
- Triplett Office Solutions – Office Supplies
- USA Security Iowa – Surveillance System Upgrade

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-70)

Vice Chair Lamberti moved to the hearing for Diamond Jo Worth regarding a violation of Iowa Code §99F.5 (Minor), which has been resolved by a Stipulated Agreement. He called on Mr. Ohorilko, who provided a brief synopsis of the incident. Mr. Ohorilko advised that on February 13<sup>th</sup> at 9:43 AM, a minor female was allowed to enter the casino unchallenged. He stated that she was on the gaming floor for 34 minutes and played eleven different machines. Mr. Ohorilko stated that DJW acknowledges that the facts constitute a violation of Iowa Code §99F.5. The Commission's precedent for a violation of this nature where the three criteria have been met (The minor gained entrance unchallenged, was on the gaming floor for 30 minutes, and gambled) calls for an administrative penalty of \$20,000. Mr. Ohorilko indicated that staff had worked with Mr. Pang with regard to the Stipulated Agreement and DJW has agreed to the penalty.

Mr. Pang advised that DJW takes this situation very seriously, and was not proud of the fact that their facility incurred the first violation under Mr. Ohorilko's administration. He stated that upon receiving notification of the violation, he immediately reviewed the security tapes and it was very obvious that the security officer made no attempt to ID the individual. Mr. Pang stated that the minor female was approached by a slot ambassador who asked if she wanted to sign up for a players club account. When the individual provided her driver's license to the slot ambassador, who gave it to a player's club representative to be swiped through a management system scanner, it was discovered that the individual was a minor. A supervisor was contacted, who then contacted security. The security officer was suspended, and the surveillance tape was used to provide

training to the security officers to remind them to be sure and check the identification of individuals seeking to gain entrance to the casino.

Hearing no comments or questions concerning the proposed Stipulated Agreement, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the Stipulated Agreement as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-71)

As there was no Public Comment, Vice Chair Lamberti moved to Administrative Business, and called on Mr. Ohorilko. Mr. Ohorilko advised that the Commission was accepting applications for the Dog Racing Promotion Fund. Any interested party should submit their application to the Commission's Des Moines office by July 2, 2012. He stated that the application would be posted to the Commission's website.

Mr. Ohorilko moved to the regulatory fees for Fiscal Year 2013. He advised that Iowa Code requires the Commission to collect regulatory fees, which are comprised of the Commission's appropriations from the Legislature and the Division of Criminal Investigation's (DCI) costs of agents, and direct and indirect costs at each facility. He noted that two years ago the DCI's appropriations were moved into a revolving fund, as were the Commission's last year. This means the funds are paid directly to the Commission and the DCI. Mr. Ohorilko stated that the proposed fees were sent to facilities upon receipt of the final allocation of costs from the DCI. He noted that both revolving funds are required to cash flow; therefore, the Commission has incorporated a policy of billing for five weeks in advance at the beginning of the fiscal year, and then stops collecting fees five weeks prior to the end of the fiscal year. He stated that the Commission would like to follow that policy for FY13 and noted that any money left over from the current fiscal year will be reverted back to the licensees as a credit. That information should be available around Labor Day.

Hearing no comments or questions concerning the regulatory fees, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the regulatory fees for Fiscal Year 2013 as submitted. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-72)

Mr. Ohorilko provided a brief overview of the 2012 Legislative Session as it related to IRGC. He noted there was no legislation passed in 2012 which impacted the Commission. One proposed bill on which the Commission received numerous questions was the legalization of internet poker in Iowa. The bill would have allowed the state-licensed casinos to partner with an internet hub operator to conduct poker games within a network that was authorized and regulated by the Commission. The bill was passed by the Senate; but did not pass the House. Mr. Ohorilko stated that a number of other states are looking at internet poker, and believes this issue will surface in future legislative sessions.

Vice Chair Lamberti called for any comments or questions. He asked how many states have approved internet poker since it became legal. Mr. Ohorilko advised that only Nevada has enacted legislation so far.

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

MINUTES TAKEN BY:

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**IOWA RACING AND GAMING COMMISSION**  
**JULY 12, 2012**  
**MINUTES**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 12, 2012 at Prairie Meadows Racetrack and Casino (PMR&C), Altoona, Iowa. Commission members present were Jeff Lamberti, Vice Chair, and members Carl Heinrich, Kristine Kramer, Dolores Mertz, and Greg Seyfer.

Vice Chair Lamberti called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Mertz moved to approve the agenda as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Vice Chair Lamberti called on Gary Palmer, General Manager of PRM&C, who welcomed the Commission to the facility, noting this was the first Commission meeting to be held at PMR&C. He expressed his hope there would be many more. He also introduced Lynette Rasmussen, Chair of the Board of Directors for PMR&C.

Vice Chair Lamberti moved to the approval of the minutes from the Commission's June 7, 2012 meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding future Commission meetings:

- August 23, 2012 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 9, 2012)
- September 27, 2012 – Hotel Julien, Dubuque, IA (Submissions due by September 13, 2012)
- October, 2012 – No Commission Meeting
- November 15, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by November 1, 2012)
- December, 2012 – No Meeting

Vice Chair Lamberti moved to the election of the Chair and Vice Chair for Fiscal Year 2013. Commissioner Mertz moved to elect Vice Chair Lamberti and Commissioner Seyfer to serve as Chair and Vice Chair respectively. Commissioner Heinrich seconded the motion, which carried unanimously. Vice Chair Lamberti and Commissioner Seyfer abstained from voting. (See Order No. 12-73)

Chair Lamberti called on Gaming Laboratories, International (GLI). Mr. Ohorilko introduced James Maida, President and founder of GLI, which tests gaming equipment in

over 450 gaming jurisdictions. He advised that the Commission utilizes GLI for a number of regulatory functions including technology, certifying gaming equipment against technical standards, field staff training in the most up-to-date technology, network risk assessment and field testing.

Mr. Maida noted that he had been at PMR&C approximately ten years ago to provide some training, and was pleased to see the amount of change since that time. He advised that GLI has a unique numbering system for each file that comes in; the first two numbers represent the number of the client. Iowa is number seven. GLI currently has over 500 clients globally. Mr. Maida stated that GLI works for the regulators under rules set by the regulators, but are paid by the suppliers under rules set by the regulators. He indicated the company is backgrounded annually. Mr. Maida advised that the company has twenty offices globally, plus an office in Kansas City, Missouri. He stated that most of the gaming equipment utilized in Iowa is tested in the United States. He advised that GLI issues 120,000 gaming equipment certifications annually, has received ISO 17025 and 17020 accreditations, and support is available 24/7. With regard to GLI's relationship with the Commission, Mr. Maida stated that the parties have worked together since 1992; and there is almost daily communication on field issues, rule comments or new technology. GLI has certified in excess of 17,000 pieces of software for the Commission. Mr. Maida advised that an average of 4,000 items are submitted for testing in Iowa annually; they have also conducted five forensic examinations. He further advised they are continually improving their testing process, and in 2011 only 0.17% of certifications were revoked. GLI conducted on-site inspections at all of the Iowa properties in 2008, 2009 and 2010, as well as risk assessments at two of the properties in 2011. Mr. Maida briefly touched on the types of testing GLI performs globally and in Iowa; and the different "tools" that GLI has available to assist their clients. Mr. Maida congratulated the State of Iowa for writing a very forward-thinking, very specific paper on iGaming, and what would happen if it was legalized in Iowa. He stated that it was one of the first major white papers on iGaming. He stated that GLI sees iGaming; Social gaming; Play-for-Fun and Play-for-Money becoming more popular. Mr. Maida stated that GLI has no position on internet gaming, but do believe that it has to be secure to insure that players are not colluding or cheating. He provided brief descriptions on how the other future gaming options would function. Mr. Maida thanked the Commission for allowing him to appear before them.

Hearing no comments or questions for Mr. Maida, Chair Lamberti called on the Isle of Capri for an update on the negotiations for the sale of the Rhythm City property. Stacy Hall, legal counsel, advised that negotiations are ongoing, and have reached a point where the potential buyer is trying to enter into agreements with the city and the qualified sponsoring organization. Ms. Hall stated that IOC is hopeful those negotiations are going well.

Chair Lamberti called on Penn National Gaming/Missouri River Historical Development (Penn/MRHD) regarding their request for the approval of an extension to the Operating Agreement. Curt Beason, legal counsel for MRHD, advised that the MRHD Board has

approved two different extensions of the Operating Agreement with Penn; one that expires on March 31, 2013 and the other on March 31, 2015. Mr. Beason stated that the agreement extension before the Commission for consideration is the one expiring on March 31, 2015. He stated that the Board would be meeting next Monday to discuss other matters regarding either extension.

Chair Lamberti called on a representative for Penn. Carl Sottosanti, VP of Legal Affairs, and Steve Snyder, Sr. VP of Development, were present to address the Commission. Mr. Sottosanti stated that Penn concurred with MRHD that the only contract before the Commission for consideration is the extension of the Operating Agreement to March 31, 2015; that they have not been offered an extension through March 31, 2013. He indicated the longer contract would provide some security for the employees.

Chair Lamberti stated that he didn't think the Commission's actions at the June meeting were unclear; however, based on the questions he has received, that apparently is not the case. He noted that at the March meeting the Commission stated that in order to continue moving forward certain conditions needed to be met. One of the top concerns for the Commission is to maintain the 300+ jobs at the facility. At the June meeting, the Commission opened the Woodbury County license up for a new land-based facility. They also indicated their desire to insure that the current facility remains open until the new land-based facility is ready to be opened; again the main concern being the preservation of the existing jobs. Chair Lamberti stated that the Commission has now been presented with a request to approve an extension of the Operating Agreement to March 31, 2015. He expressed concern over the date as he feels it is somewhat arbitrary; the licensing process is in its early stages and it is too early to determine when the land-based facility might open. Chair Lamberti reiterated the Commission's desire to keep the current facility open until the land-based facility is ready to open; they are hesitant to approve a date that appears to be arbitrary. He asked Penn and MRHD if they would agree and approve an extension of the Operating Agreement to March 31, 2013, which would tie the date to the license date; and everyone could revisit where the process is at that time.

Mr. Sottosanti stated Penn's preference for the March 31, 2015 date; indicating that the longer term contract will be beneficial to all of the constituents and provide some continuity for the employees. He stated that if for some reason the process should go slower or in a more expedited manner, then the Commission could use their regulatory discretion to adjust the ending date. Mr. Sottosanti reiterated their preference for the Commission to approve the extension of the operating agreement through March 31, 2015.

Chair Lamberti again asked if Penn would agree to sign off on an extension of the operating agreement to March 31, 2013 if that is the action taken by the Commission.

Mr. Snyder stated that Penn has not been tendered an offer to extend the operating agreement through March 31, 2013.

Chair Lamberti advised that the Commission understood, but again questioned whether Penn would agree to an extension to March 31, 2013.

Mr. Snyder stated that the suggestion has been made that March 31, 2015 is an arbitrary date. He indicated that he feels March 31, 2013 is also an arbitrary date. He noted there are some employees who have worked at the property for 20 years; they are looking for security or an understanding of what the future holds for them. Mr. Snyder stated that the March 31, 2015 extension provides a reasonable time frame for the process to unfold. He reiterated that Penn has not been offered an extension of the operating agreement to March 31, 2013, nor have they been asked to consider one until today. Mr. Snyder requested that the Commission act on the agreement extension submitted for approval, which is March 31, 2015.

Chair Lamberti asked MRHD if they were willing to accept an extension of the operating agreement to March 31, 2013. Mr. Beason advised that MRHD has authorized an extension to March 31, 2013. He noted that if the Commission approves an extension to that date, no further action by MRHD would be necessary.

Commissioner Seyfer noted that Chair Lamberti had stated that the goal of the Commission is to make sure that there is an operation in Sioux City; and they are willing to do everything within their authority and power to do so. He again asked if Penn would agree to an extension of the operating agreement through March 31, 2013.

Mr. Snyder stated that the March 31, 2013 date would be a disservice to their employees. He stated that Penn has never been faced with managing a facility to closure or revocation. Mr. Snyder stated that Penn is not in a position today to accept a contract that has not been tendered to them. He stated they could not accept an extension to the operating agreement that would expire on March 31, 2013.

Commissioner Seyfer noted that licenses are renewed on an annual basis; this is no different than where the parties are at every year. He again requested a "Yes" or "No" answer from Penn with respect to whether they would accept a March 31, 2013 date. Mr. Snyder answered "No".

Chair Lamberti stated that what they are requesting is difficult and unprecedented in terms of where the process is at; however, the Commission has clearly indicated their desire to preserve the jobs and will create new extensions if necessary in order to keep the current facility open until the new land-based facility is ready to open in Woodbury County. He stated that the Commission has done everything within their power today. Chair Lamberti stated that the facility will not close on March 31, 2013 or any other day due to any action taken by the Commission today. He noted that the Commission has started the application process and doesn't have any idea of the timeline for construction, opening date, etc. Chair Lamberti stated that what he is hearing from Penn is that the operating agreement has to be extended to March 31, 2015 or nothing.

Mr. Sottosanti stated that Penn is not suggesting that by approving the contract extending the operating agreement to March 31, 2015 that the Commission could not modify the closing or opening date; they are only saying that is the contract that should be approved. He stated that Penn agrees with the comments of the Commission that the licensee will follow its ordinary course in the discretion of the Commission in March 2013, the next March and the March after that.

Chair Lamberti moved to approve an extension of the operating agreement to March 31, 2013 pending an agreement of the parties within a reasonable timeframe following this meeting. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-74)

Mr. Snyder asked what message Penn should convey to their employees should they fail to enter into an agreement that goes through March 31, 2013.

