

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 10, 2013**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 10, 2013 at Prairie Meadows Racetrack & Casino, Altoona, 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 Heinrich so moved. Commission Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the minutes from the November 15, 2012 meeting, noting that they had been distributed previously. Commissioner Mertz moved to approve the minutes from the November 15, 2012 meeting as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Brian Ohorilko, Administrator of the IRGC, for announcements. Mr. Ohorilko advised that the Des Moines office has moved; the new address is 1300 Des Moines Street, Suite 100, Des Moines, IA 50309-5508. He provided the following information regarding upcoming Commission meetings:

- February 2013 – 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
- April 18, 2013 –Mid America Center, Council Bluffs, IA (Submissions due by April 4, 2013)

He advised the Commission would be receiving the Division of Criminal Investigation backgrounds on the evening of March 6th; this is the only portion of the licensing process that is not open to the public. On March 26th, the Commission will be in Sioux City to tour the proposed sites for the land-based facility in Woodbury County. Details will be finalized and announced at the March 7th meeting, but the tour will commence at approximately 8:30 AM. At approximately 1:30 PM at the Stoney Creek Inn, the Commission will receive public comment and have a question and answer segment for the Commission members to ask questions of the Woodbury County applicants.

Mr. Ohorilko noted the April meeting was originally scheduled for Harrah's; however, with the facility undergoing renovations, the meeting will be held at the Mid America Center.

Chair Lamberti moved to the rules submitted under Notice of Intended Action, and called on Mr. Ohorilko. Mr. Ohorilko provided the following synopsis of the proposed rule changes:

- Items 1-10 change the address of the Des Moines Commission office;
- Item 11, 16 and 17 clarify the standard of review of appeals of Stewards' disqualification decisions to be "abuse of discretion";
- Item 12 establishes a shelf application for licensee debt;
- Item 13 rescinds Chapter 8 and is replaced with language to treat pari-mutuel wagers and calculations similar to casino gaming games. Also requires pari-mutuel wagers and calculations to be made available to the public upon request at a designated location;
- Item 14 rescinds and reserves Chapter 9;
- Item 15 removes "clerk of the course" as a racing official;
- Item 18 establishes a requirement for trainers to ensure their employees are properly licensed by the Commission;
- Item 19 clarifies that gambling games of chance approved under this chapter are to be conducted on the gaming floor;
- Item 20 allows for multi-state wide area progressive slot machine systems subject to an agreement between participating states.

Hearing no comments or questions concerning the rules submitted under Notice of Intended Action, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the rules submitted under Notice of Intended Action. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on the Belle of Sioux City, L.P (BSC). Carl Sottosanti, Vice President of Legal Affairs for Penn National Gaming (Penn) advised that negotiations with the City of Sioux City had resulted in a new term sheet for a new lease agreement with the following provisions:

- Extends the term of the lease by 12 months commencing on January 30, 2013. At the end of the 12-month period, BSC would have the discretion of extending the term for an additional 18 months.
- Fees will be amended to provide for the continued payment of fees during the initial term that are identical to the current formula. If the lease is extended beyond the 12 months by BSC, there will be an additional monthly payment of \$7,500. The City will not seek to collect, directly or indirectly, any additional fees or taxes during the term of the new amendment.
- Adds an exit payment to the current agreement in the event Penn is awarded the land-based license and is permitted to choose between the City or county sites, and elects to relocate outside the City limits, Penn will pay the City a lump-sum exit payment equal to the combined monthly payments paid to the City in the six-month period prior to the termination date.

- Following the termination date, the riverboat is to be removed within 60 days after the receipt of all required approvals.
- Mutual release of any claims that the parties (including agents, employees, etc.) may possess against each other as of the date of the new amendment.
- Parties to cooperate to prepare a joint press release regarding new amendment. Both parties to work together to ensure a consistent message to the public and that the parties, including their employees, will not make any statements inconsistent with the joint press release during the term of the extension. The parties further agree to work in good faith to execute a development agreement to ensure that the City will reasonably cooperate, including by way of example, by providing impartial assistance on development issues with Penn in its bid for the license for the land-based facility in the City.

Mr. Sottosanti advised that the proposed agreement will be before the City Council on January 28th, and indicated his belief that it would be approved.

Chair Lamberti requested a motion regarding the lease extension. Commissioner Heinrich moved to approve the lease extension between The Belle of Sioux City, L.P. and the City of Sioux City. Commissioner Mertz seconded the motion.

Mayor Bob Scott advised this is a tentative agreement; that the City is waiting for a final draft. He asked if the motion was subject to the approval by the City Council on January 28th; that the City is not required to agree to the extension because the Commission did so.

Chair Lamberti expressed the Commission's hope that approval was forthcoming as there are bigger issues to deal with. Commissioners Heinrich and Mertz agreed to make the approval subject to the approval of both parties – Penn and the City. The motion carried unanimously.

Chair Lamberti moved to the contract approval portion of the agenda, and called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Multimedia Games for the purchase of 12 video slot machines, software and related signage 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 WRC. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations, presented a contract with Energy Conservation Products for an energy conservation project for Commission approval.

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

Chair Lamberti called on HGI Lakeside. Bob Thursby, General Manager, presented a contract with Hockenbergs for kitchen supplies and equipment for Commission approval. Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by HGI-Lakeside. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Ameristar. Jane Bell, Director of Government Affairs, presented a contract with Sedgwick Claims Management Services to serve as a third party administrator for workman's comp and general liability claims for Commission approval.

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

Chair Lamberti called on The Isle Casino Hotel Waterloo. Stacy Hall, legal counsel, presented the following contracts for Commission approval:

- Multimedia Games, Inc. – Purchase of Slot Machines
- United Beverages, Inc. – Beer Vendor

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

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

- King Food Service – Food Supplier
- Newt Marine – Dredging under Casino Boat/Barge Area

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by LLM. Commissioner Seyfer 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:

- Aristocrat Technologies, Inc. – Gaming Device Agreement
- Bakemark USA LLC – Bakery Supplies and Goods

- Global Payments Gaming Services, Inc. – Cash Advance Credit/Debit Card Processing Agreement
- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Konami Gaming, Inc. – Gaming Equipment Purchase Order
- Marshall Furniture Co. – Hotel Carpet Replacement
- Multimedia Games – Game and Equipment Order
- Taylor Made Golf Company, Inc. – Retail and Special Orders for Blue Top Ridge

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

Chair Lamberti called on Harrah's. Lorraine May, legal counsel, presented a contract with Leick Landscaping for landscaping and snow removal for the casino 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 Harrah's. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Horseshoe Casino/Bluffs Run. Ms. May presented a contract with Leick Landscaping for landscaping and snow removal for the casino for Commission approval.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contract as submitted by Horseshoe Casino/Bluffs Run. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Mystique Casino. Jesús Avilés, General Manager, presented a contract with Wasker, Dorr, Wimmer & Marcouiller, PC for government relations 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 Mystique Casino. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Prairie Meadows Racetrack & Casino. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to answer any questions related to the season approvals for the 2013 thoroughbred and quarter horse meets.

Hearing no comments or questions concerning the season approvals, Chair Lamberti requested a motion, noting there were staff recommendations that needed to be included in the motion.

Mr. Ohorilko advised the staff recommendations to be included in the motion were:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI background checks.

Commissioner Seyfer moved to approve the season approvals for the thoroughbred and quarter horse season contingent upon the above-listed staff recommendations as submitted by PMR&C. Commissioner Mertz 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:

- Baker Group – HVAC Contractor
- Bankers Trust Company – Banking Services and Credit Cards
- Demilune Digital Designs (Audiolabs) – Electronic Products and Services
- Durkan Patterned Carpet (Mohawk Industries) – Specialty Carpet for Casino
- Farmers Supply Store (Van Wall Equipment) – Purchase of Equipment, Parts and Service and Supplies
- Freightliner of Des Moines – Truck Equipment, Parts and Service
- Gitchi Gaming – Gaming Equipment
- Home Boy Enterprises – Concrete Contractor
- Kone Inc. – Escalator Maintenance
- Mechdyne Corporation – Audio/Visual Supplies and Service
- Metro Waste Authority – Waste Disposal
- OMG Midwest – Dirt, Sand and Paving Materials for Maintenance
- Schumacher Elevator Company – Elevator Maintenance Services
- Sportech Inc. – Pari-mutuel Wagering Totalisator Services
- Underground Company – Track Drainage Repair Contractor
- USA Security Iowa (Asset Management) – Surveillance Products and Services
- Waste Management – Waste Disposal Services

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

As there was no public comment, Chair Lamberti moved to Administrative Business and called on Mr. Ohorilko. Mr. Ohorilko advised that following a discussion of the State-wide Self-Exclusion Resolution at the September meeting, the Resolution has been amended to address gaming technology that was not available when the Resolution was first adopted. He stated that staff worked with the Iowa Gaming Association to clarify some questions they had. Mr. Ohorilko requested approval of the amended Resolution for Iowa Statewide and Lifetime Self-Excluded Persons.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the amended Resolution for Iowa Statewide and Lifetime Self-Excluded Persons as presented. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the presentations by the applicants for the Woodbury County license. He advised the Commissioners would move to the front row of seating in order to watch the presentations, and that there would be breaks between the presentations to allow for setup. He called on Warrior Casino & Hotel. Danelle Smith, legal counsel, introduced the following individuals who will be speaking: Lance Morgan, CEO of Ho-Chunk, Inc. and Director of Warrior Entertainment; Janice Jessen, Marketing Director for Ho-Chunk and Warrior Entertainment; Ken Beakley, President of Siouxland Strong, the non-profit partner; and Executive Vice President of Siouxland Economic Corporation; Brian Chamberlain, Director of Warrior Entertainment; and Lou Weinberg, Director of Warrior Entertainment and President of Weinberg Investments. She noted that several other members of the team were also in attendance. She also acknowledged Sioux City officials and community leaders, and advised that the City and its leaders have been helpful throughout the process. Ms. Smith stated that Warrior Entertainment appreciates their work and dedication to the City of Sioux City.

Ms. Smith gave a brief profile on Mr. Morgan prior to turning the floor over to him. She stated their plan is for more than just a casino; it is an economic development plan with the new land-based Warrior Casino serving as a catalyst for maximizing economic development for downtown Sioux City and the entire region.

Mr. Morgan commenced his comments by noting that Governor Terry Brandstad signed a compact with the Winnebago Tribe in 1992. The Ho-Chunk Corporation was funded by money generated by the compact, which is what provided the opportunity for them be here today.

A video showcased the proposed facility. The project will include the historic Warrior and Davidson Buildings and will create an entertainment hub downtown and an economic opportunity for the area. Seventy percent of the revenue generated will stay in Siouxland, leading to other opportunities for investment in downtown Sioux City. The project will restore the art deco architecture of the hotel. The new entertainment complex will feature 291,000 square feet of casino, hotel, entertainment and dining amenities. The casino will have a 32,000 square foot gaming floor with 25 table games and 800 slot machines, which could expand to 1,000. The casino lobby will have street level access and a connection to a sky bridge from the two parking garages within the complex. It will also feature a buffet, restaurant, sports bar, a multi-level, multi-use theater and event venue with seating for up to 800 guests, and a coffee shop and bakery. The crown jewel of the project is the Sioux City 360 restaurant, which will be able to host up to 300 people and offer amazing views of the Sioux City skyline. The historic Warrior Hotel will be restored to its original art deco architecture and feature 30 upscale suites and 53 hotel rooms. Existing downtown amenities will be showcased along with the restored Warrior

Hotel and Davidson Building. The museum, Orpheum Theater, Pearl Street district and more will benefit from the influx of visitors. Their vision is that downtown Sioux City can truly become a tourist destination, an economic engine for Sioux City and Woodbury County. The complex will be visible from I-29, and attractive signage will be strategically placed creating a dynamic enhancement to the City skyline. New access and exits will allow the complex to be reached by traveling on Nebraska Street. The complex will help create a new tourism district which will be actively marketed as the Warrior Entertainment District. This district will connect the existing entertainment destinations of historic 4th Street, Pearl Street, the Orpheum Theater and more.

Warrior Entertainment will invest in a dynamic marketing program, cross promotions, and a district shuttle service to other downtown Sioux City businesses. The economic development plan will bring new residents and businesses to downtown Sioux City. The development and marketing of the Warrior Entertainment District will create new sources of revenue and additional economic development to all of Siouxland and create new tax revenue for Sioux City and the State of Iowa.

With their qualified sponsoring organization, Siouxland Strong, Warrior Entertainment will bring even more economic benefit to Woodbury County and Iowans. Siouxland Strong's primary mission is community economic development and funding of larger projects that benefit Siouxland. Warrior Entertainment, Siouxland Strong and Ho-Chunk, Inc. are dedicated to building economic opportunity for Siouxland.

Ho-Chunk, Inc. is a major employer in the Siouxland area; drawing employees from Iowa, Nebraska and South Dakota. Ho-Chunk, Inc. has grown to be a \$250 million company, with 1,000 employees in 34 subsidiaries across the United States and abroad. Local operations include property throughout the Sioux City area; local officers are members of Sioux City organizations and serve on the Board of Directors of Sioux City businesses. Ho-Chunk, Inc. spends approximately \$18 million with Iowa businesses annually. Annual payroll to Iowa residents is \$10 million, making their current economic benefit to Iowa \$28 million annually. They have a vested interest in helping to grow the Siouxland region. Their business expertise on the national stage has given Ho-Chunk the resources to develop each of their companies with experienced and skilled management teams in their industry. Their business portfolio includes information technology, professional services, wholesale distribution, manufacturing, retail, commercial and residential construction.

Warrior Entertainment will bring \$40 million in equity to the project, with additional financing available at a 6.25% interest rate. The strong financial package will give Siouxland and the State of Iowa assurance of the project's future success.

Ms. Jessen noted that both the Warrior Hotel and Davidson Building are on the National Register of Historic Buildings. The Warrior Hotel will be renovated from top to bottom; the Davidson Building will also see a significant amount of restoration to create additional hotel space and other amenities.

Ms. Jessen stated that the Orpheum Theater was once a deteriorated and misused building until a group of local people got together and restored it to its former elegance. This is Warrior Entertainment's plan for the Warrior Hotel and Davidson Building. The Warrior Hotel will be connected to the Orpheum Theater via the skywalk system, which will allow for larger music and entertainment acts, leading to increased usage of the theater and increasing its value to downtown Sioux City. The renovation of the Orpheum Theater helped rejuvenate the downtown entertainment district, and tying it to the Warrior Casino project would provide a great anchor to the north end of downtown.

Ms. Jessen advised that the Davidson Building, built in 1913, was the first office building in Sioux City. Once it is restored, it will house the buffet, ethnic and gourmet restaurants, boutiques and other retail space. The Warrior Hotel was built in 1929 and still has the original Warrior Grand Staircase that led up to the lobby on the second floor. The hotel also contained a ballroom, which will be fully restored. She stated that the Warrior Hotel and Casino will have a variety of amenities to offer: restaurants, coffee shops, gift shops, the theater complexes, ballroom and Sioux City 360, which they feel will be a great attraction.

A video of Jeanna Goosman was played. She owns a historical building in downtown Sioux City which has been restored. She noted the location in the heart of downtown would draw recurring visitors; and the money would stay in Siouxland. She also pointed out the importance to existing businesses in the Siouxland area.

Mr. Morgan gave the following financial overview of the proposed project:

- \$122 Million overall cost; \$153 million in financing is available
- Realistic Income Projections – they project a 25% increase in revenues over the current riverboat operation. They feel this will be higher if the entertainment district comes to fruition.
- Strong Equity Position – The Ho-Chunk has committed \$40 million cash to the project to insure long-term viability to the project.
- Low Interest Financing – The Ho-Chunk was able to secure \$50 million in financing at an interest rate of 6.25%.
- Financial Impact for 5 Years - \$136 million in taxes; \$12 million in other taxes; \$67 million in wages/benefits; construction/payroll - \$82 million; Ho-Chunk's portion of the project - \$48 million. They anticipate a total financial impact of \$436 million.

Mr. Morgan reminded the Commission that the Ho-Chunk organization is already one of the largest employers in the Sioux City area. Combining the financial impact of the proposed casino project and their current 5-year impact of spending \$90 million with Iowa vendors provides a total combined financial impact of \$527 million.

Mr. Morgan stated they have 20 years of experience in gaming in Iowa. Their partner, the Shakopee, operates one of the most profitable casinos in the country. He noted their

organization could not be more local, pointing out that 70% of the net profit will stay in the Siouxland area. Warrior Entertainment is owned by Ho-Chunk Development, other local Iowa investors (just over 5%) and the Shakopee (29%). He indicated there may be an opportunity for an additional 15% for local Iowa investors. There is also a financing syndication option for local bank investors.

Mr. Morgan stated the Ho-Chunk Inc.'s mission and the reason for their existence is to use gaming dollars to create jobs and economic development; that they have a proven past performance. They have invested nearly \$100 million in the area in the last decade. Local investments in the Sioux City area include the Terra Centre; Atokad Park; an apartment complex in North Sioux City, and various construction and retail businesses. They purchased the Terra Centre and it is now the Ho-Chunk Centre.

Mr. Morgan stated they are projecting 461 employees – 328 full-time and 133 part-time. He noted Argosy currently has 300+ employees, and they will be a top priority. He advised the Ho-Chunk have an employee-friendly culture; they care about their employees and will provide a generous benefit package.

The proposed project will also provide opportunities for Iowa's entrepreneurs as there will be retail space and prime storefronts in both the Davidson Building and Warrior Hotel. The Davidson Building will also have space for ethnic and gourmet dining restaurants while the Warrior Hotel will have space for boutiques and a spa. Mr. Morgan indicated the Ho-Chunk would provide capital for those businesses if necessary. They will also market new businesses in the Warrior Entertainment District.

Mr. Morgan stated the Warrior Entertainment District will increase city and state tax revenues as it is located just one-half mile off the interstate. He noted the average metro Iowa casino is approximately 3 miles off the interstate. The Warrior Casino & Hotel would be located in close proximity to the Orpheum Theater, Pearl Street District, Sioux City Public Museum, Sioux City Convention Center, Historic Fourth Street, Tyson Events Center, Sioux City Art Center and Promenade Theaters. Some of these would be accessible via the skyway system which will be connected to the proposed casino project. The Warrior Casino & Hotel will also provide a shuttle service to other destinations in the Warrior Entertainment District.

Ken Beakley, President of Siouxland Strong, the non-profit organization for the Warrior Hotel & Casino project, stated the organization is pleased to partner with Warrior Entertainment. Siouxland Strong will benefit the social welfare of Woodbury County by supporting community projects which will improve the quality of life for area residents. Additionally, they will help Warrior Entertainment and the Warrior Entertainment District support economic development, job creation, and business formation. In doing so, Siouxland Strong anticipates building a collaborative partnership with other local, regional and state-wide economic development organizations with complimentary missions and by supporting the education and training of a skilled workforce that will power commercial and industrial growth.

Mr. Morgan stated the current riverboat is an economic island; that casinos can be a vacuum. They are trying to create an economic engine in the heart of downtown. They believe their project has the ability to enhance downtown businesses and develop additional amenities, which will bring in more customers and tourists that will revitalize downtown Sioux City.

Mr. Morgan summarized by stating that the Warrior Hotel & Casino project is the best for Iowa, Siouxland, Sioux City downtown employees, and long-term economic development; that it is a project that goes beyond a casino. He stated that Sioux City is home to the Ho-Chunk; that the project will not be a small project in the company's portfolio. The project has all of their attention; they will work hard to make it happen and make everyone proud.

Following a short break, Chair Lamberti called on Hard Rock Hotel & Casino. Bill Warner, CEO of Hard Rock; Mark Monson, President of Missouri River Historical Development (MRHD) and Brad Friedmutter from the Friedmutter Group, the architect firm, were present to address the Commission.

Mr. Warner provided a synopsis of his experience in the gaming industry. He stated the goal of their presentation is to communicate why Hard Rock is the best brand, has the best location with the best amenities to be delivered by the best team resulting in the most gaming revenues with the greatest economic impact for Sioux City, Woodbury County and the State of Iowa.

Mr. Warner started by noting that brands change the way people consume and do matter. He stated the Hard Rock brand is perfect for Sioux City because it is inspired by music and music transcends time, age, and gender. The Hard Rock brand is more than gaming; it represents a true entertainment experience. It is a world-wide brand with 181 venues in 58 countries, which provides instant recognition.

Mr. Warner advised that Hard Rock promotes tourism. He noted that 75-85% of revenue will come from the true local market, which they consider to be within a 30 mile radius of the property. There are 114,000 adults in this area. A Hard Rock Casino will have an expanded market up to 100 miles away, with 1.1 million adults. It is their belief that the Hard Rock brand will have a much broader reach. Mr. Warner stated there are 40,000 cars that pass through Sioux City every day; a Hard Rock Casino will provide them with a reason to stop.

Mr. Warner stated the proposed location is the largest downtown site that involves historic renovation, has great visibility, superior access and will energize the downtown entertainment district. The proposed site is 16 acres, providing an opportunity for the project to grow. The project includes the Battery Building, which has been in existence for over 100 years. The proposed site sets adjacent to I-29 right off the highway. Mr. Warner noted that Sioux City is in the process of constructing an off-ramp from Wesley Parkway to Third Street, which is adjacent to their parking area, providing a natural

ingress and egress for visitors to the property. There is also access from Pearl Street. The project can also act as a gateway to the Sioux City Entertainment District located on 3rd, 4th and 5th Streets.

Mr. Warner noted that Hard Rock's philosophy is that their properties are more than just gaming; their amenities are a way to introduce people to gaming that wouldn't normally go to a casino. The Sioux City project will have a number of amenities:

- a World Tour Buffet;
- Anthem Brewhouse (microbrewery, sports, entertainment and live entertainment). Will have the ability to hold 800 people. Entertainment will be local and regional entertainment and accent current entertainment venues.
- Main + Abbey – a restaurant;
- The Backyard – a 2-acre setting behind the Battery Building, provides a strong ability to energize the property and the downtown area in the summertime – concerts, festivals, movies, etc.
- Anthem Biergarten – can connect to The Backyard and the Anthem Brewhouse;
- Fuel Express – Snack Bar;
- Center Bar – Destination; Happy Hour, Place to Hang Out
- Hard Rock Store – Hard Rock merchandise
- Memorabilia – music-inspired
- Hotel – Partner with Stoney Creek, located directly across the street. Hotel occupancy is currently 55-60%; didn't want to take business away from existing hotels. They are going to have a 60-room hotel which Stoney Creek will manage for them.

Each of the amenities will help create energy for the casino, create interaction between the guests and generate the best outcome for the development and the State. The casino gaming floor will be 32,000 square feet with 800 slot machines and 32 table games. Their marketing will utilize the newest technology which will allow them to build their player database in the area prior to the facility opening, thus being able to reward customers for their play immediately. They will also utilize entertainment-based marketing. It is their goal to have 40,000 people in the local database prior to the facility opening.

Mr. Warner noted that people create the foundation for any successful operation. It is possible to build a great project and market all you want, but unless the guest has an amazing experience (great food; clean, safe facility; high energy; great gaming and a friendly environment) upon entering the facility, all is for naught. Hard Rock provides their employees with world class training, promotion from within and benefits.

Mr. Warner stated that he left Stations Casino in 2007 and created Warner Gaming. He wanted to insure that the executives he chose had the same philosophy as he did about how to treat people, etc. Additionally, he wanted a team that had diversity as he wanted

to create more than a casino. The management team has over 300 years of gaming and hospitality experience.

With regard to community support, Hard Rock received 4,453 likes, or 245% more than the other projects. He noted that the fastest growing segment of Facebook users is individuals 55 or older. In a Sioux City Journal poll asking which land-based casino was the best option for Sioux City, the Hard Rock project received 57.4% of the votes.

Mr. Warner stated the Hard Rock Casino project would create in excess of 380 jobs locally with over 90% of the goods, services and contractors being sourced in Iowa. With regard to ongoing operations, he indicated the Hard Rock would have over 500 employees, creating an additional 300 jobs causing no displacement or loss of jobs. Mr. Warner indicated that 90% of the employees would be Iowans. Projected first year wages and benefits are projected to be in excess of \$20 million. Projected local economic impact is in excess of \$105 million annually thru gaming taxes, payroll, local goods and services, and local marketing efforts. Mr. Warner noted that MRHD has an excellent track record in the community having distributed over \$20 million in its 20-year history. Should Hard Rock receive the license, MRHD would receive 4.25%, resulting in an annual non-profit payment of \$3.9 million. With respect to gaming revenue, Mr. Warner stated they are projecting \$90.9 million, the highest of any of the applicants. Gaming taxes are projected at \$20 million.

Mr. Warner closed the presentation by reiterating that Hard Rock is the best brand, has the best location, the best amenities and the best team which will result in the most gaming revenues and the greatest economic impact for Sioux City, Woodbury County and the State of Iowa.

Following a short break, Chair Lamberti called on Hollywood Casino Siouxland. Lorraine May, legal counsel representing Penn National Gaming (Penn) and its subsidiary, Belle of Sioux City, and its non-profit, Greater Siouxland Improvement Association, stated they had an exciting project for the Commission. The fully-financed proposed project would be located on 37 acres located approximately 3.2 miles south of the Sioux City city limits. The facility will have 100,000 square feet with a 33,000 square foot state-of-the-art casino floor; first class hotel, incredible restaurants and live entertainment. The \$157 million investment will provide incredible revenue and opportunity for the county, city and the non-profit partner. The proposed facility is projected to have an economic impact in excess of \$40 million in the first year alone.

Ms. May introduced Peter Carlino, Chairman and CEO of Penn; Steve Schneider, Sr. Vice President of Urban Development; Tom Burke, Sr. Vice President, Regional Operations; Carl Sottosanti, Sr. Vice President, Legal Affairs; Lance George, General Manager of Argosy Casino, Sioux City; Mike Thoma, Director of Operations, Argosy Casino-Sioux City; Karen Bailey, Director of Public Affairs for Penn; and Paula Feltner and Mike Heller, Local Government Relations Representatives. She also introduced Tina

Eick, co-legal counsel. She also noted there are several local government representatives from Sioux City in attendance.

Ms. May stated that Penn is a gaming company with a regional focus; noting they are the largest regional gaming company in the United States. They have 29 facilities in 19 jurisdictions. Ms. May stated she was a member of the Commission in the late 1980's – early 1990's when licenses were granted to Sioux City with financing contingencies; those licenses failed when the contingencies could not be met. She emphasized there are no financing contingencies connected to this application. Ms. May noted that Penn has an award-winning management team. She advised that in the last 18 months Penn has completed three totally new, from-the-ground-up projects; and one huge renovation. The four projects totaled in excess of \$1.5 billion; all were brought in on time and on budget. The company has over 18,500 employees and an existing national player database. Ms. May noted that Penn currently has two casinos in Kansas City – one on the Missouri side and one on the Kansas side. She stated that in the past year over a thousand gamers from those two venues have come to Sioux City.

Ms. May advised that Penn has the best balance sheet in the gaming industry, and the lowest net leverage; however, this is not Penn's only strength. She indicated they are great stewards of the environment. Additionally, they are a very stable company; they have made the Forbes List of the fastest growing companies for six of the last seven years.

Ms. May stated that Penn acquired the Belle of Sioux City through the acquisition of Argosy Gaming in 2005. They currently have over 300 employees; 70% have been with the company in excess of five years. Payroll is \$12 million annually; gaming taxes are \$16.2 million annually; and Penn pays \$1.8 million annually to Sioux City and MRHD each. Ms. May noted that Penn spends \$5.5 million annually with Iowa businesses.

Ms. May turned the floor over to Bob Knowler, President of Greater Siouxland Improvement Association (GSIA). Mr. Knowler advised he is a 51-year resident of Sioux City, and has served on numerous non-profit boards during that time. He stated the GSIA has an excellent, non-partisan board. He provided a brief background of each board member. Mr. Knowler introduced Lyle Ditmar, legal counsel for GSIA. Mr. Knowler advised that GSIA has written and certified By-Laws that will make them the best possible choice to directly hold the gambling license. There will be term limits of three terms, starting with staggered terms to enable continuity while bringing in new blood. Board members will not receive any compensation; nor will there be any institutional overlap between board members and grant recipients. The Board has adopted a grant acceptance policy that will accept grants from the Siouxland area, the same area that generates the funds that will be awarded. Additionally, there will be a strict Conflict of Interest policy. Mr. Knowler stated that GSIA believes Penn is the best possible operator as they are a major casino operator; their willingness to work with GSIA on the operating agreement; generosity to the community; loyalty to their employees and being a good corporate citizen of Sioux City.

Mr. Knowler turned the floor over to Kelly Connolly, a fellow board member, for additional comments. Mr. Connolly noted that a lot of community members have dedicated their private lives to serve on the various non-profit boards and to help Sioux City. He advised that he has been a successful business owner, and prior to that managed a number of businesses. Prior to agreeing to serve on the GSIA board, he did his own due diligence on Penn to determine whether he wanted to be associated with them. He stated that he found Penn to be a successful and progressive publicly-traded company that has won many awards for being an integral part of economic development and charitable giving in the communities in which they operate. Mr. Connolly stated that the Mayor of Kansas City indicated that Penn has been a better partner than they could have ever imagined. He noted that Penn has successfully operated the Argosy in Sioux City since 2005 after many attempts by others had failed. Mr. Connolly indicated Penn is successful because of their business model, solid financials and proven management team.

Mr. Connolly stated Penn is not asking for financing, special tax breaks or any public money. He noted that one city leader had stated that with a TIF-casino the vast majority of taxes generated the first 20 years would be required to pay off the TIF financing; creating only a marginal benefit to the taxing entity. As a taxpayer, he does not believe Sioux City can afford some of the risks.

Ms. May turned the floor over to Ms. Bailey, who presented the specifics of the Siouxland project. Ms. Bailey noted that in 2011 legislation was lifted that required a county-wide referendum every eight years for the continued operation of gambling games within the county. She advised that in 2010, just over 76% of the voters approved the continuation of gambling within the county; however, 60% weren't interested in a land-based facility.

Ms. Baily stated the Siouxland project is a \$157 million project located at the Port Neal Interchange off I-29, just south of Sioux City. The facility will be 100,000 square feet which will have a fine-dining steakhouse, a casual dining sports bar and a casino bar. There will be a 500-seat theater-style entertainment venue that can also be transformed into conference and banquet space. There will be just over 1300 parking spots. The casino floor will encompass 33,000 square feet and feature 750 slots, 20 table games and 5 poker tables. A 150-room hotel will also be included in the first phase of this project. Penn is looking at 37 acres of land, which would provide room to expand. She noted that Penn does have control over the land; it is under option should they be awarded the license. Ms. Bailey reiterated that the project is fully financed.

Ms. Baily advised that gaming revenue projections are approximately \$89 million annually with \$22 million of that going to the state; \$4.4 million to GSIA, and another \$1.3 million in additional taxes (income, employer, sales, etc.). They anticipate approximately 472 jobs at this facility, which is roughly 150 more than they currently employ at Argosy. Employees transferring to the land-based facility will continue to receive their full benefits package, seniority and everything else that Penn has to offer as a company. Penn anticipates a \$10 million annual tourism economic impact in the

Siouxland area and a \$40 million total economic impact in the first year for Woodbury County.

Ms. Bailey advised that Penn wants to be a good corporate partner, and appreciates all the support they have received. She noted they hire local, spend locally and have a local focus. She stated that Penn had launched an on-line letter writing campaign, and received a tremendous response. She submitted over 1,600 letters in support of the Hollywood project as of January 9th; 14% are from current employees; 68% are from Iowa-based addresses and 28% came from Nebraska and South Dakota. Additionally, 53% of the letters supported either location, while 3% specifically supported the county location.

Ms. Bailey showed renderings of the Siouxland project. It will be done in Art Deco and Hollywood's Golden Age glamour with new technology. Penn is the largest Hollywood memorabilia collector, in the United States, and possibly the world.

Ms. Bailey summarized the Siouxland project: \$157 million project, fully financed - not asking for TIF money or special financing, contributions, etc. They have over 300 tenured employees that desire to continue their employment. She also referenced their ability to bring projects in on time and on budget.

Following a short break, Penn switched to their project in Sioux City. Ms. May advised that the projects are the same except where they are different. They have the same financing plan, 100% personal commitment by Penn. The \$160 million Sioux City project will be located on Gordon Avenue between Virginia and Nebraska Streets. The facility will have over 100,000 square feet with approximately 33,000 square feet of gaming area. It will feature four themed food and beverage venues – a steakhouse and bar; grille, casino bar on the gaming floor and a sports pub. The gaming floor will have 750 slots, 20 table games and 5 poker tables. The downtown casino is projected to have an economic impact of over \$37 million in the first year alone. Ms. May turned the floor over to Ms. Bailey, who presented the specifics of the project.

Ms. Bailey advised that Penn is looking at constructing a 150-room hotel in the second phase of the project. She noted they already partner with some of the local hotels in their current operations. They want to supplement and complement existing hotels, not supplant them. The downtown project would have an 800-car parking garage, and 300 surface parking spots. It would also have a 500-seat multi-purpose venue that can transition from theater-style seating to banquet and conference space. Ms. Bailey stated the land needed for the project is under Penn's control; no additional land is needed and the project is fully funded.

Ms. Bailey advised this location is the closest to I-29, has direct access off Gordon Drive and is close to the 4th Street Historic District. She advised there are some existing businesses in the area. Penn will become the landlord for the IHOP restaurant; and Chili's will remain in their existing location. Penn will be providing relocation assistance to some of the businesses located in the strip mall.

Ms. Bailey moved to the economic impact of the project. The downtown facility is projected to generate \$85 million in net gaming revenue, \$21 million in taxes for the state annually, \$3.5 million to the non-profit and other additional taxes of \$1.2 million. Penn is projecting 434 jobs at this facility. They are projecting \$9 million in direct economic impact and tourism; and \$37 million in economic impact in Sioux City and Woodbury County in the first year. Ms. Bailey advised that Penn would be paying full property tax values on the improved downtown site.

Ms. Bailey introduced Peter Carlino, the Chairman and President of Penn. She noted that the company started with a single racetrack in central Pennsylvania in 1972. Mr. Carlino stated that he took the company public in 1994 in a small public offering that raised \$16 million. At that time, the company had \$38 million in sales and was marginally profitable. Today, sales are in the range of \$3.3 billion, and continue to grow. Mr. Carlino noted that Penn, in partnership with the Canadian government, operates the largest destination casino resort in Canada. He stated the company has had a slow, but steady climb to become the largest regional gaming company.

Mr. Carlino stated that after several attempts by Penn to purchase a gaming facility in Iowa they were finally successful in 2005 when they purchased Argosy Gaming, and thus acquired the Belle of Sioux City. He noted that Penn paid \$136 million for the facility; and have spent another \$102 million on the facility – an investment Penn may lose. Mr. Carlino stated that Penn never imagined that it would be possible for a gaming company to lose its license for any reason other than malfeasance; indicating that it has never happened before in the United State of America ever. Mr. Carlino advised that the referendum every eight years was one of the issues that kept them from pursuing a land-based casino. He stated that no gaming company has developed more gaming properties in the United States; advising that in the last two years Penn has opened four major facilities – Kansas City, Kansas; Kansas City, Missouri; Toledo, Ohio; and Columbus, Ohio.