Chair Lamberti advised that what they tell the employees is up to them; they have a decision to make between entering into an extension of the operating agreement through March 31, 2013 or not to enter into said agreement. He stated that if they do not enter into the extension of the operating agreement to March 31, 2013, they would not be in compliance with Iowa law. Mr. Snyder stated that he understood.

Commissioner Seyfer asked if the Commission needed to establish a reasonable timeframe for the parties to comply. Mr. Ohorilko advised they would have thirty days from the execution of the contract to seek Commission approval. Mr. Ohorilko asked Jeff Peterzalek, Assistant Attorney General for the Commission, if there was any date or time by which the parties needed to act, or if it could be taken up at the August Commission meeting. Mr. Peterzalek concurred that the Commission could take action at the August meeting, which would comport with the "reasonable timeframe". He suggested the Commission may want to clarify the order.

Chair Lamberti amended his previous motion to approve an extension of the operating agreement to March 31, 2013 pending an agreement of the parties by the August 23, 2012 Commission meeting. Commissioner Heinrich concurred with the amendment.

Chair Lamberti moved to the approval of the distribution of the Dog Racing Promotion Fund as authorized by Iowa Code §99D.12(2)C. Nick Mauro, legal counsel for the Iowa Greyhound Association, advised that they were the lone applicant for the funds. He stated that the application details how the funds received last year were used and how they are projected to be utilized in the next fiscal year.

Hearing no comments or questions concerning the application for the funds, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the distribution of the Dog Racing Promotion Fund to the Iowa Greyhound Association contingent upon 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, 2012 through December 31, 2012, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2013.
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, 2012.

Commissioner Kramer seconded the motion, which carried unanimously. (See Order no. 12-75)

Chair Lamberti called on the Iowa Horsemen's Benevolent & Protection Association (IHBPA) for a discussion regarding Advanced Deposit Wagering (ADW). John Moss, President, and Tom Levis, legal counsel, were present to address this matter with the Commission. Mr. Moss started by reading a memorandum sent to the Commissioners by Leroy Gessmann, President of the IHBPA (copy attached).

Commissioner Seyfer questioned whether the Commission had the authority to take action based on the way the statute is worded if the ADW companies are not accepting bets from Iowa customers on Iowa races.

Mr. Levis stated the companies are basically taking bets from Iowans on their computers on the races at Churchill Downs or at other tracks than PMR&C. He stated that Iowans are placing money with this operator, and the operator is not being regulated in Iowa. Mr. Levis stated that he believes IRGC was established to govern all gambling in Iowa; and that the IHBPA is willing to work with the IRGC to promulgate rules regarding ADW to get the operator licensed in the State of Iowa. Mr. Levis stated that the IHBPA believes the Commission has the authority to take the requested action.

Mr. Moss stated that prior to legislation, there was no governance. Senator Jeff Danielson encouraged the horse mens' groups to request legalization of ADW, which led to the proposal to legalize online poker. Mr. Moss stated that anyone currently operating within Iowa without a license is skirting the law, as well as violating the offset and trespass laws. He stated his belief that the Commission has the ability to establish rules and set a penalty.

Chair Lamberti stated that the Commission has some concerns about where its authority begins and ends. He stated that he agrees that the situation in Iowa is not what the Iowa legislature intended at the time they adopted the statute; however, legislative intent is not something that can be relied upon or taken to the court house to try and uphold your position. Chair Lamberti stated that he personally does not like the situation; that the situation needs to be regulated more effectively; that this appears to be a loophole in the law. In his opinion, the law says that if an ADW company is accepting wagers from Iowans but not on races at PMR&C then the company is not violating Iowa law. Chair Lamberti stated that is an issue that is in need of a legislative remedy more than a Commission remedy. Chair Lamberti stated that it is an issue the Commission would want the legislature to fix; that outside very specific legislation, he is not sure the Commission, as a regulatory body, has the authority to adopt rules in this area according to his reading of the law at this time.

Mr. Levis stated that he was hearing Chair Lamberti say that the Commission would not consider making rules regarding ADW on races other than those run at PMR&C.

Chair Lamberti stated that the Commission has looked into this issue, and will continue to do so in order to determine if the Commission has the authority. He noted that everyone believes there is a "gray" area in the legislation, and at this time, the Commission is not sure that it is a regulatory fix. Chair Lamberti stated that the Commission would be happy to work with the legislature to fix this issue. He reiterated the Commission's primary concern is that they do not have the power or authority to fix the issue. Chair Lamberti stated that the Commission is not saying they approve of or like the situation, they just are not sure they have jurisdiction in this area.

Chair Lamberti moved to the contract portion of agenda, and called on Ameristar Casino. Monty Terhune, General Manager, presented a contract with US Foods as a food vendor.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Ameristar Casino. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-76)

Chair Lamberti called on Rhythm City Casino. Ms. Hall presented a contract with JCM American Corporation for UBA and Plastic Cash Boxes for the slot machines.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by Rhythm City Casino. Commissioner Seyfer seconded the motion, which carried unanimously. (12-77)

Chair Lamberti called on Diamond Jo Worth (DJW). Kim Pang, General Manager, presented a contract with AJR Equities for event merchandise (giveaways).

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJW. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-78)

Chair Lamberti called on Harrah's, noting that the contract with D&B Construction, Inc. has been removed from consideration. Janae Sternberg, Chief Financial Officer, presented the following contracts for Commission approval:

- Commonwealth Electric Co. – Construction Work
- HGM Associates, Inc. – Construction Work
- Waldinger Corporation – Construction Work

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-79)

Chair Lamberti called on Isle of Capri Bettendorf (IOCB). Ms. Hall presented the following contracts for Commission approval:

- Aramark – Provides Linen and Laundry Services
- Giesecke & Devrient – Purchase of Two C4 Count Room Machines, Header Card System and Tables
- Unum Life Insurance – Life, Long Term and Short Term Disability Insurance

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOCB.

Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-80)

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

- Creative Artists Agency, LLC – Entertainment Talent Booking Agency
- Marsh USA, Inc. – Insurance Premiums; Event Cancellation Insurance
- Wells Fargo Bank, National Association – Refinance Commitment
- William Morris Endeavor Entertainment, LLC – Entertainment Talent Booking Agency

He advised that the contract with Creative Artists Agency is an Iowa company; they marked the wrong box on the contract.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-81)

Chair Lamberti called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Ms. Sternberg presented a contract with Absolutely Fresh Seafood for the purchase of fresh seafood.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by HC/BRGP. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-82)

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

- Capital Sanitary Supply – Housekeeping Supplies and Equipment
- Charles Gabus Ford – Purchase of Cars, Trucks and Parts
- Gitchi Gaming, Inc. – Gaming Equipment
- Hasler Inc. – Mailing Equipment Lease
- Incredible Technologies – Purchase of Slot Games and Parts
- Inteconnex – Hotel Surveillance System
- Mechdyne Corporation – Casino Audio Retrofit
- Perficut Lawn and Landscape Inc. – Lawn Care Services
- Day at the Track, LLC – Advance Deposit Wagering Agreement

Chair Lamberti advised that the Commission had received communication regarding the contract with Gitchi Gaming, Inc. for the purchase of gaming chairs, which advised that there is an Iowa company that has worked with PMR&C previously.

Mr. Palmer advised that the PMR&C Purchasing Office met with different groups prior to selecting this vendor. He noted that PMR&C utilizes Iowa vendors as much as they can.

Commissioner Seyfer noted that the contract indicates the product is not available from an Iowa vendor.

Ann Atkin, Vice President/COO, stated that the vendors brought in sample chairs prior to the selection. PMR&C had requested that a number of employees sit on the chairs to help determine which would be the most comfortable for patrons.

Hearing no further comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by PMR&C. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-83)

Chair Lamberti moved to Public Comment. Wes Ehrecke, President of the Iowa Gaming Association, advised that Responsible Gaming Week will be held from July 30 – August 3. He noted that research indicates that 98% of individuals who go to the casinos are able to treat it as entertainment; however, there is 1-2% of the population who are problem gamblers and need assistance. Mr. Ehrecke stated that the treatment providers work very closely with the properties during this week to provide training to the staff, and make sure that information concerning treatment providers and other available programs is available at all of the facilities.

Chair Lamberti moved to Administrative Business and called on Mr. Ohorilko to discuss the application timeline for Woodbury County. Mr. Ohorilko advised that the timeline is similar to previous timelines when the Commission has gone through the application process. He noted that the Commission will not be soliciting a market study in this case; the market is Woodbury County. Mr. Ohorilko stated that the process will be fair and open; and that all meetings with the exception of the background investigation reports are open to the public. The timeline is as follows:

- July 2, 2012 – The application was made available on the Commission's website.
- November 1, 2012 – Applications are due in the Commission's office. Once the applications have been submitted, they cannot be amended. Additionally, the applicants will not be allowed to contact the Commission members directly. These policies do not prevent the Commission members from asking questions that may require supplement information to be submitted in order to clarify the application.

- November 15, 2012 – The applicants will submit and make presentations concerning the financing of the proposed project. Firm commitments are expected by this date.
- January 10, 2013 – The applicants will be allowed 45 minutes to give a presentation about their proposed project. Commission members will not be asking questions at this time.
- March 6, 2013 – The Division of Criminal Investigation will present their suitability reports in executive session.
- March 26, 2013 – The Commission will visit the proposed sites of the applicants. The applicants will have 45 minutes to make a presentation to the Commission members at their respective sites. Following the tour of the sites, the Commission will hold a Public Hearing to receive comments from individuals not associated with the application process. The public hearing will be followed by a Question and Answer session from the Commission members.
- April 18, 2013 – The Commission will make a decision at their regularly scheduled meeting.

Mr. Ohorilko advised that the timeline would be posted on the Commission's website.

Commissioner Seyfer noted that the timeline as set forth is pretty much the same timeline as used in the past. Mr. Ohorilko stated that it mirrors the application process utilized in 2004 and 2009.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

To: All Iowa Racing and Gaming Commissioners and interested parties  
From: William Leroy Gessmann, President, Iowa Horsemen's Benevolent and Protective Association

The Iowa Horsemen's Benevolent and Protective Association and Iowa's horse industry have encountered some important issues that the industry has not been able to resolve relating to the implementation of the recently approved Advanced Deposit Wagering provisions in Iowa law.

For those of you new to the Commission, contentious issues between Iowa's horse industry and the racetrack often dominated Commission activities before the passage of Senate File 526 in 2011. That bill codified an agreement between the track and the three horsemen associations that raced at the track.

A key component of that agreement was asking the legislature to approve Advanced Deposit Wagering to generate sufficient new revenue to make the agreement equitable to the involved parties.

Based on evidence that much of the actual betting on horse racing is not conducted at the physical track in Altoona, the legislature did enact enabling legislation that allowed the Commission to establish rules for Advanced Deposit Wagering. This was an attempt to capture revenue that was being generated by out of state companies that were not contributing to the horse racing industry within our state.

The legislature went even further by enacting the attached language found in Section 99D.11 of the Iowa code. This language was devised to provide an equitable and fair negotiation between the prospective Advance Deposit Wagering licensee, the track, and the horse industry.

Yet after passage of this law, unlicensed Advanced Deposit Wagering providers continue to take bets from Iowans everyday. These operators are attempting to skirt the provisions of the law by not taking bets from their customers in Iowa on races at the Altoona track, and by remaining unlicensed even after the legislature acted.

The Iowa Code is very clear that the legislature intended the Iowa Racing and Gaming Commission to regulate all gambling in the state. The language in 99D.11 (1) is very explicit regarding wagering on horse races. It states that "except as permitted in this section, the licensee shall permit no wagering on the results of the races." The two exceptions are for simulcasting at the track and for wagers placed through Advanced Deposit Wagering.

The legislature again clearly states in 99D.11(6) that "all wagering shall be conducted within the racetrack enclosure where the licensed race is held, except as provided in paragraphs "b" and "c". Sections B and C are the simulcast and Advanced Deposit Wagering provisions.

(2) For the purposes of this section, "advanced deposit wagering" means a method of pari-mutuel wagering in which an individual may establish an account, deposit money into the account, and use the account balance to pay for pari-mutuel wagering. Of the net revenue, less all taxes paid and expenses directly related to account deposit wagering incurred by the licensee of the horse racetrack located in Polk county, received through advanced deposit wagering, fifty percent shall be designated for the horse purses created pursuant to section 99D.7, subsection 5, and fifty percent shall be designated for the licensee for the pari-mutuel horse racetrack located in Polk county.

(3) Before granting an advanced deposit wagering operator license to an entity other than the licensee of the horse racetrack located in Polk county, the commission shall enter into an agreement with the licensee of the horse racetrack located in Polk county, the Iowa horsemen's benevolent and protective association, and the prospective advanced deposit wagering operator for the purpose of determining the payment of statewide source market fees and the host fees to be paid on all races subject to advanced deposit wagering. The commission shall establish the term of such an advanced deposit wagering operator license.

Such an advanced deposit wagering operator licensee shall accept wagers on live races conducted at the horse racetrack in Polk county from all of its account holders if it accepts wagers from any residents of this state.

(4) An unlicensed advanced deposit wagering operator or an individual taking or receiving wagers from residents of this state on races conducted at the horse racetrack located in Polk county is guilty of a class "D" felony.

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
AUGUST 23, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, August 23, 2012 at Riverside Casino & Golf Resort, Riverside, Iowa. Commission members present were Greg Seyfer, Vice Chair; and members Carl Heinrich, Kristine Kramer and Dolores Mertz. Chair Jeff Lamberti was absent.

Vice Chair Seyfer called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Mertz so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Seyfer called on Brian Ohorilko, Administrator of IRGC, for an explanation regarding Chair Lamberti's absence. Mr. Ohorilko advised that Chair Lamberti had undergone back surgery at Mayo Clinic as part of an ongoing treatment for staph infection. His doctor did not want him traveling at this time; however, he does expect to be at the September meeting.

Vice Chair Seyfer moved to the Welcome. On behalf of the 750 team members and 800 Iowa investors, Dan Kehl, CEO, welcomed the Commission to Riverside. He noted that the previous day was a great day for golfing, and that everyone had a good night at the casino as well. Mr. Kehl noted that the facility would be celebrating its sixth anniversary the following week. He stated that over that time period, Riverside has paid \$141 million in gaming taxes, regulatory fees and license fees to the State; \$11 million to Washington County, and \$10 million to Riverside. Mr. Kehl stated that gaming works in Iowa and is doing what it is supposed to do. He advised that the non-profit, Washington County Riverboat Foundation (WCRF), has received approximately \$19 million. He introduced Tim Putney, President of WCRF.

Mr. Putney also welcomed the Commission to Riverside. He stated that WCRF is administered by 15 members from various parts of Washington County. He noted that WCRF has received \$19.4 million, which has been distributed throughout Washington County. Mr. Putney stated that approximately 17% of the grants go to organizations outside of Washington County; in the counties of Linn, Muscatine, Louisa, and Henry. He advised that WCRF distributed \$100,000 to 53 different organizations last week. WCRF asks the smaller organizations to submit an application for funds of \$2,000 or less as they believe the funds can reach a greater number of people. Including the distribution last week, Mr. Putney stated that WCRF has distributed over \$20 million in grants.

Vice Chair Seyfer moved to the approval of the minutes. Commissioner Heinrich moved to approve the minutes from the July 12, 2012 Commission meeting as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Vice Chair Seyfer called on Mr. Ohorilko for announcements: Mr. Ohorilko provided the following information regarding upcoming Commission meetings:

- September 27, 2012 – Hotel Julien, Dubuque, IA (Submissions due by September 13, 2012)
- November 15, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by October 31, 2012)
- December – No Meeting
- January 10, 2013 –Prairie Meadows Racetrack & Casino, Altoona, IA (Submissions due by December 26, 2012)

He recognized Sue Hansen and Scott Ditch, the Commission's Gaming Representatives at Riverside.

Vice Chair Seyfer called on Isle of Capri (IOC) for a review of the Fiscal Year 2011 financial audit. Laurie Fisher, Director of Finance at Lady Luck Marquette; Sally Rogers, Director of Finance at IOC Bettendorf (IOCB); Grant Gubbrud, Director of Finance at IOC Waterloo, and Ed Tomlinson, Director of Finance at Rhythm City, were available to answer any questions concerning the audit.

Vice Chair Seyfer advised that staff had prepared a listing of expenditures on capital improvements, noting that Rhythm City's total was 1.43% of total expenses. He stated that figure ties back into what the Commission has been trying to accomplish in Davenport. He requested an explanation for the low capital expenditures. Mr. Tomlinson advised it was a corporate policy decision; that the amount for the current fiscal year is \$2.1 million.

Hearing no further comments or questions concerning the financial audit, Vice Chair Seyfer moved to the update on the sale of the Rhythm City Casino. Michael Fries, Vice President of Legal Affairs, stated that he had been advised that the City of Davenport and Riverboat Development Authority (RDA) are in talks with the buyer, and recently learned that the talks had progressed significantly. He stated that IOC had received comments from the buyer on the purchase agreement. IOC immediately responded, and is now waiting to hear back from the buyer.

Vice Chair Seyfer asked if there was any time frame for a response from the buyer. Mr. Fries answered in the negative. Vice Chair Seyfer stated he was hearing that the next move is in the buyer's court. Mr. Fries answered in the affirmative.

Vice Chair Seyfer called on Penn National Gaming (Penn)/Missouri River Historical Development (MRHD). He noted that the agenda lists "Request for Approval of Operating Agreement". He advised that there are a couple of additional items that need to be addressed as part of that agenda item; the first being Penn's Request for Reconsideration of July 12, 2012 Commission Action.

Carl Sottosanti, Vice President of Legal Affairs for Penn; Steve Snyder, Sr. Vice President of Development; Karen Bailey, Director of Public Affairs; Lance George, General Manager of Argosy Casino Sioux City, and Lorraine May, Regulatory Legal Counsel, were present to address any questions.

Mr. Sottosanti thanked the Commission for continuing to work on the issues. He advised that Penn had several possible alternatives and facts relevant to the discussion today, and believes they are uncontested as well. Mr. Sottosanti set forth the following facts:

- MRHD sent Penn an Operating Agreement extension through March 31, 2015. The extension was signed by one of the MRHD Board members.
- On June 7, 2012, a Penn Officer signed the agreement and promptly returned it to MRHD.
- At the July Commission meeting, Curt Beason, MRHD legal counsel, reiterated MRHD's approval of the March 31, 2015 extension agreement.

Mr. Sottosanti, on behalf of Penn, requested that the Commission approve the extension of the Operating Agreement between Penn and MRHD through March 31, 2015. He stated that it was essentially the same contract that the Commission has approved for 20 years. Mr. Sottosanti stated that the approval of the extension would be in the best interests of the constituents of gaming in Sioux City – the State, City, MRHD, Penn and the 300+ employees and their families. He advised that the approval would insure stability as the parties continue to work toward land-based gaming in Sioux City. Mr. Sottosanti stated the previously cited facts were compelling reasons to approve the agreement extension; however, in the interest of moving the resolution forward, he indicated that he had an alternative to present to the Commission.

Vice Chair Seyfer stated that he would like to address the Motion for Reconsideration before Mr. Sottosanti continued. Mr. Sottosanti requested permission to continue with his comments. Vice Chair Seyfer granted the request.

Mr. Sottosanti stated that the Commission can approve the signed extension agreement, but can do so through March 31, 2013 as the Commission has the authority to impose a duration condition on the extension agreement before them. He cited IAC 5.4(8)d which states in part, "The commission shall approve all qualifying agreements ... and may impose conditions on an approval. ..." The condition would be that the length of the contract would be amended to March 31, 2013. Mr. Sottosanti thanked the Commission for their consideration.

Vice Chair Seyfer called on MRHD. Mr. Beason advised that MRHD was present at the last Commission meeting and heard the Commission's concerns. MRHD made modification to the previously submitted extension agreement approved by the Board last month. Mr. Beason stated that the MRHD Board is comfortable that the Commission's decision at the July meeting was correct and proper.

Vice Chair Seyfer asked Mr. Beason if MRHD felt there was a signed agreed upon extension agreement. Mr. Beason answered in the negative.

Vice Chair Seyfer returned to Penn's Request for Reconsideration of the Commission's action at the July Commission meeting. He called for a motion regarding the Request for Reconsideration. The Request for Reconsideration died due to the lack of a motion.

Vice Chair Seyfer recapped the situation: There is no agreed upon extension agreement, which means there is not an effective Operating Agreement. Without an effective Operating Agreement, the Commission cannot issue a license to conduct gambling games. He stated it is his reading, and he believes it to be the reading of Chair Lamberti and Jeff Peterzalek, Assistant Attorney General, that the situation is now governed by Iowa Code Section 17A.18 dealing with licenses. Iowa Code Section 17A.18 states in part that when a licensee has made an application for the renewal of a license, the existing license does not expire until the application has been finally determined by the agency, and in case the application is denied or the terms of the new license limited, until the last day for seeking judicial review of the agency order or a later date fixed by order of the agency or the reviewing court. Vice Chair Seyfer stated that this means that the license will continue by operation of the law, and will continue until a hearing has been set by the Commission to show cause why the license should not be continued. He stated that the Commission needs to consult with the Chair and legal counsel. Vice Chair Seyfer indicated his plan is for the Commission to provide an outline at the September meeting of how and in what event a show cause hearing would be held to determine if the license should be denied. He summarized his comments by reiterating that the license will continue under operation of law until the Commission takes action.

Mr. Sottosanti stated that Penn understood that the Request for Reconsideration is denied due to the lack of a motion. He asked about the extension agreement. Vice Chair Seyfer advised that it was denied as well.

Hearing no further comments or questions, Vice Chair Seyfer called on Boyd Gaming Corporation (Boyd) for their presentation on the acquisition of Peninsula Gaming, LLC. Keith Smith, President and CEO, introduced Bill Boyd, Executive Chair of the Board and co-founder of the company; and Marianne Boyd Johnson, Executive Vice President, Chair of the Board and Chief Diversity Officer for the company. Mr. Smith stated that in May Boyd Gaming announced their intent to acquire Peninsula and seek the necessary regulatory approvals to provide additional growth for their company. He noted that Peninsula is a good company with a strong leadership team. Additionally, Peninsula operates in markets where Boyd currently does not have any operations.

Mr. Smith advised that Boyd is a 37-year old company founded in 1975 by Sam Boyd and his son, Bill. They opened their first casino in downtown Las Vegas that year. They are now one of the largest and most experienced operators in the industry with 17 properties in six states with 23,000 team members. Mr. Smith stated Boyd has six properties in the Las Vegas area; three in Louisiana, two in Mississippi, and one each in

Illinois, Indiana and Atlantic City, New Jersey. He advised that twelve of these properties were acquired through acquisition; giving Boyd the opportunity to learn how to integrate the acquired properties into their company. When the acquisition of Peninsula is complete, Boyd will operate 22 casinos in eight states, entering the states of Iowa and Kansas for the first time. The newly acquired properties do not overlap operations in any of the current jurisdictions.

Mr. Smith stated the senior management team has been involved with the company through all of the acquisitions. He noted the management team has over 200 years of experience; and has the knowledge and ability to make this acquisition successful. Mr. Smith proceeded to name the various members of the senior management team, their position, length of service with Boyd, and length of time within the gaming industry. He noted that the longevity of the group is unique in the gaming industry, but not at Boyd. He advised that approximately half of the 23,000 team members have been employed more than ten years, which is rare in corporate America and specifically the gaming industry. Mr. Smith noted that Peninsula also has a strong leadership team.

Mr. Smith addressed Boyd's charitable contributions, noting they have long-term commitments to the communities in which they operate. He advised that Mr. Sam Boyd was instrumental in bringing the United Way and Boys and Girls Club to the Las Vegas area in the 1960's. He also made a donation to expand the Boyd Law School at UNLV. Mr. Smith stated that executives at the local properties are encouraged to serve on boards for local organizations.

Mr. Smith moved to the financing of the transaction. He advised that Peninsula Gaming, LLC will remain as 100% owner of the six subsidiary companies. Mr. Smith stated that two temporary subsidiary companies have been established for purposes of this acquisition: Boyd Acquisition Sub, LLC and Boyd Acquisition Finance Corp; these will be dissolved upon closing. The financing for acquisition is made up of \$350 million in senior notes that will be issued prior to closing with the net proceeds remaining on deposit until the closing. Additionally, there is a credit agreement consisting of an \$825 million term loan and \$50 million revolving loan with Bank of America, N.A. as the agent. The loan documents will be signed on or prior to closing, but will be unfunded until the closing occurs. Boyd Gaming contributed \$205 million of equity on May 30, 2012. The funds will remain on deposit until the closing. All of the financing is in place; Boyd is just waiting for the regulatory approvals.

Mr. Smith advised that the current general managers at the Peninsula properties in Iowa, Kansas and Louisiana will remain; as well as the Dubuque corporate office.

Mr. Boyd stated that Boyd is very excited about the acquisition of Peninsula, and has heard great things about the Iowa Gaming Commission. He advised that he has had the opportunity to visit both the Diamond Jo and Diamond Jo Worth properties, and has visited with team members and executives at both properties. Mr. Boyd stated they have done a great job in building business and is looking forward to welcoming them to the

Boyd team. He stated he visits all of the properties around the country on a regular basis, taking the opportunity to meet with team members and visit with customers as well.

Mr. Smith stated that was the end of their presentation, and indicated he would answer any questions. As there were no questions, Vice Chair Seyfer thanked the Boyd executives for attending today's meeting. He asked Mr. Ohorilko to outline the process going forward.

Mr. Ohorilko stated the Commission would hear from the Division of Criminal Investigation in Executive Session at the September meeting, and approval of the transaction will be placed on the agenda for consideration.

Vice Chair Seyfer moved to the contract approval portion of the agenda, and called on IOCB. Nancy Ballenger, General Manager, presented a contract with Data Business Equipment for a one-time purchase of two C4 count room machines, header card system, and tables.

Hearing no comments or questions concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Mertz moved to approve the contract as submitted by IOCB. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Bally Gaming, Inc. for slot machine conversions, parts and leases.

Hearing no comments or questions concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contract as submitted by WRC. Commissioner Mertz seconded the motion, which carried unanimously.

Vice Chair Seyfer called on IOC Waterloo (IOCW). Bari Richter, General Manager, presented a contract with Incredible Technologies, Inc. for slot machines.

Hearing no comments or questions concerning the contract, Vice Chair Seyfer requested a motion. Commissioner Kramer moved to approve the contract as submitted by IOCW. Commissioner Mertz seconded the motion, which carried unanimously.

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

- New Century Press – Printing of Newspaper Inserts
- Outsound Productions – Concert Stage Equipment and Production
- Riverside Casino & Golf Resort, LLC – Support Services: Internal Audit, Regulatory Compliance, and Information Technology Services (RP)
- Shuffle Master – Table Games Equipment Leases
- Select Specialty Hospital – Health Plan

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Mertz moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously.

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

- Grand Falls Casino Resort – Additional Funds for Support Services
- Mercy Iowa City – Health Plan Costs 2012 Medical
- Iowa Section PGA of America – Option to Renew Building Lease
- Toro NSN – Service Agreement and Extended Warranty
- U.S. Foods – Name Change from Hawkeye Foodservice
- Vital Support Systems – Smartnet Support Renewal
- William Morris Endeavor CA - Entertainment Broker

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCGR. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Seyfer called on Ameristar Casino. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- ATCI, Inc. d/b/a Applied Information Systems (AIS) – IT Network Design to migrate casino floor to ethernet
- Global Infrastructure – Vessel Slip Maintenance
- HGM Associates – Flood Repair Work

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously.