Mr. Carlino stated that should Penn be awarded the license, they would continue local hiring and current staff would maintain their seniority. He noted that over 65% are Iowa residents. He advised that Penn is committed to purchasing goods and services locally, noting that approximately 70% of purchases are with Iowa businesses. Mr. Carlino further stated that Penn has been very active in economic and community development in Sioux City; Penn made \$8.3 million in direct charitable contributions in the City, which was augmented by thousands of service hours donated by the company and employees to help accomplish many community efforts. He noted that both large and small gaming facilities have an amazing multiplier economic impact in the communities in which they operate. Mr. Carlino stated that Penn is recognized in the gaming industry and by Wall Street as the best-run and best capitalized gaming company; no other gaming company creates as much excitement for its investment dollars than Penn.

Mr. Carlino advised that the restaurant offerings in their facilities meet all price points. He noted that their Final Cut Steakhouse in Charlestown, West Virginia is known for

offering more in quality, quantity and excitement than any steakhouse in the Washington, DC area. The area is also known for its extraordinary wine offerings.

Mr. Carlino stated that Penn has a very strong desire to be a major player in Iowa. He pointed out that they have submitted two outstanding proposals and are neutral on which project is preferred. Mr. Carlino noted that the Siouxland proposal is more suburb rather than urban, and provides more space for expansion in the future; however, they would be happy to build downtown should that be the proposal the Commission chooses. He stated their proposals do not require any land condemnations or abandonments. Mr. Carlino reiterated that no financing is required; Penn can write a check. He did express some unhappiness on Penn's part as to how the process has unfolded. Mr. Carlino concluded his remarks by stating that Penn would be very happy to bring their Hollywood brand to Sioux City.

Ms. Bailey thanked the Commission for their time, as well as those individuals who participated in the presentation.

Chair Lamberti stated the presentations were very well done; and well thought out. He noted that the quality of the presentations did not make their decision any easier. As there was no further business to come before the Commission, he requested a motion to adjourn. Commissioner Mertz moved to adjourn the meeting. Commissioner Kramer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 6-7, 2013**

The Iowa Racing & Gaming Commission (IRGC) met on Wednesday and Thursday, March 6-7, 2013 at the Stoney Creek Inn, 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 5:00 PM on Wednesday, March 6th, and noted there was one change to the agenda: move agenda item 5J - Clarke County Development Corporation/HGI-Lakeside, LLC d/b/a Lakeside Hotel Casino (CCDC/HGI) - to the beginning of the license renewals. He requested a motion to approve the agenda as amended. Commissioner Seyfer moved to approve the agenda as amended. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti requested a motion to go into Executive Session. Commissioner Seyfer moved to go into Executive Session pursuant to, but not limited to, Iowa Code Sections 21.5(1)d, g, and h for the purpose of receiving Division of Criminal Investigation background reports. Commissioner Heinrich seconded the motion. The motion carried unanimously on a roll call vote.

Commissioner Heinrich moved to leave Executive Session, and recess the meeting until 8:30 AM on Thursday, March 7th. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti reconvened the meeting at 8:30 AM on Thursday, March 7th, and advised those in attendance of the change to the agenda approved the evening before. He moved to the approval of the minutes from the January 10, 2013 Commission meeting. Commissioner Heinrich moved to approve the minutes as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti moved to announcements and called on Brian Ohorilko, Administrator of the IRGC. Mr. Ohorilko advised that on March 26th, the Commission members would be visiting the proposed sites followed by public comment commencing at 1:30 PM in the Rivers Bend Ballroom at the Stoney Creek Inn in Sioux City. He noted that following public comment, there will be a question and answer period with each applicant by the Commission. Mr. Ohorilko encouraged those wishing to address the Commission during public comment to contact the Des Moines office at 515/281-7352 to sign up, noting that sign up would be allowed on March 26th as well.

With regard to future meetings, Mr. Ohorilko provided the following information:

- April 18, 2013 – Mid America Center, Council Bluffs, IA (Submissions due by April 4, 2013)
- May 2013 – No Meeting
- June 6, 2013 – Lakeside Casino, Osceola, IA (Submissions due by May 22, 2013)

Mr. Ohorilko noted that former administrator, Jack Ketterer, was in attendance, and thanked him for his service to the State of Iowa.

Chair Lamberti moved to the Excursion Gambling Boat and Gambling Structure License Renewals and called on CCDC/HGI. Jerry Crawford, legal counsel for Affinity Gaming, advised that the license renewal application was filed timely and signed by CCDC Chair Amy Lampe. He requested the Commission's approval.

Bill Reisinger, representing CCDC, advised that Herbst Gaming filed bankruptcy in the District Court of Nevada in 2009. When CCDC learned that Herbst was going to transfer the Operator's Agreement to a new entity, CCDC came to the Commission and requested that the Operator's Agreement not be transferred but rewritten and modified to include the state minimum of 3% to the non-profit organization. He stated that the entity emerging from bankruptcy is new and is required to abide by Iowa law and increase the payout to CCDC to the minimum of 3%. Mr. Reisinger stated that CCDC contends the following:

1. The transfer from Herbst to HGI is not legally binding.
2. Iowa law prohibits the transfer of any gaming license.
3. CCDC has continued to ask HGI, and now Affinity, to negotiate with them for the past 27 months, with no progress being made.

Mr. Reisinger advised that Affinity continues to ignore CCDC, and when pushed will offer something that has not even been agreed to by their corporate office. At times, the parties have agreed to a modified settlement only to have it rejected on all points and to have to start all over again. Mr. Reisinger stated that the parties are at an impasse. He noted that by Iowa law, CCDC should be receiving 3%, but continues to receive 1.5%, stating that Affinity finds it more profitable to fight CCDC legally or ignore them than to pay them what is due. He stated Affinity is currently laying the groundwork to allow future assignments of the license to block CCDC from ever getting to the state minimum of 3%. Mr. Reisinger asked that the Commission require Affinity to pay CCDC the state minimum of 3%; stating that the Commission has the ability to conclude the ongoing dispute.

Doug Gross, legal counsel for CCDC, stated that CCDC recently learned that Affinity is engaged in a nasty piece of litigation with their largest shareholder, Z Capital, which has made an effort to try and take over the company. He noted that Z Capital is accusing Affinity of looting the company and engaging in an effort to try and change the structure of the company in order to avoid shareholder rights. Mr. Gross stated this reminds him of what CCDC has experienced with this company for the last three years. He indicated that

Herbst went to bankruptcy in order to avoid paying the 3% minimum. Mr. Gross advised that when the bankruptcy court took their action, it was subject to the jurisdiction of the IRGC. He further stated that under the Commission's criteria, the Commission is obligated to look at the community benefit when a license is granted or renewed, and when a for-profit is not providing the community with at least the state minimum of 3% the question arises as to whether they are benefiting the community. Mr. Gross stated CCDC is asking for an indication that the Commission is willing to renew the license subject to the Commission including a condition that HGI pay CCDC the minimum 3%. He advised that CCDC has made numerous offers in an effort to achieve the 3%; and every time they do that, HGI has something else that they want. Mr. Gross stated CCDC is aware HGI is in discussions to sell the assets of the company, and not once have they come to CCDC and briefed them on the shareholder litigation, an effort for a takeover by a shareholder, or the possibility of selling the assets of the company. Mr. Gross asked the Commission to make sure the community of Osceola and the surrounding environment of southern Iowa is treated fairly and indicate to HGI that the Commission expects them to provide CCDC with the 3% minimum.

Commissioner Seyfer stated he believes the matter is one of litigation, and doesn't feel the Commission should address the issue.

Chair Lamberti noted there have been numerous discussions about these issues; and that the Commission would like nothing more but for there to be a resolution and has tried to be of assistance when possible. He noted there are a lot of issues and ongoing litigation on that specific issue coming out of the bankruptcy court. He further advised that the Commission is aware of the litigation involving the shareholders of Affinity, and have heard rumors of a potential sale and other issues. Chair Lamberti also indicated now is not the time for the Commission to get involved beyond approving the license renewal.

Mr. Gross stated the only reason there is litigation is because at the time the Commission took action with the new owner and granted them a license, the Commission did so without considering community benefit, which is one of the criteria. He noted that community benefit relates directly to what the qualified sponsoring organization is to do. Mr. Gross stated that the license renewal process also requires the Commission to look at the statutory criteria. He stated the CCDC Board spent two years trying to avoid litigation, and were left with no other choice but to litigate in order to try and accomplish this for the community. He stated CCDC is looking for a signal from the Commission that they believe the community should be treated fairly; they are not asking the Commission to get involved in the litigation.

Chair Lamberti called for any further discussion or comments. Commissioner Heinrich stated this was an issue when he was first appointed to the Commission; that the Commission has visited about it and he has talked to Mr. Thursby about it. He stated that he believes the matter can be resolved but should be resolved by the two parties.

Hearing no further comments or discussion, Chair Lamberti called for a motion. Commissioner Seyfer moved to approve the license renewal application of Clarke County Development Corporation and HGI-Lakeside, LLC d/b/a Lakeside Hotel Casino as a moored barge. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Iowa West Racing Association (IWRA) and Ameristar Casino. Pete Tulipana, Executive Director of IWRA, stated they have a strong relationship with Ameristar and Harrah's. He introduced Monty Terhune and Bo Guidry, the General Manager at Ameristar and Harrah's respectively. He requested the Commission's approval of the license renewal applications for both properties. Mr. Tulipana stated both companies are great corporate citizens; company representatives are active in numerous community organizations; and employees volunteer and donate their own resources. He advised that in 2012 as a result of fees received from Ameristar and Harrah's, the IWRA was able to help the Iowa West Foundation (IWF) make grants of \$16 million to dozens of non-profit organizations and government entities. Mr. Tulipana stated that in the not-to-distant future, IWRA would be reaching the \$300 million milestone that the IWF has distributed throughout southwest Iowa. He noted the funds have had a tremendous impact throughout the region in education, economic development, and social needs, as well as other areas.

Mr. Terhune stated Ameristar is very happy with their relationship with IWRA, and the funding provided through that partnership. He indicated they are proud of the work they also do within the community. He requested the Commission's approval of the license renewal application.

Mr. Terhune submitted the following contracts for Commission approval:

- Clockwork – Interior Design for Casino Restroom & Fitness Center Remodel
- Global Infrastructure – Vessel Slip Maintenance
- Zach's Boat Lift Service – Soft Ramp/Dock Replacement

Chair Lamberti called for any questions or discussion. Hearing none, he requested a motion. Commissioner Heinrich moved to approve the license renewal application of IWRA and Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino as an Excursion Gambling Boat that will not cruise, and the contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Mr. Guidry stated they have a wonderful relationship with IWRA, and requested approval of the license renewal.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the license renewal application of IWRA and Harvey's Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino & Hotel as an Excursion Boat that will not cruise. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Worth County Development Authority (WCDA) and Diamond Jo Worth (DJW). Kim Pang, General Manager, and Deb Hanson, Chief Financial Officer for WCDA, were present to address any questions. Mr. Pang stated the facility employs 440 and continues to grow the north Iowa/south Minnesota corridor. He advised their relationship with WCDA has been solid since the inception of the property in 2006. To date, approximately \$25 million has been given to the WCDA; \$5.4 million in 2012 alone.

Mr. Pang submitted a contract with Cummins-Allison Corp. for new cage and count room equipment, and the annual service contract to maintain the equipment. Mr. Pang turned the floor over to Ms. Hanson.

Ms. Hanson noted that WCDA recently added four new board members. They have also helped move forward the new water infrastructure at the I-35/Diamond Jo interchange. Work should be completed by August of this year. The Fall Grant Process was dedicated to the Worth County Water Resource project, which will provide many possibilities for new economic development at the sight. Ms. Hanson noted that education is still one of the main priorities for WCDA. This year 1,207 K-12 Worth County students received a \$75.00 "Back to School Gift Card"; 102 students received scholarships of \$6,670.60 to the college of their choice; and all students enrolled in a Worth County preschool received free tuition. Additionally, over \$2 million was given to the five school districts. She indicated that DJW is a terrific partner.

Chair Lamberti called for any comments or questions. Commissioner Seyfer stated that WCDA's support of education is just amazing; that he is blown away by their report every year. Ms. Hanson advised many parents have indicated that without the scholarship their child would not be able to attend college. She noted that if they attend one of the community colleges and are careful with the money, it will cover all of the expenses.

Hearing no further comments, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the license renewal application of WCDA and Diamond Jo Worth, LLC d/b/a Diamond Jo Worth as a Gambling Structure, and the contract as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Washington County Riverboat Foundation (WCRF) and Riverside. Dan Franz, General Manager, introduced Patty Koller, the new President of WCRF. He provided a quick summary of operations for 2012, noting that it was a bit of a challenge to meet the records set in 2011. He noted that while gaming revenue was down, their non-gaming business was up – including record revenue from the group sales department and the golf course. They maintained their employee base of between 700 and 750, and paid over \$19 million in salary and benefits. Riverside Casino paid \$25 million in state, county and city taxes, contributed \$3.4 million to WCRF, and made \$278,000 of contributions and donations to charities in communities where their employees reside. Mr. Franz noted that in 2012 the property created an employee

volunteer program; throughout the year, employees volunteered over 7,000 hours to a myriad of events.

Mr. Franz submitted the following contracts for Commission approval:

- Electronic Contracting Company – Replacement TVs for Hotel Renovation
- IGT – Slot Machines Purchase
- U.S. Bank/Ultron Processing Service – ATM Revenue Agreement

Mr. Franz advised that the original president of WCRF resigned in 2012 due to an opportunity outside the county. He turned the floor over to Ms. Koller. Ms. Koller advised that WCRF has distributed over \$16 million in Washington County and the surrounding counties, with approximately \$5 million going to municipalities in the county. She stated one of their favorite grants this year was to cover the costs of an honor flight for 60-65 World War II veterans to go to Washington, DC. Ms. Koller stated the jobs provided by Riverside are very important to the residents of the county. She indicated WCRF has an excellent relationship with the facility. She requested approval of the license renewal application.

Chair Lamberti called for any questions, noting there were contracts contained in the license renewal. Hearing none, he requested a motion. Commissioner Mertz moved to approve the license renewal application of Washington County Riverboat Foundation, Inc. and Riverside Casino and Golf Resort, LLC d/b/a Riverside Casino & Golf Resort as a Gambling Structure, the contracts contained within the license renewal, and the additional contracts as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Black Hawk County Gaming Association (BHC GA) and Isle of Capri Waterloo (Isle). Tim Hurley, Chair of BHC GA, based his comments on partnership, leveraging and transformational. He stated that BHC GA is very pleased with their relationship with the Isle. Noting that Isle is a good corporate citizen, Mr. Hurley provided the following examples: when Waterloo hosted RAGBRAI, the Isle provided equipment and manpower; and after the 2008 floods, they provided an infusion of cash to help prepare for the future. In 2012, BHC GA distributed \$3.2 million to 36 projects in 19 municipalities within Black Hawk County and the five or six surrounding counties where they also distribute funds. Funds were utilized for public safety equipment, new restrooms for county parks, various quality of life projects, as well as upgrading some local landmarks ravished by the flood. They have recently made a major challenge grant of \$1.2 million with the local YWCA to renovate the downtown facility. Mr. Hurley stated they reached the 5-year mark in November; during that time BHC GA has distributed \$25 million to 270 projects in the Cedar Valley area. He indicated the average contribution is approximately 30-33% of any given project; he stated that a \$75 million impact in their area is truly transformational. Mr. Hurley stated that BHC GA and Isle decided years ago to focus on the renovation of downtown Waterloo, and that is now coming to the forefront. He extended an invitation to the Commission to come to

Waterloo for a meeting so the Commission can see the impact of the funds in the community. Mr. Hurley requested approval of the license renewal application. He turned the floor over to Bari Richter, General Manager at the Isle.

Ms. Richter stated the Isle is pleased to partner with BHCGA; that they are a wonderful group to work with. She stated that in 2012 they continued to focus on enhancing the facility; and that will continue this year. One of the contracts before the Commission is for the remodeling of the buffet into Farmers Pick brand, which focuses on working with local vendors. Isle has already started establishing contact with local vendors. The bar area will also be remodeled. Ms. Richter stated the employees volunteer with local charities that tie in with their own interests. Ms. Richter submitted the following contracts for Commission approval:

- Just Vote No Casino – Referendum
- Gilbertville Locker – Meat Vendor for Food Outlets
- Ryan Companies US, Inc. – General Contractor for Fling and Farmers Pick Remodel

Ms. Richter requested approval of the license renewal application.

Chair Lamberti called for any comments or questions. Hearing none, he requested a motion. Commissioner Seyfer moved to approve the license renewal application of BHCGA and IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo as a Gambling Structure and the additional contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Commissioner Heinrich stated that he appreciated receiving the reports on the casino's impact on the local community.

Chair Lamberti called on the Dubuque Racing Association (DRA), and Diamond Jo. Jesús Avilés, President of DRA, stated that a group of citizens created DRA and brought gaming to Dubuque; today, DRA has distributed over \$165 million to the community. He noted that today Dubuque is a vibrant community with a low unemployment rate and accounts for 18% of the jobs in Iowa partially due to the efforts of DRA and the Diamond Jo Casino. Mr. Avilés noted the organizations work as partners, not rivals, and individuals volunteer thousands of hours to other organizations in the community, some in leadership roles. Mr. Avilés introduced Todd Moyer, General Manager of the Diamond Jo Casino.

Mr. Moyer reiterated that the organizations work together for the common good of the community, noting that he and Mr. Avilés sit on a number of private/public boards that drive decisions and bring people together to get things accomplished. He requested approval of the license renewal application.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the license renewal application of DRA and Diamond Jo LLC d/b/a Diamond Jo as a Gambling Structure. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Lyon County Riverboat Foundation, Inc. (LCRF) and Grand Falls Casino Resort (GFCR). Sharon Haselhoff and Jeff Gallagher, General Manager of GFCR and President of LCRF respectively, were present to address the Commission. Ms. Haselhoff noted this was GFCR's first license renewal since obtaining the license in May 2010. She expressed their hope that the Commission is proud of what has been accomplished: took less than one year to build the \$120 million resort; have been open 22 months and have created over 500 jobs; gaming revenue for the first full year of operations was over \$58 million, and have generated in excess of \$17 million in gaming taxes for the State of Iowa. Ms. Haselhoff indicated GFCR was very happy with their non-profit partner, and advised that they have received over \$3 million. Ms. Haselhoff turned the floor over to Mr. Gallagher.

Mr. Gallagher noted that just over three years ago he stood before the Commission telling them what a casino would mean to Lyon County. He shared some of what LCRF has been able to fund in the 22 months of operations: Built a \$600,000 firehouse in Larchwood; working to build a \$2.6 million swimming pool renovation in Inwood; a project in a town of 250 so that they can have a community center; have paid for fire trucks in eight of the nine communities in the county; helped the Lyon County Sheriff's Department institute a new 911 program; and are helping all of the schools in Lyon County to put locks on their doors. Additionally, over \$800,000 has been given to three school districts and the cities and county. Mr. Gallagher stated that LCRF has had a wonderful experience with GFCR. He requested the Commission's approval of the license renewal application.

Chair Lamberti called for any comments or questions, noting that the motion would need to include the contracts submitted with the license renewal application. Hearing none, he requested a motion. Commissioner Mertz moved to approve the license renewal application of LCRF and Grand Falls Casino Resort, LLC d/b/a Grand Falls Casino Resort as a Gambling Structure and the contracts contained within the license renewal. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Scott County Regional Authority (SCRA) and IOC Bettendorf. Nancy Ballenger and Sally Rogers, General Manager and Director of Finance respectively, were present to address the Commission. Ms. Ballenger advised that a representative from the non-profit was not able to attend; however, they did send a letter indicating they are pleased with their relationship with IOC Bettendorf. Ms. Ballenger noted that SCRA received approximately \$3.2 million last year, and has distributed approximately \$63 million since the inception of gaming in Bettendorf. Grants have been in the areas of education; governmental projects such as fire trucks and other lifesaving equipment; and to other non-profit organizations that help improve the quality of life in

the community. Ms. Ballenger stated that the two entities have an open and good relationship.

Ms. Ballenger talked briefly about the Waterfront Convention Center, which was built in conjunction with the City of Bettendorf. The city owns the facility and IOC Bettendorf operates it. There are 514 hotel rooms with convention space, which allows them to bring in regional, national and international groups. Ms. Ballenger stated that Pioneer uses the space frequently to bring in conferences that were formerly held in Asia, Canada, South America, etc. She noted the facility has developed a program that allows employees to request time off to volunteer in the community; last year employees volunteered approximately 688 hours and were paid to do so. Ms. Ballenger stated the facility feels it is important for their employees to volunteer in the community. She noted they focused on upgrading the casino last year, and will be investing in upgrading the hotel rooms in the older tower this year, as well as some of the food and beverage areas. Ms. Ballenger indicated the cost of the upgrades would be over \$3 million. She requested approval of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the license renewal application of SCRA and Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf as an Excursion Boat that will not cruise. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Riverboat Development Authority (RDA) and Rhythm City Casino. Mary Ellen Chamberlin, President of RDA, introduced Gary Moore, Chairman of the RDA Board, and Mo Hyder, General Manager of Rhythm City. She expressed RDA's sorrow at the departure of Mr. Hyder; noting he had accepted a new position in another state.

Ms. Chamberlin stated RDA is operating on a guaranteed amount at the present time, which is approximately \$2 million per year. She indicated they have been doing a lot of capacity building and challenge grants; and in doing so, have generated a new level of giving in the community. In a challenge grant, RDA will challenge the organization to find new donors, and every organization has lived up to the challenge, thus creating another layer of donors in the community and leveraging thousands of dollars per year. Ms. Chamberlin stated that RDA is still putting as much money into the community as when they had more money to distribute, but under the challenge grants, they are increasing the organization's ability to raise funds on their own. She noted that RDA has encouraged the housing and building groups to form a council within the community, and they provide them with one large grant a year, allowing them to establish their own goals for the funds and generate additional grants. Ms. Chamberlin requested the Commission's approval of the license renewal. She turned the floor over to Mr. Hyder.

Mr. Hyder advised he would be leaving Iowa after 20 years, having worked at various facilities. He expressed his appreciation for being able to be a part of the Davenport

community. He also requested the Commission's approval of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the license renewal application of RDA and IOC Davenport, Inc. d/b/a Rhythm City Casino as an Excursion Boat that will not cruise. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Southeast Iowa Regional Riverboat Commission (SIRRC) and Catfish Bend Casino (CBC). Steve Staebell, President of SIRRC, noted that it is truly a regional commission with three representatives each from Keokuk, Ft. Madison and Burlington. He advised that SIRRC receives a little over 3.1% of the monthly gross revenues, which generated over \$1.2 million last year. Mr. Staebell stated that funds distributed to Keokuk are targeted to Keokuk's tourism, and also provides funds for public safety equipment and start-up capital for economic development. Fort Madison uses its funds for specific grants for a variety of organizations in Ft. Madison and Lee County. Burlington distributes its funds to "Grow Greater Burlington", the economic development organization. Mr. Staebell advised that Burlington has recently created a community investment fund. He indicated none of the above would be possible without the partnership with CBC. Mr. Staebell noted they have a great relationship. He pointed out that last fall SIRRC unanimously approved a new ten-year agreement with CBC, demonstrating their commitment to CBC, and CBC's commitment to the region. Mr. Staebell requested approval of the license renewal application. He introduced Gary Hoyer, the Chief Executive Officer of CBC.

Mr. Hoyer stated that CBC is proud of its growth year over year; advising they posted a 3.1% increase in gaming revenue. He requested approved of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the license renewal application of SIRRC and Catfish Bend Casinos II, L.C. d/b/a CBC II as a Gambling Structure. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Clinton County Development Association (CCDA) and Wild Rose Clinton (WRC). Tim Bollmann, General Manager, advised their non-profit partner was not present. He noted the parties have a very strong relationship. In 2012, \$1.6 million was distributed back to the community for community services, education, public safety and economic development. Mr. Bollmann stated there are great things happening in the community due to the partnership. He requested approval of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the license renewal

application of CCDA and Wild Rose Clinton, L.L.C. d/b/a WRC as a Gambling Structure. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Palo Alto County Gaming Development Corporation (PACGDC) and Wild Rose Emmetsburg. Amy Rubel and Skip Wallace, General Manager and non-profit representative respectively, were present to address the Commission. Ms. Rubel noted the facility has been open for seven years. She advised that the non-profit receives 6%. She further advised that this year the non-profit and the facility partnered up to purchase a Sunshine Van to be donated to the Variety Club, which will go to Horizons in Emmetsburg. She turned the floor over to Mr. Wallace.

Mr. Wallace stated PACGDC had just held their seventh awards ceremony and distributed over \$1.75 million. Grants were distributed to fire departments, the hospital and to help with two trails. They also partnered with Palo Alto County Economic Development to provide funds to a factory that wanted to expand, which will create 25 additional jobs. Mr. Wallace stated PACGDC is proud to represent Palo Alto County and provide funds for various projects that would not be able to happen without those funds. He introduced various board members in attendance. Vice President Kay Suhr noted that \$350,000 had been given to various city departments, and \$200,000 to school activities. Mr. Wallace requested approval of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion, noting there are contracts in the renewal application. Commissioner Mertz moved to approve the license renewal application of PACGDC and Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg as a Gambling Structure and the contracts contained within the license renewal. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Upper Mississippi Gaming Corp. (UMGC) and Isle of Capri Marquette. Bill Gustafson and Laurie Fisher, General Manager and Director of Finance respectively, were present to address the Commission. Mr. Gustafson advised that Sindee Gohde, Executive Director of UMGC was not able to attend. Ms. Fisher read a letter from Ms. Gohde, which indicated the partnership is still going strong after almost two decades. She noted that Lady Luck is one of the largest employers in the county, and has helped to increase area business through revenue from tourism, and gaming money that goes back into the county through grants from UMGC. Ms. Gohde stated the Lady Luck provides entertainment, a fine dining experience and a relaxing atmosphere. She advised that UMGC has distributed over \$4,611,524.65 in grants. Ms. Gohde requested approval of the license renewal application so that the people of Clayton County can continue to benefit.

Mr. Gustafson stated the 233 team members had volunteered 3500 hours, or approximately 16 hours per person. He requested approval of the license renewal application.

Hearing no comments or questions concerning the license renewal, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the license renewal application of UMGC and Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette as an Excursion Boat that will not cruise. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the request by Diamond Jo and Diamond Jo Worth for the approval of a Casino Management Agreement. Tina Eick, legal counsel, was available to answer any questions.

Hearing none, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the Casino Management Agreement with the Supporting Documents: Corporate Support Fee Services Agreement and Casino Management Agreement between Boyd Gaming Corporation and Boyd Acquisition, LLC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the review of the County Endowment Program distributions. Wes Ehrecke, President of the Iowa Gaming Association, distributed copies of the 2011-2012 report on the program. He stated the endowment program received approximately \$11 million; the 85 counties without casino facilities received approximately \$7.75 million to distribute through grants. The remaining 25% is put into a permanent endowment, which is growing every year. The program has been in place for 7 years, and has impacted the state in a positive way.

Chair Lamberti moved to the review of the Year-to-Date Economic Impact Reports. Mr. Ohorilko, noting the numbers are not audited, provided the following information from the overall comprehensive report: Wages, Salaries and Benefits: \$2.85 million; Gaming Taxes and Other Taxes: in excess of \$405 million; and Charitable Donations from the qualified sponsoring organization or facility – over \$86 million. He noted that one of the areas the Commission tries to promote is the “Buy Iowa Program”. Those figures are broken down between Iowa vendors, and non-Iowa vendors are broken down into categories of gaming equipment, specialized sources that cannot be purchased in Iowa, and others. Mr. Ohorilko stated that 71% of the money spent in Iowa is for supplies and services, up 4% from last year. When gaming equipment and specialized sources, which cannot be purchased in Iowa are not included, the percentage increases to 89%, which is up 2% from last year. Mr. Ohorilko advised that the average is 89%, and all properties are within 10% except IOC Bettendorf, Lady Luck Marquette, and Argosy Sioux City. He noted those properties do face some challenges due to their location and community size; however, all are encouraged to increase the numbers. Mr. Ohorilko stated the overall impact from the four areas covered in the report is over \$1.1 billion. He reiterated that the numbers are not audited, but indicated they do paint a good picture of the impact the facilities have in their community.

Mr. Ehrecke commended the properties for the 89% rate for Iowa purchases, noting that over a decade ago it was just 50-60%. He stated the casinos are having a significant economic impact, noting the industry is stable and provides good jobs.

Chair Lamberti called on Mark Vander Linden, Program Manager for the Iowa Gambling Treatment Program within the Iowa Department of Public Health. He stated the agency is charged with developing and implementing a problem gambling treatment program for the State. Mr. Vander Linden advised they provide counseling for problem gamblers and those affected by the gambling of a family member or concerned persons; primary prevention and education services on 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.1800bestoff.org; recovery support services for those individuals receiving problem gambling counseling; and training and professional development for the treatment providers.

Mr. Vander Linden advised that National Problem Gambling Awareness Week is this week, March 3 -9. The first goal of this campaign is to educate Iowans about the warning signs of problem gambling, and secondly, to raise awareness of the help that is available. Together, these goals form the prevention and treatment cornerstones of a public health strategy whose aim is to equip the community to understand the risks and responsibilities of gambling in order to prevent gambling disorders in the first place; or a safety net of quality treatment options for those individuals where the foregoing is not effective.

Mr. Vander Linden advised that over 6,600 hours of prevention spanning all 99 Iowa counties was provided by the treatment providers. A few examples include: “Prime for Life”, a program to increase awareness of at risk youth under age 21 in northwest Iowa; disseminating information to college students in Linn County about gambling risks, including the financial consequences; one treatment provider formed numerous partnerships with correctional institutions to screen inmates and train staff to bring attention to the link between problem gambling and crime; strengthened relationships between casinos and treatment providers to assure patrons have information about problem gambling and the help available; and a state-wide multi-media health promotion campaign to educate and encourage Iowans to evaluate their gambling behavior and seek help if they have a problem.

Mr. Vander Linden referenced a study conducted by Dr. Donald Black at the University of Iowa that showed, despite the increase in gambling options in Iowa, there has been a slight decrease in the prevalence of pathological gamblers from 1995 to 2012. He provided the following findings from the 2011 Gambling Behaviors and Attitudes study:

- Approximately 2/3 of adult Iowans indicate they are extremely or moderately confident that they would recognize the signs that a friend or family member has a gambling problem;
- 90% of adult Iowans are aware of the 1800-Bets Off Helpline;

- 79% of adult Iowans say it would be very easy or fairly easy to talk with someone if they have a gambling problem;
- Nearly 1 in 4 (24%) of those who have experienced one or more problem gambling symptoms during the past 12 months said they have talked with someone about their gambling;
- 94% of adult Iowans admire the courage of people who seek help for a gambling problem.

Mr. Vander Linden advised that during Fiscal Year 2012, 726 individuals took steps to receive help for a gambling problem from one of the ten licensed providers, and told the story of one such individual.

Mr. Vander Linden stated the University of Northern Iowa Center for Social and Behavioral Research released a report in December 2012 summarizing six years of gambling treatment outcomes and found significant improvements for individuals receiving state-funded services. Highlights from the report include:

- Among respondents who completed treatment, the percent who reported losses of \$500 or more in the past 30 days decreased from 47% at admission to 4% at discharge and 7% at follow-up.
- Six months after leaving treatment, about 90% of respondents said their gambling activities were much less compared to when they entered treatment.
- The number of problem gambling symptoms respondents experience dramatically decreased between admission (4.7) and when they completed treatment (0.5).

Mr. Vander Linden concluded his remarks by sharing the following remark made by Keith Whyte, a speaker at a conference he attended in January: “To maximize the benefit of gaming, we must at the same time minimize the potential harm.”

Chair Lamberti called on Mystique Casino/Dubuque Greyhound Park. Jesús Avilés and Brian Carpenter, General Manager and Director of Racing respectively, were present to address the season approvals for the upcoming live race meet. Mr. Avilés presented the following contracts for Commission approval:

- Garda CL Great Lakes, Inc. – Armored Car Service
- Giese Sheet Metal – Purchase & Install 5 New HVAC Units
- Mark-It-Smart – Purchase Promotional Items

Hearing no comments or questions concerning the season approvals, Chair Lamberti requested a motion, noting that it should include the staff recommendations and the contracts. Commissioner Seyfer moved to approve the 2013 season approvals, including the Third Amendment to the Dubuque Racing Association/Iowa Greyhound Association agreement as submitted, and the contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Prairie Meadows regarding the allocation of purses for the 2013 live race meet. Gary Palmer advised the purse distribution according to Code Section 99.7(5)(b) would be as follows: Thoroughbred - \$15,418,579; Quarter Horse - \$3,093,859; Standardbred - \$1,775,165, for a total of \$20,287,603. He presented the following contracts for Commission approval:

- Baker Electric – Electrical Contractor
- Mechdyne Corporation – Audio/Visual Supplies and Service
- Sigler Companies – Printing Services
- US Motorsports – Auto Race Sponsorships

Hearing no comments or questions regarding either the purses or contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the purse distribution and contracts as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

As there was no one signed up for Public Comment, Chair Lamberti moved to Administrative Business. Mr. Ohorilko advised that requests for the Horse Racing Promotion Fund are due in the Commission's Des Moines office by 4:30 PM on April 8, 2013. The amount available for distribution is \$3,330.84. He stated the Notice would also be posted on the Commission's website.

Mr. Ohorilko recognized Tom Lopic. Mr. Lopic recently received the Gordon Crone Special Achievement award from the American Quarter Horse Association Racing Committee. This award is given yearly to an outstanding man within the American Quarter Horse racing industry to recognize his achievements in the industry throughout the year. One of the main reasons behind Mr. Lopic receiving the award is that he was instrumental in bringing the 2012 Bank of America Challenge Championship races to Prairie Meadows. The races had the largest attendance of challenge championship races in several years.

Chair Lamberti congratulated Mr. Lopic on his award. As there was 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:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 26, 2013**

The Iowa Racing & Gaming Commission (IRGC) met on Tuesday, March 26, 2013 in Sioux City, Iowa. Commission members present were Jeff Lamberti, Chair; Greg Seyfer, Vice Chair, and members Carl Heinrich, Kris Kramer and Dolores Mertz.

Commission members and staff departed from the Stoney Creek Inn at 7:40 AM and toured the proposed sites for a land-based casino in Sioux City as follows:

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|----------|--|
| 8:00 AM | Belle of Sioux City, L.P./Greater Siouxland Improvement Association d/b/a Hollywood Casino Siouxland |
| 9:00 AM | Sioux City Entertainment, Inc./Missouri River Historical Development, Inc. d/b/a Hard Rock Casino Sioux City |
| 10:15 AM | Warrior Entertainment, LLC/Siouxland Strong, Inc. d/b/a Warrior Casino & Hotel |
| 11:15 AM | Belle of Sioux City, L.P./Greater Siouxland Improvement Association d/b/a Hollywood Casino Sioux City |

Following the conclusion of the site tours, the Commission and staff met for lunch at the Stoney Creek Inn.

Chair Lamberti made some pre-meeting announcements in order to help the meeting go more smoothly. He noted that public comments would be received in the following order: General, Belle of Sioux City, Hard Rock and Warrior. Those signed up to speak will be queued up prior to each segment. Chair Lamberti indicated those individuals signed up under General should go ahead and get lined up.