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

- NRT Technologies – Purchase of NRT Kiosks and Associated Software, Parts & Services
- CDW Direct – Purchase of Network and Computer Equipment

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Mertz moved to approve the contracts as submitted by LLM. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C) for a report on the thoroughbred meet and an update on the quarter horse meet. Derron Heldt, Director of Racing, advised they had a solid thoroughbred meet, but did experience a couple of challenges. On track handle was up slightly while off-track handle was down as a result of the shift in racing days from Monday, Tuesday, Friday and Saturday to Thursday, Friday, Saturday and Sunday. He noted the field size was down slightly this year at 7.4 compared to 7.7 last year, with several five-horse fields. He advised the races did not necessarily start out that way but ended up that way due to horses being scratched. There was at least one race per day with only five horses. Mr. Heldt advised this situation is not unique to PMR&C and Iowa, and has been happening around the country. This is partially due to a decrease in foals. There were a lot of foals in 2005; but the number declined to 25,000 this year; however the number of racetracks has not changed. Mr. Heldt stated that the Iowa thoroughbred owners and breeders had 96 more horses this year than last year. He stated that the Festival of Racing was great; it consists of six races that are of national prominence with horses brought in from around the country. Mr. Heldt advised that the winners of several races during the Festival went on to win major races at tracks in New York and Delaware.

Mr. Heldt stated that PMR&C is pleased with the number of catastrophic injuries this year; six horses had to be put down. The national average for injuries is 1.88 per 1,000 starts. PMR&C had 4,408 starts, giving them an average of 1.34% per 1,000 starts. He noted that PMR&C had made a significant number of capital improvements during the off season. The test barn was totally renovated; the first time in 15 years. It is state-of-the-art and includes rubber pavers, heating/cooling, and offices for the vets and stewards. Mr. Heldt stated that it is one of the better test barns in the country.

With regard to the quarter horse meet, Mr. Heldt advised that racing commenced last Saturday, August 18<sup>th</sup>, with races held on Friday, Saturday and Sunday. On opening day of the meet, PMR&C had good weather, a good crowd and decent handle. He stated there are 535 horses on the backside, and they are expecting another 35-40 horses from a track in Colorado. He said field size is good. Mr. Heldt advised that PMR&C will be holding the Quarter Horse Challenge Races on October 27 for the first time; these races are the equivalent of the Breeders' Cup races for the thoroughbreds.

Vice Chair Seyfer asked if PMR&C management meets with the owners and breeders after the conclusion of the meet to review what occurred during the meet. Mr. Heldt advised that meeting will be coming up as they prepare to submit the race dates and license renewal application. PMR&C will meet with the Iowa Thoroughbred Breeders and Protective Association and Iowa Quarter Horse Racing Association to review what occurred during the meets to determine what worked and didn't work.

Vice Chair Seyfer moved to the contract approvals for PMR&C. Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- AJ Allen Mechanical Contractors – HVAC Contractor

- Baker Group – HVAC Contractor
- Bankers Trust Company – Banking Services and Credit Cards
- Brewer Meats, Inc. – Meat Supplier
- Brooks, Borg & Skiles Architecture – Architectural Design Services
- Cintas Corporation – Employee Clothing, Uniforms and Related Items
- Daktronics, Inc. – Electronic Marquee and Service
- Excel Mechanical – HVAC Contractor
- Great Midwest Seafood Co. – Food Products
- Martin Bros. Distributing Co., Inc. – Food, Equipment and Supplies
- Reinhart Food Service – Food, Equipment and Supplies
- Waldinger Corporation – Mechanical and Electrical Contractor

Hearing no comments or questions concerning the contracts, Vice Chair Seyfer requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Vice Chair Seyfer moved to the Hearings before the Commission and called on Mr. Ohorilko. Mr. Ohorilko advised that the Commission staff and HG-Lakeside d/b/a Lakeside Casino had entered into a Stipulated Agreement. On June 23, 2012, at approximately 7:22 PM an underage female entered the gaming floor through the main entrance unchallenged. She was on the floor for just over four and one-half hours and played approximately 50 different slot machines. While on the floor she walked past numerous facility employees, and had direct contact with two different employees. At 11:50 PM a security officer recognized her and reported her to his supervisor, who then escorted her off the floor. Mr. Ohorilko advised that Lakeside acknowledges the forgoing is a violation of Iowa Code §99F.9(5), and has agreed to an administrative penalty of \$20,000. He recommended approval of the Stipulated Agreement.

Mr. Thursby was present to answer questions the Commission might have. Hearing none, Vice Chair Seyfer requested a motion. Commissioner Mertz moved to approve the Stipulated Agreement as submitted. Commissioner Kramer seconded the motion, which carried unanimously. (Copy Attached)

Mr. Ohorilko moved to the next hearing, a Stipulated Agreement with Lakeside Casino for a violation of Iowa Code §99F.4(22). In December 2004, the individual completed the Iowa Statewide Self-Exclusion form at PMR&C. On September 17, 2011, the individual was issued a Lakeside Casino Player's Club Card. This individual received at least 13 promotional mailings from November 1, 2011 through June 1, 2012, which included coupons for free slot play, as well as for the buffet, hotel and gift shop. The individual played slot machines at least 11 times from September 27, 2011 through June 21, 2012. On June 21, 2012, the individual attempted to complete a credit card cash advance. The facility employee checked the statewide self-exclusion database prior to completing the transaction and discovered the individual's status. She was escorted off the property. Mr. Ohorilko stated that Lakeside acknowledges the above facts constitute

a violation of Iowa Code §99F.4(22), and has agreed to pay an administrative penalty between \$3,000 and \$20,000. Mr. Ohorilko advised that this is the second violation of this nature within 365 days, and recommended approval of the Stipulated Agreement.

Vice Chair Seyfer noted that there was a range, and the Commission is required to establish the administrative penalty. The first violation is usually fined at \$3,000. Vice Chair Seyfer requested a motion that included the amount of the administrative penalty.

Commissioner Mertz moved to approve the Stipulated Agreement with a penalty of \$5,000. Commissioner Heinrich seconded the motion, which carried unanimously. (Copy Attached)

Mr. Ohorilko moved to the last Hearing before the Commission, a Stipulated Agreement with Horseshoe Casino. Mr. Ohorilko advised that on February 10, 2006, an individual completed the Iowa Statewide and Lifetime Self-Exclusion form at PMR&C. On February 13, 2006, the individual was added to the Horseshoe Casino player database and flagged as “gaming prohibited”. On June 26, 2010, the individual entered Horseshoe Casino and was given a Player’s Club account using a different name but the same social security number entered on the self-exclusion form. On March 16, 2012, the individual completed a check cashing application and cashed a check. Approximately one week later the collection department discovered the social security match, and combined the accounts. Mr. Ohorilko advised that Horseshoe Casino acknowledges the violation, and has agreed to pay an administrative penalty between \$3,000 and \$20,000. He indicated this is also the second violation of this nature within 365 days. Mr. Ohorilko requested the Commission’s approval of the Stipulated Agreement.

Janae Sternberg, Director of Finance, advised that the situation occurred due to an employee skipping the step of checking the social security number. She informed the Commission that the employee has been disciplined, and Horseshoe Casino does not expect the violation to re-occur.

Vice Chair noted that the Commission again needed to set the amount of the administrative penalty, and recommended \$5,000. He requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement with Horseshoe Casino and established the administrative penalty at \$5,000. Commissioner Mertz seconded the motion, which carried unanimously. (Copy Attached)

Vice Chair Seyfer moved to Public Comment. Mr. Putney thanked the Commission for being here, making note of the important issues before them and the difficult decisions they face. He advised the Commission that WCRF is proud of its relationship with Dan Kehl and the staff at Riverside. He thanked them for everything they have done for the community and for being upfront in their business dealings.

Vice Chair Seyfer moved to Administrative Business. Mr. Ohorilko stated that Commission staff had expressed some concerns regarding the resolution pertaining to the

processes followed by the facilities with regard to the voluntary self-exclusion program due to new technology and/or strategies. One area of concern is the advances made in the way in which facilities are able to attract new players via e-mail. Additionally, the legislature passed Advanced Deposit Wagering in 2011, which allows individuals to bet on horse races via the internet. Mr. Ohorilko advised these were not available or widely used when the Commission passed the resolution a couple of years ago. He asked if the Commission had any interest or desire to have the staff review the resolution and make recommendations to the Commission to update the resolution.

Vice Chair Seyfer stated that he felt that was a good idea due to changes in technology. He concurred that staff should review the resolution and bring the changes back to the Commission. Commissioner Mertz concurred.

As there was no further business to come before the Commission, Vice Chair Seyfer requested a motion to adjourn. Commissioner Heinrich so moved. Commissioner Mertz seconded the motion. The meeting was adjourned at 9:30 AM.

MINUTES TAKEN BY:

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JULIE D. HERRICK

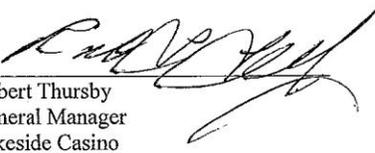
### STIPULATED AGREEMENT

The Administrator of the Iowa Racing and Gaming Commission and HG - Lakeside hereby enter into the following Stipulation:

1. The Iowa Racing and Gaming Commission (the Commission) has full jurisdiction over the regulation of racing and gaming at licensed facilities in the state of Iowa.
2. HG - Lakeside operates Lakeside Casino a duly licensed moored barge in Osceola, Iowa.
3. A person under the age of twenty-one years shall not make or attempt to make a wager on an excursion gambling boat and shall not be allowed on the gaming floor of an excursion gambling boat. [Iowa Code § 99F.9 (5)].
4. On June 23, 2012, at approximately 7:22 pm, Maria Felipe Francisco, an underage female, entered the gaming floor of Lakeside Casino through the main entrance. The security officer posted failed to request identification from Ms. Francisco, which allowed her to enter the gaming floor unchallenged.
5. During the next 4 hours and 40 minutes, surveillance coverage showed Ms. Francisco played approximately 50 different slot machines. .
6. While Ms. Francisco was on the gaming floor, she walked by numerous facility employees from nearly every department. Ms. Francisco also went to the bar twice and came in direct contact with two different facility employees when she got some popcorn and then later ordered food.

7. At approximately 11:50 pm, a security officer who walked by Ms. Francisco recognized her as someone who was in his high school graduation class. He believed she must be underage because his age is 19. The security officer reported this to his supervisor and Ms. Francisco was escorted from the gaming floor. DCI was contacted and determined her age to be 19.
8. HG - Lakeside acknowledges that the above-mentioned facts constitute a violation of Iowa Code 99F.9(5).
9. As a result of this violation, HG - Lakeside agrees to pay an administrative penalty of \$20,000 to the Commission. The administrative penalty shall be paid to the Commission within twenty days from the date of this Stipulation.
10. This Stipulation is only binding upon approval of the Iowa Racing and Gaming Commission.

Dated this 23rd day of August, 2012.

  
Robert Thursby  
General Manager  
Lakeside Casino

  
Brian Ohorilko  
Administrator  
Iowa Racing & Gaming Commission

Approved on this 23rd day of August, 2012.

  
Grey Seyfer, Acting Chair  
Iowa Racing & Gaming Commission

### STIPULATED AGREEMENT

The Administrator of the Iowa Racing and Gaming Commission and HG - Lakeside hereby enter into the following Stipulation:

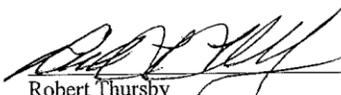
1. The Iowa Racing and Gaming Commission (the Commission) has full jurisdiction over the regulation of racing and gaming at licensed facilities in the state of Iowa.
2. HG - Lakeside operates Lakeside Casino a duly licensed moored barge in Osceola, Iowa.

3. Licensees are required to establish a process to allow a person to be voluntarily excluded for life from an excursion gambling boat and all other licensed facilities. The process established shall require that a licensee disseminate information regarding persons voluntarily excluded to all licensees. In addition, any money or thing of value that has been obtained by a voluntarily excluded person as a result of wagers made by the person after the person has been voluntarily excluded shall not be paid to the person but shall be deposited into the gambling treatment fund. {Iowa Code § 99F.4 (22)}

4. On December 14, 2004, R.H. completed an Iowa Statewide and Lifetime Self-Exclusion Form at Prairie Meadows.
5. On or about September 17, 2011, R.H. was issued a Lakeside Casino player's club card.

6. Lakeside's player tracking system shows R.H. played slot machines at Lakeside at least 11 times from September 27, 2011 through June 21, 2012.
7. Lakeside's marketing department mailed R.H. at least 13 promotional mailings from November 1, 2011 through June 1, 2012. The mailings including coupons for free slot play and coupons for the buffet, hotel and gift shop.
8. On June 21, 2012, R.H. was attempting to complete a credit card cash advance at Lakeside's guest service center. The employee on duty checked the statewide self-exclusion database prior to completing the transaction and discovered R.H.'s status. Security was contacted and R.H. was reminded of her self-excluded status and escorted off property.
9. HG - Lakeside acknowledges that the above-mentioned facts constitute a violation of Iowa Code 99F.4(22).
10. As a result of this violation, HG - Lakeside agrees to pay an administrative penalty of \$5,000.00 (\$3,000-\$20,000) to the Commission. The administrative penalty shall be paid to the Commission within twenty days from the date of this Stipulation.
11. This Stipulation is only binding upon approval of the Iowa Racing and Gaming Commission.

Dated this 23rd day of August, 2012.

  
Robert Thursby  
General Manager  
Lakeside Casino

  
Brian Ohorilko  
Administrator  
Iowa Racing & Gaming Commission

Approved on this 23rd day of August, 2012.