Chair Lamberti called the meeting to order at 1:30 PM in the Rivers Bend Ballroom at Stoney Creek Inn & Conference Center in Sioux City. He called for a motion to approve the agenda as submitted. Commissioner Mertz so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti welcomed everyone to the meeting, and expressed the Commission's appreciation of the hospitality. He indicated the morning had been fun, but did not make the upcoming decision in April any easier. Chair Lamberti commented on the number of people present at the site tours and this segment that have taken time from their schedules to speak to the Commission.

Chair Lamberti advised they will attempt to keep the breaks between the different segments as brief as possible. He encouraged everyone to turn off their cell phone. He requested those needing to have a private conversation to have them in the hallway. Chair Lamberti advised individuals addressing the Commission will have three minutes; those representing a group will have five minutes. He stated that Brian Ohorilko, Administrator of IRGC, will be keeping track of the time, and will provide a one minute warning. Chair Lamberti requested that speakers state their name and spell their last name for the record.

Chair Lamberti called on those signed up to address the Commission under "General Comments". They were: Mayor Bob Scott; Ragen Cote, Executive Director of Downtown Partners; Neil Christensen; Keith McGuire; Chris McGowan, President of Siouland Chamber; and Bob Protexter. All, with the exception of Mr. Protexter, stated they felt one of the downtown casino locations should be selected as they would help revitalize the downtown, provide the most economic impact, drive greater business volume for existing businesses, and have an impact on the tax base. Mayor Scott stated that the city staff and council do not see anything wrong with utilizing TIF financing for the casino projects, including Penn, if they would elect to seek such financing. Mr. McGuire stated that it is important that people like the selected casino proposal; otherwise, they will not patronize the facility. Mr. Protexter spoke against a casino license being granted, noting the arrival of CF Industries to the area. He stated that industries follow industries, they do not follow casinos.

Chair Lamberti called on those individuals signed up to speak regarding the Penn National applications, Hollywood Sioux City and Hollywood Siouland. They were: John D'Auguste; Terry Slaughter; Doug Potts; Marta Henshaw; Jim Brehm; Bob Deloss; Dr. Mert Cady; Scott Bixenman; Sean Brandon; Jamie Foster; Donna Willems; John Wockenfuss; Ryan Johnson; Wayne Mercural; Michael Hobart; Mary Belew; Frank Dahlsten; Pat Rogers; Dick Pruehs; Pat Phipps; and Amber Straehl, C2 union representative. The speakers addressed the differences between the various applicants; the use of TIF financing for some proposals; expressed concerns about the possibility of infrastructure costs and environmental issues that haven't been taken into consideration; the humanitarian efforts on behalf of employees at other Penn facilities; current employees and benefits; expressed concerns about land acquisitions, or lack thereof; necessity of closing streets for one of the proposals; economic growth; Penn's effective management, marketing, customer service and knowledgeable employees; community involvement; possible elimination of jobs in order to create new jobs; Penn's education support and scholarships for employees; support for small local businesses; Penn's strong financials and ability to pay all costs associated with the proposed projects; charitable contributions; no political partisanship board membership; employee professionalism; don't need to subsidize building a casino; entertainment options within the community; and the reduction of polling places in city due to budget issues.

The following individuals spoke in favor of Penn National's proposed Hollywood Siouxland facility: Mike Clayton, Woodbury County Treasurer; Lance Ridgely, Superintendent, Westwoods School District; Joni Greder, Westwood Athletic Boosters; and Linda Cox, Mayor of Salix. Areas addressed were the impact of the TIF financing on the county and property taxes; the possibility of growth in the area/revitalization with the selection of the county site; investment of own capital equals vested interest in success of facility; ability to help all school districts in the county; and a benefit to the smaller communities.

Chair Lamberti indicated there would be a short break, but requested those individuals signed up to speak for Hard Rock get lined up.

Following the recess, Chair Lamberti advised that John Daniels, who had signed up under General, was now present. Mr. Daniels stated he was not advocating for any specific application. He indicated the city is looking for a good partner; one that is concerned about your success as much as his own. While noting that he does not know much about Penn National, he indicated that they did not strike him as a good partner based on what he has read about the pending lawsuits. Mr. Daniels stated that he is acquainted with people involved in both the Hard Rock and Warrior projects. He stated the Battery Building had better parking and access; however the Warrior project is downtown, which could prove more beneficial for existing businesses. He addressed the credit worthiness of the applicants; and raised concerns about the sovereign nation issue regarding the Warrior application.

Chair Lamberti moved to the public comments regarding the Hard Rock proposal. The following individuals addressed the Commission: Nathan Kalaher; Ellen Christofferson; Irving Jensen; Joe Frisbie; Colonel Krage; Jon Muller; Lisa Jasman, Fran McGarry; and Roger Bomgaars. They spoke to the project's renovation of a building on the National Register of Historic Register; the integration of other sites into the project; location, accessibility; visibility; name recognition; green space available to the public for various functions; events lawn; Hard Rock memorabilia; location; paired with Missouri River Historical Development and their distributions within Sioux City and Siouxland area; level parking; economic growth; community involvement; TIF financing impact on schools; something fresh and new to keep youth excited and stay; positive impact on existing businesses; extra revenue for city and state; keys to successful business – visibility, access, parking and amenities. One expressed their opinion that the Warrior project would have a negative effect on the Presbyterian Church, library, City Hall and Orpheum Theater.

Chair Lamberti called on those individuals signed up to speak regarding the Warrior Casino project. The following individuals addressed the Commission: Patricia Forsyth; Howard Wanned; George Wakeman; Judy Martin; Liam Omara; Sterling Crim; Mike Patrick; Jim France; Tal Kovarna; Skip Perley; Chris Bogenrief; Jeanna Goosman; and Frank LaMera. They spoke to the following issues: historic preservation and restoration of two historical buildings; restoration will draw additional tourists; attached to skywalk

system; will compliment Orpheum Theater; need to resell downtown and create an entertainment district; represents a vision connecting the past to the future; proceeds would stay in Siouxland; detailed plan to include existing businesses; greatest assets of a company are its people; local people looking to do business with us; corporate office/business will stay in town; local dollars turned over and over in economy; will have the greatest impact for Iowa; lack of affordable space to rent downtown for small/local businesses; support of local entrepreneurial businesses; Lance Morgan; have the resources, ability and passion to build the project; innovative leaders; will help expand the way non-profits serve the area; draw people back to the area to live and work; have the ability to provide the most impact for downtown Sioux City; allowing Ho Chunk to maintain profits will allow those profits to multiply many times over by the acquisition of new companies; have the potential to create more jobs than any casino; chance to show casinos as true economic development; local investment with local decision makers; keeps profits local; brilliant entertainment district; vibrant bustling downtown area; Winnebago people consider and work for the generations to come, native and non-native.

Chair Lamberti advised that this concluded the public comment. He expressed the Commission's appreciation for everyone taking the time to participate in the process. Chair Lamberti indicated there would be a brief recess prior to the commencement of the question and answer portion of the agenda.

Chair Lamberti noted the last part of the agenda was the opportunity for the Commission to ask questions of all the applicants, noting they would start with Penn and would be asking questions concerning both of the proposals.

Commissioner Seyfer asked if Penn had all of the necessary land under contract for both sites. Karen Bailey, Director of Public Affairs, indicated that was correct. Commissioner Seyfer asked if there were any private or public streets running through the properties. Ms. Bailey advised that neither project would require the closure of any streets.

Commissioner Seyfer asked what would trigger Phase 2 of the downtown facility. Ms. Bailey advised that it is market driven; that the current Sioux City hotel occupancy rate is around 51%. If the downtown site is chosen, the Ramada and Holiday Inn would be removed. Once Penn sees stabilization in the hotel market; they would build their hotel.

Chair Lamberti noted that financing for both proposals showed administrative and legal costs of \$42 million and \$44 million. He indicated those seemed higher than some of the other proposals, and wondered if that was where they had allocated the \$20 million license fee. Ms. Bailey indicated that was correct. Chair Lamberti asked if there were any other significant items allocated to the category as it still appears to be higher than the other proposals. Ms. Bailey answered in the negative, but they will look at it and get back to the Commission.

Chair Lamberti noted that they had already addressed Phase 2 on the downtown project. He noted that Phase 2 for the Siouxland project is the additional retail. He asked when

that would happen; what would trigger it. Ms. Bailey indicated part of Phase 2 is gaming expansion, which would be triggered by customer demand. They will do an additional build out of the facility to accommodate the gaming. Chair Lamberti noted that the hotel is part of Phase 1 for the county proposal. Ms. Bailey answered in the affirmative.

Chair Lamberti asked if there were any comments during Public Comment to which they would like to respond. Doug Gross, legal counsel, advised there was one comment regarding the Harvey Siegelman Lipsman study relating to the impact of the TIF financing on the schools. He noted there are three levies in addition to the operating levy the school districts have – playground, debt service and management. These are all based on property taxes; there is no state offset. Mr. Gross stated the gentleman was partially correct because the number is actually larger; the actual impact on the local district with the TIF financing is actually \$6 million higher for the Hard Rock proposal and approximately \$9 million higher for the Warrior project. However, because of the state school aid formula, the State picks up a portion of the fees. In this case, either the \$6 million or \$9 million, but the State does not have a uniform levy to pick up the offset for the other levies. Mr. Gross stated that Penn stands by their numbers, which are net of the state offset.

Chair Lamberti called for any further comments or questions concerning the Penn National proposals. Tom Burke, Midwest Regional Director, thanked the Commission for their time.

Chair Lamberti called on Hard Rock. He asked if all of the land, and options for land were all in place. Bill Warner, CEO, advised that all private parcels are under option; they are under the agreement with the city. He noted the proposal does require the vacation of Water Street, and the likely vacation of Pearl Street.

Commissioner Seyfer noted there have been some changes in the financing of the project since the application was filed. Mr. Warner answered in the affirmative. Commissioner Seyfer asked Mr. Warner to describe the changes. Mr. Warner advised that Hard Rock had received a commitment from Peninsula Pacific, which would effectively trade out the original Summit financing of \$90 million package for equity subject to the approval of the Commission.

Commissioner Seyfer asked if they still had the same lender for the debt financing. Mr. Warner advised that Peninsula Pacific and Summit would be financing the debt. Commissioner Seyfer asked if anything had changed on the funding of the debt financing. Mr. Warner advised that with the evolution of the debt financing, effective contingencies in the original commitment that would have prevented or slowed down their ability to start construction. The Peninsula Pacific funding will allow them to start construction immediately. Commissioner Seyfer asked if the Commission had been given a copy of the changes. Mr. Warner stated that they had provided the commitment from Peninsula Pacific.

Commissioner Seyfer asked about the removal of the contingencies from the debt side. Chair Lamberti clarified that the question was pertaining to the Summit financing. Mr. Warner advised that the Summit contingencies have not been removed at this point; but they were normal contingencies with respect to having a construction contract and being awarded the license, which would allow them to draw on the Summit funding. He reiterated that the financing from Peninsula Pacific would allow them to begin construction immediately. Commissioner Seyfer stated he was asking about the funding conditions of the Summit financing; noting that a lot of the contingencies are not normal contingencies. He listed the following contingencies: subject to confirmation of having received a final and non-appealable award of the casino license from the Iowa Racing and Gaming Commission; subject to any pending legal proceedings; and ready to operate a full gaming operation in Sioux City. Commissioner Seyfer asked if all of those contingencies were still in place. Mr. Warner answered in the affirmative; stating they would update the Commission on where Summit stands on those contingencies.

Commissioner Seyfer clarified that if Hard Rock was granted a license, construction would begin immediately. Mr. Warner indicated that was correct. He indicated they are very excited about the opportunity. Mr. Warner stated if the Hard Rock proposal was selected, they would close on the land, begin the construction process and hopefully be open by July 2014.

Commissioner Heinrich noted one of the concerns is the employees of the existing facility. Mr. Warner indicated there is a little bit of a tightrope with regard to committing to any of the current employees due to the possibility of litigation by Penn. He stated Hard Rock is looking for great employees with experience in the guest service and gaming. Previous experience would weigh heavily in hiring decisions.

Chair Lamberti noted that the project included the renovation of historic buildings. He asked if anything had been found that would cause concern or slow down the project. Mr. Warner stated that since the application has been submitted, they have received good news. The structural integrity of the Battery Building is better than originally thought. He noted there are a number of environmental issues, none of which will stop the project. They are already working on mitigating them; and were included in the budget.

Commissioner Mertz noted that construction can vary, and weather issues could delay the opening date. She asked if there were other circumstances that would delay construction, or that the Commission should be aware of. Mr. Warner answered in the negative. He stated their original response was that the facility would be open by September 2014; however, now think it could be in July. He noted that weather could be a factor, and was one of the reasons they wanted to get the financing to the point that they could begin construction immediately. This would assure that the facility was enclosed by the time winter hits.

Hearing no further comments or questions from the Commission, Chair Lamberti asked if there were any comments made during the Public Comment session to which they would

like to respond. Mr. Warner answered in the negative, and thanked the Commission for their time.

Chair Lamberti called on the Warrior Hotel Casino. Commissioner Seyfer asked if all the necessary property was under contract. Mr. Morgan advised that approximately 90% was under contract and they are in negotiations for the other two properties. He indicated there is a conflict with one of the properties, but indicated he felt it would go away if they were awarded the license. With regard to the other property, the owner wants a higher price; money would resolve that issue. Commissioner Seyfer asked if the two properties were integral to the project. Mr. Morgan indicated they were important to the project, but didn't feel there would be an issue in securing the properties if they are awarded the license.

Commissioner Seyfer asked about the street closures. Mr. Morgan advised that it would be necessary to close the street just north of the Warrior Hotel; half of it will be vacated and the other half will potentially be used as a bus drop-off location.

Commissioner Seyfer noted this project also includes the renovation of two very old buildings, and inquired about environmental issues. Lew Weinberg advised the Warrior Hotel was completely demoed on the inside five years ago, and received a clean bill of health at that time. He noted there is asbestos in the Davidson Building, which will take between 12-30 days to remove. Mr. Weinberg noted that he has owned the Warrior Hotel since 1985 and has received a number of proposals, one of which was to convert the building to the city library. A structural analysis was done at that time; there will not be an issue. The library would weigh more per square foot than the hotel rooms and meeting rooms.

Chair Lamberti asked about a proposed opening date. Mr. Morgan stated that if everything goes smooth and there are no legal issues they hope to open the facility sometime in November 2014.

Commissioner Heinrich asked if Warrior would give the existing Penn employees consideration. Mr. Morgan answered in the affirmative; noting they anticipate needing in excess of 400 employees. Penn currently has 300 employees that know what they are doing. Mr. Morgan stated if the Ho-Chunk can figure out a way; they would love to have them. He indicated he is not worried about legal issues related to the hiring of current Penn employees.

Hearing no further comments or questions from the Commissioners, Chair Lamberti asked if there were any comments from the Public Comment portion of the agenda they would like to rebut. Mr. Morgan stated that all applicants had strong supporters and made strong points. He stated that no matter what decision the Commission makes, Sioux City will come out ahead. Mr. Morgan, noting this has been a divisive issue for the community, indicated he was looking forward to working toward putting the community back together.

Chair Lamberti again thanked everyone for taking time out of their schedules to attend today's meeting. As there was no further business to come before the Commission, Chair Lamberti requested a motion to adjourn. Commissioner Seyfer so moved. Commissioner Mertz seconded the motion, which carried unanimously. The meeting adjourned at 5:00 PM.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 18, 2013**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 18, 2013 at the Mid America Center, Council Bluffs, 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 Heinrich so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti welcomed everyone to the meeting, and expressed the Commission's appreciation for the hospitality that has been extended. He called on Mayor Tom Hanafan, who welcomed the Commission to Council Bluffs. Mayor Hanafan noted the community has changed significantly; that Iowa West Racing Association (IWRA), the non-profit for Ameristar and Harrah's and the license holder for Horseshoe Casino, has made a huge difference in Council Bluffs and southwest Iowa. He stated Iowa has always had a strong Commission, which has a good working relationship with the licensees. He noted gaming in Council Bluffs has been successful because both of the companies have not only created jobs, but have been a good partner in the community. Mayor Hanafan stated the gaming industry has been good for the State of Iowa and the City of Council Bluffs.

Commissioner Heinrich stated he came to Council Bluffs in 1987 to accept a position, and that Mr. Hanafan was elected to his first term as mayor in 1988. He noted that Mayor Hanafan has decided to retire this year. He wished him well in his new ventures.

Chair Lamberti reiterated that the Commission is happy to be in Council Bluffs; that it is nice to get around and see the impact gaming has had around the state.

Chair Lamberti moved to the approval of the minutes from the March 6-7, 2013 and March 26, 2013 Commission meetings. Commissioner Mertz moved to approve the minutes as presented. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti moved to announcements. Brian Ohorilko, Administrator of IRGC, introduced the following Commission Staff in attendance: Pam Oliver, Gaming Representative in Sioux City; Gina Goos and Linda Baxter, Licensing Assistants in Council Bluffs; Jeff Rethmeier and Julie Peterson, Gaming Representatives at Harrah's; Lynette Masker and Bryan Crowdy, Gaming Representatives at Ameristar; Carol Fajen and Corey Ostermeyer, Gaming Representatives at Horseshoe; Richard Woodsmall and Max Zaragosa, Racing Stewards at Horseshoe; and Tammy Hoffman, Gaming Representative in Emmetsburg. He thanked them for their hard work and efforts on behalf of the Commission.

With regard to future meetings, Mr. Ohorilko provided the following information: no meeting in May; and June 6th at HGI Lakeside in Osceola. Submissions are due May 22nd. He then provided the following information regarding Commission meeting dates and locations for Fiscal Year 2014:

- July 2, 2013 Prairie Meadows Racetrack & Casino, Altoona
- August 15, 2013 Riverside Casino & Golf Resort, Riverside
- October 10, 2013 Mystique Casino, Dubuque
- November 21, 2013 Stoney Creek Inn, Johnston
- January 9, 2014 Isle Waterloo, Waterloo
- March 6, 2014 Prairie Meadows Racetrack & Casino, Altoona
- April 17, 2014 Ameristar Casino, Council Bluffs
- June 12, 2014 Catfish Bend Casino, Burlington

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

Mr. Ohorilko advised this was Commissioner Seyfer's last meeting, and provided the following accomplishments and challenges during his tenure:

- Has served just under 8 years;
- Chair for two years;
- Two instances of going through the new license application process;
- Hearing testimony and working through numerous racing purse supplements and racing dates disputes
- Carrying the IRGC golf team during the annual Riverside meeting.

Mr. Ohorilko noted Commissioner Seyfer gave 100%; was always prepared; read all of the material sent by the licensees, citizens and staff. He thanked Commissioner Seyfer for his support to himself and staff during the transition and these very difficult and unexpected challenging times. Mr. Ohorilko presented Commissioner Seyfer with a plaque, which read "Greg Seyfer, In appreciation of your service to the Iowa Racing and Gaming Commission from December 5, 2005 through April 30, 2013."

Commissioner Seyfer stated it has been an honor and a privilege to serve on the Commission; and thanked all Commissioners, past and present. He noted that every Commissioner he has served with has served with honor and distinction. He thanked the DCI for all they do for the

Commission; those involved in the gaming industry; and Commission staff members Mr. Ohorilko, Karyl Jones, and Julie Herrick.

Chair Lamberti expressed the Commission's appreciation of Commissioner Seyfer's service, noting all are relatively new and his experience and steady hand have been invaluable in helping to guide them, particularly in the current situation.

Chair Lamberti moved to the final adoption of rules, which have been distributed and reviewed. He requested a motion for adoption of the rules. Commissioner Seyfer so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Pinnacle Entertainment for a presentation regarding their purchase of Ameristar Casino, Inc. Jack Godfrey, Executive Vice President, General Counsel and Secretary of Pinnacle Entertainment, introduced Doug Gross, local legal counsel, Anthony Sanfilippo, President/Chief Executive Officer (CEO); and Carlos Ruisanchez, Executive Vice President/Chief Financial Officer (CFO). He advised that Mr. Sanfilippo and Mr. Ruisanchez would be making the presentation. Mr. Godfrey introduced the following individuals representing Ameristar: Larry Hodges, President/Chief Operating Officer; Troy Stremming, Sr. Vice President of Government Public Affairs; and Monty Terhune, Vice President/General Manager of the local property. Pete Tulipana, CEO of the IWRA, welcomed the Commission to Council Bluffs and invited them to take a tour of the city to see the tremendous things that have happened around the community as a result of gaming. He also welcomed Pinnacle to Council Bluffs, stating IWRA is pleased and looks forward to working with them; and expressed their hope that the acquisition would progress smoothly.

Mr. Sanfilippo referenced a handout of the presentation, which shows the acquisition would effectively double the size of the new company – a combination of Ameristar and Pinnacle. The combination of the companies will bring diversity, and a variety of properties serving multiple markets. He indicated Pinnacle believes in having the properties share guests. He indicated that from a financial aspect, it makes sense for the two companies to join. Mr. Sanfilippo advised that Mr. Ruisanchez would discuss the financial aspects of the transaction. He stated the two companies are very similar; they share values, cultures, and focus on three things: guests, team members and being responsible to the shareholders of the company. Mr. Sanfilippo pointed out that Pinnacle is a publicly owned company, is on the stock exchange and is very strong financially. He stated that Pinnacle focuses on running a great business and being responsible to the communities in which they conduct business; it is important to have collaboration between the company and community.

Mr. Sanfilippo noted the Commission has a great reputation, and Pinnacle is pleased to have the opportunity to operate a facility in Iowa and be a part of Iowa gaming. He stated the Commission has a reputation for being fair and thinking about what is in the best interest of the industry and the state, and is known around the country. Mr. Sanfilippo stated they believe the closing can happen prior to the Commission's next meeting in June. He advised Pinnacle management had just come from a meeting with team members of Ameristar; that it is important

that the transaction be viewed as a merger of two companies to make a better company. Mr. Sanfilippo stated Pinnacle is excited to work with Mr. Terhune, who will remain as the general manager. He indicated the Commission should see little to no changes at the property level, but advised there would be changes at the corporate level for both Pinnacle and Ameristar. At this time, he turned the floor over to Mr. Ruisanchez.

Mr. Ruisanchez advised Pinnacle is on the way to closing the transaction; they will pay \$26.50 per share to each Ameristar shareholder. The transaction will cost approximately \$2.8 billion plus expenses; or 7.7 times last year's cash flow. Financing is being provided by JP Morgan and Goldman Sachs, who have committed approximately \$4.1 million. These funds will be utilized to refinance some existing debt at Pinnacle, and add some liquidity to allow the company to continue to invest in the property. Mr. Ruisanchez stated that Pinnacle has broadened the bank group to nine to diversify the risks of completing the transaction.

Mr. Ruisanchez stated the Merger Agreement was originally executed on December 20, 2012, and the application was filed in early January. He noted Pinnacle is well down the path with every jurisdiction that requires approval prior to the closing of the transaction. He advised that Colorado, Texas and Ohio do not require approval prior to closing the transaction. He noted they are hoping the approvals will be in place in Louisiana, Nevada, Missouri, Mississippi, Indiana and Iowa. Mr. Ruisanchez stated the Hart-Scott-Rodino Notice was filed promptly with the Federal Trade Commission; they are well into the second half of that process and hope to bring it to a resolution in the near term. He advised the Ameristar shareholders are scheduled to vote on the transaction on April 25th; and shortly thereafter Pinnacle shareholders will have an opportunity to vote on the transaction. Mr. Ruisanchez stated their expectations are cautiously optimistic. They are hoping to have the transaction fully syndicated at the same time the transaction closes. Additionally, they anticipate having all of the requisite approvals by late June.

Mr. Sanfilippo reiterated that Pinnacle is happy about the opportunity to operate in Iowa. He stated that with the addition of the Ameristar properties, Pinnacle will be:

- Stronger financially;
- Combining complementary asset portfolios;
- Better positioned to grow the gaming market in Council Bluffs through the enhanced marketing initiatives and economies of scale.

He stated that Pinnacle is committed to its team members and helping them have better lives, and to the communities in which they operate. He indicated they would be happy to answer any questions.

Chair Lamberti called for any questions. Hearing none, he expressed the Commission's appreciation for their time today, and at an earlier meeting. He stated the Commission feels they have been kept fully informed throughout the process. Chair Lamberti welcomed them to Iowa.

Chair Lamberti moved to the contract approval portion of the agenda and called on Diamond Jo (DJ). Todd Moyer, General Manager, presented a contract with Suzo-Happ to purchase new bill validators to replace obsolete equipment for Commission approval.

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

Chair Lamberti called on Ameristar Casino (Ameristar). Mr. Terhune presented a contract with Vital Signs to replace the marquee and other external lighting for Commission approval.

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

Chair Lamberti called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented a contract with SMG for an Event Center Suite Use Agreement 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 GFCR. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Clinton (WRC). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented a contract with Konami Gaming, Inc. for the purchase of eight slot machines, related signage and software for Commission approval.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contract as submitted by WRC. Commissioner Mertz 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:

- Target Commercial Interiors – Hotel Renovation Project Expenses
- William Morris Endeavor Entertainment, LLC – Entertainment Booking Agent

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

Chair Lamberti called on IOC Bettendorf (IOCB). Stacy Hall, legal counsel, presented a contract with FP Mailing Solutions for a 39-month lease on a postage machine for Commission approval.

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

Chair Lamberti called on Rhythm City Casino (RC). Ms. Hall presented a contract with Data Business Equipment for a 5-year maintenance agreement on two BPS count room machines for Commission approval.

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

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

- Henningsen Construction – Parking Lot Asphalt
- Tai Ping Carpets Americas, Inc. – Carpet Purchase for Casino
- Poindexter Flooring, Inc. – To Install New Casino Carpet

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

Chair Lamberti called on Harrah's. Bo Guidry, General Manager, presented the following contracts for Commission approval:

- IGT – Slot Machines
- Sure Sound and Lighting – Lighting and Sound for Concerts
- Waldinger Corporation – Construction Work

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 Heinrich seconded the motion, which carried unanimously.

Mr. Guidry provided the following update on the construction project, noting it started in early January. He advised the construction team has worked extremely hard to make it to where they are at today. Mr. Guidry stated the subflooring was installed last week, and they will start installing carpet on Monday next week. He indicated the hard part comes just after May 1st when the transition will commence; they will close one level at a time on the riverboat, starting with the top level. The lower level will be closed right after Memorial Day; the balance of the boat will be closed on June 3rd. Mr. Guidry indicated the week of June 3rd will be extremely difficult as they will have to move all the final pieces of the puzzle in the hopes of opening the land-based facility by June 8th. He noted that without the assistance of the local IRGC gaming representatives and DCI agents the aggressive timeline would not be feasible.

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

- Bally Technologies – Purchase of Slot Machines
- Williams Gaming – Annual Slot Machine Lease Payments and Purchase of Slot Machines

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

Chair Lamberti called on Mystique Casino (Mystique). Mr. Ohorilko, noting that Jesús Avilés, General Manager was unable to attend, presented a contract with Data Business Systems for a ticket redemption kiosk for Commission approval.

Hearing no discussion concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by Mystique. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the Commission. Mr. Palmer presented the following contracts for Commission approval:

- Baker Electric – Electrical Contractor
- Durkan Patterned Carpet – Specialty Carpet for Casino
- Thoroughbred Racing Protective Bureau – Tote Security System
- Wells Enterprises – Equipment Use/Sponsorship Agreement

Hearing no discussion concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by PMR&C. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the update on the thoroughbred meet. Mr. Heldt advised that April 19th is the opening day for live racing. He noted that stall applications were due on March 15th; he received over 2,000 applications for the 1,350 stalls. Mr. Heldt stated there are currently 900 horses on the grounds with an additional 400 coming from Texas, Arkansas, and New Mexico. He noted they took entries on Wednesday and feels the field size is decent for opening night, and just need some cooperation from Mother Nature.

Chair Lamberti moved to the review of the facilities' financial audits and called on Ameristar. Mr. Terhune and Paul Beck, Director of Finance, were available to answer any questions.

Commissioner Seyfer requested a brief summary of how things are going. Mr. Beck advised the start of the year was soft most likely due to the weather, but indicated things have picked up over the last couple of months. They are moving forward with capital expenditures, which will be similar to previous years. Mr. Beck indicated they expect that to continue going forward as well.

Hearing no comments or questions, Chair Lamberti called on Argosy Casino-Sioux City. Lance George and Jackie Joaquin, General Manager and Controller respectively, were present to answer any questions. Mr. George advised that operating results for 2012 were encouraging; revenues were in line with expectations but were down slightly compared to 2011. He attributed the decline due to the reopening of WinnaVegas in Sloan and a full year of operations at Grand Falls in Larchwood, compared to six and a half months in 2011.

Hearing no comments or questions, Chair Lamberti called on Catfish Bend Casino. Gary Hoyer, CEO, thanked Commissioner Seyfer for his service. He noted that Great River Entertainment completed a restructuring of their financing in 2012. Mr. Hoyer stated they have a great casino operation and employees, and have the support of the community and non-profit organization. He indicated they have a very solid financial audit.

Hearing no comments or questions, Chair Lamberti called on Diamond Jo. Mr. Moyer and Carrie Stapelkamp, Director of Finance for Diamond Jo Worth (DJW), were available to answer questions. Mr. Moyer advised that Dubuque had a relatively good year, noting the gaming market was down 1% and the number of visitors was flat. He stated this was an indication that the same number of customers are spending just a little bit less than they were in prior years due to the economy, gas prices, etc. Mr. Moyer noted that compared to other gaming jurisdictions, Iowa had a good year.

Hearing no comments or questions, Chair Lamberti called on DJW. Kim Pang, General Manager, and Ms. Stapelkamp were available to answer any questions. Mr. Pang advised DJW experienced a 4% increase in revenues for 2012, or an increase of \$3.4 million. He attributed the increase to continued growth in the Minnesota markets. Mr. Pang stated they have approximately 310 full-time employees for a total payroll of \$11 million. Capital expenditures totaled \$1.3 million in 2012. Payments to the non-profit were approximately \$5.3 million. Mr. Pang noted that the transition to Boyd Gaming was completed in November 2012.

Commissioner Seyfer asked about capital improvements in 2013. Mr. Pang advised that the improvements for 2013 would center on property upgrades – carpet, slot machines and conversions. He indicated they are looking at bigger projects but was not at liberty to share at the present time. Mr. Pang thanked Commissioner Seyfer for his service.

Chair Lamberti called on Harveys Iowa Management Company, Inc. Janae Sternberg, Director of Finance, indicated revenue at Harrah's was down slightly as a result of the 2011 flood; the impact is also visible in the expenses, especially on the facility side. She indicated they made payments in excess of \$2 million to the Iowa West Racing Association in 2012; taxes paid to the city, state and county amounted to just over \$14 million; and spent approximately \$2 million on

capital expenditures. Ms. Sternberg advised capital expenditures would exceed that amount in 2013, especially in light of the move to a land-based facility. They will also be doing general upgrades.

Hearing no comments or questions for Ms. Sternberg, Chair Lamberti called on Lakeside. Mr. Thursby advised that revenues were up in 2012, and remain strong this spring. He attributed the increase to the general recovery of the economy and more confidence on the part of consumers. Mr. Thursby noted the hotel project was completed in 2012, and Lakeside is looking forward to hosting the Commission meeting in June.

Hearing no questions for Mr. Thursby, Chair Lamberti called on WRC. Mr. Timmons advised he was representing both WRC and Wild Rose Emmetsburg. He stated that slot revenues decreased approximately 3% at WRC. He also noted that expenses were down as well so they were able to maintain their margins as they have in years past.

With regard to the Emmetsburg property, Mr. Timmons advised that gaming revenues were at an all-time record for about the sixth year in a row. He noted the margins were very good as well.

Chair Lamberti called for any questions. Commissioner Seyfer asked if there was anything new with regard to Emmetsburg. Mr. Timmons attributed the increased revenues to good marketing; they have done a lot with the Lake area for the past two or three years. They have also brought in more entertainment. He indicated it is probably the only casino in Iowa on a two-lane road. Mr. Timmons advised that new carpet was installed this week.

Hearing no further comments or questions for Mr. Timmons, Chair Lamberti called on RCGR. Mr. Franz advised that gaming revenues increased approximately 1% in 2012 over 2011. Table drop was down approximately 6% and slot coin in decreased around 1%; however, non-gaming revenue, which accounts for about 18% of revenue, did quite a bit better. Food and beverage hit the \$1 million mark for the first time, an increase of approximately 1% over the previous year. Hotel revenue also had a slight increase. Mr. Franz noted it was a great year for the golf course – the weather was great, rounds were up 11%, and the performance studio did very well. The performance studio drove some additional rounds and retail. He advised that entertainment revenues also exceeded \$1 million for the first time, an increase of 4% from 2011. Additionally, retail and spa revenues were also strong. Mr. Franz stated EBITDA was down \$2 million from 2011; increases in promotional allowances and payroll attributed to the decrease. He advised they paid \$3.4 million to the non-profit in 2012; to date, they have paid \$20.5 million to the non-profit. Mr. Franz stated they have paid over \$150 million in taxes since the facility opened. He noted they did refinance their debt in December 2012, and received a much better interest rate. He pointed out that their 5-year deal ran out in March 2013. Mr. Franz stated they had 750 employees at the end of 2012; 383, or approximately 54%, have been with the property 3 years or longer. He advised there were no internal control issues noted in the financial audit.

Hearing no comments or questions for Mr. Franz, Chair Lamberti called on GFCR. Ms. Haselhoff noted 2012 was the first full year of operations at the facility. She advised the facility

is owned by 460 unit holders representing approximately 750 Iowans; and has 525 employees, of which 60% have been at the facility for over one year. Ms. Haselhoff stated the 2012 financial audit had a clean opinion. She provided the following information regarding operations: Gross Revenue for the first full year of operation - \$68.8 million, which consisted of \$58 million in gaming revenue, \$2.6 million in hotel revenue, \$6.2 million in food and beverage revenue, and \$1.9 million in retail, spa and entertainment revenue. Expenses were \$14.5 million in payroll; \$1.6 million to Lyon County in gaming taxes; \$12.7 to the State in taxes and fees; \$2.2 million to the non-profit; and \$290,000 to the City of Larchwood. EBITDA for the year was \$14.9 million. Ms. Haselhoff stated the Rees Jones Golf Course would be constructed in 2013; they hope to start construction within the next couple of weeks.

Chair Lamberti called for any comments or questions. Commissioner Heinrich asked when the golf course would be open. Ms. Haselhoff stated they hope to have it open in August 2014.

Hearing no further comments or questions, Chair Lamberti called on Bluffs Run. Ms. Sternberg stated the facility had a \$6 million increase in revenue year over year, which she attributed to the favorable weather pattern in the first quarter of 2012. Gaming taxes paid to the city, county and state were approximately \$50 million; and they spent just under \$6 million on a variety of projects – slot machines, energy efficient lighting, carpeting, etc. and they are looking at doing much of the same in 2013.

Hearing no comments or questions for Ms. Sternberg, Chair Lamberti called on the IWRA. Mr. Tulipana introduced board members in attendance. He noted revenues received from the casinos were flat from last year; they received just over \$7 million. Mr. Tulipana advised the audit was clean; there were no concerns or issues. He stated that expenses were up slightly in administration and salaries.

Hearing no comments or questions for Mr. Tulipana, Chair Lamberti called on the Dubuque Racing Association. Mr. Ohorilko advised Chair Lamberti to pass as no one from the facility was in attendance.