  
\_\_\_\_\_  
Greg Seyfer, Acting Chair  
Iowa Racing & Gaming Commission

### STIPULATED AGREEMENT

The Administrator of the Iowa Racing and Gaming Commission and Iowa West Racing Association hereby enter into the following Stipulation:

1. The Iowa Racing and Gaming Commission (the Commission) has full jurisdiction over the regulation of racing and gaming operations at licensed pari-mutuel facilities in the state of Iowa.
2. Iowa West Racing Association operates Horseshoe Casino, a duly licensed racetrack enclosure in Council Bluffs, Iowa.
3. Licensees are required to establish a process to allow a person to be voluntarily excluded for life from an excursion gambling boat and all other licensed facilities. The process established shall require that a licensee disseminate information regarding persons voluntarily excluded to all licensees. In addition, any money or thing of value that has been obtained by a voluntarily excluded person as a result of wagers made by the person after the person has been voluntarily excluded shall not be paid to the person but shall be deposited into the gambling treatment fund. {Iowa Code § 99F.4 (22)}
4. On February 10, 2006, L.O. completed an Iowa Statewide and Lifetime Self-Exclusion Form at Prairie Meadows Racetrack and Casino in Altoona, Iowa.
5. On or about February 13, 2006, L.O.'s self-exclusion was added to Horseshoe Casino's player database and was flagged "gaming prohibited".

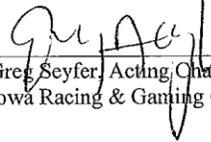
6. On or about June 26, 2010, L.O. entered Horseshoe Casino and was given a player's club account using the name L.M. The new player's club account used the same social security number as the L.O. account and the same social security number on L.O.'s statewide self-exclusion form.
7. On or about March 16, 2012, L.O. entered Horseshoe Casino, completed a check cashing application and cashed a check for \$100.
8. On March 21, 2012, Horseshoe's collection department discovered the social security match between the L.O. and L.M. accounts and took action to combine the accounts and code them "gaming prohibited".
9. Horseshoe Casino acknowledges that the above-mentioned facts constitute a violation of Iowa Code 99F.4 subparagraph 22.
10. As a result of this violation, Horseshoe Casino agrees to pay an administrative penalty in the amount of \$ 5,000.00 (\$3,000 - \$20,000) to the Commission. The administrative penalty shall be paid to the Commission within twenty days from the date of this Stipulation.
11. This Stipulation is only binding upon approval of the Iowa Racing and Gaming Commission.

Dated this 23rd day of August, 2012.

  
\_\_\_\_\_  
Bo Guldry  
General Manager  
Horseshoe Casino

  
\_\_\_\_\_  
Brian Ohorilko  
Administrator  
Iowa Racing & Gaming Commission

Approved on this 23<sup>rd</sup> day of August, 2012.

  
\_\_\_\_\_  
Greg Seyfer, Acting Chair  
Iowa Racing & Gaming Commission

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
SEPTEMBER 26-27, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on September 26-27, 2012 at the Hotel Julien in Dubuque, Iowa. Commission members present were Jeff Lamberti, Chair; Greg Seyfer, Vice Chair; and members Carl Heinrich, Kris Kramer and Dolores Mertz.

Chair Lamberti called the meeting to order at 7:30 PM on Thursday, September 26<sup>th</sup>, and requested a motion to approve the agenda. Commissioner Heinrich moved to approve the agenda as presented. Commissioner Mertz seconded the motion, which carried unanimously.

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

At the conclusion of the Executive Session, the meeting was recessed until 8:30 AM on September 27, 2012.

Chair Lamberti reconvened the meeting at 8:30 AM and thanked everyone for their well wishes following his recent back surgery.

Chair Lamberti called on Jesús Avilés, President and CEO of the Dubuque Racing Association (DRA), who welcomed the Commission to Dubuque. Mr. Avilés advised that the last five years have been a great personal pleasure; that being a part of DRA and all that it does gives one a sense of worth. He noted that since its inception, DRA has contributed \$626 million to the community. He introduced Lori Thielen, Chair of the DRA Board, who welcomed the Commission to Dubuque and expressed their appreciation for the Commission's support over the years.

Mr. Avilés introduced Todd Moyer, General Manager of the Diamond Jo, who also welcomed the Commission to Dubuque and thanked them for their vision for the gaming industry. He noted their vision allowed the gaming industry to grow and thrive. He advised that the gaming industry employs almost 1,000 team members in Dubuque and has provided \$500 million in economic development for the community.

Mr. Avilés introduced Mayor Pro Tem Kevin Lynch, who pointed out that visitors to the community do not have to look far to see the positive impact that gaming has had on Dubuque. He stated that the two gaming properties spend millions with local businesses and attract approximately 2 million visitors to the area – both of which provide a significant economic benefit to the community. Mr. Lynch pointed out that Dubuque

County voters overwhelmingly supported the continuation of gaming in the county with an 80% approval during the 2010 referendum. He noted that DRA is the license holder for both properties, and helps to make the community a better place through gaming. He stated that DRA shares 50% of its income with the City of Dubuque and with local charities. Mr. Lynch advised that Mystique Casino and Diamond Jo work together to market the area as a destination and have also created some partnerships with other businesses within the community.

Chair Lamberti thanked everyone for their comments. He concurred that the impact of the gaming industry is very evident throughout the community.

Chair Lamberti moved to the approval of the minutes from the August 23<sup>rd</sup> Commission meeting. Commissioner Mertz moved to approve the minutes as previously distributed. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding future Commission meetings:

- October – No Meeting
- November 15, 2012 – Stoney Creek Inn, Johnston, IA (Submissions due by October 31, 2012)
- December – No Meeting
- January 10, 2013 –Prairie Meadows Racetrack & Casino, Altoona, IA (Submissions due by December 26, 2012)

Mr. Ohorilko advised that the Woodbury County license applications are due in the Commission's Des Moines office by 2:00 PM on November 1<sup>st</sup>. He also recognized the following IRGC staff members assigned to the Dubuque properties: Cheryl Vetsch, Cathy Dillon, Joe Gau and Scott Franke.

Chair Lamberti called on Boyd Gaming Corporation regarding their request for approval of their stock purchase of Peninsula Gaming, LLC. Tina Eick, outside legal counsel, noted that Keith Smith, CEO and Board Member; Brian Larsen, Executive Vice President and General Counsel/Secretary; and Josh Hirsberg, Senior Vice President and CFO, were in attendance to answer any questions. Ms. Eick thanked the Commission for their patience as the parties worked through this process. She requested approval of the stock purchase.

Chair Lamberti called for any questions concerning the transaction, noting that it is a fairly complex transaction.

Commissioner Mertz asked if Boyd management was confident in their succession plan should something happen to the elder Mr. Boyd. Mr. Smith answered in the affirmative; noting that he has been with the company for 22 years and is in his current position due to the succession plan. He noted the company currently has approximately 22,000

employees around the country and will have 25,000 after the acquisition of Peninsula if the stock purchase is approved in all jurisdictions. He assured Commissioner Mertz that a succession plan is in place which would allow the company to continue operations.

Commissioner Seyfer stated that after receiving the Division of Criminal Investigation's reports the night before he has no issues at all, and indicated his desire to make a motion. As there were no further comments or questions, Chair Lamberti called for the motion. Commissioner Seyfer moved to approve the stock purchase of Peninsula Gaming, LLC by Boyd Gaming Corporation along with the following related contracts and agreements subject to compliance with all applicable Iowa statutes and administrative rules:

- Purchase agreement, specifically including the Joinder Agreement;
- Escrow Agreement;
- Indenture, specifically including Forms G and H;
- Notes;
- Depository Trust Company Agreement;
- Guarantees;
- Security Agreement;
- Hazardous Materials Indemnity Agreement;
- Mortgages, Assignment of Leases and Rents; Security Agreement and Fixture Filing, and
- Credit Agreement.

Commissioner Mertz seconded the motion, which carried unanimously. Chair Lamberti welcomed Boyd Gaming to Iowa, and advised that the Commission looks forward to working with them.

Chair Lamberti called on Isle of Capri Casinos (IOC) for an update on the sale of the Rhythm City Casino. Michael Fries, Vice President of Legal Affairs, advised that despite the best efforts of all parties involved, the anticipated sale of the Davenport property is not going to occur. He noted that this is a very recent development and the company is regrouping internally and exploring all options available to them. Mr. Fries stated that IOC will keep Mr. Ohorilko advised of any further developments and/or decisions.

Chair Lamberti thanked Mr. Fries for keeping the Commission up-to-date.

Chair Lamberti moved to the contract approval portion of the agenda and called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Culver's Lawn & Landscape, Inc. – Snow Maintenance Contract
- Department of Veteran's Affairs – The National Veteran Training, Exposure, Experience, (NVTEE) Tournament
- Marsh USA, Inc. – Insurance

- Sound Concepts, Inc. – Stage Equipment Set-up/Down & Stagehands for Entertainment
- University of IA Hospitals and Clinics – Additional Health Plan Costs

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCGR. Commissioner Kramer seconded the motion, which carried unanimously.

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

- AFLAC – Employee Supplemental Insurance Benefits
- Cole Papers – Operating Supply Purchases
- Leibold Irrigation Inc. – Construction: Golf Course
- Monterey Artists, Inc. – Entertainment Talent Booking Agency for Artists

Commissioner Seyfer inquired if there was a time frame for the irrigation contract. Ms. Haselhoff advised that GFCR hopes to start construction on the golf course in October.

Hearing no further comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Rhythm City. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Konami Gaming – Purchase of Slot Machines and Parts
- Lithographic Communications – Printing, Direct Mail Pieces, and Postage
- Multimedia Games – Slot Machines and Parts

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Rhythm City. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Ameristar Casino. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- Electric Company of Omaha – Low Voltage Contractor for Installation of Zone Distribution System and Fiber Cabling to Slot Banks
- Hawkins Construction – Capital Construction Projects

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Ameristar. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Emmetsburg (WRE). Stacy Hall, legal counsel, presented the following contracts for Commission approval:

- CC Screen Printing – Customer Giveaways and Promotions
- Central Credit LLC – Check Guarantee Service
- Heartland Financial – 401K Benefit Plan
- Imagine This – Customer Giveaways and Promotions
- Konami – Equipment and Game Leases
- Ziegler Power Systems – Maintenance Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by WRE. Commissioner Kramer seconded the motion, which carried unanimously.

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

- ModSpace – Modular Medical Clinic Contractor
- US Bank – Kiosk and ATM Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by IOC Waterloo. Commissioner Heinrich seconded the motion, which carried unanimously.

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

- Giese Roofing Company – Roof Replacement
- Greater Dubuque Development Corporation – Area Economic Development Efforts (RP)

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Mystique Casino. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on the American Quarter Horse Association (AQHA). Darren Heldt, Director of Racing at Prairie Meadows Racetrack & Casino (PMR&C) introduced Darrell Hare, Director of the Challenge Championships for the AQHA. He stated that PMR&C was awarded the bid to host the conference and races, which will take place October 24-27.

Mr. Hare stated that the Challenge Championships are the equivalent of the Breeders Cup for the thoroughbreds. The Challenge Races were started approximately 20 years ago. The champions from the 11 regions around the world will be at PMR&C to compete in

the races on October 27<sup>th</sup>. Mr. Hare advised that in conjunction with the races the AQHA puts on a racing conference. He indicated they expect approximately 500 registrants for the conference. Mr. Hare stated that he is extremely pleased to be at PMR&C. He expressed his appreciation of the comments about Dubuque at the beginning of the meeting, and commended the gaming industry for their ability to work together. Mr. Hare, noting that he is from Texas, stated that he is envious of the facilities.

With regard to the future of Challenge Championships, Mr. Hare advised that the location is rotated every year; however, the horsemen and other individuals really prefer the Midwest. The races have previously been held at Fairgrounds, Sam Houston, and Lone Star Park, but this is the first time the Challenge Championships have been held at PMR&C. The AQHA expects a lot of interest from the horsemen to come back to PMR&C due to the facilities, amenities, and the manner in which management and staff treats the horsemen.

The night of the races, the purse amount will be approximately \$1.3 million; there will be six championship races. He invited the Commission members to attend the races, stating they would see one of the best nights of racing in the country. Mr. Hare advised that the AQHA has the largest equine registry in the world – 6 million quarter horses for 1 million owners.

Commissioner Mertz asked if PMR&C had done an evaluation of the horse racing for the year, and particularly the Sunday races. Mr. Heldt stated that he would provide the requested information.

Hearing no further comments or questions, Chair Lamberti moved to the hearing before the Commission and called on Mr. Ohorilko. Mr. Ohorilko advised that staff had entered into a Stipulated Agreement with GFCR. He stated that on June 25<sup>th</sup> an underage male entered the gaming floor unchallenged through the main entrance. The individual was on the gaming floor for 58 minutes and played nine different slot machines, which meet the criteria for the violation being brought before the Commission. Mr. Ohorilko advised that an audit employee of the facility saw the individual on the gaming floor, recognized the individual from when he and his mother checked into the hotel, and reported it to a security supervisor who notified the DCI. DCI investigated the incident and cited the individual for underage gambling. Mr. Ohorilko stated that GFCR acknowledges the above facts constitute a violation of Iowa Code 99F.9(5) and have agreed to an administrative penalty of \$20,000. Mr. Ohorilko requested approval of the Stipulated Agreement. (Copy Attached)

Hearing no comments or questions concerning the Stipulated Agreement, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as presented. Commissioner Mertz seconded the motion, which carried unanimously.

Ms. Haselhoff stated that GFCR does not take the violation lightly and have added additional training for the security officers. They have also created a training officer position to assist with training for new hires and work with current employees.