Chair Lamberti called on PMR&C. Mr. Palmer and Brian Wessels, Chief Financial Officer, were present to address the Commission. Mr. Wessels stated the audit received a clean opinion; there were no internal control issues. He noted the facility had a solid year in 2012; casino revenues were up 3.5% to \$298 million. PMR&C opened their \$32 million hotel in March 2012 and an \$8 million casino expansion in October. Mr. Wessels stated gaming taxes and fees to the state totaled \$46.3 million; Polk County fees and other payments were \$26.9 million; City of Altoona - \$1 million; City of Des Moines - \$4.3 million; Polk County school districts – approximately \$800,000; and charitable contributions totaled \$5.3 million.

Chair Lamberti called for any comments or questions for Mr. Wessels. Hearing none, Chair Lamberti moved to the next agenda item- Review of the Horsemen's Organizations Financial Audits. He called on the Iowa HBPA, Inc. and The Iowa HBPA Benevolent Trust. Jon Moss, Executive Director, and Loren Jacobsen of Jacobson & Company, LLP, were available to answer

any questions. Mr. Moss noted this is the first time the Commission has reviewed these audits due to a change in the Code. He stated the IHBPA works to promote Iowa-breds across the state by advertising in trade publications, working with the owners and trainers, through conventions, and the Iowa Stallion Sale.

Hearing no comments or questions for Mr. Moss, Chair Lamberti called on the Iowa Quarter Horse Racing Association (IQHRA). Mr. Ohorilko stated Tom Lepic was unable to attend and requested that Mr. Ohorilko read a brief statement on his behalf. He stated that proceeds were utilized for the following: hosting an IQHRA Youth Days where they awarded \$6,000 in scholarships; held an event called "Tough Enough to Wear Pink" to raise funds for the Susan G. Komen foundation to show support for breast cancer awareness; and Festival on the Prairie, with the proceeds going to support the local Hispanic population at surrounding racetracks.

Chair Lamberti called for any comments or questions. He clarified the Commission has not yet received the audited financial statement, but will have it soon. Mr. Ohorilko indicated that was correct.

Chair Lamberti called on the Iowa Harness Racing Association (IHRA). Royal Roland thanked the Commissioners for their service. He stated the IHRA is looking forward to 39 days of racing between May and September at nine different locations around the state. They are looking forward to supporting the industry and the county fair partners that host the races.

Chair Lamberti called for any comments or questions. Hearing none, Chair Lamberti called on Horseshoe Casino/Bluffs Run Greyhound Park regarding their request for resolution of payment of unpaid purse amounts for 2012. Lorraine May and Jim Quilty, legal counsel for HSC/BRGP and the Iowa Greyhound Association, jointly requested the Commission's approval to pay out the final purse supplements for 2012. Ms. May advised the difference occurs annually because Horseshoe pays purses based on points and the purse supplement is based on dollars. She requested the Commission's approval of the payouts as attached to the letter dated April 8, 2013, and upon the payment of those funds, the 2012 purse supplements are resolved.

Hearing no comments or questions concerning the proposed purse supplement payouts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the payment of the unpaid purse amounts from 2012 as submitted by HSC/BRGP and the Iowa Greyhound Association. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the distribution of the horse racing fund, and called on Mr. Ohorilko. Mr. Ohorilko advised there was \$3,330.84 available; and three groups had submitted an application for the funds – The Legacy Harness Horse Foundation, the Thoroughbred Breeders & Owners Association and the Iowa Quarter Horse Racing Association. He advised that all three groups have supplied the necessary documents to receive the funds.

Chair Lamberti requested a motion to divide the funds equally among the three organizations. Commissioner Seyfer so moved. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no public comment or administrative business, Chair Lamberti advised that the Commission was going to take a brief recess until 9:45 AM, at which time they would address the final item on the agenda.

Following the recess, Chair Lamberti moved to the decision regarding the gambling structure license in Woodbury County. He stated that each of the Commission members would be making some comments regarding their thoughts on the process. Chair Lamberti noted this has been a unique situation; one the Commission has not faced previously with these particular facts. He advised that when the Commission started the process, the goal was to be as open and transparent as possible in how the decision would be reached today. The Commission wanted to make sure there was a process in place that provided the Commissioners with all of the information they needed to make an informed decision – application submission, presentations, site visits, public hearing, and a question and answer session. It was also important to provide a full opportunity for all of the applicants and their supporters to present all of the information they wanted to present to the Commission. Chair Lamberti took this opportunity to thank all of the applicants and their supporters, noting it has been a difficult process. He commended all of the hard work by everyone that has gone into the process. Chair Lamberti stated everyone has been very respectful in how they have approached the process; noting the Commission is aware a lot of emotions are involved and that everyone has been very professional.

Chair Lamberti thanked the DCI – management team and the agents that do all of the background investigations; the Racing & Gaming staff, and the Commissioners, noting the amount of time they have put into the process in reviewing all of the information to make sure they are fully informed and have done their due diligence. He stated he is proud of the manner in which they have approached the decision, and is aware how difficult it has been to come to a decision. Chair Lamberti assured those in attendance that each Commissioner took the decision very seriously and has considered all of the information in making their decision. He stated he thought he was accustomed to making hard decisions or hard votes, but stated this is one of the toughest decisions he has ever had to make. Chair Lamberti stated that was a reflection on the quality of the proposals; and the hard work that all of the applicants put into the process. He stated it is the Commission's belief that in the end the new facility will be great for the community, but noted there will be people who will be disappointed. Chair Lamberti expressed his hope that everyone will feel like the Commission has treated them fairly and openly; and that everyone has had the opportunity to present all of the information they wanted to during the process. He opened the floor to comments from the other Commission members, and called on Commissioner Seyfer.

Commissioner Seyfer stated this is the most difficult and controversial issue the Commission has faced during his tenure on the Commission; it is not something they relish or asked for. He noted the Commission had no choice; the matter was forced upon them. He indicated this was

not the way he wanted to end his term on the Commission. Commissioner Seyfer concurred with Chair Lamberti's comments regarding the work that has been done by everyone involved, including Commission staff and DCI. He commended the other Commissioners for their individual time and effort; noting each had received hundreds of letters and e-mails; and have reviewed thousands of pages of applications, reports and studies. Commissioner Seyfer stated the Commission has been presented with four good projects; any one of the four would meet with his approval and rival just about any other casino in the state. It is his opinion that all four projects meet the statutory criteria for a license, but the Commission has to determine what sets them apart.

Commissioner Seyfer stated the first project he reviewed was the Hollywood Siouxland. He indicated if the Commission was granting a first time license in Woodbury County, this project would probably be his first choice due to the location and amenities that have proven successful in Iowa; however, he is not willing to move the economic benefits out of downtown Sioux City.

Commissioner Seyfer stated the next project he looked at was the Warrior project. He stated Lance Morgan and his team put together a very good proposal with the renovation of two historic buildings in downtown and the potential for the project to be the catalyst for additional development. Another plus was the fact that Ho-Chunk is a local company that reinvests in its people and the Siouxland area, and they had a well-qualified sponsoring organization. Commissioner Seyfer stated the project has a few drawbacks: he does not believe the financial impact will be as great as the other projects; concerns that not all of the necessary property is under the control of Warrior; and that the proposed management team does not have the experience of the other operators. He indicated the Warrior project would be his second choice.

Commissioner Seyfer stated he then reviewed the Hard Rock project. The positives for this application were the location, access, renovation of a historic building, plenty of parking and unique amenities. Commissioner Seyfer indicated he still has some concerns over the financing, but believes the addition of PGP Investors and Brent Stevens makes the project viable. He stated his major problem with this proposal is with the non-profit organization and the city's involvement in the process. Commissioner Seyfer stated he has done a lot of reading in preparation for this meeting relating to the history and relationship between MRHD and Penn. He read the following excerpts from past Commission meetings:

- March 6, 2008: Mr. Monson stated that the Argosy has been a great corporate citizen in Woodbury County. MRHD and Argosy each funded a Habitat for Humanity Home in 2005, are now doing scholarships and partnerships, and are cleaning up the river. He noted that Argosy is a well-run company and is very easy to work with. Mr. Monson requested the Commission's support of the license renewal application.
- March 5, 2009: Mr. Monson stated that gaming started in Woodbury County in 1994, and has had two operators; one started the facility in 1994, and Argosy purchased the facility in 1994. He stated that Argosy is a wonderful citizen of the County; they contribute to the community and cooperate with the county, city and foundation. He also stated that

Argosy works hard to get business and expressed concern over possible new licenses in nearby markets.

- March 4, 2010: Mark Monson was unable to be present, but Larry Jensen, Treasurer of MRHD, was present. Mr. Jensen advised that he had been the Treasurer of MRHD for the last 20 years. He stated that all board members are impressed with the staff and management members. They are involved in the community and various organizations. Mr. Jensen stated that in 2009 MRHD approved grants to all the community colleges. He noted that MRHD celebrated its 20th anniversary last November and has distributed over \$17 million in that time frame.
- March 2011: Mark Monson, President of MRHD, stated that MRHD and Argosy had a great referendum and a good year in 2010. He stated that MRHD and Argosy had a great working relationship. Mr. Monson stated that Argosy provides 350 good jobs, and the jobs are needed very badly. He requested that the Commission approve the renewal of the license.
- April 2012: Commissioner Seyfer stated he had some questions for MRHD, and asked if they had seen the plans referred to by Penn. Mr. Monson answered in the affirmative. Commissioner Seyfer asked for MRHD's thoughts on those plans. Mr. Monson stated 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 there were 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 Seyfer stated he had some personal opinions on when the situation went in a different direction, but indicated he was not going there. He indicated the final straw for him was when MRHD and the city refused to have Jack Ketterer, former administrator of IRGC, mediate in an attempt to resolve the issues; there was nothing to lose by trying mediation. Commissioner Seyfer stated it would have been the fair, impartial and honest way to resolve the issue. He expressed his belief that MRHD had a duty to try everything within its power to come to an agreement with its operator. Commissioner Seyfer stated that when he was appointed to the Commission in 2006, he had an orientation session with Mr. Ketterer. He noted that Mr. Ketterer emphasized two things: first that a gaming license is a privilege, and not a right; and second, the guiding principle of the Commission and staff is to uphold and protect the integrity of the gaming industry. Commissioner Seyfer stated that he questioned the integrity of MRHD and the city.

Commissioner Seyfer stated that his choice for the license is the Greater Siouxland Improvement Association and the Hollywood Sioux City proposal. He indicated his reasons were: a well-qualified operator that knows the market and has a good working relationship with the IRGC;

there are no financing issues - the project does not require the use of TIF financing; a diverse and well-qualified sponsoring organization comprised of community leaders with no elected public officials; and the dedicated and loyal employees that will make the transition from the riverboat to the land-based facility a smooth and seamless process.

Chair Lamberti called on Commissioner Mertz. Commissioner Mertz commended all the applicants for their diligence, commitment and dedication to their particular application. They have shown a sincere appreciation of their project. Commissioner Mertz indicated this has been an extremely hard decision for her, and has had to make many hard decisions while raising her family and in her 27 years as a politician. She noted that she was the 51st vote for riverboat gambling. Commissioner Mertz stated she feels riverboat gambling has been good for the state; and whoever receives the license today will be good for Sioux City. She noted that each applicant is unique in the proposals that have been presented to the Commission. Commissioner Mertz made the following comments regarding each application:

- Hollywood: Had great demonstrations during the site visits. She indicated she was very impressed with the welcome the Commission received at the Salix location; noting that site is well groomed toward a casino, but feels the casino needs to be downtown. Commissioner Mertz indicated the downtown site was delightful; noting they put in a lot of work getting the building ready for the site visit to give the Commissioners some kind of an indication of what Hollywood Sioux City would look like. She commented on the famous people, dresses, accessories, and movie stars, etc. that made you feel like you were in Hollywood. Commissioner Mertz expressed concern about the buildings that would be destroyed. She noted their financials seem strong; but is also concerned about the number of lawsuits the company has been through and will probably go through. She questioned whether that would happen with the site in Sioux City.
- Hard Rock: The site location is very good; and is happy the project would renovate the Battery Building. Commissioner Mertz noted the proposals for the building would be very beneficial for Sioux City. She stated that many of the letters and phone calls she received expressed concerns with MRHD. They indicated MRHD would be very active in the daily routine business of running the casino. Commissioner Mertz stated this is not the purpose, the dedication or challenge of the non-profit board.

Commissioner Mertz stated there are a lot of pros and cons with each application, and has never lost so much sleep. She stated her belief that Ho Chunk is in for the long haul; they are in Sioux City and have the dedication. She indicated it is her belief that after reviewing the numbers, that Warrior will leave more money in Sioux City than some of the other applicants. Commissioner Mertz stated that if the city is going to put up with a casino then they should have the biggest share of the dollars. She noted that during her discussions with the Warrior representatives, they indicated they would need to hire 300 employees and wanted skilled, talented, dedicated and experienced workers. The Warrior representatives indicated they would not pull employees from WinnaVegas; this told her they would hire individuals that are experienced in the gaming industry and would be right there in Sioux City. Commissioner Mertz stated the Warrior Hotel

and Davidson Building are very special to her; and is extremely pleased they are going to open up the bottom floor of the building to small businesses within the community. Commissioner Mertz voiced her support of the Warrior application for the license, but indicated she would be happy with whichever applicant gets the license.

Chair Lamberti called on Commissioner Kramer. She thanked everyone for their help during the process; and the applicants for the great proposals. Commissioner Kramer stated the proposals have made this a very tough decision. She advised that in making her decision she took into consideration what she felt were the key points – location with easy access; ability for future expansion and growth; the restoration of historical buildings; a destination point with dedicated amenities; a brand that would benefit the local market and overall statewide tourism industry; the ability to generate an excellent revenue stream not only through direct sources, but from indirect revenues from tourism and supporting businesses; and community support for the project. Commissioner Kramer again thanked the applicants, and reiterated that it has been a very tough decision to make.

Chair Lamberti called on Commissioner Heinrich, who commenced his comments by reiterating how hard this decision was to make, and concurred with the comments made by the other Commissioners. He stated that in making his decision he tried to identify the main criteria that he felt would make the decision easier; he indicated he was not very successful. Commissioner Heinrich identified his seven criteria:

- Adequacy of Financing: Capable of being successful. He indicated all three projects have the necessary financing, although they are all different. Some are better financed than others.
- Integrity of the organization: Commissioner Heinrich stated all applicants had the needed integrity.
- Doable plan/facility: Did the proposal include amenities the community would want; is it realistic and attractive. He noted all three applicants met this criteria; however, one stood out to him a little more than the others.
- Location: Is very critical. He stated two of the proposals had the best locations: Hollywood Siouxland had the accessibility and space; for a downtown location, the site had to be accessible, provide adequate parking and have room for expansion. Again one downtown proposal was a little more viable in these areas than the other two.
- Past history of the organization: Successful relationship with the community. He noted the only one that could be identified here is Penn and their 20-year relationship with the community. Commissioner Heinrich stated things have happened over the past year which Commissioner Seyfer has addressed, and he would speak to that at greater length in a few minutes.

- Positive contribution to the community and state: Commissioner Heinrich stated it needs to be a win/win situation for community, and be beneficial to the state.
- Community support: Commissioner Heinrich stated this criteria was evaluated in different ways. He indicated he received many phone calls – all callers identified themselves; numerous correspondence with all but two signing their name. He stated the community is very professional.

Commissioner Heinrich stated that all of the proposals had good financing, with Penn having the best. The other two proposals are utilizing TIF financing. He noted that the decision to utilize TIF financing is up to the community, and Sioux City/Woodbury County has given their blessing in this situation. Based on that, he considered the use of TIF financing to be acceptable. Commissioner Heinrich stated that all of the applicants have high integrity.

Commissioner Heinrich stated that he was very impressed with the two proposals that involved the renovation of historic buildings; that the community is proud of the buildings and is supportive of the renovations.

Commissioner Heinrich stated the Hard Rock proposal had more amenities; has the best location for a casino in downtown due to its accessibility, and the size of the property provides room for expansion. He indicated he was impressed with their overall plan.

Commissioner Heinrich stated his concern, previously alluded to, has to do with the non-profit organization. He stated he received five phone calls from individuals who were concerned about the operation of the non-profit, mainly because they didn't fully understand how it worked. Commissioner Heinrich stated there does not appear to be much transparency; there was also criticism regarding the longevity of those individuals serving on the board. He made the following recommendations to MRHD based on how IWRA operates:

- Proposed members of the non-profit are determined by organizations within the community – Chamber of Commerce, the school district, the City and the Development Corporation. He stated that it is important to have more community involvement in determining who sits on the board. Commissioner Heinrich indicated that it would be OK to have members of the Board submit names of individuals to serve on the Board.
- Term limits. Commissioner Heinrich noted that IWRA board members can serve four terms of three years, or a total of 12 years; and then new life is brought on to the Board at that time unless someone resigns.

Commissioner Heinrich stated he felt the above would help alleviate some of the criticisms that he heard. He indicated he did not feel there was a problem with the integrity or honesty of the Board members; the concern was that people don't know anything about this Board and they make all kinds of decisions about giving away a significant amount of money. People wonder who has a say in those decisions; who is controlling that – are people on the Board influencing

where the money goes. Commissioner Heinrich stated all of these questions are not good and should be dealt with. He indicated the Board needs to be more transparent and open.

Commissioner Heinrich concluded his remarks by indicating that he could easily accept any of the proposals.

Chair Lamberti concurred with the other Commissioners in that this has been an agonizing process. He indicated the only specific comment he would make as to the proposals is that if it was a new area of the state, Hollywood Siouxland would be his top choice; however, he is unwilling to take the economic benefit out of the city and believes the land-based facility should be built downtown. He concurred that the three remaining proposals meet the statutory requirements and he would be happy with any of them. Chair Lamberti stated he had carried the statutorily required criteria the Commission is to consider in making a decision around with him for weeks; trying to use that as a guide in reaching his ultimate decision. He indicated they had not been much help, especially when evaluating the revenues that will be generated; the taxes that will be paid to the State; the impact on the community through the non-profit; the size of the proposed facility; overall investment; and adequate financing. Chair Lamberti stated that all of the proposals met those requirements; there is not a significant amount of difference in the scope of things. He indicated that all of the Commissioners would probably agree that all of the applicants meet and exceed anything they would have expected when they started the process.

Chair Lamberti stated that when he started to look at some of the other elements to be taken into consideration, it came down to trying to determine which applicant/project has the greatest potential to reap the greatest overall benefit for the community as well as the State of Iowa. He indicated that was not easy to distinguish, so he tried to focus on the other criteria he mentioned previously, plus the quality and size of the amenities and location. Chair Lamberti stated he felt there was one proposal that has a small but significant difference; that has the ability to generate the most economic development, most benefit for the community and for the State. He indicated that is how he ultimately made his decision.

Chair Lamberti again commended everyone involved in the process; reiterating that everyone has been very respectful. He noted there will be some disappointed people; but that is part of the process. Chair Lamberti reiterated Commissioner Seyfer's comments that the Commission did not ask for this situation; the Commission did not want it; and hope they never have to do it again but it is their job. He stated he is confident the Commission has done its due diligence; that they have listened to everyone that wanted to speak; have considered all of the information provided to them and done it to the best of their abilities. Chair Lamberti noted people may not agree with the decision, but he assured those in attendance that the Commission members have tried to make the best decision they can under the circumstances. He opened the floor for any motions.

Commissioner Heinrich moved to grant a license to operate a gambling structure to Sioux City Entertainment, Inc. and a license to conduct gambling games to Missouri River Historical

Development, Inc. subject to the conditions established by the Commission staff. He requested that Mr. Ohorilko read the conditions.

Mr. Ohorilko read the staff recommendations:

- Subject to a license period of April 18, 2013 through March 31, 2016 and payment of the first installment of the license fee within 30 days.
- Subject to opening the gaming floor to the public only after substantial completion of the entire project. Interpretation of this condition shall be in the sole determination of the Commission.
- Subject to all required state and local approvals for construction of the project in the proposed location pursuant to 491 IAC 5.4(18).
- Subject to security and emergency response plan approval by the DCI and IRGC.
- Subject to a status report on the construction time table and on financing at the August Commission meeting and submission of written documentation pertaining to this 14 days prior to the August Commission meeting.
- Subject to substantial completion of the entire project by Sept. 30, 2014 in essentially the same form as represented to the Commission. Interpretation of this condition shall be in the sole determination of the Commission. If the project is not completed by March 31, 2015, a fine of \$53,665.75 per day will be instituted.
- Subject to providing updated financing agreements/ terms as requested by the DCI or Commission.

Chair Lamberti called for a second. Commissioner Kramer seconded the motion. The motion carried 3-2, Commissioners Seyfer and Mertz voting nay.

Chair Lamberti requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Seyfer seconded the motion, which carried unanimously. The meeting was adjourned at 10:30 AM.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 5-6, 2013**

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday and Thursday, June 5th and 6th, 2013 at Lakeside Hotel Casino (Lakeside) in Osceola, Iowa. Commission members present were Jeff Lamberti, Chair; and members Carl Heinrich, Kris Kramer and Rich Arnold. Commissioner Dolores Mertz was absent.

Chair Lamberti called the meeting to order at 5:30 PM and requested a motion to approve the agenda. Commissioner Heinrich so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti requested a motion to go into Executive Session. Commissioner Heinrich moved to go into Executive Session pursuant to, but not limited to, Iowa Code Sections 21.5(1)d, g, and h 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.

Following the conclusion of the DCI background reports, Chair Lamberti requested a motion to leave Executive Session. Commissioner Heinrich so moved. Commissioner Kramer seconded the motion, which carried unanimously. Chair Lamberti recessed the meeting until 8:30 AM on June 6, 2013.

Chair Lamberti reconvened the Commission meeting at 8:30 AM, and called on Bob Thursby, General Manager of Lakeside. Mr. Thursby welcomed the Commission to the property and Osceola. He noted it has been about a year since they finished the addition of the new hotel rooms. He introduced Mayor Fred Diehl, who also welcomed the Commission to Osceola. Mayor Diehl stated he found an old newspaper article of a speech he gave which indicated the facility would have a convention center, a new entry into Osceola, a 100-unit motorhome park, and a hotel. He informed the Commission that Osceola now has all of the above. He further advised that since that time, the City has put in some 70 blocks of new streets, 60 of them have curb and gutter, new water, new everything, and all paid for with casino money – no tax money whatsoever.

Mr. Thursby noted that Amy Lampe, Chair of the local non-profit, and several other members were in attendance.

Chair Lamberti thanked Mr. Thursby for the hospitality shown by the facility.

Chair Lamberti moved to the approval of the minutes. Commissioner Kramer moved to approve the minutes from the April 18, 2013 Commission meeting as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

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

- July 2, 2013 – Prairie Meadows Racetrack & Casino, Altoona, IA (Submissions due by June 19, 2013)
- August 15, 2013 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 1, 2013)
- September, 2013 – No Meeting
- October 10, 2013 – Mystique Casino, Dubuque, IA (Submissions due by September 26, 2013)

Mr. Ohorilko introduced the following staff members in attendance: Hilary Brown, Gaming Representative at Lakeside; Ian Hudson, Executive Officer, who handles game approvals, and Brian Simonsen, an intern from Drake who is working for the Commission this summer. The latter individuals work in the Des Moines office.

Chair Lamberti moved to the request by Isle of Capri Casinos (IOC) for approval of refinancing of their senior secure credit facilities. Stacey Hall, legal counsel for IOC, requested approval of the refinancing documents.

Hearing no questions or comments concerning the documents, Chair Lamberti requested a motion. Commissioner Kramer moved to approve IOC's request for refinancing of their senior secure credit facilities, including approval of the mortgage amendments for the IOC Bettendorf, IOC Davenport, IOC Marquette, and IOC Black Hawk County. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the update regarding the sale negotiations of the Rhythm City in Davenport and called on IOC. Ed Quatmann, Chief Legal Officer for IOC, advised that Riverboat Development Authority (RDA), the non-profit license holder, announced they had selected Kehl Development Corporation (Kehl) as its preferred partner. He stated that IOC has entered into a Letter of Intent to sell Rhythm City Casino with Kehl. He advised the parties have made tremendous progress over the last several weeks since RDA and IOC agreed to work together on a solution. Mr. Quatmann advised that Kehl was selected after RDA worked collaboratively with IOC to review and evaluate multiple bids to purchase Rhythm City and develop a new land-based entertainment complex in Davenport. He noted that Kehl does not need any introduction to the Commission as he has been actively involved in the development and expansion of gaming in Iowa since 1990. Mr. Quatmann stated Kehl has developed five casinos and overseen the construction and renovation of over 15 gaming properties. He advised that Kehl's track record is impressive; IOC is comfortable with the proposed purchase price for Rhythm City, and his ability to finance the acquisition.

Mr. Quatmann advised that under Kehl's proposal a significant portion of the financing to acquire the Rhythm City will come direct from Dan Kehl and the Kehl family. Additionally, Kehl's proposal will permit Iowa citizens, including citizens of Davenport and Scott County, to own a portion of the new development. He pointed out that Kehl's proposal does not include the use of public funds. Mr. Quatmann stated that Kehl proposes to purchase Rhythm City, keep it open and people working while simultaneously developing a new land-based entertainment complex in Davenport. The new \$110 million casino entertainment destination will include

1,000 slot machines, 25 table games, approximately 95 hotel rooms, multiple restaurants, live entertainment and meeting facilities.

Mr. Quatmann stated the parties are currently finalizing the terms of an Option and Asset Purchase Agreement with Kehl. Under the Option Agreement, Kehl will have up to 120 days to exercise the option after meeting with representatives of the RDA and City of Davenport to discuss the project and finalize terms of the necessary agreements. He stated much of this work is already done or is well under way. Mr. Quatmann stated IOC already has an understanding with Kehl on mutually acceptable terms on the purchase price and are finalizing documentation now. With regard to the RDA, Mr. Quatmann stated it was IOC's understanding that Kehl and RDA have agreed on mutually acceptable terms. He advised that Bob Gallagher, legal counsel for RDA, will address the Commission following his comments.

With regard to the City of Davenport, Mr. Quatmann stated city representatives were present and would address the Commission shortly. He noted that IOC has cooperated with the City in its efforts to find a new developer for Davenport since July 2009. Notwithstanding the City's support for a rival bidder, Mr. Quatmann expressed IOC's hope and expectation that the City would support what it has worked so hard to accomplish – a first class land-based facility for Davenport. He stated IOC is encouraged by recent positive comments in the press by various City Aldermen.

Mr. Quatmann advised that upon completion of the aforementioned items, Kehl would exercise the Option and enter into a Purchase Agreement, which would be subject to Commission approval before closing. Following the exercising of the Option and the signing of the Purchase Agreement, IOC expects Kehl to move quickly through the Commission's approval process in light of his current licensure and standing in the state. He stated that Kehl's proposal calls for an 18-month construction schedule from that point.

Mr. Quatmann noted the process has been long, but IOC is very pleased to have arrived at this point working closely with RDA; he thanked RDA for its professionalism, determination and hard work in getting to this point. He indicated IOC looks forward to completing the transaction.

Mr. Gallagher stated he had worked with RDA since the inception of gaming in Davenport, but has never had an opportunity to attend a meeting. He advised that Mary Ellen Chamberlain was unable to attend due to a family matter. Mr. Gallagher concurred with Mr. Quatmann's comments. He stated that RDA and IOC have worked hard together since March and that the choice of Kehl is good for Davenport, RDA, and the state. He advised that RDA and Kehl have begun to negotiate the Operator's contract, and believes it will be completed in the very near future. RDA is looking forward to moving forward in this venture and hopefully increasing the gaming revenues for the benefit of the state, county, city and RDA.

Chair Lamberti called on the City of Davenport. Bill Gluba, Mayor, stated the city has been interested in land-based gaming for a number of years, and has been working under the Commission's guidance toward the shared goal of bringing market competition, land-based gaming to Davenport. He noted RDA had selected Kehl Development as their preferred casino

developer. Mayor Gluba stated that in the approval motion, RDA granted Kehl 120 days to negotiate a development agreement with the city. He advised that in touring various casinos with city officials and RDA representatives last year they visited Riverside; and were very impressed with the quality of the development. They are confident Kehl could build a quality project.

Mayor Gluba advised the city had selected another private company, Davenport Casino Group led by local developer Rodney Blackwell, to negotiate with earlier in the year. He stated Mr. Blackwell has proposed a Memorandum of Understanding featuring private casino ownership and retaining a significant amount of gaming revenue, approximately \$11 million, to be left in the Davenport community. Mr. Gluba stated Mr. Blackwell would lead a group representing new gaming competition in eastern Iowa. Regardless of who is chosen, Mr. Gluba stated the parties share the same goal – to maximize the value of the gaming license to the State of Iowa, people of Davenport, to a broader community and the local non-profit. He went on to state that in order to achieve the goal, the parties must foster maximum competition between the various gaming companies. He stated Davenport knows from years of experience during which IOC has been allowed to perpetuate a regional gaming monopoly that the lack of competition has reduced revenue to the State of Iowa by approximately \$7 million, now flowing from Davenport and eastern Iowa to Jumar in Illinois. Mr. Gluba advised that the casino suggested by the city would be located on the intersection of Interstates 80 and 280, which would tend to block the flow of traffic by gamblers to Illinois to some degree. He indicated this would result in much more money for RDA, Davenport, Scott County and the State of Iowa; that all would realize millions of more dollars. The City wants to ensure there is no lack of competition in the Davenport market. Mr. Gluba stated the City is prepared to start good faith negotiations with Kehl; however, before the City begins to negotiate with Kehl in earnest they would like some guidance from the Commission as to whether there is concern about permitting a casino operator who already operates a casino in southeast Iowa to establish yet another casino in the same area of the state. He asked the Commission to remember that Riverside and IOC joined forces to defeat the Linn County referendum, which could potentially provide competition for both. He noted the two operators reportedly spent \$1.5 million to prevent the competition from developing. Additionally, Kehl offered to build a \$30 million waterpark if the voters rejected the referendum. Mr. Gluba stated Davenport is very concerned about the issue of competition when it comes to these two companies. He thanked the Commission for their time and requested they weigh the above issues carefully.

Chair Lamberti stated he didn't have any questions, but noted Mr. Gluba had requested some comments back. While noting it is a little early in the process, Chair Lamberti stated the Commission would encourage, and appreciate the comment, that the City would negotiate in good faith. He stated the Commission's goal is to get a quality land-based facility in the Davenport market as they are concerned about the loss of market share.

Chair Lamberti noted that Mr. Gluba had specifically asked if the Commission had concerns about Kehl being able to provide adequate competition in the Davenport market given the location of Riverside and the issues in Linn County. Speaking for himself, Chair Lamberti stated he does not have any concerns. He advised the Commission would judge the project on its merits when it comes before the Commission; whether it is a facility that provides adequate

competition for IOC Bettendorf and Jumers, and will help regain market share in the Quad Cities area. In his opinion, there will be enhanced competition in the market. Chair Lamberti indicated the Commission will listen to any concerns, but is anxious to move forward.

Chair Lamberti noted that he was remiss in not introducing the newest Commission member, Richard Arnold. He noted they served together in the Legislature for a number of years. Chair Lamberti noted that he is joining the Commission at an interesting time.

Chair Lamberti moved to the next agenda item, which relates to Woodbury County. He noted the first item relates to the Commission's decision to award a new license in Woodbury County. He stated that while the Commission voted to approve one of the four applications, they did not specifically deny the other applications. In order to clean up the record regarding the matter, he requested a motion.

Commissioner Heinrich moved to deny the Woodbury County license applications of Belle of Sioux City, L.P. and Greater Siouxland Improvement Association's Siouxland site; Belle of Sioux City, L.P. and Greater Siouxland Improvement Association's Sioux City site; and Warrior Entertainment, LLC and Siouxland Strong, Inc. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the Request for Reconsideration of the April 18, 2013 Decision filed by Belle of Sioux City (Belle). Mark Weinhardt, legal counsel, advised that a number of representatives from the Belle and Penn National Gaming (Penn) were present at the meeting. He stated Belle is asking the Commission to reconsider and reverse the decision made on April 18, 2013 to grant a license to develop and operate a land-based casino in Woodbury County. He advised Belle was making the request because the decision was illegal in at least a couple of different ways; it sets a new and disturbing precedent for the way gaming is going to be regulated in Iowa and because there were some serious irregularities with the process by which the decision was made.

Mr. Weinhardt stated in any kind of bidding process there can be, and usually are, frustrated losers; people who felt their bid should have been preferred. He stated he was not here to make the frustrated complaint of the losing bidder because what happened before the Commission was not merely the award of a license through a bidding process but a revocation. Mr. Weinhardt indicated what the Commission did on April 18th was the effective revocation of the Belle's license to operate Argosy Casino, which has been operating productively, safely and profitably in Sioux City for 20 years. The decision was a decision to revoke Argosy's license without any objection, effect, complaint, or deficiency in its operation; but rather simply a decision to take away the Argosy's license once a land-based casino is open because apparently the Commission now prefers land-based casinos. Mr. Weinhardt stated the action is unprecedented in the history of Iowa gaming; noting that his office has read the minutes of every meeting of the Commission going back to 1983 and can find no similar decision. He advised that Penn operates over 20 gaming facilities in 18 states and Canada and has an immense knowledge of the history of gaming in the United States and can find no similar license revocation being visited upon a licensee anywhere in the country. Mr. Weinhardt advised the action violated Belle's right to due

process. Under Iowa law, by statute and Constitution, as well as the Constitution of the United States, a license is something that cannot be taken away without a certain degree of due process. He noted that an individual's driver's license cannot be taken away by the State unless there is the administrative approval of a trial at which point the individual is informed of what they did wrong and the State has to prove what it was the individual did wrong, and the individual has an opportunity to defend themselves. Mr. Weinhardt stated Belle has never had its day in court in order to contest the effective revocation of its license; it's never been told what the charges against it are. He stated that going forward the parties could set up some type of revocation process so the Belle could have its day in court; however, they believe that due process would be illusory. Mr. Weinhardt stated that if Belle walked into the hearing room for its administrative hearing on its license revocation now, it already knows that in June of last year the Commission decided to open up the Sioux City land-based license situation for bids from competing operators; it knows that on April 18th the Commission awarded a license to another operator; it knows that the Commission has accepted a non-refundable \$4 million deposit from the other operator; it knows or will know in a matter of minutes that the Commission will have approved 33 different contracts for Sioux City Entertainment (SCE) to commence developing its land-based casino. Mr. Weinhardt advised that Belle objects to the approval of said contracts, and has done so via a letter delivered to the Commission earlier in the week. Mr. Weinhardt further stated that upon entering the administrative proceeding, Belle officials would already know that in concert with the Commission, the City of Sioux City is working at breakneck speed to vacate streets, foist tax increment financing on its citizens, and take a host of other measures that will implement the land-based casino in Sioux City, at times so fast it is violating Iowa laws and Sioux City ordinances. Against that backdrop, he stated no one could believe that the Belle would get a fair day in court on the question of whether or not its license should be revoked. The decision regarding the Belle's license revocation has been preordained, already been made with no opportunity for the Belle to defend itself.

Independent of the foregoing, Mr. Weinhardt stated there is a second reason why the Commission's decision in April was illegal. He advised there is a statute in Iowa that plainly provides that if there is already an excursion boat or gambling structure in a county, a new license can only be issued for a facility of the same sort. If there is a licensed boat in the county, only another boat can be licensed; if there is a licensed structure in the county, only another structure can be licensed. Mr. Weinhardt stated the statute is intended to protect the reasonable expectations of gaming operators that the Commission is not going to come along and change the rules of the game and change the nature of gaming that is permitted in a particular jurisdiction with one important exception, and that is that there is another statute that says if there is a gaming operator on the water that operator, and only that operator with the approval of the Commission, can receive a license for a land-based casino. He stated that was what should have happened in this situation; the Belle should have received an opportunity, by itself, to propose a land-based casino in Sioux City to the Commission. Mr. Weinhardt stated that is what Belle is asking the Commission to do now – reconsider, reverse its decision and give Belle the opportunity that the Iowa statute provides. He indicated that it should be enough that the above statutes have been broken for the Commission to reverse its April decision. He stated the laws the Belle is relying upon have important policy considerations; the Commission knows the degree of risk and investment the casino operators have to make in order to operate their

businesses. The casino operation in Sioux City has been the recipient of an investment of approximately \$100 million by Belle over the years that it has been in existence. Mr. Weinhardt noted casino operators do not make those investments lightly; they need to be able to rely on the fair application of the laws of the state in which they operate. He pointed out that in this case a 20-year operator with a spotless record is being thrown out of town, essentially because people have changed their minds about what casinos ought to look like. He questioned what fad casino operators could be faced with in the future that would cause their license to be worthless; that is the precedent being set by the Commission's action. He indicated the casino operators should now be concerned about whether there is a prettier girl at the dance; and if so, whether they will be left as a wallflower.

Mr. Weinhardt stated Belle's last concern is with the application process, which they believe was improperly and unfairly managed. He noted that when the Commission set up the process for bids for the new license last June, it established a clear deadline, which was adjusted by five days; everyone was to have their application in by November 5th. It ensured a level playing field; everyone was required to put their best foot forward at once. He pointed out once that happened SCE was subject to withering criticism because it was so highly leveraged in direct contrast to the Belle's proposal which was backed by its corporate parent, Penn. He stated Penn has the ability to just write the check to build whatever kind of casino in Woodbury County the Commission wants, which is why Commissioner Heinrich stated that Penn had the best financing proposal. Mr. Weinhardt stated that more than two months after the deadline SCE was allowed to make a new proposal. They were allowed to amend what they had proposed to such an extent there was a new financing structure, a debt and equity partner, new management, a new legal entity as the license holder, a new hotel and construction plans. He indicated those things have continued to morph up until today so that what was represented to the Commission as a facility that would generate 500 jobs was represented to the City of Sioux City earlier this week as generating 400 jobs. Physically, the photographs and images of what the facility was to look like as originally proposed to the Commission don't look like the photographs shown to the City of Sioux City earlier this week. Mr. Weinhardt stated that one of the conditions of the license that was recited by Mr. Ohorilko when the Commission voted was that the facility had to be built "in essentially the same form as represented to the Commission." He indicated that would be hard to say now. Mr. Weinhardt indicated the following occurred when SCE was allowed to amend its proposal in such dramatic fashion: instead of being a sealed bidding process, it became an auction in which one bidder was allowed to raise his paddle while the other bidders were allowed to sit on their hands. He stated a majority of the Commissioners at the April 18th meeting expressed reservations about Missouri River Historical Development (MRHD), the qualified sponsoring organization that had a long term binding contract with exclusivity with Belle, but behind the Belle's back spent approximately two years trying to find a new operator. He noted Commissioner Seyfer stated he questioned the integrity of MRHD and the City. Mr. Weinhardt stated MRHD essentially conducted its own Request for Proposals process as though they, not the Commission, were in the position to control gaming in Woodbury County.

Mr. Weinhardt asked "Who is MRHD exactly?" noting that many of the negotiations and actions taken by MRHD were taken by an individual who was not even licensed by the Commission at the time he was taking those actions. He stated that MRHD ultimately partnered with SCE, an

entity backed by Warner Gaming. He noted Warner Gaming takes its name from an individual who received a subpoena a number of years ago in Missouri from the Missouri Gaming Commission; Mr. Warner did not show up nor did any of the other executives from Stations Casinos where he worked at the time. As a result, Stations Casino wound up leaving Missouri. Mr. Weinhardt stated this matter has been detailed in the reconsideration letter. He stated Belle does not believe those concerns about the individuals who are now to be the licensee in Woodbury County were given adequate weight or consideration in the process.

Mr. Weinhardt stated Belle does not believe this is simply about a concern about how one side or another side shouldn't have won a bidding process, but rather a situation in which a number of laws have been broken and procedures bent, and the only way to get it right is to start over and do it right from the beginning. He stated there is a technical term that lawyers use to describe the legal situation regarding gaming in Woodbury County at this time: It's a big fat mess. Mr. Weinhardt stated the mess is only going to get worse if SCE is allowed to go forward, break ground and build a casino while there are so many legal issues in the air. He stated Belle believes the only logical and prudent course of action is for the Commission to reverse its decision from April 18th and give Belle the statutorily afforded opportunity to make a sole bid for the land-based license in Sioux City.

Chair Lamberti stated the Commission is in receipt of the formal request to reconsider and reverse their April 18th decision. He asked if any member of the Commission wishes to make a motion to reconsider and reverse their April 18, 2013 decision to grant a license to operate a land-based casino in Woodbury County to SCE. Hearing none, Chair Lamberti stated the request to reconsider and reverse the Commission decision failed for lack of a motion.

Chair Lamberti moved to the next agenda item: Pinnacle Entertainment, Inc. (Pinnacle) and their request for approval of the stock purchase of Ameristar Casino. Anthony Sanfilippo, CEO of Pinnacle, introduced Carlos Ruisanchez, President and CFO, and Jack Godfrey, General Counsel. Mr. Sanfilippo thanked the Commission for considering the transaction before them. He noted they gave a presentation in April regarding the company and what it would mean to merge the two companies together. Mr. Sanfilippo indicated they would be happy to answer any questions the Commission may have.

Chair Lamberti stated the Commission had received the DCI background report the previous evening and there were no concerns. He noted the Commission is aware that there are a couple of Federal Trade Commission (FTC) issues that do not affect the Commission's regulatory approval; that Pinnacle will have to deal with those in order to get the deal approved. Chair Lamberti expressed the Commission's appreciation for them coming to the meeting, and showing an interest in the Iowa market. He requested a motion.

Commissioner Kramer moved to approve the stock purchase of Ameristar Casinos, Inc. by Pinnacle Entertainment Inc. subject to compliance with all applicable Iowa statutes and administrative rules. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to a discussion regarding a gaming license in Linn County. He noted Linn County approved a referendum. He stated Iowa law provides that once a referendum has been approved applications can be submitted; the Commission believes it is prudent and helpful to set a deadline for the submission of the applications. Chair Lamberti requested a motion to establish a deadline for the submission of applications.

Commissioner Heinrich moved to accept applications from Linn County through September 3, 2013, and directed staff to prepare an application, in cooperation, with the Commission, to be available on the Commission's website next week. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti noted there have been other referendums that have either been brought up and discussed or failed, and there is the possibility of others. He advised the Commission has had discussions over the past months, originally generated by the referendum in Linn County, and now the interest throughout the state, that it may be time to do more market studies. Chair Lamberti stated there have been discussions about proceeding with a market study focusing on what is known in terms of the approval of the referendum in Linn County, but the Commission is also interested in studying the rest of Iowa. He indicated the process would begin with an RFP to find the vendors that will complete the market analysis. Chair Lamberti requested a motion regarding the market studies.

Commissioner Kramer moved to direct staff to prepare an RFP, in cooperation with the Commission, for the purpose of selecting one or two vendors to conduct a statewide market analysis. Commissioner Arnold seconded the motion, which carried unanimously.

Chair Lamberti moved to the contract approval portion of the agenda and called on Lady Luck Marquette (LLM). Bari Richter, General Manager of IOC Waterloo, introduced Don Oster as the new general manager at Marquette. She advised that Mr. Oster was instrumental in opening the property in Waterloo; has been involved in the gaming industry since 1993, and is a native of DeWitt, Iowa. Ms. Richter stated that he has worked in multiple jurisdictions.

Mr. Oster presented a contract with Marquette Hotel Group, LLC d/b/a Cobblestone Inn and Suite for hotel rooms.

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

Chair Lamberti called on IOC Waterloo. Ms. Richter presented the following contracts for Commission approval:

- Caterpillar, Inc. – Service Warranty Coverage for Power Generator System
- Altorfer, Inc. – Scheduled Maintenance Plan for Power Generation System – Renewal

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 Arnold 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:

- Konami Gaming, LLC – IBM System Storage – Data Guard Server Replacement
- Turfwerks – Golf Course Replacement Equipment

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, noted the facility is celebrating its two-year anniversary this weekend. She advised that progress on the 18-hole Rees Jones golf course continues, and every day is a good day except when it rains. She presented the following contracts for Commission approval:

- CenturyLink – Long Distance Phone Service
- Vital Support Systems – Technology Solutions: Hardware, Software, and Support Services

Chair Lamberti asked about the scheduled opening of the golf course. Ms. Haselhoff advised that it will be late 2014.

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

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

- Global Cash Access – Purchase of 4 Xchange Kiosks and 1 JP Kiosk
- Paltronics, Inc. – Purchase and Installation of Progressive System
- Metropolitan Entertainment & Convention Authority (MECA) – Suite Licensing Agreement at CenturyLink Center Arena

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

Chair Lamberti called on Wild Rose Emmetsburg (WR Emmetsburg). Amy Rubel, General Manager, presented the following contracts for Commission approval:

- Imagine This – Customer Giveaways and Promotions
- Konami – Equipment and Game Leases
- WMS – Purchase Equipment

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

Chair Lamberti called on Sioux City Entertainment (SCE). Bill Warner, President of SCE, and Todd Abbott, VP of Compliance, presented the following contracts for Commission approval:

- Avery Outdoor – Billboard Advertising
- Berenstein, Moore, Heffernan, Moeller & Johnson, LP – Legal Services
- Chatterkick – Internet/Social Media
- City of Sioux City – Development Agreement
- City of Sioux City – Infrastructure (Traffic/Streets)
- City of Sioux City – Infrastructure (Water/San/Storm)
- City of Sioux City – Utility Usage (Water/Sewer)
- Friedmutter Group – Architect
- Grefe & Sidney, PLC – Legal Services
- JEO Consulting Group, Inc. – Professional Services Agreement
- United Commercial – Real Estate Agent
- B&C Real Estate, LLC – Purchase of Real Property
- Bomgaars Supply, Inc. – Purchase of Real Property
- Fifth Generation Investments, LLC – Purchase of Real Property
- ILL, Inc. – Purchase of Real Property
- PPP, Inc. – Purchase of Real Property
- Stoneburg Family Trust – Purchase of Real Property
- Eliades Investments LLC – Lease Agreement
- MidAmerican Energy Company – Lease Agreement
- Lewis and Roca LLP – Legal Services
- MidAmerican Energy Company – Infrastructure Improvements (Gas/Electric)
- MidAmerican Energy Company – Utility Usage
- PBR Consulting Services, LLC – Construction Design and Cost
- Quilty Law Firm – Legal Services
- The SGroup, LLC and Charles Larson Law Firm, PC – Public Affairs Consultation
- Shefsky & Froelich – Legal Services
- Sioux City Funding, LLC – Loan Agreement, Warrants, Advisory Services Agreement
- Sioux City Journal – Advertising
- Sixteen Fifty – Marketing, Advertising, Creative Design, Artwork, Videography, Strategy
- Snyder & Associates, Inc. – Traffic Study and Engineering Services
- Stoney Creek Hospitality – Hotel Room Night Stays and Banquet Services
- Terracon Consultants, Inc. – Soils Engineering and Consultation

- Thiel Geotech, Inc. – Environmental Engineering and Consultation

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

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

- C & T Design – Food Service Equipment and Design Services
- Home Boy Enterprises – Concrete Contractor
- Monarch Content Management – Track Settlements for Pari-Mutuel Betting
- Networks Inc. – Computer Equipment
- True North Companies – Insurance Brokerage Services (RP)
- Underground Company – Track Drainage Repair Contractor

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

Chair Lamberti called on Mystique Casino (Mystique). Jesús Avilés, General Manager, presented a contract with Cottingham & Butler Insurance for property and casualty insurance.

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

Chair Lamberti moved to the next agenda item, a review of the year-end financial audit for Dubuque Racing Association (DRA). Mr. Avilés advised that over \$10 million was given to the city, charities, and the non-profit organization. Additionally, DRA paid over \$12.5 million in gaming taxes, and \$15 million in payroll and benefits. They distributed \$2.2 million through the grant process, \$1.4 million for GAM programs, \$600,000 for the endowment fund, and \$200,000 for Vision Iowa. Mr. Avilés provided a breakdown of the payment to the city.

Hearing no comments or questions concerning DRA's audit, Chair Lamberti moved to the review of the Horseshoe Casino/Bluffs Run Greyhound Park and Iowa Greyhound Association (IGA) escrow audit report for 2012. Jim Quilty, legal counsel representing the IGA, noted the escrow fund and purse supplements at both of the racetracks in Iowa are the result of agreements or arbitration, which occur on a yearly basis. He advised that one of the early arbitrations at Horseshoe resulted in the creation of the escrow fund where money was deposited by the casino to be used in the future to supplement purses and some limited promotional purposes. Mr. Quilty stated the fund has been an audited fund for many years. He advised that some years see large disbursements to make up purse supplement shortfalls, and some years there are very little disbursements, which is the case this year. Mr. Quilty stated the fund currently is just over \$4

million; disbursements last year were for the fund managers and to pay for the maintenance of the website.

Chair Lamberti moved to the hearings before the Commission, with the first being for Isle Casino Hotel Waterloo (Isle). He called on Mr. Ohorilko, who advised that staff had entered into a Stipulated Agreement with the facility regarding the violation of Iowa Code §99F.9(7), which states in part that a licensee shall not accept a credit card to purchase credit to be wagered. In this situation, a beverage server accepted a credit card, agreed to make change, and the patron subsequently used the change to play a slot machine. Mr. Ohorilko advised that staff and Isle have agreed to an administrative penalty in an amount up to \$10,000 to be set by the Commission. Mr. Ohorilko requested approval of the Stipulated Agreement and that the Commission establish the amount of the penalty.

Ms. Richter noted there was a failure to follow procedure, starting with a shift manager who did not have documentation indicating the employee had been trained effectively. She noted the training procedures have been reviewed and they have added additional signature reviews. Ms. Richter advised management is meeting next week to look at the removal of allowing any guest to utilize a debit or credit card to purchase beverages on the floor.

Chair Lamberti noted Isle had one other instance involving a credit card, and advised the Commission is concerned that employees are properly trained in this area. He stated that it does not appear to be a complex training situation.

Hearing no further comments concerning the Stipulated Agreement, Chair Lamberti requested a motion with a penalty amount. Commissioner Heinrich moved to accept the Stipulated Agreement as submitted, and established the administrative penalty at \$10,000. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti asked Mr. Ohorilko to address the Stipulated Agreement with Argosy. Mr. Ohorilko noted staff and the Belle had entered into a Stipulated Agreement regarding the violation of Iowa Code §99F.4(22), which pertains to the state-wide self-exclusion program. He advised an individual who had enrolled in the program was subsequently issued a Players Club Card and did receive promotional mailings, which constitute a violation of the Resolution adopted by the Commission. Mr. Ohorilko noted this is the first violation of this nature in the past 365 days. He requested the Commission approve the Stipulated Agreement as submitted, and establish an administrative penalty between \$3,000 and \$20,000.

Lance George, General Manager, advised this situation was the result of an error by a very good employee and the matter has been resolved internally.

Chair Lamberti noted that the violation was caught through an account audit the facility does of the self-exclusion program. He asked how often Argosy was performing the audits. Mr. George advised that since this situation occurred, they are performing the audits on a daily basis. A report is generated which is sent to the Compliance Department and him; the report lists any suspect accounts that may need further review.

Hearing no further comments or questions, Chair Lamberti requested a motion with a penalty amount. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted and established the administrative penalty at \$3,000. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the hearing for the Diamond Jo and called on Mr. Ohorilko. Mr. Ohorilko advised staff and Diamond Jo management had entered into a Stipulated Agreement with regard to the violation of Iowa Code §99F.9(5), which prohibits underage individuals from gambling. He stated that an underage male entered the gaming floor unchallenged, was on the floor for more than 30 minutes, gambled and received a jackpot payment. The previous facts meet the criteria established by the Commission for a \$20,000 administrative penalty. Mr. Ohorilko stated the facility has also agreed to review their entrance procedures in an effort to prevent future incidents from occurring.

Kim Pang, General Manager for Diamond Jo Worth, stated the Dubuque facility has reviewed its procedures, has retrained employees in this area, and will request identification from individuals who appear to be under the age of 35 at all times. He indicated the facility will work diligently to prevent similar incidents in the future.

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

As there was no Public Comment, Chair Lamberti moved to Administrative Business and the regulatory fees for Fiscal Year (FY) 2014. Mr. Ohorilko advised the budget bills have not yet been signed; therefore, the Commission does not have all the necessary information to set the regulatory fees at this time. He noted the Commission will need funding to cover day-to-day operations. He stated the operators have been informed of the staff's recommendation which is to use the fees established for FY 13, and come back at a later Commission meeting to seek approval of regulatory fees based on FY 14 appropriations.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the regulatory fees for FY 2014 at the same level as FY 2013 with the first payment due on July 3, 2013, including five weeks paid up front plus the current week. The final regulatory fees for FY 2014 will be set at a later date crediting the amount of regulatory fees already paid. Commissioner Arnold seconded the motion, which carried unanimously.

Chair Lamberti moved to the Notice of the Dog Racing Promotion Fund. Mr. Ohorilko stated the Commission will be accepting applications from non-profit organizations interested in receiving the dog racing promotion fund for FY 2014. He noted applications are due in the Commission's Des Moines office by June 21st. The application will be posted on the Commission's website.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 2, 2013**

The Iowa Racing & Gaming Commission (IRGC) met at Prairie Meadows Racetrack & Casino (PMR&C) in Altoona, Iowa. Commission members present were Jeff Lamberti, Chair; and members Carl Heinrich, Dolores Mertz, Kris Kramer and Richard Arnold.

Chair Lamberti called the meeting to order at 8:30 AM and called on Gary Palmer, General Manager of PMR&C, for a welcome. He thanked the Commission for coming and staying at the facility. He noted next year would be PMR&C's 25th year in business. Mr. Palmer noted there has been quite a metamorphosis in gaming over the years and thanked the Commission for their part in the great reputation that all of the facilities in Iowa have. He expressed gratitude for the Commission's support over the years, which has allowed PMR&C a chance to grow and invest in the community.

Chair Lamberti moved to the approval of the agenda and requested a motion. Commissioner Kramer moved to approve the agenda as presented. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the minutes from the June 5-6, 2013 meeting, noting they had previously been distributed. Commissioner Arnold moved to approve the minutes as submitted. Commissioner Kramer 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:

- August 15, 2013 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 1, 2013)
- September, 2013 – No Meeting
- October 10, 2013 – Mystique Casino, Dubuque, IA (Submissions due by September 26, 2013)
- November 21, 2013 – Stoney Creek Inn & Conference Center, Johnston, IA (Submissions due by November 6, 2013)

Chair Lamberti moved to the election of the chair and vice chair for Fiscal Year 2014, and requested a motion. Commissioner Mertz moved to elect Jeff Lamberti as Chair and Carl Heinrich as Vice Chair. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to Pinnacle Entertainment Inc.'s request for approval of financing. Doug Gross, legal counsel, noted the Commission approved Pinnacle's acquisition of Ameristar Casinos at the June meeting. Prior to that, the Commission adopted rules called "shelf rules" which allow for the approval of debt transactions for publicly traded companies for up to three

years. Mr. Gross stated Pinnacle has listed the \$4 billion in debt financing that is necessary for the purchase of Ameristar and the particular transactions; he requested the Commission's approval of the shelf debt financing.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve Pinnacle's financing. Chair Lamberti amended the motion as follows: To move to approve the financing as represented to the Commission to satisfy the terms and conditions of the Ameristar transaction with the condition that Pinnacle notify the Commission staff within ten days of the consummation of the transaction and provide any documents evidencing the transaction. Commissioner Heinrich withdrew his motion and requested that Chair Lamberti make the motion. Commissioner Heinrich then seconded the motion.

Chair Lamberti asked the projected close on the Pinnacle/Ameristar transaction. Mr. Gross stated they still anticipate a third quarter close. He advised the issues with the FTC in St. Louis and Louisiana have been resolved and are in the process of being documented.

Hearing no further comments or questions, Chair Lamberti requested a vote on the motion. The motion carried unanimously.

Chair Lamberti moved to the contract approval portion of the agenda, and called on Argosy Casino Sioux City (Argosy). Lance George, General Manager, presented a contract with Rodi Platcow Malin Advertising for marketing, creative services and local media buys.

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

Chair Lamberti called on Rhythm City Casino (RC). Bill Gustafson, General Manager, presented a contract with Marquette Transportation, which provides tugboat services for vessel safety during flooding.

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

Chair Lamberti called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Ecolab for a 5-year lease of a dish machine and purchase of chemicals.

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

Chair Lamberti called on Isle Casino Hotel Waterloo (IOCW). Grant Gubbrud, Senior Director of Finance, presented the following contracts for Commission approval:

- Paulsen Electric Company – Parking Lot and Driveway Lane Lighting Vendor
- Aramark – Laundering Service

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

Chair Lamberti called on Sioux City Entertainment, Inc. Bill Warner, CEO, requested approval for the secured financing for the land-based facility in Sioux City. He advised there are two pieces to the financing; a \$61 million term loan and a \$7.5 million undrawn revolver for additional flexibility for the project. The loan provides for an additional \$15 million. The interest rate is approximately 8.25%, subject to market conditions. The loans will be secured by the assets of the facility.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contract with the condition that SCE notify Commission staff within ten days of consummation and provide any documents evidencing the transaction when completed. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Isle of Capri, Marquette (IOCM). Don Oster, General Manager, presented a contract with Fairway Outdoor Funding, LLC for advertising.

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

Chair Lamberti called on Harrah's. Janae Sternberg, Director of Finance, presented a contract with Insight Direct USA for the purchase of networking equipment.

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

Chair Lamberti called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Ms. Sternberg presented a contract with Wojo Tours and Travel as a tour operator.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by HC/BRGP. Commissioner Arnold seconded the motion, which carried unanimously.

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

- Service Tracking Systems – Automated Valet System
- Shive-Hattery, Inc. – Engineering Services

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

Chair Lamberti moved to PMR&C's request for approval of a remodeling project. Mr. Palmer stated the proposed remodeling is a continuation of a phased project that started in 2010 with the construction of the \$32 million hotel and conference center, which was completed in 2012. Phase 2, a \$10 million casino expansion project was completed on time and budget in 2012. Phase 3, a 10-month, \$8.3 million remodel of the casino floor and bar, and adding space for a Starbucks and Blue Bunny shop is currently on schedule and budget.

Mr. Palmer advised that Phase 4, scheduled for 2014-2015, will include the continued remodel of the casino floor, the main entrance, concession stand kitchen, Grand Central cage, racing seating and the mutuels area, Show Lounge and bar. This will be an update of the 1989 infrastructure, and will cost approximately \$18.5 million. Mr. Palmer stated all of the projects have been paid with cash flow; they have not had to borrow any money. He advised they are installing a new marquee on the south end of the property at 8th Street, noting they have received approvals from the City of Altoona and Polk County. This project will cost approximately \$350,000.

Chair Lamberti called for any questions. Commissioner Mertz stated her question did not pertain to the remodeling projects, but with the request to make up a race day on a Wednesday versus a Monday or Tuesday due to simulcasting on those days. Mr. Palmer answered in the affirmative with regard to the simulcasting issue. He turned the floor over to Derron Heldt, Director of Racing, for further explanation.

Mr. Heldt stated they tried to determine the best day to make up the races. They looked at Monday, Tuesday and Wednesday for the week of July 22nd. Some of the bigger racetracks like Del Mar and Saratoga don't race on Tuesday; PRM&C felt that the simulcast patrons would not be at the tracks or off-track betting parlors. With Monday and Wednesday being equal, Mr. Heldt stated they would have needed to change the post time to 3:30 PM on Monday in order to optimize simulcasting. They elected to go with Wednesday for consistency in post time and day of the week on which racing normally occurs.

Chair Lamberti noted there are two separate issues before the Commission. He called for any further discussion concerning the race date. Jon Moss, representing the Iowa Horsemen's Benevolent & Protective Association, stated they did not have any concerns regarding the requested date.

Chair Lamberti called for any further discussion regarding the approval of the remodeling. Hearing none, Chair Lamberti requested a motion to approve the proposed remodeling. Commissioner Arnold so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called for a motion to approve the change in race date to Wednesday, July 24th, to make up the races cancelled on May 3, 2013 due to weather conditions. Commissioner Mertz

moved to approve the alternate race date of July 24, 2013. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the distribution of the Dog Racing Promotion Fund, and called on Mr. Ohorilko. Mr. Ohorilko advised the Iowa Greyhound Association was the sole applicant for the funds, noting they have received the funds in the past. He stated the application contained all of the required information.

Jim Quilty, representing the Iowa Greyhound Association, was present to answer any questions.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Heinrich moved to award the Dog Racing Promotion Fund to the Iowa Greyhound Association contingent upon the following staff recommendations:

- An annual audit, paid from the escrow account, to cover activity from January 1, 2013 through December 31, 2013, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2014.
- 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.
- Investment funds shall not be withdrawn from the account(s) until the Commission has approved contracts or expenses.
- The recipient shall have and maintain written minutes of all meetings and include copies to the IRGC and IWRA.
- 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, 2013.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to Public Comment, and called on Mr. Gross. Mr. Gross, representing Clarke County Development Corporation (CCDC) advised he had good and bad news for the Commission. The good news was that on June 3, 2013, CCDC, which holds the gambling games license in Osceola, and Affinity, the for-profit license holder, mediated and resolved the dispute and memorialized the terms of the agreement in a Memorandum of Understanding (MOU). The mediation was to resolve two lawsuits – one against IRGC and the other against HGI in Clarke County. The MOU was drafted by Affinity, and reviewed by CCDC; the parties were assisted by Mike Mahaffey, a former Commission member. Mr. Gross stated the parties signed and documented the MOU. He stated CCDC is pleased to have the matter resolved.

Mr. Gross then advised that two days later CCDC received an e-mail from Affinity stating they no longer agreed to the MOU; apparently the issues are not resolved. He stated he believes the

issue is resolved as the parties have signed the MOU. Mr. Gross advised he is recommending to the CCDC Board that they dismiss the pending litigation based on the MOU and focus on implementing said MOU, which details the terms of the agreement, and is hopeful the CCDC Board will agree to do so.

Mr. Gross stated the issue Affinity raised with CCDC is that the MOU says that in the event Affinity chooses to sell the Lakeside assets in Osceola within a five-year period between 2013 and 2018 the new owner would pay the non-profit the state minimum, or 3%. He pointed out that in 2004 the Legislature established a minimum distribution of 3% to all non-profits from the licensed operators. He stated that when Affinity acquired the asset from bankruptcy, they circumvented the minimum distribution, and the parties have been litigating the matter since that time. Mr. Gross stated Affinity believes the 3% should be 2% because they pay the City of Osceola a fee of approximately 1% as the land on which the boat and facility rests is on the city reservoir. He indicated that is not unusual, noting that in Sioux City the city and non-profit each received 3%. Mr. Gross stated Affinity wants the 3% minimum reduced by the 1% they pay to the City. He stated that is not what the agreement says; and read the following statement from the agreement: "The new entity/owner shall agree to pay CCDC 3% of its Adjusted Gross Revenue (AGR), or the state minimum, whichever is greater." Mr. Gross stated Affinity feels that is 3% minus 1%; he stated he does not see where the minus 1% is in the agreement, nor was it discussed. He advised CCDC will work with Affinity to try and resolve the matter, but wanted to let the Commission know CCDC does plan to dismiss the pending litigation regarding this matter. He expressed his hope the matter would be resolved very quickly. Mr. Gross stated he hopes the Commission understands CCDC's concern and that if there is a new owner, the Commission would require the state minimum be paid anyway.

Commissioner Heinrich asked if the original document was signed, and if it was understood by both parties.

Mr. Quilty, representing Affinity Gaming, advised he had provided a letter to the Commission outlining their position, and concurred it is unfortunate the parties are before the Commission. He asked Commissioner Heinrich to repeat his question, and then answered. He advised both parties had signed the MOU. Mr. Quilty stated Affinity started the mediation by making it very clear to CCDC they currently pay 2.5% of AGR to the non-profit as a result of the 1.5% paid under the 1997 Management Agreement and an additional 1% that is paid per a September 2004 agreement negotiated with Mr. Gross on behalf of CCDC with the Water Board and City of Osceola. Affinity advised this was the starting point and were willing to negotiate from that point on a going forward basis. Mr. Quilty stated Affinity offered CCDC the following alternative proposals during the mediation:

- HGI-Lakeside would increase its payments to CCDC by .25 percent now and by .25 percent in January, which would again bring HGI-Lakeside to 3 percent of its AGR. This option also included a lump sum payment of \$600,000.
- The second option involved an immediate lump sum payment of \$3.1 million to CCDC, along with an agreement that if HGI-Lakeside sold the casino within the next five years,

the new entity would pay CCDC 3 percent of its AGR. Based on all of the discussions that occurred prior to that time, it was abundantly clear the second option (like the first option and all other prior settlement proposals exchanged leading up to the mediation) entailed payment of an additional .5 percent of its AGR above the 2.5 percent HGI-Lakeside currently pays.

Mr. Quilty stated the MOU sets forth what Affinity believed they offered, and what they believed CCDC accepted. He advised that after the MOU was negotiated and signed, it was contemplated that more formal agreements would be adopted. It was during this time Affinity learned that CCDC believed that what had been agreed to was that Affinity would pay 3% AGR under the management agreement on top of what they were already paying. Mr. Quilty stated that was not what Affinity agreed to. He also expressed Affinity's disappointment that the parties are still in disagreement and before the Commission.

Commissioner Heinrich voiced his disappointment as well; and asked if the parties are about 1% apart.

Mr. Quilty stated that under Affinity's math, he believes the parties are about 1% apart. He indicated it is unfortunate when parties cannot agree on math. Commissioner Heinrich noted the parties are moving in the right direction.

Mr. Gross reiterated the law states the non-profit is to receive a minimum of 3%; CCDC is the non-profit. He pointed out that Affinity leases land from the city and pays the city a fee for doing so, which Affinity wants to deduct from the mandated state minimum to the non-profit. Mr. Gross stated there were no discussions during mediation regarding the deduction of the 1%. He indicated CCDC did not know about Affinity deducting the 1% until two days after the MOU was signed. Mr. Gross stated he was not asking the Commission to mediate the matter; just reporting it to them. He also indicated his disappointment. He stated he felt the matter should be easy to resolve and again referenced the state law requiring 3%; that the Commission should make it clear that the non-profit was going to get 3% and the issue would go away.

Commissioner Heinrich advised this was the first issue brought to his attention when he joined the Commission. He stated it is important when there are agreements that both sides feel they are beneficial to them. He noted the parties are so close, and have been for some time. Commissioner Heinrich encouraged them to sit down, with another mediator if need be, but to come back to the Commission with an agreement that makes everyone happy. He indicated it would be nice if the agreement could be reached by the August Commission meeting.

Chair Lamberti asked if the parties were going back to mediation. Mr. Gross stated he saw no reason for CCDC to go back to mediation since they have a signed MOU. He pointed out that Affinity drafted the MOU showing what the resolution of the mediation was. Mr. Gross stated he would have a hard time recommending that CCDC go back to mediation. He noted that Herbst went through bankruptcy to avoid the 3%; and CCDC has spent hundreds of thousands of dollars on litigation that could have gone to non-profits in southern Iowa. Mr. Gross pointed out the situation has been going on for four years, and he is disappointed by it all.

Mr. Quilty stated that Mr. Gross' comments don't sound promising. He advised that when he went to the mediation, he offered CCDC every dime of their authority plus they made a phone call to get authorization for an additional \$100,000; everything was offered to CCDC that the Affinity Board had authorized. Mr. Quilty indicated Affinity would continue to work with CCDC toward a resolution.

Commissioner Heinrich indicated he was sorry the parties were before the Commission again, but reiterated they need to get the matter resolved.

Hearing no further comments or questions regarding the Affinity/CCDC matter, Chair Lamberti called on Jon Moss. Mr. Moss noted PMR&C had hosted the Festival of Racing the previous weekend. He stated that as part of the Festival, H.A.R.T. (Hope After Racing Thoroughbreds) held its 3rd Annual Silent Auction on June 28th, which was a huge success. The funds from the auction, as well as a \$5.00 per start fee that almost all owners contribute, help fund the organization.

Mr. Moss advised that H.A.R.T., created in 2011 by various industry participants, is a local rehabilitation/re-homing 501(c)(3) organization. Its board of directors is comprised of individuals involved in the racing industry, and come from PMR&C, the Iowa Thoroughbred Breeders and Owners Association, the Iowa Horsemen's Benevolent & Protective Association (IHBPB); IRGC, and others. Mr. Moss stated that Maggi Moss is the current president, and is very dedicated to helping this program.

H.A.R.T.'s purpose is to fill the void for horses that do not have anywhere to go after their careers at PMR&C are over, due to either non-competitiveness or injury. The void was brought to the attention of the racing industry over the last several years due to the controversial issue of horse slaughter in the United States. Mr. Moss noted most thoroughbreds are cared for after their racing careers, any horse that went to slaughter that was associated with racing gave the industry a bad reputation. Mr. Moss stated that while the IHBPB has no official position on this matter; through H.A.R.T., they and other groups and individuals have helped stem the perception that racing doesn't care about the thoroughbreds they breed and race. He noted there are many organizations across the country that do this same thing for their local tracks; and that H.A.R.T. is another link in helping those horses when they are done racing at PMR&C.

Chair Lamberti moved to Administrative Business and called on Mr. Ohorilko to address the study on the socioeconomic impact of gambling. Mr. Ohorilko advised the Commission did receive funding for the study during the last Legislative session. He stated the study was done in 2004 by the Legislative Services Agency, which conducted an RFP to select a vendor. The responsibility for having the study redone rests with the Commission. He requested a motion to commence the RFP process if that was the Commission's desire.

Chair Lamberti stated that when the legislation was passed in 2004 when the first study was done, the request at that time was that the study be done at least every eight years. He requested a motion.

Commissioner Mertz moved to direct staff to prepare an RFP, in cooperation with the Commission, for the purpose of selecting a vendor to conduct a study of the socioeconomic impact of gambling on Iowans pursuant to Iowa Code 99F.4(24). Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the review of the 2013 Legislative session. Mr. Ohorilko advised there was no material gaming legislation this past year. He noted there was a bill that will affect the staffing in the Division of Criminal Investigation Gaming Unit. It will reduce the number of agents at the boats and gambling structures over the next three fiscal years. Mr. Ohorilko stated it was his understanding some facilities, through the normal course of attrition, are close to the number that is contemplated in the legislation. He advised the Commission is responsible for insuring adequate security is provided at the gaming facilities and racetracks. Mr. Ohorilko stated that over the next few months the Commission will begin working with the operators and request they update their security plans as result of the legislation.