Chair Lamberti moved to Public Comment. Tom Lopic, President of the Iowa Quarter Horse Racing Association, thanked Mr. Hare for his earlier comments. He expressed his hope that everyone understands what a privilege and honor it is for PMR&C to host the AQHRA Challenge Championships, noting that it is normally held in bigger metropolitan states. He noted that many of the top trainers from around the country will be at the Challenge races; some who have never been here before. He stated that they will return next year for the trials, as well as bring horses for the meet. Mr. Lopic stated the Challenge races have the ability to change everything about horse racing in Iowa. He advised there was a 36% increase in the number of foals in Iowa this year. Entries are approximately 8.3 per race this year; the most horses that can be in a race is eight. Mr. Lopic also extended an invitation for everyone to come out and watch the Challenge races.

Chair Lamberti moved to Administrative Business and called on Mr. Ohorilko. Mr. Ohorilko advised the Commission members there is statutory language from 2004 which calls for the Commission to conduct a socioeconomic impact study on the impact of gambling on Iowans, every eight years beginning in calendar year 2013, and issue a report on that study. The Commission is to ensure that the results of each study are readily accessible to the public.

Mr. Ohorilko stated that the Legislative Services Bureau conducted a study in 2004 after conducting an RFP. He stated that he is just seeking input from the Commissioners at this time to determine if they want to do something similar.

Chair Lamberti stated that he recalled when the requirement was put into the bill in 2004. He concurred with Mr. Ohorilko's comments that the Legislative Services Bureau did have a study done at that time and the results made public. He stated that it is not really a mandate for the Commission to conduct a study; simply that the Commission has the power to conduct such a study every eight years. Chair Lamberti stated that based on his knowledge of the individual who included the wording in the bill it was the intent of the Legislature that a study would be conducted at least in 2013.

Chair Lamberti suggested that the Commission receive input over the next couple of months. He noted there are issues regarding how the study would be paid for, who would pay for the study, whether to proceed with an RFP, etc. Chair Lamberti suggested that anyone with input give their thoughts to the Commission or Mr. Ohorilko.

Commissioner Seyfer concurred with Chair Lamberti's comments.

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Hearing no further business to come before the Commission, Chair Lamberti requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Mertz seconded the motion, which carried unanimously. The meeting adjourned at 9:10 AM.

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
NOVEMBER 15, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on November 15, 2012 at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Jeff Lamberti, Chair; Greg Seyfer, Vice Chair; and members Carl Heinrich, Kris Kramer and Dolores Mertz.

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

Chair Lamberti moved to the approval of the minutes from the September 26-27 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding future Commission meetings:

- December 2012 – No Meeting
- January 10, 2013 – Prairie Meadows Racetrack & Casino, Altoona, IA  
(Submissions due by December 26, 2012) – Woodbury County Applicant Presentations
- February 2012 – No Meeting
- March 6-7, 2013 – Stoney Creek Inn, Johnston, IA (Submissions due by February 21, 2013)
- March 26, 2013 – Stoney Creek Inn, Sioux City, IA

He advised that the Woodbury County applicants would be giving their presentations at the January Commission meeting. The Commission will be receiving the Division of Criminal Investigation background reports on March 6th, the only portion of the licensing process that is not open to the public. During the meeting on March 26, 2013, the Commission will be touring the proposed facility sites and receiving public comment with regard to any of the projects.

Chair Lamberti moved to the financing presentations for the proposed Woodbury County projects. Mr. Ohorilko conducted a random draw prior to the start of the meeting to determine the order in which the presentations would be given. The order is: Warrior Casino and Hotel; Hard Rock Casino Sioux City; and then the Hollywood Casino project. There will only be one presentation for both of the Hollywood projects. The same order will be followed for the January presentations.

Lance Morgan, CEO of Ho Chunk, Inc., presented the financing for the Warrior project. He advised that due to the potential of some tax credit financing, the project may be

completed in three phases with the primary piece being the casino portion, which will encompass a 32,000 square foot casino floor with 800 slot machines, three restaurants, and an event center with 700 theater seats. The new casino would be attached to the existing Warrior Hotel. They are looking at creating a separate entity for the parking facility, which would have over 1,000 spaces. There is also the potential for the hotel being under a separate entity to accommodate the complexities of any tax credit financing.

Mr. Morgan stated that the Winnebago Tribe has committed \$10 million in equity. He advised that the bigger piece is from the Shakopee Mdewakanton Sioux Community, better known as the Shakopee Tribe. Mr. Morgan stated they are one of the most well-known Indian tribes in the county. He advised that while they have participated in various casinos around the country, this is the first project in which they have made an equity investment in the gaming area. Mr. Morgan stated that the Shakopee operate one of the largest casinos in America, and possibly the world. He indicated the Shakopee are incredibly successful; and having their backing is a real coup from the Ho-Chunk's standpoint. Mr. Morgan advised that Ho-Chunk, Inc. also supplied an additional \$10 million of equity due to the variability of the tax credit funding.

Mr. Morgan stated the Ho-Chunk have entered into an agreement with Sioux City. He indicated it is basically a minimum assessment agreement that allows them to utilize tax increment financing (TIF) to help build the parking garage and street infrastructure, and possibly acquire some of the land and buildings. Mr. Morgan advised that the agreement is a critical piece of the project as Sioux City really wants the project in the downtown area; parking will be a critical issue. He stated that the City's commitment is a very important piece.

Mr. Morgan stated the Ho Chunk has funding through Dougherty Funding, LLC for a \$50 million mortgage plus another \$20 million in equipment financing. He is not sure if they will need the \$20 million, but felt it prudent to have it available. Mr. Morgan advised that the Shakopee also contributed an extra \$9 million in debt financing, which will serve as a bridge loan for some of the tax credits; however, if the tax credits do not come through, the \$9 million would be converted to long-term financing.

Mr. Morgan introduced Jeremy Tabolich from Dougherty Funding. Mr. Tabolich stated that Dougherty Funding is very excited to work on this project; they have been involved in gaming and hospitality finance in excess of 20 years. Information distributed to the Commission provides a brief listing of their transactions in those particular areas over the last ten years. He stated that the company is prepared to move forward with a \$69 million loan to the project, as well as the \$20 million for the equipment financing. Mr. Tabolich advised that Dougherty Funding is part of the Dougherty Financial Group headquartered in Minneapolis, MN. He stated that their loan portfolio is in excess of \$3 billion, and hospitality loans represent \$600-\$700 million of that portfolio. He stated that the gaming portfolio has diminished somewhat over the last five or six years, but they currently have between \$100 and \$150 million of gaming transactions. He advised that

Dougherty Funding did finance in excess of \$20 million in gaming revenue bonds in Polk County in 1995.

Chair Lamberti called for any questions. Commissioner Seyfer asked if the only contingency in the financing is due diligence. Mr. Tabolich answered in the affirmative; stating that they have been moving at a very quick pace. He stated the forecast is prepared, and Dougherty is reasonably comfortable with that, but do still have a few questions.

Mr. Morgan stated that they will be doing a historic facility. He stated that the Warrior Building, and the Davidson which is connected to the Warrior, would allow the Ho-Chunk to seek up to \$9 million in tax credits. He stated that the project would move forward without the tax credits. The tax credit financing will not be part of the financing for the gaming portion of the project. Mr. Morgan stated that if they do not receive the tax credits, they will seek some local investors for the project.

Mr. Morgan provided the following summary of funding sources: \$30 million in cash equity investments; a possibility of \$17 million in tax credits; TIF funds of \$25 million, and loans for a total of \$122 million. The funds will be used to purchase land, cover construction costs, furniture, fixtures and equipment, the initial license fee of \$4 million, and other miscellaneous expenses. Mr. Morgan stated the Ho-Chunk could put in approximately \$40 million if they need to; they have \$20 million committed from Sioux City, debt financing is in place, and a contingency of another \$30 million. He stated that project is projected to cost \$122 million, and they have \$152 million in funding available.

Chair Lamberti called for any questions. Hearing none, Chair Lamberti called on Hard Rock Casino. Bill Warner, President of Sioux City Entertainment (SCE), introduced Mark Monson, President of Missouri River Historical Development (MRHD). Mr. Monson introduced Ron French, Vice President of MRHD, and board members Carolyn Ellwanger and Dave Bernstein. Mr. Warner introduced Jamie Freeland with Summit Partners, and Steve Noto, Chief Financial Officer of Stoney Creek Hospitality and Jenn Pavone, General Manager of Stoney Creek Inn in Sioux City. Stoney Creek Inn is partnering with Sioux City Entertainment for the hotel portion of the proposed project. Legal counsel present for MRHD and SCE were Curt Beason and Jim Quilty.

Mr. Warner advised the presentation is broken down in three components: Project Overview, Financing, and Credit Statistics. He stated there are two elements that deal with the strength of the financing: what is the capital structure and how the sources of capital are put together; the other is how the project stacks up in its ability to generate cash flow to support the capital structure.

Mr. Warner advised that the SCE project will be located on 16 acres adjacent to I-29 and downtown Sioux City. The site will have great access from the tourism basis and local retail visitor perspective, plus the benefit of the downtown Sioux City location, allowing them to gain synergy from events at the Orpheum Theater, downtown restaurants and

bars, as well as the other downtown businesses. He noted that 40,000 cars a day travel on I-29, giving them an opportunity to pull some of them in that might otherwise bypass Sioux City; the site will give those individuals an opportunity to visit other businesses in downtown Sioux City if they choose to do so or easily get back on I-29. Mr. Warner noted that the project incorporates the historic Battery Building, which consists of 40,000 square feet that will be utilized for a back-of-house facility and some front house facilities. He advised that being able to use the Battery Building allows them to reduce their construction costs of the project which have been put toward the project's amenities.

Mr. Warner advised the project will feature ten different amenities: buffet, live entertainment venue, and a 2-acre event lawn behind the Battery Building that will be used as an outdoor amphitheater and drive holiday festivals, and possibly outdoor movies in the park. He stated SCE believes the amenities will draw individuals to the facility as a result of the additional investment to the front-of-house facilities.

Mr. Warner moved to the financing portion of the presentation. The key components are Iowa local equity offer – a minimum of \$5 million to a maximum of \$10 million; the Summit Partners loan - \$90 million; City of Sioux City TIF financing - \$22 million; and gaming manufacturers - \$10 million for FF&E financing; and the Stoney Creek partnership adds another \$6.5 million. The capital sources total \$133-\$138 million. On the uses side of the financing, there are construction costs and opening costs of the project that was submitted in response to the Request for Proposal (RFP) totaling around \$118 million, giving SCE between \$15-20 million of excess capital. The flexibility will help alleviate any unforeseen circumstances during construction of the project, and allows the project to continue to grow after it has opened and there has been an opportunity to see what the demand is.

Mr. Warner described the various components of the financing. The offering to local Iowa residents will first be offered to Sioux City residents, Woodbury County residents second, and the entire state of Iowa after that. The goal is to obtain a wide distribution of a small number of shares to many individuals versus a large amount of shares to a small number of individuals. Summit Partners is providing the primary debt financing for the project, which consists of \$70 million to SCE, Inc. and \$20 million to SCE Holdings, LLC. Mr. Warner advised that Summit was selected due to their experience in lending to the gaming industry, and their ability to assess the situation and make a decision in a short period of time. The terms of the loan are 14% interest and a 5-year term. Mr. Warner stated that Summit has the option to acquire a 30% ownership stake in the enterprise subject to approval by IRGC, and will have a first lien on all of the assets. Mr. Warner turned the floor over to Mr. Freeland of Summit.

Mr. Freeland advised that Summit was founded in 1984 and has raised \$15 billion in capital. They are currently investing in six funds with \$9 billion of capital. He stated that Summit has extensive experience in the gaming industry; they are excited about the project.

Mr. Warner stated the City of Sioux City has committed TIF financing as well. He advised that Mayor Bob Scott and Bob Padmore were present to address any questions regarding the TIF financing. The city is providing \$22 million of TIF financing in exchange for a \$51 million minimum property tax assessment netting \$2.25 million in tax payments annually. Additionally, SCE has committed to pay the city at least another \$2.1 million comprised of 1.75% of gaming revenue; 0.50% of gaming revenue passed from state gaming tax; incremental city-wide hotel tax, and incremental sales tax from sales at Hard Rock Hotel & Casino Sioux City.

The next aspect of the financing is the \$10 million gaming manufacturer equipment loan. Mr. Warner advised that the funds are not needed for the project, but are available. He explained that these funds are offered by the gaming manufacturers as a standard course of business.

Mr. Warner moved to the Stoney Creek Hospitality Corporation Joint Venture. He advised that SCE is very excited about this component as Stoney Creek is an Iowa-owned company, and currently has a 161-room hotel across the street from the proposed location. The joint venture on the hotel allows SCE to minimize the impact on their existing hotel but also allows SCE to work with them during times of excess demand and have the use of the existing hotel. The hotel project is estimated at \$6.5 million; Stoney Creek will contribute \$1-2 million of equity and raise the balance in debt financing. Mr. Warner pointed out that over the last 18 years Stoney Creek has built 13 hotel properties and raised over \$150 million doing this exact thing.

Mr. Warner stated that SCE had put together some credit statistics to show what the pro forma results would be compared to other industry companies. The projected EBITDA ratio (total debt divided by annual EBITDA) measures the company's ability to repay its debt; a lower ratio is better. Industry averages for multi-property and single property casinos are 5.10%. The Hard Rock Sioux City has a projected EBITDA of 3.29% for the first year and 2.58% in the third year. Mr. Warner moved to the interest coverage ratio, which is the annual EBITDA divided by annual interest payments. This determines how much excess cash flow there is over the projected interest. In this category, multi-property casinos have an average of 3.20% and single property casinos have an average of 2.30%. Mr. Warner stated the Hard Rock Sioux City property falls in the middle at 2.32% projected for the first year and 2.68% for the third year.