Chair Lamberti, noting the above represents a change in the methodology of how the facilities are staffed, stated that from the Commission's standpoint, the security plans will meet the Commission's standards. The Commission will make security at the facilities a high priority.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 15, 2013**

The Iowa Racing and Gaming Commission met at Riverside Casino and Golf Resort (RCGR) on Thursday, August 15, 2013. Commission members present were Carl Heinrich, Vice Chair, and members Rich Arnold, Kris Kramer and Dolores Mertz. Jeff Lamberti, Chair, participated via Skype.

Chair Lamberti called the meeting to order at 8:30 AM and thanked Riverside for getting Skype set up to allow him to participate in the meeting. He indicated that he would have Vice Chair Heinrich run the meeting.

Vice Chair Heinrich called on Dan Franz, General Manager at RCGR, who welcomed the Commission to Riverside on behalf of the 740 employees and 350 shareholders. He advised that since the facility opened in August 2006, they have paid \$100 million in wages; \$7 million in profit sharing to employees; \$19 million in other benefits; \$165 million in taxes to the State of Iowa; \$13 million to Washington County; and the City of Riverside has received \$12 million, for a total in excess of \$190 million. Mr. Franz noted the non-profit, Washington County Riverboat Foundation (WCRF), has received \$23 million.

Mr. Franz introduced Patty Koller, President of WCRF, who stated Riverside and other communities have been able to improve infrastructure, purchase fire trucks, and build playgrounds. She noted WCRF has helped fund a new steeple on a church, provided funds for a new auditorium, and for choirs and symphonies. WCRF has also provided funds to private and public schools. Ms. Koller advised WCRF shares 15% of the wealth with seven surrounding counties, for a total of \$19.7 million since 2006. She advised that RCGR is the largest employer in the county; that the casino is needed here as there are many more ideas to fund.

Vice Chair Heinrich moved to the approval of the minutes from the July 2nd Commission meeting. Commissioner Mertz moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

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

- September, 2013 – No Meeting
- October 10, 2013 – Mystique Casino, Dubuque, IA (Submissions due by September 26, 2013)
- November 21, 2013 – Stoney Creek Inn & Conference Center, Johnston, IA (Submissions due by November 6, 2013)
- December, 2013 – No Meeting
- January 9, 2014 – Isle Casino Hotel Waterloo, Waterloo, IA (Submissions due by December 24, 2013)

Mr. Ohorilko advised that applications for Linn County are due in the Commission's office by 2:00 PM on September 3rd. He stated that responses to the Request for Proposal (RFP) regarding the socioeconomic study are due by 3:00 PM on September 9th.

Mr. Ohorilko recognized Scott Ditch and Sue Hansen, the IRGC Gaming Representatives assigned to RCGR, and thanked them for their service to the Commission.

Vice Chair Heinrich moved to the presentations from the companies wishing to prepare a statewide market analysis for the Commission, and called on Marquette Advisers, Inc. Lou Frillman and Brent Wittenberg, President and Vice President respectively, were present.

Mr. Frillman thanked the Commission for the opportunity to address them. He advised that Marquette Advisers is the longest running consultant in the business of advising institutions, governments, and companies on large scale investment decisions in the gaming business, noting that they have been in business since 1984 and involved in the gaming arena since 1988. Mr. Frillman stated the company is based in Minneapolis, MN, but has satellite offices in Seattle and Washington, DC. He thanked the Commission for their past trust and confidence, noting they executed a similar engagement approximately 4-5 years ago. Mr. Frillman advised they do not take anything for granted, and will work extremely hard to continue to earn the Commission's trust and confidence knowing they are faced with a difficult decision and need the best advice possible in order to make the best decision for the benefit of the state.

Mr. Frillman opened the floor for questions from Commission members. Mr. Wittenberg distributed a handout which highlighted the scope of their services and provided a partial listing of past engagements. Mr. Frillman advised that when they executed the previous engagement they believed then, and still do, that the only way to get a feel for the facilities, the business, and cross-sector business in the State of Iowa is to visit every single facility. He indicated they did so previously, and if given the opportunity to do this study, would do so again.

Vice Chair Heinrich stated one of his main concerns is the effect a new casino will have on existing casinos, and whether there are any areas of the state that could be considered for a casino without having a serious effect on existing casinos. He asked what criteria Marquette would utilize in their analysis to help the Commission make the best decision.

Mr. Wittenberg advised they would look at several factors: the current facilities, whether saturation exists in some parts of the market, demographics, personal and disposable income, as well as drawing some comparisons to other markets. The study will also identify where the prospective customers are going to come from. He indicated the study would give the Commission a clear perspective to consider in making their decision.

Hearing no further questions for Messrs. Frillman or Wittenberg, Vice Chair Heinrich called on Spectrum Gaming Group (Spectrum). Wayne Marlin, Director of Government Affairs for Spectrum, and Will Cummings of Cummings Associates, were present to address the

Commission. Mr. Marlin advised that Cummings Associates would be partnering with them on the study if they are chosen to perform the study.

Mr. Marlin advised that he is a former New Jersey casino regulator; the company was founded in 1993 by two former casino regulators. He stated most of the employees at Spectrum were instrumental in developing the casino regulatory framework for New Jersey. He indicated Spectrum has a unique background as their regulatory experience provides insight to balance the needs of the regulatory agency policy considerations with the industry and operators. Mr. Marlin stated Spectrum has a long history of providing governments with economic research to inform them and allowing them to make better decisions based on good solid research. He stated Spectrum takes great pride in the number of government agencies they have served in the United States and around the world.

Mr. Marlin stated Spectrum has teamed with Will Cummings for this project, which will enable them to provide the services required by the RFP and give the Commission two contractors with a track record that understand the Iowa market. He turned the floor over to Mr. Cummings.

Mr. Cummings stated that he first came to Iowa on a professional basis in 1983 when the state authorized pari-mutuel wagering, and then gaming. He noted he has performed many studies for the Commission, particularly in 2003 and 2005; as well as approximately 60 studies for other states for new gaming facilities. Mr. Cummings stated he has learned something new with each study and has successfully applied the information to subsequent studies. He expressed appreciation on behalf of Spectrum and himself for the opportunity to submit a proposal to the Commission and is hopeful the Commission will allow them to assist in making the decision. Mr. Cummings emphasized their proposal offers the Commission essentially two independent views of the state-wide market. The two companies will team up on the basic groundwork to develop the data and visit the facilities and update the data regarding the markets, and then separate and conduct two entirely independent analyses of the data, and present two reports to the Commission.

Vice Chair Heinrich asked what type of criteria they would be using to help the Commission make their decision. Mr. Cummings indicated the answer is much longer than the question itself. He indicated one of the things he does is present papers on gravity models at conferences analyzing the way casinos work and compete against each other. The presentations contain a lot of graphs and numbers; it is a complicated method but he and other practitioners of the method believe it is state-of-the-art. It looks at current patterns as well as how those patterns will change, levels of income, road and traffic networks, etc., all of which help to develop projections and level of impact.

Hearing no further comments or questions for Messrs. Marlin or Cummings, Vice Chair Heinrich called on Union Gaming Analytics. Rich Baldwin, Managing Director, advised the company is a research firm at its core; operating in three vertical areas: research, analytics and advising. The company is focused on the gaming industry domestically as well as internationally, with two main offices – one in Las Vegas and one in Macau. Mr. Baldwin advised the research side of

their business currently researches and writes publicly on 22 gaming companies on the US and Hong Kong exchanges.

Mr. Baldwin stated he has been involved with the gaming industry for approximately 20 years, as a consultant and on the operations side. He advised the management team has also been involved in the gaming industry about the same number of years. Mr. Baldwin stated Union Gaming has worked with, or is currently working with, companies at the corporate level, state gaming agencies, state lotteries, and institutional investors. They have also worked with both large and small companies.

Mr. Baldwin stated that when Union Gaming does this type of work they try to be as objective and unbiased as possible, noting there are not many markets where there is not already a fair amount of gaming in the state. He indicated they would use a macro/micro approach by going into the various markets, visiting every facility and meeting with as many people as possible. From the macro aspect, Mr. Baldwin advised they will look at population, density, pockets of saturation, possible pockets of opportunity, and trends. He stated they take a very similar approach as the other two firms that presented earlier.

Mr. Baldwin stated that various members of the firm have spent a fair amount of time in Iowa; they know a number of operators within Iowa and have relationships with several of the firms and have spent a lot of time on the ground here. Mr. Baldwin advised that if Union Gaming was selected to complete the study, they would do a lot more in-market work. He opened the floor up for questions.

Vice Chair asked Mr. Baldwin the same question he asked the other two firms, what criteria would be used to help the Commission make their decision. Mr. Baldwin indicated there wasn't much more to say than what he had already stated. He indicated this study is a "roll up your sleeves" type of engagement. He indicated the most senior members of the firm would be directly involved; the company will devote as much time and energy as necessary to provide the best possible report. He pointed out that they have a good track record and a lot of other work product to draw on in order to complete the study.

Vice Chair Heinrich thanked the companies for their time, and advised that a decision would be made at the Commission's October meeting.

Vice Chair Heinrich called on Sioux City Entertainment for a status report on the construction and financing. Bill Warner, President, advised the project is moving forward as planned. They are virtually done designing the project; the only part not completed is the interior and it should be completed by the end of the month. He noted the construction contract has been signed, and will be before the Commission for approval later on the agenda. Mr. Warner stated they expect to open sometime mid-summer 2014. He advised the project financing is complete; the only part that remains is the equipment financing of approximately \$15 million, which will be put in place when the orders are placed.

Vice Chair Heinrich called on the Isle of Capri facilities for a review of the financial audit. Grant Gubbrud, Director of Finance for Isle Waterloo; Clay Decock, Director of Finance for Rhythm City; Sally Rogers, Director of Finance for IOC Bettendorf; and Robin Barrett, Controller from Lady Luck Marquette, were present. Mr. Gubbrud advised the Iowa facilities noticed a slight improvement in performance as they continued to have a substantial economic impact in Iowa, with approximately \$50 million in combined payroll and benefit and spending a total of \$45 million in calendar year 2012 with Iowa vendors. The facilities continue to make substantial capital investments to their respective properties with a total capital investment of approximately \$8 million in fiscal year 2013.

Commissioner Arnold stated he noted an exception for a breach of security as he reviewed the audit and findings. He asked what steps the facilities had taken to insure the situation did not occur again. Mr. Gubbrud advised the submitted report included internal control findings each property had addressed throughout the fiscal year; and that all findings included in the audit had been corrected during the course of the initial audit process. Mr. Gubbrud stated the internal audit department conducts follow-up audits throughout the year to ensure any necessary corrective steps have been implemented as planned.

Commissioner Arnold stated that when he sees “breach of security” it throws up a red flag; that it is necessary to stay alert in this industry. He indicated that he wanted to know how the properties were going to correct the situation.

Vice Chair Heinrich moved to the request for approval of shelf financing for Penn National Gaming, Inc. (Penn) and Boyd Gaming Corp (Boyd). Lorraine May, legal counsel for Penn, requested approval of Penn’s shelf debt financing.

Hearing no comments or questions concerning Penn’s shelf debt financing, Vice Chair Heinrich requested a motion. Commissioner Kramer moved to approve the shelf debt financing as submitted by Penn. Commissioner Mertz seconded the motion, which carried unanimously.

Vice Chair Heinrich called on Boyd Gaming Corp. Tina Eick, legal counsel for Boyd, requested approval of Boyd’s shelf debt financing.

Hearing no comments or questions concerning Boyd’s shelf debt financing, Vice Chair Heinrich requested a motion. Commissioner Mertz moved to approve the shelf debt financing as submitted by Boyd. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Heinrich moved to the next agenda item, Belle of Sioux City, L.P. – Action regarding Renewal of Operator’s License, and called on Mr. Ohorilko. Mr. Ohorilko read the following statement into the record:

Thank you Chair, Vice Chair, members of the Commission.

Staff has reviewed the request by the Belle of Sioux City, L.P. for renewal of its operator’s license for the Argosy Casino in Sioux City, Iowa by looking at the contents of the renewal

application, reviewing the applicable rules and regulations regarding licensing, and discussing with agency counsel. Belle albeit has a good regulatory record up to this point in the State of

Iowa on par with other Iowa operators, they do not have an operating agreement with a qualified sponsoring organization licensed to conduct gambling games at the Argosy location as required by Iowa Code. Due to the lack of an operating agreement, staff has come to the conclusion that Belle is unable to hold an operator's license in the State of Iowa.

The Iowa Code does not allow for an operator to be licensed to conduct gambling games on its own. Only a qualified sponsoring organization may conduct gambling games. Pending final action on Belle's pending renewal application; the Argosy has been able to remain open only by operation of law since Belle's operating agreement with Missouri River Historical Development (MRHD) expired on July 6, 2012.

As demonstrated in its December 2011 renewal application, Belle was aware that its operating agreement with MRHD faced imminent expiration. The Commission articulated the importance of both parties reaching an agreement at its March 2012 Commission meeting. To allow the parties additional time to negotiate an acceptable extension, the Commission subsequently authorized Belle to operate the Argosy until July 6, 2012. Despite encouragement by the Commission members and staff in the ensuing months that the parties resolve their differences, the Commission was faced with an unprecedented situation where an operating agreement for an existing Iowa casino expired.

As a result of this impasse, the Commission deemed it necessary to solicit applications for a new gaming license in Woodbury County. In April 2013 the Commission awarded a new gaming license in Woodbury County to Sioux City Entertainment and MRHD. The recent application process in Woodbury County has unequivocally established that Belle's former associated qualified sponsoring organization, MRHD, has no present intention to re-affiliate with Belle for purposes of conducting gambling games in Woodbury County.

Should the Commission decide to deny renewal of Belle's operating license, this action, when final, will have the effect of terminating the current gaming operations at the Argosy Casino in Sioux City. The Belle, however, may continue operating while any appeals of the Commission's actions are pending. Regardless, if need be, Belle should be given adequate time to appropriately close its Argosy operations, conduct an external audit of operations, and comply with other IRGC and IRS regulations, and so its employees can plan accordingly.

In summary, the Iowa Code requires an entity to enter into an operating agreement with a qualified sponsoring organization licensed to conduct gambling games at an approved location. Belle does not meet this test and; therefore, is not statutorily able to hold an operator's license in the State of Iowa. It is staff's recommendation to deny Belle's application for renewal of its operating license.

Staff would therefore request that the Commission entertain a motion to deny Belle of Sioux City L.P.'s application to renew its operator's license for the Argosy Casino in Sioux City, Iowa,

because Belle is statutorily ineligible to hold such a license in the absence of an operation agreement with a qualified sponsoring organization that is licensed to conduct gambling games at that location. Furthermore as part of that motion, the Commission should instruct staff to prepare and serve written notice of the Commission's decision upon Belle of Sioux City LP. Such written notice should include the stated reasons for the Commission's action and the Belle's appeal rights.

Vice Chair Heinrich called for a motion. Chair Lamberti moved to deny Belle of Sioux City, L.P.'s application to renew its operator's license for the Argosy Casino Sioux City based upon the fact that Belle is statutorily ineligible to hold a license in the absence of an operator's agreement with a qualified sponsoring organization. The motion further instructs staff to prepare and serve written notice of the Commission's decision upon Belle of Sioux City, L.P. Commissioner Mertz seconded the motion.

Christopher Tayback, legal counsel for Belle in a pending lawsuit with MRHD, and through Petitions for Judicial Review, the various actions taken by the Commission over the last year, and the unprecedented actions with respect to the Argosy Casino, stated that in moving to deny renewal of the Belle's license to operate the Argosy Casino the Commission is continuing what cannot be described any other way except to say it is continuing the pattern of trampling just about every procedural and substantive right that a licensee has in the State of Iowa under Iowa law, under the U.S. Constitution, ignoring Iowa law, some of which Mr. Ohorilko cited and some which he did not, regarding the Commission's responsibilities for licensing, and frankly, making a mockery of any sort of due process that a licensee should have prior to a non-renewal or revocation of a license. He stated this body has made up its mind to issue an illegal second operator's license in Woodbury County for a land-based casino to Sioux City Entertainment. Whatever process the Commission is now purporting to provide with respect to formally non-renewing or revoking the Belle's license is nothing more than a pretext because the result is pre-ordained. Mr. Tayback stated Chair Lamberti was quoted in the paper the day before indicating that it was never the Commission's intent to have two licensees in Woodbury County; it can mean nothing else then that the Commission has already decided, and decided long ago, before whatever is happening today or whatever the Commission might purport to do with respect to the non-renewal process they are talking about today. It has already decided it is not going to renew the Belle's application, but the Belle, like any other owner of a state license is entitled to more than that. It is shameful the Belle has to go to court, and has had to go to court, to enforce its basic right to due process; its basic right to a fair and impartial hearing where the result isn't preordained, in the interest of its investment in excess of \$100 million and the interest of its hundreds of employees. Mr. Tayback stated a reference was made to non-compliance with the statutory requirement of having a qualified sponsoring organization (qso), but that as a basis is non-existent. The evidence is, as the Commission is no doubt aware, that there was a signed contract between MRHD and the Belle, and was, in fact, presented to the Commission. He stated the Commission cannot make the signed contract not exist simply by virtue of the fact that it chose not to approve it, which in and of itself was an unprecedented act. He noted for over 20 years in Woodbury County, and throughout its existence in every other gaming jurisdiction in this state, and every other state if the others are looked at, the Commission has routinely approved contracts between qsos and the gaming operators whether those contracts are for one

year, five years, or twenty years. Mr. Tayback stated the entire record shows the Commission is using the Belle's purported lack of a qso as a pretense to belatedly non-renew or revoke the Belle's license. He further stated that the question of whether or not there is a contract between MRHD and Belle is an issue that is, and has been, before a court of common jurisdiction in the State of Iowa; however, today's action shows the Commission has no intention of waiting until that issue as to whether or not there is a contract is factually decided by a competent court because it has, as its actions continue to indicate, predetermine the outcome – the Belle's license won't be renewed no matter what the facts show. Mr. Tayback pointed out that the Commission has allowed the Belle to operate the past 10-12 months or more and has indicated that it now intends to allow it to operate until it decides not to let it operate, whenever that might be. He stated the existence of the Belle's contract with any particular qso is not in and of itself a material fact or basis on which to non-renew the license. He indicated that MRHD, in this case, or any qso is a costume entity that receives revenues from the Belle and hands out checks to worthy causes. Mr. Tayback stated that any legitimates renewals of any license, especially a license for an ongoing operation at the level of investment that Argosy has had and the number of employees and obligations and reputation in the community for two decades, any legitimate approval procedure would allow the operator to cure any such purported non-compliance with its qso. He advised the Belle does have an alternative qso ready, willing and able to step in to do what MRHD does not want to do with the Belle. Mr. Tayback stated the Commission does not seem to care about mitigating facts, about opportunities to cure, or about having a hearing where the result is not preordained because that type of hearing requires fairness and a process; and even for a 20-year licensee with hundreds of employees and jobs at stake, the Commission has made it clear it decided that it is going to require the Belle to go to court in order to enforce those rights. On behalf of the Belle, Mr. Tayback stated that was a shame, but it is where the parties are at, and he objected to the Commission's actions on behalf of the Belle.

Vice Chair Heinrich called for any further discussion on the matter. Chair Lamberti stated this is a difficult process that the Commission is going through; there are court matters pending. He stated his motion and the position of the Commission at this point in time is that the fundamental absence of an operating agreement is why he is making the motion to deny the application.

Hearing no further comments, Vice Chair Heinrich called for the vote on the motion to deny the license renewal application of the Belle of Sioux City, L.P. before the Commission. The motion carried unanimously.

Vice Chair Heinrich moved to the contract approval portion of the agenda, and called on RCGR. Mr. Franz presented the following contracts for Commission approval:

- Data Business Equipment – Ticket Redemption Kiosk Upgrade
- Gersh Agency, Inc./The Brian Regan Company – Entertainment
- Seminole Energy Services, LLC – Master Natural Gas Sales Agreement

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

Vice Chair Heinrich called on Diamond Jo. Wendy Runde, General Manager, presented a contract with KWWL for television media buys.

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

Vice Chair Heinrich called on Diamond Jo Worth. Ms. Runde presented a contract with AJR Equities, Inc. for event merchandise.

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

Vice Chair Heinrich called on SCE. Mr. Warner presented a contract with Conlon Construction as the general contractor for the Sioux City project. He indicated the contract has a guaranteed price, and is a one-year contract.

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

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

- Jack Merrbaugh – Sale/Salvage of Catfish Bend Riverboat Casino II
- Fine Consulting – Marketing Analysis

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

Vice Chair Heinrich called on The Isle Casino Hotel Waterloo (IOCW). Bari Richter, General Manager, presented a contract with Nyemaster Goode PC for legal services for Commission approval.

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

Vice Chair Heinrich called on Lady Luck Marquette (LLM). Don Ostert, General Manager, presented a contract with Farner Bocken Company, LLC for pre-packaged retail store items for Commission approval.

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

Vice Chair Heinrich called on Belle of Sioux City, LLP (BSC). Lance George, General Manager, presented the following contracts for Commission approval:

- Penn National Gaming and Related Corporations- Assignment of Development Agreement (RP)
- Penn National Gaming and Related Corporations- Lease of Development Agreement (RP)

Vice Chair Heinrich requested a motion. Commissioner Mertz moved to approve the contracts as submitted by BSC. Commissioner Kramer seconded the motion. Hearing no comments or questions concerning the contracts, Vice Chair Heinrich called for the vote. The motion carried unanimously.

Vice Chair Heinrich called on Mystique Casino. Dustin Manternach, Chief Financial Officer, presented a contract with PepsiCo for non-alcoholic beverages for Commission approval.

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

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

- Daktronics Inc. – Electronic Marquee and Service
- Delta Dental of Iowa – Employee Dental Insurance
- ECS, Inc. – Audio-Visual Equipment
- EMC Risk Services, LLC – Worker’s Compensation Insurance
- Giesecke & Devrient America, Inc. – Cash Handling Equipment
- Nalco Company – Water Treatment Chemicals and Equipment
- Wellmark Blue Cross Blue Shield of Iowa – Employee Medical Insurance

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

At this time, Mr. Palmer introduced Derron Heldt, Director of Racing, who provided a recap of the just completed thoroughbred meet. He advised the off-track handle was up, but on-track handle was down slightly. He noted the months of April, May and June were very wet, and they had to cancel the racing program the first Friday of May due to snow. Mr. Heldt stated the wet weather hampered attendance and on-track handle. Mr. Heldt stated the field size per race was

up this year, 7.8 versus 7.4 last year, or an additional 280+ horses that ran this year over last year, or an additional 4 horses per day.

Mr. Heldt advised that from a safety standpoint, the track surface was very good this year; there were only two catastrophic injuries during the season out of 4,700+ entries. He indicated the low rate spoke to the hard work by the facility to maintain the track surface.

Mr. Heldt stated one of the highlights of the meet was the Festival of Racing held the last weekend of June, which consists of six stakes races. Horses from all over the country come to participate; he advised the quality of the horses participating this year was unprecedented. He noted that Maggi Moss, a local horse owner, had the number one horse in the country at that time, and she brought him here to compete in the races. Mr. Heldt advised that since the Festival of Racing, some of the horse that participated here have gone on to compete and win or place in races at some of the premier tracks on the east coast. He indicated the owners use PMR&C as a starting point.

Mr. Heldt stated the other highlight was the Iowa Classic Night. On Friday night, a thoroughbred, a quarter horse, a thoroughbred trainer, and Lynette and Kirk Rasmussen were inducted into the Hall of Fame. On Saturday night, there are nine races, and all the horses are Iowa-bred. He indicated these are the best horses that are still in training in Iowa in all different categories and distances. Mr. Heldt noted the legislation that was passed mandating the number of racing days and the Saturday night of the Classic gave him a glimpse of the future of racing for the Iowa bred. He indicated since the number of race days has been mandated, the owners and trainers know there is a set number of days of racing in the state, which has helped the breeding program.

Mr. Heldt moved to the update on the quarter horse meet, which will commence on August 17th and run through October 12th. Races will be held on Friday, Saturday and Sunday, with a post time of 6:30 PM for Friday and Saturday, and 1:00 PM on Sunday. He noted there were over 1,050 applicants for the stalls, and they are expecting between 750 and 800 horses on track starting this week. Mr. Heldt stated they are very pleased with the number of horses. There are approximately 65 trainers, 8 of which have never been to PMR&C. He indicated his belief that the new trainers are a reflection of what they did last fall with the American Quarter Horse Challenge Championships, which were held at the track. Mr. Heldt stated he is looking forward to the upcoming meet. He noted the American Quarter Horse Association sent PMR&C an application to host the Quarter Horse Challenge Championships again next year. He indicated the application has been submitted.

Commissioner Mertz congratulated Mr. Heldt on the successful thoroughbred meet; stating she hopes it will be bigger and better in 2014.

Vice Chair Heinrich called on Horseshoe Casino/Bluffs Run Greyhound Park and the Iowa Greyhound Association (IGA) regarding their request for approval of a purse supplement for

calendar year 2014. Ms. May, representing, Horseshoe Casino/Bluffs Run, and Jim Quilty, representing the IGA, were present to answer any questions.

Hearing no comments or questions concerning the purse supplement, Vice Chair Heinrich requested a motion. Commissioner Mertz moved to approve the purse supplement agreement as submitted by Horseshoe Casino/Bluffs Run and IGA for the 2014 calendar year. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Heinrich moved to the hearing for PMR&C for a violation of Iowa Code §99F.9(5) (Minor). Mr. Ohorilko advised Commission staff has entered into a Stipulated Agreement with PMR&C management regarding the above violation. He stated that on February 16, 2013, an underage female entered the gaming floor unchallenged and played two slot machines. Mr. Ohorilko stated PMR&C Surveillance noticed the individual and requested that Security approach the individual to verify her age. The individual did provide a valid identification; however, it did not belong to her; security removed the individual from the floor. Mr. Ohorilko advised that a subsequent investigation by the facility and Commission staff showed the same individual had entered the gaming floor unchallenged on February 15th and was on the floor for approximately an hour and played several slot machines, meeting the criteria for referral to the Commission. He stated PMR&C acknowledges the above facts constitute a violation and has agreed to an administrative penalty of \$20,000. Mr. Ohorilko requested the Commission's approval of the Stipulated Agreement.

Hearing no comments or questions concerning the Stipulated Agreement, Vice Chair Heinrich requested a motion. Commissioner Arnold moved to approve the Stipulated Agreement with PMR&C as submitted by Mr. Ohorilko. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no Public Comment, Vice Chair Heinrich moved to Administrative Business, and called on Mr. Ohorilko to address the regulatory fees for FY 2014. Mr. Ohorilko advised the budget bills have been signed setting forth the amounts allocated to the Division of Criminal Investigation and IRGC. He indicated the adjustments to the regulatory fees have been made, and the facilities have been credited for the amount already paid this fiscal year. The adjusted fees have been sent to the operators, and no concerns have been received by Commission staff. Mr. Ohorilko advised there will be a reversion of fees for FY 13; that amount will be known during the first week of September. As done in years past, that amount will be applied at the end of FY 14, causing regulatory fees to terminate earlier based on the reversion. Mr. Ohorilko requested approval of the regulatory fees for FY 14.

Hearing no comments or questions concerning the regulatory fees, Vice Chair Heinrich requested a motion. Commissioner Mertz moved to approve the regulatory fees for FY 14 as submitted by Commission staff. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti thanked Riverside for taking the necessary steps to allow him to Skype into the meeting and be able to participate. He indicated it worked better than he anticipated and was able to hear everything.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 10, 2013**

The Iowa Racing and Gaming Commission met at Mystique Casino in Dubuque, Iowa on October 10, 2013. Commission members present were Jeff Lamberti, Chair; Carl Heinrich, Vice Chair, and members Rich Arnold, 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 so moved. Commissioner Heinrich seconded the motion.

Chair Lamberti called on Jesús Avilés, President and CEO of the Dubuque Racing Association (DRA) for the welcome. Mr. Avilés welcomed the Commission to Dubuque, and expressed his hope that everyone had a pleasant evening the night before. He introduced Wendy Runde, the General Manager of the Diamond Jo. Ms. Runde thanked Mr. Avilés for hosting the meeting. She advised she recently returned to the area from a three-year adventure near Wichita, Kansas, where she was the Assistant General Manager and helped to open the Kansas Star. Prior to that, she worked at the Diamond Jo for 14 years. She commented on the positive impact both facilities have had on the community over the years. Mr. Avilés stated Dubuque has thrived due to the contributions of the DRA over the years. He introduced Roy Buol, Mayor of Dubuque.

Mayor Buol noted Dubuque is welcoming more and more young professionals back to the community. He stated mid-October is the perfect time to experience the many seasons and see the fall foliage along the river. He advised Mystique Casino and Diamond Jo are two of Dubuque's riverfront gems. He invited the Commission to explore the rest of the community to see the fruits of DRA and IRGC's relationship with the community. Mayor Buol stated that in the 1980's Dubuque had an average unemployment rate of 9%, peaking at 23% in January 1982. The city lost 8% of its population; add in a blighted riverfront and downtown area, and the community was in a major decline. By 2012, the U.S. Bureau of Economic Analysis reported that Dubuque's economy was the 27th fastest growing economy nationally; growing over 5.1% than 2011. In addition to the riverfront revitalization in the Port of Dubuque, the transformation of the historic downtown area and new developments to the west and south, the community is also excited about the public and private investments planned or currently underway in the Port of Dubuque, and other areas of the city. Mayor Buol advised Dubuque was named one of the Great Places to Live for 2013, as well as a 2013 All-America City for the third time in six years. He attributed Dubuque's transformation to several factors; but one of the key factors occurred in 1985 when the state of Iowa, the city and local charities established the DRA. He indicated that without that partnership, the city would be totally different today. Mayor Buol noted DRA's ability to provide funds to the city of Dubuque and local charities has declined dramatically in recent years; but the city looks forward to the continuation of Dubuque's mutually beneficial relationship with the DRA, Mystique and Diamond Jo.

Chair Lamberti thanked Mayor Buol, and indicated the Commission was happy to be in Dubuque. He noted the effects of the contributions from the past few years are very evident in downtown Dubuque.

Chair Lamberti moved to the approval of the minutes from the August 15th Commission meeting and requested a motion. Commission Kramer moved to approve the minutes as submitted. Commissioner Arnold seconded the motion, which carried unanimously.

Chair Lamberti moved to the announcements and called on Brian Ohorilko, Administrator of IRGC. Mr. Ohorilko provided the following information with regard to upcoming Commission meetings:

- November 21, 2013 – Stoney Creek Inn & Conference Center, Johnston, IA (Submissions due by November 6, 2013)
- December, 2013 – No Meeting
- January 9, 2014 – Isle Casino Hotel Waterloo, Waterloo, IA (Submissions due by December 24, 2013)
- February, 2014 – No Meeting

Mr. Ohorilko introduced the following IRGC staff from the Dubuque facilities: Cathy Dillon, Cheryl Vetsch, Scott Franke, Joe Gau and Tracy Potter. He thanked them for their work on behalf of the Commission.

Chair Lamberti moved to the Decision on the Statewide Market Analysis Request for Proposal. He noted that due to the passage of two recent referendums, the application deadline for Linn County, and lots of interest otherwise about what the results of the statewide market analysis will show and how the Commission intends to deal with the situation in the future, the Commission has spent a considerable amount of time considering this matter. Chair Lamberti noted the Commission originally received three proposals, but one has since withdrawn. Noting the results of the studies are going to be extremely important, both to the two counties that passed referendums as well as other areas of the state, and the Commission's desire to try and make the best decision with the most information available to them; Chair Lamberti stated the Commission talked about the possibility of doing two studies as opposed to one. Chair Lamberti moved to award contracts to both Union Gaming and GVA Marquette Advisors and directed staff to enter into contracts that will include elements of the proposal with both entities. He requested a second. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti noted that at the request of the Legislature, the Commission is to periodically study the socioeconomic impact of gambling on Iowans. He noted a Request for Proposal was issued, and the Commission received three proposals. Chair Lamberti called on Goss & Associates Economic Solutions, LLC.

Ernest Goss, Ph.D., of Goss & Associates and Creighton University in Omaha, Nebraska, was joined by Eric Thompson, Director of the Bureau of Business Research at the University of

Nebraska in Lincoln, NE, for the presentation. Mr. Thompson will be a 50% collaborator on the projector.

Mr. Goss provided the following credentials on himself:

- The Jack MacAllister Endowed Chair in Regional Economics at Creighton University;
- Principal of the Goss Institute for Economic Research in Denver;
- Research Associate for the Craig School of Business at California State University, Fresno;
- Former visiting scholar with the Congressional Budget Office;
- Former faculty research fellow at NASA's Marshall Space Flight Center.

Mr. Goss then provided the following credentials for Mr. Thompson:

- Associate Professor of Economics, College of Business Administration, University of Nebraska in Lincoln (UNL);
- Former Director of the Bureau of Business Research at the University of Kentucky.

Mr. Goss stated they bring an understanding of the economy of Iowa to the table. He advised that Goss & Associates conducts two monthly surveys that include Iowa: the Mid-America survey of supply managers in nine states, including Iowa; and the Rural Mainstreet survey of bank CEOs in rural areas of ten Midwestern states, including Iowa. The first survey has been conducted since 1994, and the second since 2006. Mr. Goss stated Mr. Thompson oversees a quarterly economic forecasting group and production of monthly leading economic indicators. He advised Goss & Associates and the UNL Bureau of Business Research have been producing economic impact studies for approximately 20 years. He provided the names of some of the groups for which they have conducted impact studies. Mr. Goss stated that he and Mr. Thompson have a very good understanding of Iowa's economy; and the casinos are a big factor in the economy. He advised he published a book in 2007, Casino Gambling in America, as well as having other papers published regarding casino gambling.

Mr. Goss turned the floor over to Mr. Thompson, who discussed the Regional Economics Model, Inc. (REMI), which is their proposed approach for this project. He advised the main advantages to using the REMI Model versus a static IMPLAN model are:

- Economy – Adaptive, Dynamic. The REMI Model is able to capture that feature of the American economy.
- Industry Growth – Creates jobs which causes changes in wages/property values. These changes affect other industries. The REMI is able to capture the changes.
- REMI is able to capture the changes to the initial economic benefits.
- Can enter socioeconomic impacts into REMI and it will determine how the socioeconomic impacts are affecting the real economy – job growth; wealth creation. Job growth leads to property expansion, additional taxes which pay for public services, which also benefit the economy.

Mr. Thompson stated they chose the REMI model because it can capture the dynamic nature of the economy and all of the factors that influence economic growth. He advised that he and Mr. Goss have extensive experience in using surveys and survey software to collect and analyze data. Between them, they currently conduct four web-based surveys of banks and businesses across the United States. He turned the floor back to Mr. Goss.

Mr. Goss stated another important factor he and Mr. Thompson bring to the table is their ability to communicate with the public at large and Legislators in the particular states they survey. He advised he conducts 30-40 radio interviews per month; addresses 40-50 businesses/banking groups per year; produces a monthly electronic newsletter with 11,500 subscribers; and regularly appears on Iowa television programs. Mr. Thompson prepares a monthly economic report that is carried in 20-30 newspapers. Mr. Goss indicated this is an important aspect as there are individuals who are opposed to casinos; and one of the outcomes of the study should be to show the positive, and some of the negative impacts, to show the public at large, the Legislators, and the Commission some of the good aspects of gambling, but some of the costs associated with it.

With regard to staffing for the study, Mr. Goss advised Goss & Associates has experienced business professionals in marketing and business analysis, and professional research associates. They will also utilize Creighton MBA students in economics and finance. Mr. Thompson will utilize Ph.D. and MBA students from the University of Nebraska Bureau of Business Research and other professionals. He indicated that as professors at their respective universities, they have a responsibility to provide public policy analysis, and the study would be considered part of that analysis.

Hearing no comments or questions for Mr. Goss or Mr. Thompson, Chair Lamberti called on The Innovation Group. Thomas J. Zitt, Ph.D., Senior Vice President, advised The Innovation Group of Companies (TIGOC) is a group of companies that cover many facets of the gaming industry:

- Innovation Capital – provides financial advisory services; equity and debt placement
- Innovation Project Development – construction project management, owner representation, capital costing
- Innovation Marketing – marketing research, strategic marketing plans, agency services
- Innovation Management Services – property management, operations analysis, crisis management
- Innovation Food & Beverage, Innovation Interactive – dedicated practices supporting all of the TICOC affiliates.

He stated the various companies provide a holistic view of the industry. Mr. Zitt indicated it is important to get a clear picture for the policy makers and general public on the positive and negative social economic issues. Mr. Zitt stated that TIGOC is well positioned to provide that information, noting the company has a lot of experience and has done a number of studies in both the private and public sector.

Mr. Zitt advised that TIGOC will be utilizing The International Gaming Institute at the University of Nevada Las Vegas (UNLV), which has the largest and most productive gaming

research faculty in the academic world and serves as an advisor to numerous government entities on social and community effects. He stated TIGOC will drive all of the tasks for a seamless, unified analysis. He noted that UNLV will be fully integrated into all tasks, and will serve as an adjunct senior manager for the project. UNLV will oversee the methodology design and approach alternatives; research methods and sources, and vet conclusions for validity and consistency with the latest social science research.

Mr. Zitt moved to the staff that would be working on the project. He stated he has extensive experience in Iowa, has conducted numerous social and economic impact studies utilizing RIMS II and IMPLAN. He indicated that RIMS II may not be available because of sequestration. Additionally, he recently completed a comprehensive socio-economic and community impact study for a Massachusetts applicant. Paul Girvan, Managing Director for TIGOC, will be working on the project with him. He advised that Mr. Girvan has 25 years in the industry and is one of the leading econometric analysts in the gaming industry. He noted Mr. Girvan was the first to adapt the retail gravity model to the gaming industry; and has assisted numerous governments in evaluating social and community impacts from proposed casino development. TIGOC also had a large staff of experienced and credentialed analysts.

Lead staff for UNLV will be Bo Bernhard, Executive Director of the International Gaming Institute (IGI). He is also the executive editor of the peer-reviewed *UNLV Gaming Research and Review Journal* and has directed research grants totaling more than \$2 million. The other lead will be Kahlil Philander, Director of Research for IGI. Mr. Philander is a former senior policy researcher at the Responsible Gambling Council, Centre for the Advancement of Best Practices, and has had numerous publications in peer-reviewed journals.

Mr. Zitt stated that TIGOC has been active in Iowa since 1994, and has conducted studies in Burlington, Marquette, Lyon County, Sioux City and many points in between. They conducted a statewide study in 2009 during which they received casino databases from each facility. They were able to map those and get a feel for penetration of the casinos in the various communities. Mr. Zitt pointed out TIGOC helped Riverside with their license application, and their revenue forecast was within 1.8% of actual results. The cannibalization estimate was within 4.3%. In addition, TIGOC has worked with the Sac & Fox Tribe in Tama, getting a good understanding of that market area.

Mr. Zitt listed some of the various organizations for which TIGOC and UNLV have done studies to highlight their social and economic impact expertise. He concluded his remarks by stating TIGOC and UNLV would provide the best of both worlds: an unsurpassed understanding of casino markets – including Iowa, and have unsurpassed credentials in social science research gaming. Mr. Zitt stated the study would be methodologically rigorous and credible, but the information would be presented in clear, understandable language. He advised the parties have access to policy makers, are well-organized and focused.

Chair Lamberti called on Strategic Economics Group (SEG) and Spectrum Gaming Group (Spectrum). Mike Lipsman, representing SEG, advised they are a small Iowa-based economics, planning and policy research group. He advised the group was founded in 2001 by Harvey

Siegelman, a former State Economist. Mr. Lipsman stated he has over 30 years of experience working a variety of positions with the State. He noted Mr. Siegelman also held other positions with the State. The third person on the SEG team is Mark Imerman, who previously worked as an outreach economist for the Department of Economics at Iowa State University. He directed the creation of the Midwest PROfiles database, a web-based local demographic, industrial and employment resource used by community and economic developers.

Mr. Lipsman provided a brief list of recent clients and Iowa casino-related projects. He advised SEG's guiding principles are objective research and they do not advocate for the client. SEG's strengths are extensive knowledge of Iowa and its economy; extensive knowledge of data resources and a broad range of Iowa contacts; strong analytic and modeling skills; and experience analyzing a variety of issues. Mr. Lipsman advised they would also be using the REMI model; that he was the one to bring it to Iowa.

Mr. Lipsman turned the floor over to Wayne Marlin with Spectrum. Mr. Marlin advised he is the Director of Government Affairs for Spectrum, which is located in Atlantic City, New Jersey and has been in business since 1993. Mr. Marlin stated Spectrum is different from the other companies in that their roots are in regulation; the founders of the company were New Jersey state regulators, and he came from the New Jersey Gaming Enforcement area. He stated most of their work is government work for other regulatory agencies. He listed a number of states in which they have conducted studies. Mr. Marlin stated Spectrum's work has been held up to intense public scrutiny in the various states; the stakes are very high and their reports have been well received publicly. He stated Spectrum interviews as many stakeholders as possible, which is one of the reasons Spectrum partnered with SEG. He stated it is very important to seek out the stakeholders in the private and public sectors, and public officials. Mr. Marlin advised that they would be using the REMI model for this study. He read quotes from several different newspapers from some of the recent states in which they have conducted studies.

Mr. Marlin stated Spectrum tries to do the best job possible; have always been very independent, unbiased and give the client, not necessarily what they want to hear, but what they need to hear. He indicated their integrity is the backbone of the company.

Hearing no questions for Mr. Marlin, Chair Lamberti stated the Commission had received three very good proposals, which will enable the Commission to provide the Legislature with a quality report. A decision will be made at the November Commission meeting.

Chair Lamberti moved to the next agenda item, which is a discussion regarding the timelines for Linn and Greene counties, which have recently passed gambling referendums. He advised the application deadline for Linn County passed on September 3rd, and the Commission wants to set some dates moving forward. He noted the Commission will get really busy after the first of the year and may need to have some special meetings.

With respect to Linn County, Chair Lamberti moved to establish the following timeframes and deadlines:

- January 9, 2014 – Applicant presentations (Financing and Project Presentations)
- March 5-6, 2014 – Division of Criminal Investigation presentation/Public presentation of the market analysis
- April 3, 2014 – Site Visit/Public Comment/Question & Answer of Applicants
- April 17, 2014 – Decision with respect to Linn County.

Chair Lamberti requested a second. Commissioner Mertz so moved. The motion carried unanimously.

With respect to Greene County, Chair Lamberti indicated the Commission wanted to establish an application due date. He moved to establish January 6, 2014 as the application due date for any Greene County license applications. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti advised they will start thinking about the scheduling of additional dates, taking into consideration the schedules of the Commission members. He indicated there may be a need for special meetings with this process as well.

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:

- American Express – Credit Card Purchases and Vendor Payments
- University of Michigan Hospital – Health Plan Costs (Administered through First Administrators)

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:

- American Express – Credit Card Purchases
- Bakemark USA, LLC – Bakery Supplies and Goods
- KK&B Real Estate, LLC – Lease Agreement (RP)
- Marsh USA, Inc. – Insurance
- Randy's Carpets & Interiors – Carpet and Supplies for Hotel and Casino Updates
- Taylor Made Golf Company, Inc. – Retail and Special Orders for Blue Top Ridge
- Team Staffing Solutions – Temporary Employee Services

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

Chair Lamberti called on Ameristar Casino (Ameristar). Monty Terhune, General Manager, presented a contract with Acres 4.0 for the purchase of an electronic slot dispatching system (KAI).

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

Chair Lamberti called Diamond Jo (DJ). Ms. Runde presented the following contracts for Commission approval:

- Multimedia Games – Slot Machines and Tournament System
- Reliance Standard Life Ins. Co. – Dental Insurance Premiums for Team Members

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

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

- Bally's – Slot Equipment and Leases
- City of Emmetsburg – Community Center Capital Project

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

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

- Shye West d/b/a Imagine This – Customized Marketing Gift Items
- Lithographic Communications – Direct Mail Printing

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

Chair Lamberti called on SCE Partners, LLC (SCE). Bill Warner, President of Warner Gaming, presented the following contracts for Commission approval:

- ESA, Inc. – Earth Services and Abatement
- Charles J. McNeil, Jr. – Contract Administration
- John J. Darin – Design Management
- Cottingham & Butler – Insurance
- Cragin & Pike – Insurance

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

Chair Lamberti called on Harrah's. Tina Eick, legal counsel, presented the following contracts for Commission approval:

- Adv. Audio Visual d/b/a CCS Presentation – Audio/Visual Equipment for Property
- AJR Equities – Promotional Items
- JCM Corporation – Purchase of Slot Machine Bill Validators
- The Aaron Group – Promotional Items

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Arnold moved to approve the contracts as submitted by Harrah's. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Horseshoe Casino/Bluffs Run. Ms. Eick presented the following contracts for Commission approval:

- AJR Equities – Promotional Items
- IGT – Slot Machine Purchases
- JCM Corporation – Purchase of Slot Machine Bill Validators
- Multimedia Games – Slot Machine Purchases
- The Aaron Group – Promotional Items

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run. Commissioner Mertz seconded the motion, which carried unanimously.

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

- AT&T Mobility – Cellular Phone Service Provider
- Hockenbergs Foodservice Equipment – Food Service Equipment and Supplies
- Infomax Office Systems – Office Equipment Lease and Maintenance
- Reinhart Food Service – Food Equipment and Supplies
- Shive-Hattery, Inc. – Engineering Services
- Sysco Guest Supply – Hotel Supplies

- USA Security Iowa (Asset Management) – Surveillance Products and Services

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

Commissioner Heinrich expressed his appreciation for the effort the facilities are putting forth in utilizing Iowa vendors.

Chair Lamberti called on the Iowa Greyhound Association (IGA) regarding their request to utilize interest from the IGA/Bluffs Run escrow account for promotional activities. Jim Quilty, legal counsel, advised they are requesting to utilize up to \$10,000 to create a live racing video for use at the Iowa State Fair and begin work on the third breeders magazine which focuses on the families involved in getting the greyhounds raised, trained and from the farm to the racetrack as another means of promoting greyhound racing.

Chair Lamberti stated the Commission has received a letter from Lorraine May, legal counsel for Bluffs Run, indicating approval of the request as long as the Iowa Greyhound Association does not engage in any political activity. Mr. Quilty concurred, noting the approval is contingent upon the IGA not using any of the funds for lobbying purposes. Chair Lamberti asked if there would be any objection to including that wording in the motion. Mr. Quilty answered “No.”

Chair Lamberti moved to approve the use of up to \$10,000 of interest from the escrow account for promotional activities as described, provided none of the funds will be used for lobbying purposes. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the hearing for GFCR for a violation of Iowa Code §99F.4(22) (Self-Exclusion Policy), and called on Mr. Ohorilko, who advised that staff has entered into a Stipulated Agreement regarding the violation. He stated an individual had signed up for the statewide lifetime self-exclusion ban at Argosy on January 22, 2012. The individual entered GFCR 14 months later with a male companion and was issued a Players Club Card. Mr. Ohorilko noted GFCR did catch the fact they had incorrectly issued the individual a Players Club Card, located the individual and removed her from the gaming floor. He advised GFCR has conducted some additional training regarding the importance of reading all of the system alerts on the Players Club Card system. As a result of the violation, GFCR has agreed to an administrative penalty of \$3,000 to \$20,000. Mr. Ohorilko requested approval of the proposed Stipulated Agreement.

Ms. Haselhoff stated GFCR has reviewed its policies and procedures regarding the issuance of Players Club Cards and they were not followed. Had they been followed, the violation would have been prevented. She advised that additional training has been provided to employees on these policies and procedures.

Chair Lamberti asked what part of the policy was not followed. Ms. Haselhoff stated there was an alert that popped up on the screen indicating the individual could be self-banned and the employee hit "Ignore".

Chair Lamberti called for any other questions from the Commission. Hearing none, Chair Lamberti moved to approve the Stipulated Agreement with an administrative penalty of \$3,000. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to Public Comment, and called on Dan Kehl, President of Scott County Casino, LLC (Scott County). He advised the company has been working very hard in Davenport to bring all the parties together. He noted Scott County has signed an agreement with the Riverboat Development Authority (RDA), the non-profit for the license, which gives the community 8.5% of adjusted gross gaming receipts – the second highest amount going to a non-profit in the state and the highest in the competitive market place. Mr. Kehl stated the financing commitment is in place with Wells Fargo. He is working with the City of Davenport to find a resolution regarding the split of the funds that are going to RDA. He expressed his hope that all parties could reach an agreement soon so that Scott County could execute its option. Mr. Kehl stated he is confident that everything will get done.

Chair Lamberti called for any additional comments from interested parties. Hearing none, Chair Lamberti advised the Commission had received a letter from the Davenport City Attorney indicating the parties are working toward a resolution and the remaining issues do not appear to be insurmountable. He stated he had also received correspondence from a couple of the aldermen indicating they concur. Chair Lamberti indicated the situation in Davenport has involved a lot of twists and turns, and indicated the Commission is happy to see the situation moving forward. He stated he had reviewed the various agreements that have been approved, and noted some of the differences that remain seem relatively small. He encouraged all parties to get together and resolve the remaining issues; hopefully as quickly as possible due to some impending deadlines. Chair Lamberti expressed the Commission's hope that the matter would be brought to a relatively quick conclusion. He indicated the proposal is a great opportunity to enhance the market for the State of Iowa.

Mr. Kehl concurred it has been a long process, and everyone has been watching market shares cross the river to Illinois. Chair Lamberti stated that has been one of the Commission's concerns.

Chair Lamberti called on Christopher Tayback, legal counsel for the Belle of Sioux City, L.P. He indicated his purpose in addressing the Commission today was to ask the Commission to stop what they are doing in Woodbury County; to stop what the Belle considers a train gone off its tracks, has run away and is about to do some serious damage. Mr. Tayback asked the Commission to reverse its decision on April 18th to grant a license to SCE to operate gaming in Woodbury County, or at least stay the decision, so the Courts, which have the matter before them, can sort out the mess that has been created by the Commission repeatedly disregarding its own rules, its own RFP deadlines, and what can only be described as any semblance of fair play. Secondly, Mr. Tayback asked the Commission to reverse its decision to deny the Belle's

application for the renewal of its license to operate the Argosy Casino, or at least stay the decision so the Courts can sort through that mess as well. He indicated the Courts have to be viewed as the Belle's last best hope for a fair and impartial hearing.

On behalf of the Belle, its owners and management that have invested over \$100 million, and the approximately 300 Iowa citizens that the Belle employs, Mr. Tayback stated the decision to deny the Belle's application was: 1) illegal as a matter of law; 2) wrong as a matter of fact; and 3) harmful to thousands of Iowans, as well as the Belle itself. He reiterated the train has left the tracks and he was making one last attempt to put it back on the tracks or at least stop it in its tracks.

Mr. Tayback stated the Commission's stated legal basis for not renewing the Belle's license is that the Belle has no contract with a qualified sponsoring organization (qso); however, in the last 15 months, over the length of the dispute, no one has ever said where the requirement for an operating agreement between a qso and an operator, such as the Belle, resides because there is no statute in Iowa that requires a contract or an operating agreement of any kind between an operator and a qso. He conceded there are many requirements that are set forth in the law for an operator, and stated the Belle has satisfied every single one. He stated that no one on the Commission, or outside the Commission, has ever suggested that the Belle has not complied with all of the requirements. He stated the Belle has done every single thing that is required of a licensed operator, including making the requisite payments to the community. Mr. Tayback stated the sole basis on which the Commission decided now, all of a sudden, the Belle falls short is not having an operating agreement, which is something that is not one of the state's many, many requirements. He stated the Commission's conduct over the last 15 months shows that it knows there is no such requirement. Mr. Tayback noted the Belle has been allowed to operate over a year without such an operating agreement, at least according to the Commission, which has claimed the agreement between the Belle and its qso expired in July 2012. He pointed out that if the requirement for an operating agreement actually existed, what was the basis for the Commission to allow the Belle to operate continuously without interruption for 15 months since then, and if there is an operating agreement that is required, an agreement is a two-way street. He noted there is no question that the Belle's qso, Missouri River Historical Development (MRHD), has also remained licensed without interruption. Mr. Tayback called the situation illogical and unfair. He stated the IRGC, by its conduct in this matter, is effectively requiring an operator to have an operating agreement or lose its license while the qso does not need an operating agreement but can keep its license and basically hold up an operator by virtue of demanding whatever it wants. Mr. Tayback reiterated that the statute does not require an operating agreement, and certainly, nothing says the operator needs one but the qso does not.

Mr. Tayback pointed out that in e-mail exchanges that were made public, Mr. Ohorilko was quoted as saying "We've always been of the belief that each party holds a license for different things." In essence, each party has an equal share; Mr. Tayback said the parties have not been treated equally by the Commission. He stated the IRGC's decision and its actions are contrary to its words, and the words of the laws that actually govern the Commission. He reiterated that an operating agreement is not required and the Commission has never required it, nor sought to enforce it any time in the last 15 months; that the requirement has been created to give the

Commission a reason to take the Belle's license and give it to another operator. Mr. Tayback likened the situation to the story about the emperor who had no clothes; everyone sees what is happening, but no one wants to say anything. Mr. Tayback stated the emperor has no clothes; the basis on which the Commission has acted is illegal and wrong. Additionally, even if an operating agreement were required, which it's not; Mr. Tayback stated the Belle has an agreement, and in fact, has two of them. On June 7, 2012, before the expiration date of the Belle's initial agreement with MRHD, the IRGC was given a copy of the extension agreement signed by both the Belle and MRHD, an extension that ran through March 2015, extending the status quo – the same terms and conditions under which the parties have operated for 20 years, and which the Commission had never complained about. Mr. Tayback stated the IRGC in its history has never failed to approve an operating agreement. He noted that one could witness the process by which the Commission has approved contracts, even at today's meeting, to get a sense of the level of scrutiny that such contracts receive when they are presented. He stated the Commission has decided to disregard this agreement in what is an unprecedented act that set in motion what is before the Commission today.

Mr. Tayback stated the Commission asked the Belle to get a contract with a qso that ran through March 2013 and beyond; they did so but yet the Commission ignored that and is now preparing to divest the Belle of its license, and has effectively already given that license to someone else. He advised that because the Belle has always done what needed to be done for the past 20 years, it didn't just rely on the written signed contract they had with MRHD extending its operating agreement with the qso through 2015, but in April 2012 had a contract with another qso. Mr. Tayback indicated the idea to work with another qso came from the Commission. He stated that in April 2012 Commissioner Lamberti advised the Belle to come up with a Plan B, and that is exactly what the Belle did and presented it to the Commission as an alternative way back in June 2012 and the Commission did not even consider it. Later on during the application process that was part of the RFP, the Commission did find the Belle's alternative qso qualified and suitable to hold a qso license. Mr. Tayback indicated that if the situation were a football game, the Commission has moved the goal line back and back, making it impossible for the Belle to cross the goal line. He stated the situation hasn't just harmed the Belle; it is, and continues to harm, Belle's customers, the local Sioux City economy, the many charities that rely upon its distributions of revenue because revenue is down due to the many uncertainties; and the many employees who have no idea if they are going to have a job in one month, three months, six months, a year, two years or beyond. Mr. Tayback stated the Belle is entitled to its license, and SCE is not. He indicated the Commission should start to right its wrongs and put the train back on its tracks or at least stop it in its tracks, and reverse its prior decision not to renew the Belle's license. At a bare minimum, Mr. Tayback stated the Commission should stop things where they are: stay the issuance of the license to SCE, and stay the decision to not renew the Belle's license until a court can fairly resolve these issues.

Chair Lamberti noted the Commission recently received a request in writing for the Commission to stay the granting of a license to SCE; the request was not timely received within the rules of the Commission and was not appropriate for placement on this agenda. He indicated the request could be properly submitted for future consideration by the Commission, but was not timely submitted for consideration at this meeting.

With respect to the issue of the Commission's decision regarding the renewal or non-renewal of the Belle's license, Chair Lamberti noted the Commission had taken action in the matter, and is now the subject of a contested case proceeding that the Commission will be participating in sometime down the road. He indicated that it is not appropriate for them to be discussing it much beyond that point in time as it is subject to a contested case proceeding. With regard to the remaining issues that have been raised, they are either involved in the contested case proceedings, in previous action of the Commission or involved in current litigation that is currently going on, including a hearing that will be held later today. Chair Lamberti stated he felt it was inappropriate for the Commission to consider either of the requests. He stated that another member of the Commission could choose to bring a motion at any time to take action, indicating he would entertain such a motion if anyone chose to do so. Hearing none, Chair Lamberti advised Mr. Tayback the Commission appreciated his comments.

Chair Lamberti moved to Administrative Business and called on Mr. Ohorilko. Mr. Ohorilko advised the State has closed the books for FY13, and there will be a reversion for the tracks and boats from both the IRGC and DCI budgets. From the IRGC budget, each track will receive \$4,167, and each boat will receive \$4,403. From the DCI's budget, each track will receive \$1,789 and the boats will receive \$40,001. He advised the funds will come as a credit at the end of FY 14, so staff will be sending out a notice of the adjustment sometime in the next few weeks, but effectively regulatory fees will be revised as early as May 1 next year.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 21, 2013**

The Iowa Racing and Gaming Commission (IRGC) met at Stoney Creek Inn in Johnston, Iowa on November 21, 2013. Commission members present were Jeff Lamberti, Chair; Carl Heinrich, Vice Chair; and members Rich Arnold, 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 October 10, 2013 meeting and requested a motion. Commissioner Kramer moved to approve the minutes as submitted. Commissioner Mertz seconded the motion which carried unanimously.

Chair Lamberti moved to Announcements and called on Brian Ohorilko, IRGC Administrator. Mr. Ohorilko provided the following information regarding future Commission meetings:

- December, 2013 – No Meeting
- January 9, 2014 – Isle Casino Hotel Waterloo, Waterloo, IA (Submissions due by December 24, 2013)
- February, 2014 – No Meeting
- March 5-6, 2013 – Prairie Meadows Racetrack & Casino, Altoona, IA (Submissions due by February 24, 2014)

Mr. Ohorilko noted the Commission would be meeting in Executive Session the evening of March 5th to receive the Division of Criminal Investigation (DCI) report on the Linn County application, with the regular meeting to be held on March 6th.

With regard to the special meeting on April 3rd in Cedar Rapids, Mr. Ohorilko advised the meeting would commence at 8:30 AM with the site visit, followed by the Public Comment session commencing at 10:00 AM. The Commission members will also have an opportunity to ask the applicant any outstanding questions they may have. He noted the location of the meeting has yet to be determined.

Chair Lamberti noted 2014 could be a busy year for the Commission with the possibility of several special meetings. He moved to the selection of the vendor to conduct the Socioeconomic Impact Study of Gambling on Iowans as requested by the Governor's Office and Legislature. Chair Lamberti stated all three applicants were qualified to conduct the study, making the decision a difficult one. He moved to approve Strategic Economic Group and Spectrum Gaming to do the study and directed staff to enter into an agreement that would include the elements of the Request for Proposal. He advised his motion was based on the fact that he liked the Iowa component in terms of getting into the socioeconomic elements that the Legislature wants the Commission to review. Additionally, he likes the recent experience and similar studies as

opposed to other kinds of market-based studies that Spectrum Gaming brings to the process. He requested a second. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the Belle of Sioux City L.P.'s (BSC) request to stay the issuance of the licenses to Sioux City Entertainment (SCE) and Missouri River Historical Development (MRHD) and other actions of the Commission with respect to the development of the Hard Rock Sioux City.

Christopher Tayback, legal counsel for BSC, advised he was renewing his request for the Commission to stop what it is doing in Woodbury County. He clarified the comment by stating that on April 18th, the Commission purported to issue a license to SCE to operate a casino in Woodbury County. He indicated the Commission should stay the granting of the license effective immediately and stay any and all subsequent contract approvals made in furtherance of the license granted for the following reasons:

- 1) The Commission does not have the power, nor did they have the power, to grant the license as long as the BSC is authorized to operate a casino on the river, which it is, and does. The law precludes IRGC or anyone else from establishing a land-based casino at the same time. Iowa Code 99F.2(C).
- 2) IRGC has only sought to get around the prohibition of two casinos operating at the same time, licensed at the same time, in two dissimilar venues by deciding *after* granting a license to SCE that it should revoke BSC's license, not renew it. Mr. Tayback indicated this was a violation of due process. He likened the process to an execution being scheduled prior to a hearing. He stated a fair hearing cannot be held if the result is pre-determined.
- 3) In the course of the Request for Proposal process, the Commission did not follow its own rules as set forth for all of the applicants in various ways and times. There were rules on deadlines to make changes but let SCE, and SCE alone, break the rules, make changes and submit refinancing information. He called the process unfair to all of the applicants.

Mr. Tayback stated the real point is that no sensible, straight-thinking body with governmental responsibilities should turn a blind eye to these kinds of issues, which he feels the Commission is doing. He indicated the issues are all squarely before a Court, but letting everyone proceed before they are resolved is the worst possible outcome; everybody involved or implicated – BSC, Argosy Casino and all of its employees, SCE and its various vendors and the citizens of Sioux City are put in an untenable position of uncertainty. He reiterated his request that the Commission stay its decision as there is no urgency and no deadline to get something done. Mr. Tayback advised it is better to do it right than to do it quickly. He stated the Commission should be concerned about making sure that what it does is done correctly, that it is done right.

Chair Lamberti called on John Lundquist, Assistant Attorney General, who is representing the Commission in the ongoing litigation in Polk County concerning the issuance of licenses in Woodbury County and other matters relating to allowing gaming to continue there.

Mr. Lundquist thanked the Commission for taking BSC's Request for a Stay into consideration as it is a required step pursuant to jurisdictional rules in order for them to pursue a stay in District

Court. He requested the Commission take into consideration the necessary statutory factors and give them full and fair consideration in rendering a decision as to whether or not the matter should be stayed or the status quo maintained. Mr. Lundquist advised that Iowa Code provides four factors that should be weighed by the Commission in determining whether or not a stay should be issued while Judicial Review is pending in Polk County on previous Commission decisions. The four factors as they appear in Iowa Code Chapter 17A.19 are:

- 1) The extent to which the applicant is likely to prevail when the Court finally disposes of the matter. Is it likely the applicant would succeed on the merits of their claims?
- 2) The extent to which the applicant will suffer irreparable injury if relief is not granted. What harm will they suffer if the Commission does not choose to stay the actions that were previously undertaken?
- 3) The extent to which the granting of relief to the applicant will substantially harm other parties to the proceeding.
- 4) The extent to which the public interest relied on by the agency is sufficient to justify the agency's actions on the circumstance. What is the public interest – should the Commission grant or deny a stay?

Mr. Lundquist stated that in weighing the four factors they do balance in favor of preserving the status quo as it currently exists. The following matters are before the Court in Polk County: BSC has challenged the Commission's decision to open up Woodbury County to the application process; to consider the applications, and the award of the gaming license to SCE to operate and MRHD to conduct gambling games, and contracts approved by the Commission in order for the project to proceed. He noted that while that is going on the Commission has heard many times from individuals representing BSC state the Commission has revoked their license. Mr. Lundquist stated the Commission has not revoked anyone's license; they have taken action to deny renewal of the license as they did not meet the statutory requirements for maintaining the license in the Commission's view. He noted BSC has appealed that decision and there will be a contested case hearing held at some point in the future on that issue. Mr. Lundquist advised that BSC, as a result of the Administrative Procedure Act, has continued operating as though their prior license is not expired. What does that mean for BSC, and leave the Commission with regard to maintaining the status quo? Mr. Lundquist stated that BSC is conducting and operating gambling games at the Argosy Casino/BSC; they are collecting revenue from those operations; they are paying the state; collecting the 3% that is required to go to the qualified sponsoring organization (qso); their employees are working; the public can go to the riverboat and gamble as the law allows. What are SCE and MRHD doing? They are building a facility they intend to open sometime next year; they are not conducting gambling games at this point in time; they are not taking revenue away from Argosy/BSC; they are not taking away the gaming dollars. Mr. Lundquist stated that in weighing these factors, he would request the Commission keep in mind that BSC is gambling; the competition is not. He indicated that is the status quo at this point and there is no reason in his opinion to change it at this point in time.

Mr. Lundquist addressed the four factors previously set forth above:

- 1) The likelihood of success on the merits: He stated the Commission did have the authority to open up Woodbury County to new gambling applications, and ultimately award the license to the entity to which they did. Mr. Lundquist stated that in order for someone to

operate a casino anywhere in the State of Iowa they have to have a license and have to be partnered with a qso that is licensed to conduct gambling games. In BSC's case, that element was missing. In the application they submitted to the Commission for renewal of the operator's license, there is a space for the qso, the entity that may legally conduct gambling games, to sign off and give their approval that they too desire to continue gambling games at that particular location. The signature is not on the form because their affiliated qso, MRHD, did not sign off or seek to continue the right to conduct gambling games at that particular location. He noted once MRHD gave up that right, all BSC is left to operate is nothing. Mr. Lundquist stated that is the way the Iowa Legislature structured the gambling laws in this state; that a company can only operate what the qso is licensed to conduct. In this case, that is nothing. As a result, in order for gambling to continue in Woodbury County, it was necessary for the Commission to seek applications, and ultimately award an application. He noted the process was conducted out in the open; companies submitted applications and made presentations to the Commission, which weighed the factors they deemed important and the statute gives them the right to consider, and made an award. He noted that even though BSC submitted two applications, someone else was granted the license, which was within the Commission's authority to do.

Additionally, the Commission has heard complaints about the fact they gave people the opportunity to amend the applications. Mr. Lundquist stated that in the area of financing that is reasonable; the Commission would want to know what financing is available, whether it is an improvement in the proposed financing, or if the financial position has deteriorated, the Commission would want to know that as well. When the Commission is weighing the applications, it is important to know what is going on in the now and present; therefore, Mr. Lundquist indicated it was appropriate for the Commission to consider those changes as conditions improved for one applicant just as they would want to know if an applicant had lost their financing, went into bankruptcy or had some other major financial difficulties. Given the length of the application process, which takes several months, Mr. Lundquist stated it is not reasonable to expect the financing to be frozen in time six months prior to the granting of the license. He stated it was reasonable for the Commission to allow the submission of additional information with regard to financing for the proposed project.

With regard to the question of whether or not BSC will suffer irreparable harm if the Commission does not stay its action now, eight months after the license was awarded to SCE/MRHD to build the Hard Rock Casino in Sioux City, Mr. Lundquist reiterated that BSC continues to operate while SCE and MRHD are not; therefore, BSC is not being negatively impacted at this time as a result of the Commission awarding the license to SCE and MRHD. He stated that any argument to the contrary is pure speculation; that BSC carries the burden in convincing the Commission and a court that this action should be stayed. Mr. Lundquist advised the Iowa Supreme Court has ruled multiple times that financial loss, loss of business, and loss of reputation generally do not rise to the level of irreparable injury. In this case, Mr. Lundquist advised the Commission to keep in mind where and how the situation came about; BSC had an agreement with a qso that could

conduct gambling games but were unable to reach an extension of that agreement that was acceptable to all parties and the Commission. As a result, BSC lost their qso to a different operator. He indicated BSC needs to accept some responsibility for why everyone finds themselves in this particular situation. Mr. Lundquist noted BSC has brought legal action against MRHD to try and recoup their rights under the operating agreement and to collect whatever damages and other equitable relief that is available, which is the appropriate venue to resolve the situation. He noted the action against MRHD is before a court in Polk County, not by asking the Commission to stay its action to further protect jobs and gambling revenue in Sioux City for the state and various charitable organizations.

Mr. Lundquist moved to the third factor, how are other parties impacted. Mr. Lundquist advised SCE has made a substantial investment by beginning construction of the facility in Sioux City. The City of Sioux City has issued bonds, closed streets, and deeded property in furtherance of the project. He noted that any delay in the facility's opening, when this matter is resolved, would be to their detriment. He pointed out there is plenty of time left for this litigation in Polk County and Judicial Review to be heard by a judge and decided long before the facility will be ready to open next summer. Mr. Lundquist stated the process should be allowed to run its course, and if Sioux City, SCE and MRHD want to continue to build the casino with the potential that it could be stopped by a judge at some future time, they are proceeding at their own risk and understand that. He advised it is up to them to decide if they want to accept the risk and move forward. Mr. Lundquist stated he did not see a need based upon that injury that could potentially be posed to them to stay the action.

The last factor is public interest. Mr. Lundquist advised the public and State of Iowa expects the Commission to regulate gambling in a fair, reasonable and orderly manner. It is his opinion that is what the Commission has attempted to do throughout this process. When faced with an unprecedented situation where an existing operator and existing qso could not reach an agreement as to how to continue their relationship, the Commission had to step in and take action; ultimately deciding they had to reopen the licensing process in Woodbury County and award a new license to someone else in order to maintain the gambling revenue, charitable revenue, and the jobs that are attributable to gambling and tourism in Sioux City as a result of the casino.

Mr. Lundquist stated that based upon weighing the above four factors, he asked the Commission to preserve the status quo, deny the Request for Stay and allow the matter to proceed through Judicial Review in the District Court.

Chair Lamberti called for any questions for either party. Hearing none, Chair Lamberti stated the Commission needs to consider the statutory factors as set forth by Mr. Lundquist; they are the appropriate factors the Commission needs to consider in terms of whether to grant or deny the request. He indicated he has considered those factors, and stated that for the reasons set forth by Mr. Lundquist, he agrees with the analysis of the factors; how they should apply in this particular case, and stated he does not believe BSC has met the burden of justifying a stay of the

Commission's action in this matter. Chair Lamberti stated the Commission does take these issues very seriously. Chair Lamberti moved to deny the request of BSC, L.P. for a stay of the issuance of the licenses to SCE and MRHD and other actions of this Commission authorizing the development of the Hard Rock Sioux City Casino. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the next agenda item, an update on the potential purchase of IOC Davenport by Scott County Casino, LLC. Ed Quatmann, Chief Legal Officer for Isle of Capri (IOC) Casinos, the owner of Rhythm City Casino in Davenport, stated that IOC, Scott County Casino, and Riverboat Development Authority (RDA) are done and ready to move forward; everything is in place with the exception of an agreeable development agreement between Scott County and the City of Davenport. He indicated the parties are optimistic a resolution can be reached with respect to that point, but anticipating that it may not, the parties have been exploring an alternative structure to move forward with the sale. Mr. Quatmann stated the parties are prepared to move down that path although it is not their preferred approach. He pointed out that Dan Kehl, CEO of Scott County Casino, has an agreement with the RDA and IOC, has the land, has the financing, and is licensed in the state. Mr. Quatmann stated it is time to get the sale done.