Mr. Warner advised that the excess \$15-20 million of capital relative to the uses provides SCE with some financial flexibility along with the efficiencies gained from the Battery Building. This provides SCE with the ability to build significant non-gaming amenities which allows them to create an entertainment destination. The entertainment destination will allow the Hard Rock to drive significant non-gaming revenue which will introduce the property to individuals who might not visit a casino otherwise; they will come for the live entertainment, movies on the lawn, etc., which will attract them to the gaming side of the facility, which will ultimately drive up revenues and increase cash flow, thus providing more flexibility.

Chair Lamberti called for any questions. Commissioner Seyfer asked what interest rate was used in the projections. Mr. Warner advised they used 14%. He further stated that the projections did not take any credit for the equity offering. Commissioner Seyfer asked when SCE would start the local equity offering. Mr. Warner advised that it would start upon SCE being selected as the licensee. Commissioner Seyfer asked if there were any contingency plans in place in the event the local offering did not reach the \$10 million mark. Mr. Warner indicated there were not; the financing that is needed to complete the project as designed is completely satisfied with the joint venture with Stoney Creek, the Summit loan and Sioux City's TIF financing. He stated that should SCE achieve the \$5-10 million of local equity, it would be an additional cushion.

Hearing no further comments or questions, Chair Lamberti called on Hollywood Casino/Hollywood Siouxland. Carl Sottosanti, Vice President of Legal Affairs for Penn National (Penn), stated they are pleased and excited to address the Commission and formally kick off the public portion of the RFP. He stated Penn is taking a low-tech approach today; they don't have a power point presentation but have distributed copies of their financing presentation to the Commissioners and staff, and will provide one to the media or anyone else who requests a copy. Mr. Sottosanti stated that Penn believes they have submitted two very compelling proposals for evaluation and consideration. At this time he called on Lance George, General Manager of the Argosy facility, to introduce Penn team members. Mr. George introduced the following individuals: Tom Burke, Sr. Vice President of Retail Operations; Michael Thoma, Director of Operations from the local property; as well as the following individuals from the qualified sponsoring organization: Bob Knowler, President; Dr. David Sly; Kelly Conolly; and Kathleen Bonstead.

Mr. Sottosanti stated that Penn National was happy with the Commission's decision to begin the licensing process with a discussion on finances. He noted that suitability is at the core of any licensing process; and in the 19 jurisdictions in which Penn operates that is generally defined as financial and business capabilities, and character. He assured the Commission that both are present within the Penn organization. He stated that Penn has been closely vetted in 19 jurisdictions, and is a sure thing, noting that they have been operating in Iowa since 2005. Mr. Sottosanti noted that the capital markets, where casinos and developers go for their large loans, have been frozen since 2008, causing many casino developments - even some which have been approved by regulators - to be abandoned across the country. He noted that prior to the Belle opening in the early 1990's two casino projects failed in Sioux City due to a lack of financing. Mr. Sottosanti stated that Penn brings certainty to the table, which is what the citizens of Sioux City and the State deserve.

Mr. Sottosanti stated that due to Penn's diversity, 29 properties in 19 jurisdictions, they are not dependent on any one property, state or region, which translates to stability and predictability. He stated that Penn has the liquidity to do the project; the company generates a substantial amount of liquidity every year and is not over-leveraged. With respect to the Sioux City proposals, Mr. Sottosanti advised that Penn will not need any

third party financing. Penn anticipates funding the project from cash flow and their existing revolver available under their credit facility. Additionally, they have not asked for any municipal incentives.

In comparing Penn to a group of their industry peers, Mr. Sottosanti referenced the following comments from credible analysts who follow the company:

- Penn has the Gaming industry's best balance sheet, the lowest net leverage in the group, and strong FCF generation. (Bank of America Merrill Lynch, Oct. 18, 2012)
- Penn National Gaming is a core regional gaming investment, in our view, given the company's operational efficiency skills, deep development pipeline and strong balance sheet. (Barclays Equity Research, Oct. 19, 2012)

Mr. Sottosanti pointed out that Penn has \$622 million available to them under their current credit facility revolver. He pointed out that Penn generated almost \$400 million in free cash flow in 2011, and expects to generate almost \$500 million in 2012.

Mr. Sottosanti concluded his remarks by stating that Penn wants to do the Sioux City project, is committed to the project, and **can** do this project. He stated that there are no backup plans, any hedges or contingency plans. There was no mention of diligence, equipment leases, TIF financing, etc. Mr. Sottosanti stated that Penn can write the check, and that they want to do the project. He thanked the Commission for their time.

Hearing no comments or questions for Mr. Sottosanti, Chair Lamberti moved to the update from Isle of Capri (IOC) regarding the sale of the Rhythm City property. Michael Fries, Vice President of Legal Affairs, advised that the City of Davenport has expressed a strong interest in purchasing the facility. He advised that the parties have agreed on the Term Sheet, and the City has been moving forward with the necessary steps to position itself to make the acquisition. Mr. Fries advised that IOC had tendered a Purchase Agreement to the City and expected a copy of that back soon. He stated that IOC would keep the Commission apprised of any further developments.

Chair Lamberti 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:

- Avera Medical Group McGreevy – Health Plan Costs
- Delta Dental of Iowa – Employee Dental Insurance Benefits
- Farner-Bocken Company – Retail and Tobacco Purchases
- KSFY Television – Advertising
- Sanford Clinic – Health Plan Costs

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously.

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

- Riverside Travel Mart – Gas Give Away Promotion
- Wells Fargo – Debt Refinancing

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by RCGR. Commissioner Mertz seconded the motion.

Chair Lamberti called on IOC Bettendorf. Nancy Ballenger, General Manager, presented the following contracts for Commission approval:

- Loffredo – Fresh Produce
- Sam's Club – Liquor and Cigarettes
- City of Bettendorf – First Amendment to Management Agreement for Events Center
- Neesvig's – Provides Certified Angus Beef
- Graphic Controls – Manufactures Slot Tickets for use in Slot Machines
- Global Payments – Cash Advance Agreement for Commissions Payable to IOC
- US Bank – ATM Agreement for Commissions Payable to Isle of Capri
- Johnson Contracting – Provides HVAC Parts and Repair Services

She advised that Sally Rogers, Senior Director of Finance, was also available to answer any questions.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOC Bettendorf. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Rhythm City. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- US Bank – ATM Agreement for Commissions Payable to Rhythm City Casino
- Global Payments – Cash Advance Agreement for Commissions payable to Rhythm City Casino

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Rhythm City. Commissioner Kramer seconded the motion, which carried unanimously.

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

- NRT Technologies, Inc. – Purchase of Slot Ticket Redemption Kiosks
- Global Payments – Cash Advance Agreement for Commissions payable to Isle of Capri

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOC Waterloo. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on IOC Marquette. Bill Gustafson, General Manager, presented the following contracts for Commission approval:

- Global Payments Gaming Services, Inc. – Provides Quasi-Cash Advance Service
- US Bank National Association d/b/a Ultron Processing Services – Kiosk and ATM Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by IOC Marquette. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Catfish Bend Casino (CBC). Gary Hoyer, CEO, presented the following contracts for Commission approval:

- Southeast Iowa Regional Riverboat Commission – New Non-Profit Agreement
- Fine Consulting, Inc. – Marketing Consulting Services
- The Brandt Co. – Printing of Marketing/Promotional Materials
- Wells Fargo Bank, Berkadia Commercial Mortgage – Second Loan Extension

He noted that one of the contracts was for a new operating agreement with the non-profit licensee. There is also a loan extension agreement with Berkadia Commercial and Wells Fargo Bank, which extends the senior debt to 2014.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by CBC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on the Diamond Jo. Lorraine May, legal counsel for Boyd Gaming, presented the following contracts for Commission approval:

- Kwik Stop Convenience Stores – Fuel and Gas Cards
- Seller's Owner's Affidavit with Indemnity Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Diamond Jo. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Diamond Jo Worth. Ms. May presented the following contracts for Commission approval:

- Subordination, Non-disturbance and Attornment Agreement
- Lessee's Affidavit with Indemnity Agreement
- Seller's Owner's Affidavit

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Diamond Jo Worth. Commissioner Kramer seconded the motion, which carried unanimously.

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

- MCC Iowa, LLC – 5-Year Contract for Mediacom CATV Bulk Basic Services + Sports & Info Pak 1 in Coaches Corner and Casino
- MCC Iowa, LLC – 5-Year Contract for Mediacom CATV Bulk Basic Services in Hotel Rooms

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by WRC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Emmetsburg (WRE). Amy Rubel, General Manager, presented a contract with Multimedia Games for equipment and tournament software for Commission approval.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by WRE. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Harrah's. Bo Guidry, General Manager, advised that his first request before the Commission was to seek approval to convert the gaming license to authorize Harrah's to conduct gambling games on a gambling structure upon the completion of proposed construction.

Mr. Ohorilko advised that the Commission would need to approve the conversion of the license and the proposed construction to facilitate the conversion.

Chair Lamberti requested that Harrah's proceed with their presentation concerning the construction.

Mr. Guidry advised that Harrah's is seeking to move the gaming floor into the current convention center; eliminating the riverboat. He noted that they currently have 33,000 square feet of gaming space; this will be reduced to 25,000 square feet. There will also be a reduction in slot machines from 800 to 600. Table games will increase from 18 to 20. Mr. Guidry stated that Harrah's feels they will have a sufficient number of gaming devices to support the facility.

Chair Lamberti called for any questions concerning the proposal. Commissioner Heinrich thanked Mr. Guidry for showing him the project. He indicated that he felt it was appropriate to move the facility off the river; that it was a very attractive project. Commissioner Heinrich recommended approval.

Commissioner Seyfer asked if everything was going into existing space. Mr. Guidry answered in the affirmative.

Chair Lamberti requested a motion regarding Harrah's request to convert the license to a gambling structure upon the completion of the proposed construction. Commissioner Mertz so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the proposed construction. He asked the estimated cost of the construction. Mr. Guidry indicated it was approximately \$8 million, with the proposed construction accounting for \$5.5 million.

Hearing no further comments or questions concerning the proposed construction, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the proposed construction as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti moved to Harrah's contracts. Mr. Guidry submitted the following contracts for Commission approval:

- D&B Construction, Inc. – Construction Work
- Multimedia Games, Inc. – Gaming Equipment
- Ulster Carpets, Inc. – Carpet Installation for Property

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by Harrah's. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Iowa West Racing Association/Horseshoe Casino-Bluffs Run Greyhound Park (IWRA/HC-BRGP) regarding the license renewals, purse supplement, season approvals and contracts.

Pete Tulipana, Executive Director of IWRA, advised that a year ago the community was in the midst of recovering from floods. He stated that IWRA and the Iowa West Foundation (IWF) played a major role during the flood recovery by partnering with the local Red Cross to help meet the needs of families in southwest Iowa and eastern Nebraska. Mr. Tulipana advised that a \$500,000 grant from the IWF funded residence and business clean-up kits; sump pumps, dehumidifiers, hot water heaters, interim housing, utility assistance, rental reimbursement and more. Additionally, employees from Ameristar and Harrah's were active volunteers in the flood recovery effort. Mr. Tulipana requested approval of the license renewals; stating that IWRA and Horseshoe have an excellent relationship. He stated that Horseshoe is a good corporate citizen; that the fees paid to IWRA have allowed the grant dollars to remain steady. He noted that in early 2013, IWRA will surpass \$300 million in grants. He turned the floor over to Mr. Guidry.

Mr. Guidry indicated that Horseshoe Casino/Bluffs Run and IWRA have an excellent working relationship. He requested approval of the license renewal applications.

Hearing no comments or questions concerning the license renewal applications, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the renewal of the pari-mutuel racing license, including dates, and the racetrack enclosure license to conduct gambling games for Bluffs Run Greyhound Park/Horseshoe Casino, contingent upon the following conditions:

- 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 Iowa Greyhound Association and IRGC representatives.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the purse supplement. Jim Quilty, legal counsel for the Iowa Greyhound Association, advised that the parties had entered into a one-year agreement which maintains purses at the same level as 2012.

Commissioner Mertz asked what the purse amount was for last year. Mr. Quilty advised that it was \$9.5 million in purses, plus another \$500,000 dedicated to stakes races.

Hearing no further comments or questions, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the purse supplement agreement as submitted by Bluffs Run Greyhound Park/Horseshoe Casino and the Iowa Greyhound Association. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the request for approval of the season approvals. Mr. Guidry requested the Commission's approval of the season approvals for the 2013 racing season.

Hearing no comments or questions concerning the season approvals for 2013, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the season approvals as submitted by Bluffs Run Greyhound Park/Horseshoe Casino for 2013. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the additional contracts. Mr. Guidry submitted the following contracts for Commission approval:

- American Teletimer Corp. – Supply Photo Finish Equipment & Service for Video/Electronic Images
- Multimedia Games, Inc. – Gaming Equipment
- Show Productions d/b/a Audio Visions
- Ulster Carpets, Inc. – Carpet Installation for Casino
- United Tote – Tote Services

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run Greyhound Park. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Dubuque Racing Association/Mystique Casino (DRA/Mystique) with regard to their license renewal application. Jesús Avilés, General Manager of Mystique Casino, advised that over the last year DRA contributed over \$12 million to the Community Foundation. He noted that the license renewal contained twenty contracts.

Hearing no comments or questions concerning the license renewal application or the contracts contained within the application, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the renewal of the pari-mutuel racing license, including race dates, and the racetrack enclosure license to conduct gambling games for Mystique Casino and all contracts contained in the application, contingent upon the following conditions:

- The import and export, if applicable, 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 Iowa Greyhound Association and IRGC representatives.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Prairie Meadows Racetrack & Casino (PMR&C), and requested an update regarding the recently completed casino renovations. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, advised that the renovated area was opened to the public on October 25th. The cost of the renovations was approximately \$11 million, and has been well received by customers and staff.

Mr. Palmer moved to the request for approval of proposed remodeling. He advised that the theme utilized in the just completed renovations will be carried over to the second floor. The renovations will start in January on the west half, contingent upon receipt of all the necessary approvals; the east half will be done in 2014. These renovations will cost approximately \$30 million over the next two years. Mr. Palmer noted that PMR&C spent approximately \$50 million to build and open the hotel this year. He noted that the proposed renovations do require the approval of the Polk County Board of Supervisors; he anticipates that happening either next week or the following week for the 2013 portion of the project.

Commissioner Seyfer asked about financing for the renovations. Mr. Palmer advised that the renovations will mostly be paid for through cash flow; however, the budget does allow them to borrow up to \$8 million.

Chair Lamberti requested a motion, clarifying that PMR&C is only seeking approval for the 2013 portion of the renovations. Commissioner Seyfer moved to approve the 2013 portion of the proposed remodeling project. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the review of the quarter horse meet. Mr. Heldt advised that the meet ended on October 27th, and deemed it to be a successful meet. He noted there were a number of new trainers that came this year, along with several returning trainers. He indicated there was a great working relationship with the trainers on the backside and the racing staff. He stated the racing staff did an excellent job of writing the condition book this year, which helped to increase the field size this year. Last year there were 7.7 horses per race; this year there were 8.2 horses. Another positive for the meet was the track surface. It is necessary that the track surface be fair to all participants because the races are such a short distance. Mr. Heldt advised that over 2,000 horses ran during the quarter horse meet; there were two fatal injuries. He stated that the number of injuries relative to the number of starts was below industry standards. He noted that the big event during the quarter horse meet was the American Quarter Horse Racing Association (AQHRA) conference and convention held the last weekend of October. It was a three-day event that drew individuals from all over the country, as well as a few international visitors. Mr. Heldt noted that one horse was brought in from Canada and another from South America. He stated that everyone had good things to say about the hotel, backside, and guest services.

Mr. Heldt advised that the Breeder's Cup for the thoroughbreds was held in California a couple weeks ago. He stated that a horse that won the Corn Husker race during the Festival of Racing in June went on to win a couple of major races in New York. The horse then participated in, and won, a \$5 million dollar race in California.

Mr. Heldt stated that PMR&C had a very good year in both the thoroughbred and quarter horse meets. He noted that horses brought in to participate in national races in Iowa are

able to go on and do good things in other jurisdictions, which brings positive national press coverage to Iowa racing.

Commissioner Mertz requested a report showing what is working or not working in the racing program.

Mr. Palmer introduced Tom Lopic, President of the Iowa Quarter Horse Racing Association (IQHRA). Mr. Lopic advised that the Challenge Races are the equivalent of the Breeder's Cup races for the thoroughbreds. He stated that the IQHRA worked on bringing the races here for quite some, and were hopeful that it would be successful. Mr. Lopic stated that nationwide individuals were cautious as to whether they wanted to bring the best of the best to Iowa to race at Prairie Meadows. He read two pieces regarding the recent Challenge Races at PMR&C; the first was from the AQHRA and Track magazine, the largest media source for quarter horse racing in the country. The second was from the director of the Challenge Championship Program, who was one of the hardest ones to convince to bring the races to Iowa.

Mr. Lopic stated that a week after the Challenge Races, the AQHRA had the largest sale in the quarter horse industry in Oklahoma City. He advised that the IQHRA is aware of at least 35 mares from that sale that are being brought to Iowa to foal. There is one owner from Iowa that has never owned a racehorse that came to the Challenge Championships; he bought 13 horses in three days – three of them were mares.

Mr. Lopic stated that he has been asked how Iowa-bred horses do at PMR&C. He advised that the quality of Iowa-bred horses continues to improve every year. He noted that the breeding program is up 34% this year for foals on the ground. Last year, thirteen of the overnight races were won by Iowa-bred horses against outside mixed company – races not run against Iowa-bred horses. Three of the stakes races were won by Iowa-bred horses. In the just completed race meet, twenty-two open races were won by Iowa-bred horses against the best of the best from all over the country; and five of the major stakes races at PMR&C that are open to horses from all over the country were won by Iowa-breds, which means the purse money is staying local to better the agriculture industry and everyone involved.

Mr. Lopic stated that several people from Los Angeles were at PMR&C for the first time during the AQHRA Conference and Challenge Races. It is home to Los Alamitos, the largest quarter horse racetrack in the country. They were extremely pleased with PMR&C's facilities and asked what they could do for the IQHRA. Mr. Lopic stated that the Los Alamitos representatives were asked to take PMR&C's signal. The following day, PMR&C received a phone call from the owner of Los Alamitos, and the entire meet will be broadcast at Los Alamitos. Aside from the money issue, many more people will be exposed to racing at PMR&C. Mr. Lopic stated they are already hearing from trainers that are bringing horses to Iowa that have never raced at PMR&C before; he just received paperwork from one individual who had 37 horses at Lone Star in Texas this year. They are coming to PMR&C next year versus Lone Star. Mr. Lopic stated that PMR&C is tops

in the quarter horse industry at this time, and that would not have happened without the opportunity to host the Challenge Races.

Chair Lamberti moved to the license renewal applications, which includes race dates. He noted that a couple of organizations had requested the opportunity to address the proposed race dates, and requested that they address the Commission first. Jon Moss, Executive Director of the Iowa Horsemen's Benevolent & Protective Association (IHBPA) which represents the owners and trainers that race thoroughbreds at PMR&C, stated that Iowa law requires a minimum of 67 days of equine racing in order to fulfill the requirements necessary for licensing and advised that the application does not reflect that in writing. He requested that it be part of the approval process. He noted that the IHBPA has a contract with PMR&C that requires a minimum of nine races per day; nine times 67 days would total 603 races; however, the contract states that if the IHBPA can fill more than nine races per day, they will do so. He requested that any motion include the provision for a minimum of 603 races for 2013.

Mr. Moss advised that he was expressing the IHBPA's unhappiness regarding the schedule change to include racing on Thursday, Friday, Saturday and Sunday versus Monday, Tuesday and Friday-Saturday. He requested that an analysis be completed comparing the statistics from 2011 and 2012. Mr. Moss advised that he had compiled such a report for the IHBPA, and stated that the IHBPA does not believe a continuation of the existing race schedule is a good idea. He feels the numbers will reflect that. He stated that per capita was down in excess of \$9 million, which amounts to almost a 27% reduction in handle. He believes those figures would project out to an approximate loss of \$500 million on PMR&C's bottom line.

Mr. Moss noted that while handle does not directly affect purses, or did not in 2011; however, with the advent of ADW, that is no longer the case. It is imperative to get the signal out and in front of as many people as possible and not going head-to-head with the larger, more established signals. He stated that the IHBPA believes the following also attributed to the decline:

- Less horses shipped in from Canterbury Park and neighboring racing jurisdictions that previously did so because of the change in race days
- An extension of the "enter" period. Horses are entered into a race days out prior to the actual race being run. Historically it is between 3-4 days, now it can stretch out to 6 days. He noted that the scratch rate this year was one of the highest experienced by the track.

Mr. Moss stated that the foal crop will not be an issue this year, but will be going forward; there has been a significant decline (35%) decline in the foal crop over the last six years.

Mr. Moss stated that members of the national HBPA were very impressed by PMR&C during the Festival of Racing. Several saw the horse previously mentioned by Mr. Heldt

run here, and then win at Santa Anita. He stated that it was an incredible opportunity, and hopefully the success of that horse will bring more prominent horses in the future.

Mr. Moss concluded his remarks by requesting that the Commission take into consideration his remarks regarding the minimum of 67 race days and minimum of 603 races.

Hearing no comments or questions for Mr. Moss, Chair Lamberti called on Deb Leech, President of the Iowa Thoroughbred Breeders and Owners Association. Ms. Leech concurred with Mr. Moss' statement that nationally the thoroughbred foal population is down, but stated that the Iowa foal crop is up over 30% from last year. She stated that she agreed with the minimum number of race days at 67 and the minimum number of races being established at 603. Ms. Leech stated the ITBOA understands what PMR&C is attempting to do; however, she suggested changing out racing on Thursday for Monday, which would still provide four days of racing in a row, but would help reduce some of the loss in off-track handle they have seen in the past. The proposed change still allows for racing on Sunday which PMR&C was trying to promote as a family day, and Monday they are not trying to export the signal against more established tracks, which would allow PMR&C to benefit from advanced deposit wagering.

Chair Lamberti noted that the Commission held discussions on the matter last year; that there is a difference between the overall performance at the casino/facility versus handle. He asked Mr. Palmer to address the issue.

Mr. Palmer referenced a letter sent to Mr. Ohorilko on October 23rd which recapped the 2012 Thoroughbred meet. The letter advised that handle was down \$7.8 million, or 23% over 2011; while racing revenue was down \$200 million or 13%. Mr. Palmer stated that food and beverage saw an estimated 19% increase with the change in race days; and casino revenue was up an estimated 6%. He advised that the overall increase in revenue to PMR&C since the change in race days was \$1.2 million more than 2011. Mr. Palmer stated that PMR&C spent a lot of money on the hotel, advertising, and promotion. He noted that they had requested the ability to try racing on these days for three years. While conceding that PMR&C had Sunday racing in the past, it was never for longer than one year; however, that was prior to the hotel, convention center and restaurant. He stated that PMR&C feels the decision to change race days was a good decision, and wants to continue it to see how the results in the aggregate work out over the three year period. They believe it will all be positive.

Commissioner Seyfer stated that the Commission will want to determine a pattern, and suggested that the Commission re-evaluate the situation next year after being able to review the numbers for the 2013 race season.

Chair Lamberti requested clarification from Mr. Ohorilko on what the motion needed to contain. Mr. Ohorilko advised that the contracts under 10H were submitted outside the

license application and would be handled separately. He stated he had reviewed the application, and it did contain a race meet calendar that indicates 67 separate race days.

Hearing no further comments or questions, Chair Lamberti requested a motion. Commission Seyfer moved to approve the renewal of the pari-mutuel racing license, including race dates, with a minimum of 67 race days and a minimum of 603 performances for thoroughbreds and 26 days and 208 races for quarter horses (provided there is availability of horses pursuant to agreements contained in the application), and the racetrack enclosure license to conduct gambling games for Prairie Meadows Racetrack & Casino and all contracts contained in the application, 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 IRGC.
- Ongoing updates to staff on track surface safety measures and improvements.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the Quarter Horse Agreement. Mr. Palmer explained that PMR&C has ancillary with the horsemen, and the agreement before them is new for 2013/2014 with the IAQHRA.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the new agreement with the IAQHRA for 2013/2014 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

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

- AJ Allen Mechanical Contractors – HVAC Contractor
- Anderson Erickson Dairy – Dairy Products
- Baker Electric – Electrical Contractor
- Blue Frog Graphics – Printing Services
- Brewer Meats, Inc. – Meat Supplier
- Cintas Corporation – Employee Clothing, Uniforms, and Related Items
- Clear Channel Broadcasting – Radio, Television or Outdoor Advertising
- Delta Dental of Iowa – Employee Dental Insurance
- Des Moines Register – Advertising and Subscription Expense
- Doll Distributing – Beer and Other Products
- Durkan Patterned Carpet – Specialty Carpet for Casino
- Excel Mechanical – HVAC Contractor
- Farner Bocken Company – Candy, Food, Tobacco and Other Supplies

- Loffredo Fresh Produce, Inc. – Food Products
- Martin Bros. Distributing Co., Inc. – Food, Equipment and Supplies
- OMG Midwest – Dirt, Salt, Sand and Silt Materials for Maintenance
- Reinhart Food Service – Food, Equipment and Supplies
- Shive-Hattery Inc. – Engineering Services
- The Weitz Company – General Contractor – Various Projects
- US Foods – Food, Equipment and Supplies
- Waldinger Corporation – Mechanical and Electrical Contractor
- Wellmark Blue Cross Blue Shield of Iowa – Employee Medical Insurance
- Wolin and Associates – Mechanical and Electrical Contractor

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the Hearing for Lakeside Casino Resort for a violation of Iowa Code §99F.4(22), the self-exclusion policy, and called on Mr. Ohorilko. Mr. Ohorilko advised that Commission staff had entered into a Stipulated Agreement with Lakeside. He stated that on August 1, 2010, the individual completed forms to be part of the lifetime self-exclusion group. On or about June 30, 2012, the individual was issued a Players' Club Card at Lakeside. Additionally, the individual received a promotional mailing on or about July 6<sup>th</sup> of this year. On July 20<sup>th</sup> during the screening process of the August mailer, the marketing department discovered that the individual was on the statewide self-excluded list. Mr. Ohorilko advised that Lakeside has made some changes to some of their processes in order to prevent self-excluded individuals from receiving mail and offers from the casino. He stated that Lakeside acknowledges the facts constitute a violation of Iowa Code §99F.4(22), and has agreed to an administrative penalty between \$3,000 and \$20,000. Mr. Ohorilko advised that this constitutes the second violation of this nature in a 365-day period.

Bob Thursby, General Manager, stated that over the summer he recognized the inadequacy of the system and how prone the system was to human error. He advised that the system was dismantled and instituted a more rigorous routine. He advised that it is a combination of what he learned while working in Missouri and Illinois. He stated his belief that the changes have resolved every possible issue to prevent a recurrence of this nature. Mr. Thursby stated that due to the restructuring of the program, the facility discovered the second violation. He advised that he would overhaul the system in the same manner, even at the risk of finding a second or third violation

Hearing no further comments or questions, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted, with an administrative penalty of \$5,000. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no Public Comment or Administrative Business to come before the Commission, Chair Lamberti requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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DAWN ROMINGER