Mary Ellen Chamberlin, President of RDA – the qso for Rhythm City Casino, stated the Board feels very strongly that it is time to move forward; they have a satisfactory contract with Scott County Casino. She noted they have agreed to take some of the money that would normally be set aside for charity and offered it to the city for a period of eight years for a total of approximately \$8 million. Ms. Chamberlin stated RDA has signed the development agreement, have signed the contract and are very willing to get rid of a 1991 product and move to a better location where they can make more money for the charities they serve as well as the State of Iowa. She expressed her hope that the situation can be resolved; that it has gone on long enough. Ms. Chamberlin stated that she would like to present all the documents to the Commission in sufficient time to make the January Commission meeting.

Mr. Kehl stated it has always been his intent to work with the City of Davenport and include them in the process. He indicated he will continue to work with them, but acknowledged an alternative plan has been developed should the need arise. Mr. Kehl indicated they are not interested in pursuing it at this point, but will if the need arises. He stated his belief that the parties are one city council meeting away from having the agreement put together. He is hopeful everything will be wrapped up next Tuesday so the application can be submitted to the Commission so they don't lose another construction season.

Mayor Bill Gluba stated that since they first met with the Commission in Osceola, the Davenport City Council has made great progress with both IOC and Mr. Kehl, indicating they are one signature away from the shared goal with the Commission to bring an Interstate 80 casino to Iowa and Davenport. He stated the Davenport City Council unanimously passed an agreement with IOC to transfer the riverboat leases to Mr. Kehl to operate the current riverboat as he builds a new casino. All issues have been resolved with IOC without going to court, suing them or tying the process up for a couple of years. Mr. Gluba state the Davenport City Council

unanimously approved a development agreement with Mr. Kehl on September 25th when it was presented to the city at a Finance Committee Meeting for approval. He quoted Mr. Kehl from that meeting: "We have come up with a very amicable agreement. This agreement went as smoothly as any agreement that we have done. We are a little bit surprised and pleased it has gone so well." Mr. Gluba stated the agreement was approved by the city council. He indicated he had a copy with him and stated that if Mr. Kehl would sign it, the matter could be resolved today. He noted that after the amicable statements were made at the Finance Committee meeting, the RDA approved an Operator's Agreement with Mr. Kehl that split the pie up a little differently than what had been agreed to with the city. Mr. Gluba stated that challenges were overcome via a second negotiation with Mr. Kehl earlier in the month in which Davenport aldermen met with Mr. Kehl and agreed to split the difference between the city agreement and RDA agreement. He indicated he was confident, although not completely sure, that a majority of the city council would be satisfied with the second negotiations. He advised that agreement could also be signed by Mr. Kehl today. Mr. Gluba noted the city essentially has two agreements with Mr. Kehl; one formally in writing that was adopted unanimously in September, and then he signed a second agreement. He stated Mr. Kehl needs to decide which one he is going to go with.

Mr. Gluba noted the RDA board met on Monday and modified their agreement slightly. He advised the city received that agreement late the previous morning; however, due to the council meeting schedule and rules, the modified agreement could not be added to the agenda just six hours after receiving the draft as approved by RDA. Mr. Gluba stated it is a very complicated agreement and the city needed to seek outside legal counsel to more adequately review the agreement to make sure it says what it means and means what it says. He indicated the council is willing to consider the modified agreement. He reiterated the fact the city council has two agreements that Mr. Kehl has negotiated with the city; the first one unanimously approved by the city council, which Mr. Kehl could sign today and everyone could move forward. Mr. Gluba stated the second agreement could be signed as well, if that was the one Mr. Kehl chose, and everyone could move forward. He noted the agreement may not be unanimously approved by the city council, but feels there is a reasonably good chance it could be approved. He stated the city has negotiated two agreements with Mr. Kehl that he was satisfied with, and would appreciate it if he would sign one of them. Mr. Gluba stated with the Commission's help and support, the parties have made significant progress; Davenport has settled its differences with IOC without going to court; have rezoned the property that Mr. Kehl asked for along I-80 to build a casino; have negotiated two agreements – one before and after the RDA took action with the RDA's preferred developer. He advised the city has done as much as they can at this time, and thanked the Commission for their assistance and shared goal of getting an interstate casino and increasing the revenue to the State of Iowa. He noted the state has been losing \$7 million per year because this matter has not been resolved as quickly as it could have been. Mr. Gluba again pointed out that the last issue could be resolved today with one signature, but indicated it would take the Commission directing Mr. Kehl to sit down and talk with him about the issue. He noted that a city council brings division to the table; that it is not possible to talk to three at a time; that they all have their egos and opinions. It is necessary to have someone negotiating in between and that hasn't happened. Mr. Gluba concluded his remarks by asking the Commission to direct Mr. Kehl to meet with him to work out the details, that it is probably somewhere

between a half percent and one and a half percent that is holding up the deal. He stated the extra money the city receives will go to the homeless shelters; it will not go into the city coffers for city use. He also indicated he would like to see funds directed to the Figge Art Museum, Adler Theater, and the Putnam Museum. Mr. Gluba stated Mr. Kehl will walk out of Davenport, according to all of the studies, with approximately \$19 million per year in profit once the casino is in operation; he indicated Mr. Kehl could part with a half to one and a half percent to assist the people of Davenport. He thanked the Commission for their consideration.

Chair Lamberti called for any comments or questions. Hearing none, he thanked everyone for the updates, indicating he is more encouraged that an agreement can be found. Chair Lamberti noted the Commission remains frustrated about the time frame, because it is not just about the past few months as they have attempted to bring the matter to a conclusion; it is about several years and is not just what is missing in terms of the benefits to the local community but also to the benefit of the State of Iowa as whole. He voiced the Commission's concern about getting the situation wrapped up. Chair Lamberti noted several parties were in attendance that needed to agree; is cognizant of the fact there is an agreement that RDA would like to have finalized, there are agreements the city would like to be the final agreement, but is necessary for all of the parties to come together and reach an agreement. He noted that each party, during their comments, had advised they are close to an agreement. Chair Lamberti encouraged all parties to get in a room together, address the small differences and find a way to resolve them. He expressed his hope that the Commission would not hear a similar discussion in January, but that all parties could be happy about where the situation is going for the City of Davenport and State of Iowa. Chair Lamberti encouraged the parties to work hard to resolve the issues prior to the January meeting; that it is not the Commission's desire to look at an alternative means to resolve the issue as has been mentioned. He noted that negotiations within the gaming industry tend to include lots of history, lots of personalities, and strong feelings. Chair Lamberti stated at some point it becomes necessary for everyone to put aside those issues and look forward to the good things that can happen and give a little bit.

Chair Lamberti moved to the contract portion of the agenda and called on Wild Rose Clinton (WRC). Amy Rubel, Vice President of Wild Rose Entertainment, presented a contract with Aristocrat for the purchase of Viridian 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 WRC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented a contract with On-Site Information Destruction, Inc. for confidential destruction services.

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

Chair Lamberti called on SCE Partners, LLC. Bill Warner, President, presented a contract with American Trust & Savings. He indicated this is the last piece of financing related to continuing the project's construction.

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

Chair Lamberti called on Harvey's Iowa Management Co., Inc. (Harvey's) Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- Delta Airlines – Air Travel for Business and Customers
- Southwest Airlines – Air Travel for Business and Customers
- Your Way Construction – Construction Company

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

Chair Lamberti called on Ameristar Casino. Matthew Block, Vice President of Government Relations for Pinnacle Entertainment, presented a contract with Scavuzzo's Inc. as a food supplier.

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

Chair Lamberti called on Belle of Sioux City, L.P. Mr. Tayback advised BSC was submitting a contract with the Greater Siouxland Improvement Association (GSIA), which would make GSIA the alternate qso for BSC. He indicated this is a way, and may be the only way, to get the money earned by Argosy to the charities as required by Iowa statute 99F. Mr. Tayback stated BSC wants to give, and is obligated to provide, 3% of its gaming revenues to charity. By contract for over 20 years, the qso that did so was MRHD; however, MRHD has disavowed its contract with BSC and has declared that it is the qso of another casino operator, SCE and its proposed Hard Rock Casino. On top of that, the Commission has recently made it clear they do not believe BSC has a qso, according to comments made by Mr. Ohorilko at last month's meeting when indicating BSC's license would not be renewed. Mr. Tayback noted Mr. Lundquist represented earlier today that was the basis upon which the Commission put the matter of the Woodbury County license up for an RFP to begin with. He stated the reality is that BSC is still operating, and Mr. Lundquist made a point of noting that it was still operating. He also noted that Mr. Ohorilko stated at a recent Commission meeting there is a possibility the Argosy will continue operating for a long time yet; Mr. Tayback expressed his belief there is a strong possibility that Argosy will continue to operate for quite a long time yet. Whether it is a matter of months or years, the fact remains, and Mr. Lundquist pointed out the parties are free to continue at their own risk, that the one party that should not have to proceed at its own risk are the impacted

charities. Mr. Tayback stated BSC is ready, willing and able to distribute its 3% funds to charities as provided by statute. He indicated the Commission should want that to happen; they should find a way to make that happen. He stated the only way, although not easy but now may be the only way to make that happen, is to approve GSIA as an alternative qso.

Mr. Tayback noted BSC went to court to seek a receiver; a judicial process by which a court of law can follow a statute and allow monies to be held pending outcome of litigation. He advised BSC took that step in order to avoid this very issue. He stated he was troubled by comments attributed to Chair Lamberti in the last couple of days. In response, he sent a letter to the Commission as well as Mr. Lundquist outlining BSC's concerns, noting the comments attributed in the article suggested the matter raised on behalf of BSC with the court was the same as the one currently under discussion. Mr. Tayback stated they are not the same issue. He advised a receiver is very different from the request before the Commission at this time. The request before the Commission is for an alternative qso, which was not a matter before the court nor is it the province of the court. It is the province of the Commission as opposed to a receiver, which is the province of the court; and the court, in ruling on the receiver, made clear that it was not ruling on whether or not an alternative qso was appropriate or not. In fact, the court's reason for denying the receiver BSC sought was simply that the legal technical requirements for a receiver were not met because the money at issue, the 3% the BSC is obligated to provide to the charities, is not BSC's – it belongs to someone else. Mr. Tayback stated it is clear it is not MRHD's money either, not if they do not have a contract with BSC to act as its qso; a contract that both MRHD and the Commission have disavowed. He noted the court said as much; it said Chapter 99F, the relevant Iowa law, makes it clear that MRHD is not the only entity that may distribute the 3% throughout the Sioux City community.

Mr. Tayback provided the following information about GSIA, and why it makes sense to approve the organization as BSC's alternative qso:

- GSIA is comprised of prominent business, political, charitable and community leaders of Woodbury County; such as the former county treasurer, a director of a community house, a high school principal, a comptroller of a local business, the leader of a youth camp and organizer of a local soccer association, and the organizer of the annual cancer survivor's benefit. He advised there are other individuals with similar resumes that sit on the GSIA board, and are committed to making sure the work done by the qso is transparent, fair and efficient; that the money actually gets distributed.
- GSIA has effectively already been approved by the Commission, noting that it was found suitable in April when the Commission reviewed the various applications in response to the RFP. He pointed out that BSC submitted an application with GSIA as its proposed qso. Mr. Tayback stated the Commission described how difficult the decision was in trying to decide between the competing proposals, finding them all meritorious and that all of the applicants, including the various qsos were licensable. He quoted several comments made by Commission members during the April 18th Commission meeting when the various applications were considered, including the GSIA. One of the comments, "There is a diverse and well-qualified sponsoring organization which advises the community leaders with no elected political officials."

describes GSIA. Mr. Tayback stated the comments make it clear that GSIA was vetted and found to be suitable; suitable to act just as MRHD acted – to be a pass through so that the charitable contributions required by statute are satisfied.

- GSIA will actually distribute the 3% it receives to the charities in the Sioux City community. He advised that MRHD does not actually distribute all the money it takes in. He stated that he was not talking about its litigation with the BSC. Putting that aside, Mr. Tayback advised that in 2012, MRHD spent \$244,000 on a law firm, Lane & Waterman, not to litigate, but to provide business advice. He stated that in the last three years, MRHD has spent \$400,000 on development efforts; and currently has over \$1 million in its accounts, which has all been derived from Argosy over the years – its only source of revenue. He noted these funds are not being distributed to charity. Mr. Tayback stated GSIA would not hoard the cash for its own benefit, but will distribute it as required by Iowa statute. Mr. Tayback stated that is what GSIA and BSC want, and it is what the Commission should want.

Mr. Tayback requested that the Commission approve the contract immediately and show the Sioux City charities that they do want them to receive these monies notwithstanding whatever disputes exist, may exist, or may not exist going forward between who or who should not be a licensed casino operator in Woodbury County. He stated the charities should not be made to suffer, and indicated this is the best opportunity to insure the monies they are entitled to get distributed pursuant to the statute.

Chair Lamberti, noting that staff had reviewed the request, called on Mr. Ohorilko for comments or a recommendation. Mr. Ohorilko stated that after taking the request under review, BSC, and Penn, are free to distribute their profits as they would like so long as they get the necessary approvals from the Commission. He indicated this request seems to contemplate that GSIA is serving or stepping into the role of the qso. Mr. Ohorilko pointed out that GSIA does not hold a license to conduct gambling games in the State of Iowa; there is no pending application and in fact a license was denied in June as part of the Woodbury County application process. Mr. Ohorilko stated that parts of this agenda item have recently been addressed in district court when the Petition for a Receivership was denied. He stated the question, in his opinion, does not seem right for discussion and is premature. He indicated the staff would recommend denying this request.

Chair Lamberti called for any questions or comments. Chair Lamberti made a statement to correct his statement with respect to the recent court action; he indicated it was correct as stated – the court action only dealt with the issue of the appointment of a receiver. He noted the request before the Commission was to approve the proposed management and operation agreement with GSIA. Chair Lamberti indicated he concurred with the reasons set forth by Mr. Ohorilko, and also referenced the letter to the Commission dated November 6th from Mr. Weinhardt which states the agreement would permit GSIA to step into the role as the qso for Argosy Casino in the event the agreement between BSC and MRHD is determined to no longer be in effect. He pointed out that is the subject of ongoing litigation, and has not been determined, and that it is not the right time for the Commission to consider the matter. Chair Lamberti stated the Commission does want the money to get to the local charities, but feels there are other methods,

as well as ongoing litigation, as this process moves forward. Based on the reasons previously set forth and staff recommendation, Chair Lamberti moved to deny the request of Belle of Sioux City, LLP to have the management and operation agreement between BSC and GSIA approved. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the next agenda item – renewal of the pari-mutuel license, granting of race dates and renewal of the racetrack enclosure license, and called on Iowa West Racing Association/Horseshoe Casino – Bluffs Run Greyhound Park (IWRA/HC-BRGP). Pete Tulipana, Executive Director of IWRA, the non-profit license holder for HC-BRGP, stated their relationship with both casinos is excellent. With regard to the license renewal before the Commission today, Mr. Tulipana advised that as the license holder they have regular communications with Harrah's about the operations at HC-BRGP. As one of the largest employers, both management and employees are actively involved in the community.

Mr. Tulipana stated that 2013 has been a very good year for IWRA; advising that as result of the license sponsor fees, IWRA has received approximately \$5 million dollars which has allowed them to distribute about \$13.2 million in the first three quarters of this year through grants in various communities. He noted IWRA reached another big milestone this year; on May 1st they celebrated surpassing \$300 million in grants since the inception of the grant program in 1996; stating this would not be possible without the partnership of HC, BRGP, Harrah's and Ameristar. Mr. Tulipana advised that in May 2010 IWRA announced a \$5.2 million dollar grant for a new Rivers Edge Park to sit on the Missouri River. He noted construction was delayed due to flooding in 2011; the community came back strong and on May 22nd the Tom Hanafan Rivers Edge Park was opened. On May 25th, twenty thousand individuals from the region attended a free Beach Boys concert in the park funded by IWRA and American National Bank. Mr. Tulipana stated the park recognizes Council Bluffs' long-serving mayor, and also the resiliency of the community.

Mr. Tulipana stated HC is an active corporate partner in the community, and IWRA wants to see that continue. He requested the approval of the license renewal application. He turned the floor over to Ms. Sternberg, who concurred with Mr. Tulipana's comments, noting HC-BRGP and Harrah's are very fortunate to have such a great partner. She stated IWRA makes the community a better place to live and work.

Commissioner Heinrich stated the previous comments show what cooperation between the qso and operator can do for a community. He expressed his appreciation for the positive cooperation.

Hearing no further comments or questions, Chair Lamberti requested a motion with respect to the pari-mutuel and gambling licenses. Commissioner Arnold 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 Heinrich seconded the motion, which carried unanimously.

Chair Lamberti advised that approval of the purse supplement has already been done, and moved to the approval of the additional contracts. Ms. Sternberg presented the following contracts for Commission approval:

- Delta Airlines – Air travel for business and customers
- Kelly's Carpet – Furniture and Carpet Vendor
- Mastercraft Floor Coverings, Inc. – Carpet Installer
- Nebraska Furniture Mart – Furniture and Carpet Vendor increase to RTA #7998
- Southwest Airlines – Air travel for business and customers
- Your way Construction – Construction company

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

Chair Lamberti moved to the season approvals for the 2014 racing season. Hearing no comments or questions concerning the submission, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the season approvals for the 2014 racing season as submitted by HC-BRGP. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Dubuque Racing Association/Mystique Casino (DRA/Mystique). Dustin Manternach, Chief Financial Officer, and Brian Carpenter, Director of Racing, were present to address any questions concerning the license renewal application or contracts contained within the application. Mr. Manternach requested approval of the license renewal application. He noted they also have an excellent relationship with their qso.

Hearing no comments or questions concerning DRA/Mystique's license renewal, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the renewal of the pari-mutuel racing license, including race dates, and the racetrack enclosure license to conduct gambling games of 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, and
- Continuous review of racetrack maintenance issues and monitoring of injuries in cooperation with the Iowa Greyhound Association and IRGC representatives.

Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the additional contract. Mr. Manternach presented a contract with Dubuque Networking Services for a VMware Software Contract.

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

Chair Lamberti called on Prairie Meadows Racetrack & Casino (PMR&C), noting the first item of business would be a review of the Quarter Horse Meet. Darren Heldt, Director of Racing, advised the quarter horse meet was a solid meet. He noted there were 27 days of racing in 2012 due to the Quarter Horse Challenge Championships; this year there were 26 days of racing. He advised that due to the one day reduction, numbers were down slightly both on and off track; field size was also down slightly. This year averaged 7.9 compared to 8.3 last year. Mr. Heldt stated the track surface was very safe this year for both humans and the quarter horses that were running, noting there were about two catastrophic injuries in 1,600 starters. He indicated those numbers were well below the national average.

Chair Lamberti moved to the renewal of the pari-mutuel and racetrack enclosure licenses. Gary Palmer, General Manager, and Mr. Heldt requested renewal of the applicable licenses for 2014.

Chair Lamberti advised there are some issues and questions regarding the actual performances with respect to the thoroughbreds. He noted the application also contained a Plan A and a Plan B with respect to the quarter horse meet. He stated it was his understanding the Commission is looking at Plan B.

Mr. Heldt indicated that Plan B is the one to be considered as PMR&C was awarded the American Quarter Horse Association 2014 Challenge Championship races. Those dates were included in Plan B as submitted in the renewal application.

Chair Lamberti stated that in seeking additional information on race dates for the thoroughbred meet, they went back to 2011 when a change was made in the actual racing days – racing on Sunday as opposed to Monday/Tuesday so that racing was held Thursday through Sunday. He noted the Commission members indicated they wanted the change monitored and the numbers reviewed. Chair Lamberti stated the thoroughbred industry is not happy with the dates. He also noted that PMR&C has provided the Commission with some financial information regarding the overall performance of the facility with respect to the dates. Chair Lamberti stated the Commission members were struggling with the proper criteria to apply in terms of deciding what the proper dates are – should they return to the Monday/Tuesday or keep the Thursday through Sunday. They are aware there is more involved than just the amount of handle; the purses are established by statute. Chair Lamberti noted that a large part of what goes to pay the purses is the overall operation of the casino. He stated the Commission is trying to gather more information about how PMR&C views those dates and the overall operation. He noted the Commission is aware there has been a loss of handle, but there is a difference in looking at the net revenue from

racing versus net revenue from other aspects of the operation. Chair Lamberti turned the floor over to Gary Palmer, General Manager of PMR&C.

Mr. Palmer stated the race days were changed when PMR&C was in the process of building a \$32 million hotel to bring more patrons in on the weekend, and felt it made sense, as historically, they did not have any patrons in attendance for the races on Mondays and Tuesdays. There were a few that came in for simulcast races. Mr. Palmer advised the Thursday – Sunday race days are working very well for the facility; they have increased sales in food and beverages, and there are more patrons on the casino floor. He referenced the amount of money spent on horse racing every year and the fact they lose money every year. Mr. Palmer stated it is their charge as a licensee to be as responsible as they can with the dollars spent. He noted PMR&C has maximized the debt on horse racing, and needs to minimize as much as possible and feel that is accomplished by bringing in more patrons on the weekends. These individuals spend more on food, beverages and gaming. Mr. Palmer pointed out their market is not like Chicago, Los Angeles or San Francisco with a large number of retirees coming out to the races on Monday and Tuesday like a ballgame in Chicago. He noted they put on a full show, but don't take in enough to pay the staff required to conduct the races. Mr. Palmer stated PMR&C is looking for opportunities to minimize expenses and maximize the pleasure to the patrons.

Chair Lamberti called for any comments or questions. He stated he was trying to determine the economic impact when taking the handle, the loss of handle, and weigh that against the net revenue of the overall facility and the statutory requirement to support the horse racing industry. At this time, Chair Lamberti called on Jon Moss, Executive Director of the Iowa Horsemen's Benevolent and Protective Association (IHBPA).

Mr. Moss commenced his comments by asking that any motion include reference to the required minimum of 67 days of racing and minimum of 603 races that shall be ran. He noted the 67 days is statutorily set, and the 603 races is a combination of the number of races set by law. Mr. Moss stated their current contract with PMR&C runs through 2014, and stipulates a minimum of nine races per day, $67 \times 9 = 603$.

Mr. Moss stated the IHBPA is before the Commission because PMR&C decided to have a three-year experiment and race on Thursday through Sunday. He noted that as horsemen they are not necessarily experts on managing casinos or hotels, but are experts in horse racing. The IHBPA represents over 1,000 owners and trainers. Mr. Moss stated that an owner has to be a successful individual to be in the sport of horse racing as it is not an easy sport and is expensive. He indicated the IHBPA comes to the table with knowledge of various aspects of running a successful business, especially when it comes to horse racing. Mr. Moss stated the IHBPA's goals and ideals are not necessarily mutually exclusive from what PMR&C has already suggested and discussed; the IHBPA wants to see PMR&C succeed, not only on the racing side but also the casino, hotel, and food and beverage. He noted their overall success is paramount for the IHBPA as well.

Mr. Moss stated the IHBPA is asking for a small shift that would be exponentially beneficial for PMR&C; they are not asking for more racing days or more purse money. They requested that the racing days be moved back to Friday/Saturday and Monday/Tuesday. He pointed out that

during the course of this experiment data has shown it has not worked. Mr. Moss noted that PMR&C has provided some information to the Commission relating to how much money they feel they have garnered, but the IHBPA has not seen any concrete hard facts to support what PMR&C says the gain has been. On the flip side, Mr. Moss indicated the IHBPA can show what the loss has been from the horse racing perspective. He admonished the Commission to remember that in 2011, PMR&C was building a hotel, and since that time, they have increased their hotel, the number of slots machines available on the floor, increased the number of table games and have seen an increase in food and beverage, which would be expected. He stated the continuous improvement PMR&C is going through at this time shows their level of commitment not only for themselves, but for the community as a whole. Mr. Moss stated IHBPA feels the small shift in racing days might improve things just enough to get PMR&C over the edge to see a dramatic increase.

Mr. Moss referenced the discussion held during the 2012 license renewal meeting, and quoted former Commissioner Greg Seyfer, who said: "I see this data before me now, and I realize that I will give you one more year to try and make this up, but there is no way I am going to give you two." Mr. Moss presented a short power point presentation with the following statistics:

- 2012 versus 2011, PMR&C lost \$9.7 million in handle;
- 2013 versus 2011, PMR&C lost \$6.8 million in handle; or
- A \$16.5 million decrease in handle due to Sunday racing. If this is transferred to the bottom line, it would equate to about \$1 million in profit. Mr. Moss called the lost money profit because all of the costs are already fixed; everything needed to conduct horse racing is already in place.

In comparing handle from 2011 to 2013, Mr. Moss showed a slide comparing the amount of handle from racing on Friday/Saturday/Monday/Tuesday and Thursday through Sunday, which showed a significant decrease. He indicated it is hard for him to verify that PMR&C is drawing in such a large crowd on Sundays that would substantiate not only handle, but also offset the other increases that PMR&C is continuously talking about, particularly in food and beverage. Mr. Moss stated he felt there would be some correlative effect on Sundays between handle and more food and beverage sales, more casino spending, etc. He reiterated that by having more slots, more table games, and the hotel, there should be an increase. A comparison of handle in 2011 to 2012 also shows a significant decrease. Mr. Moss stated that with the shift back to racing on Monday/Tuesday; IHBPA feels the handle would return to the level seen in 2011. The next slide showed the on-track handle trend for Sunday racing:

- 2012: on-track handle stayed the same or was static; off-track handle decreased.
- 2013: on-track handle decreased; off-track handle increased to correspond to increased entries.

Mr. Moss stated the increase was due to a slight increase in the number of entries per race. He stated that when the number of entries in a field goes from six to seven, handle increases by 10-11%; if the entries go from seven to eight, handle increases by 9-10%. He indicated that with an

increase from 7.2 or 7.3 to 7.5 or 7.7, PMR&C should have, and did, experience a 5% increase in handle.

Mr. Moss stated the outcome for racing on Friday/Saturday/Monday/Tuesday is certain:

- Handle will increase;
- Increased national exposure due to simulcasting;
- PMR&C will get more TV coverage; and
- Increased entries.

Mr. Moss advised there are fewer tracks running on Monday or Tuesday; they usually are lower or mid-tier tracks, but on Sundays almost all tracks are racing, particularly the bigger tracks. He questioned why PMR&C would want to run on Sunday and have the direct competition. He noted there are also post-time conflicts; he indicated a post time of 3:30 PM on Mondays and Tuesdays would work extremely well as east coast tracks will be finishing their races, and west coast tracks aren't quite ready to start. Mr. Moss stated they were also suggesting the races start at 5:30 PM on Fridays and Saturdays as it ties in a little better with what is occurring nationally. When the quality of the competitive product is taken into consideration, PMR&C is again attempting to compete against the larger, more recognized tracks and could be overshadowed. Mr. Moss stated there are very few locations available to take PMR&C's simulcast signal on Sunday while all locations are available on Mondays and Tuesdays. He stated PMR&C's two major competitors at this time are Canterbury Park and Arlington; noting that PMR&C fits between those two tracks with regard to quality. Mr. Moss stated the horsemen can switch back and forth between those two, but currently all three tracks are running on top of one another. He indicated horsemen are less likely to bring a horse to PMR&C as they don't like to split their stables; however, if they have an opportunity on a non-race day at their main base of racing; they are more likely to send a horse to PMR&C, leading to increased entries and the number of horses to draw from which will lead to increased handle and additional revenue for PMR&C. Mr. Moss moved to TV coverage, noting that PMR&C, the IHBPA and TVG all work together on Advanced Deposit Wagering (ADW). He noted that purses are set statutorily in relation to casino money, but are also derived from TVG and ADW patrons. Mr. Moss stated it does not bring in a lot of money at the present time, but the way to increase that source of revenue is by getting more exposure. He advised that TVG has told them that if PMR&C runs on Sundays, TVG will not broadcast the races due to the reasons set forth above. TVG has asked them to run on Mondays and Tuesdays, indicating the races would be highlighted. Mr. Moss stated TVG has a unique effect; when races are showcased, the amount of revenue from ADW increases as does the amount of handle received from other facilities as well. He noted that bettors like to see horses running on TVG; he said that exposure is paramount.

Mr. Moss concluded his remarks by stating there is no data the IHBPA has seen that supports Sunday racing, and has only heard anecdotal data about increases in food and beverage, and slot revenue. He indicated they have not had an opportunity to look at the information, but would welcome the opportunity. Mr. Moss concurred that if the number of slots and tables have increased, and have added a hotel that PMR&C should expect to see an increase in those areas,

but did not see an increase with regard to Sunday racing. He stated all the data supports the removal of Sunday racing.

Mr. Moss advised he had a couple more issues he would like to address. He stated it is not just the horsemen and the IHBPA that want to see the change; there is an individual on their board that created a petition that he sent around. Mr. Moss stated that approximately 150 individuals signed the petition – horsemen, owners, trainers, fans, and individuals that like to participate in the racing industry who can also see the need for change. There is some disagreement with regard to post times, noting the IHBPA has their own thoughts as to what that should be. Mr. Moss stated another issue for the IHBPA with regard to the current schedule is having a 6:30 post time on Thursday, Friday and Saturday, and then a 1:30 post time on Sunday. He indicated it is difficult for the trainers to hire and retain quality individuals to work with the horses. He noted that like any other industry, the workers need to be fairly compensated. Mr. Moss advised that even if they are adequately compensated, under the current set of circumstances, it is difficult for the trainers to retain quality individuals to take care of the horses on the back side.

Mr. Moss concluded his remarks by stating the IHBPA had presented hard and fast data regarding Sunday racing; the information provided by PMR&C is anecdotal. Purse money is now generated by ADW, not just from slot revenue, and the IHBPA would like to see an increase in ADW in the state and are currently working with PMR&C to make some legislative changes to ADW law but the contract is still in place with TVG. He noted that getting more exposure on TVG will help the purses. Mr. Moss reiterated the IHBPA wants to see PMR&C succeed; if PMR&C fails, everyone fails, which is not in anyone's best interests. He stated the horsemen don't want to be viewed as a big burden on PMR&C; therefore, they should be placed in the best position that highlights the quality of racing available here and position themselves so that going forward they can stand on their own two feet.

Chair Lamberti asked for the amount wagered through ADW for 2013, or whatever might be available. Mr. Moss stated ADW did not start until April 2012; he thought there would be about \$1.5 million for PMR&C in ADW handle for 2013. He thought it was about \$1.2 million for 2012. Mr. Moss reiterated there would be a definite increase if the race days were Monday/Tuesday and Friday/Saturday. Mr. Moss further stated that if the IHBPA and PMR&C were successful in getting their legislation passed, it would also lead to a dramatic increase in ADW handle.

Deb Leech, president of the Iowa Thoroughbred Breeders and Owners Association (ITBOA), noted that Mr. Moss had presented this same information to the ITBOA board a few weeks ago. She noted the ITBOA board voted 100% to support the shift in race days to Monday/Tuesday and Friday/Saturday after reviewing the data. She noted they were aware PMR&C would have data showing increases in revenue, but reiterated the point that PMR&C has increased the number of slot machines and table games, and has done a significant amount of remodeling, and a no smoking area that has been well received. Ms. Leech noted the horsemen know they can add another \$1 million in profit by making the shift in the race days. She also referenced the impact the exposure on TVG could have on the ADW handle. Ms. Leech stated they are not asking for additional race days; they have stayed with the minimum since the law was passed nor

are they asking for additional revenues. They are asking for a change in the racing schedule to maximize visibility for the product the ITBOA members raise and race at PMR&C. She also noted the benefit to the horsemen and the workers by not having the short turn-around time between races on Saturday and Sunday.

Mr. Palmer stated PMR&C looks forward to talking with the Commission about this issue; they were surprised by the presentation and comments from the horsemen. He stated the horsemen have never talked to PMR&C about this matter. Mr. Palmer stated the facts and figures would be somewhat different when the Commission meets with PMR&C as purses are paid on adjusted gross revenue from the casino, not pari-mutuel. He indicated most of PMR&C's simulcast contracts go from 1½% to 3%, whereas bets placed on property go from 18-21%, plus the opportunity to purchase food, beverages, and gamble on the second floor. Mr. Palmer stated there are a number of reasons why PMR&C does what it does, and would appreciate the opportunity to show all of the facts they have regarding this matter.

Mr. Palmer provided the following facts regarding ADW, noting PMR&C spent approximately \$40 million to get ADW started. He stated the horsemen and PMR&C each received \$24,000 in 2012; this year the amount will be \$35,000 each. He indicated the amount is actually lower this year as there were \$95,000 in expenses last year. Mr. Palmer stated there is not a gold mine out there that PMR&C is looking for, but do try to keep the racing facility up. He noted the American Quarter Horse Association wants to have the national challenge at PMR&C two out of three years. Mr. Palmer stated they do spend a significant amount on capital improvements, and wish the racing was better, bigger inventory, full races, etc.

Chair Lamberti stated it was not the intent to have PMR&C feel like they were caught off guard by this issue. He stated the Commission members do want to have all of the information as they try to make the right decision with regard to the race days. He indicated he was not sure all of the Commissioners are in agreement as to the rankings of the various elements – handle vs. revenue. He also encouraged the parties to meet and try to reach an agreement that would be satisfactory to all involved. Chair Lamberti stated no one is objecting to the renewal of the licenses, and the race days and dates are not being contested; he recommended that any motion would not set forth any specific days of the week as opposed to number of race days and performances with regard to the thoroughbreds. That would provide an opportunity for the Commission to receive additional information about the issues and work with the vested parties to come up with an agreement that is satisfactory to everyone.

Commissioner Mertz stated everyone talks about transparency in government, and feels that should apply to PMR&C, IHBPA, and ITBOA. She stated it is important for the horsemen and PMR&C to know all of the facts and figures as it is difficult for the Commission to make a good decision when they don't have all of the information. Commissioner Mertz, noting she is a strong supporter of horse racing, urged the parties to meet and share their information with each other.

Commissioner Heinrich stated, based on the previous discussion, the motion would not include specific race days for the thoroughbreds; they will be determined at a later date. He moved to

approve the renewal of the pari-mutuel racing license with 67 race days and a minimum of 603 opportunities scheduled for thoroughbreds and 27 race days and 220 opportunities, including trial races, scheduled 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; and
- Ongoing updates to staff on track surface safety measures and improvements.

Commissioner Mertz 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:

- Brick Gentry, Bowers, Swartz & Levis, PC – Corporate Legal Counsel
- Mechdyne Corporation – Audio/Visual Supplies and Service
- OMG Midwest – Dirt, sand and paving materials
- Triplett Office Solutions – Office supplies

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

Chair Lamberti moved to the hearing shown on the agenda, and noted that it has been delayed. As there was no one signed up for Public Comment, he moved to Administrative Business, noting it is the meeting where the Commission appoints the administrator. Chair Lamberti called for any comments or a motion.

Commissioner Kramer noted a survey was taken to rate Brian's performance, which had a 100% positive response. She moved to appoint Brian Ohorilko as Administrator of the Racing and Gaming Commission for a term commencing on May 1, 2014 and ending on April 30, 2018 with a recommended increase of up to 10%. Commissioner Heinrich seconded the motion.

Chair Lamberti concurred with Commissioner Kramer's comments. He noted the performance review was outstanding, but advised the Commission was acknowledging that Brian did not necessarily take over in the calmest of times, and it has gone from bad to worse in terms of the environment in which the Commission has been operating over the last several months. Chair Lamberti noted it has been a busy time for the Commission and a lot of work involved. He stated the Commission is very pleased with Brian's performance and he represents the Commission well in terms of the goals they want to achieve and maintaining the integrity of the industry. They are pleased to reappoint him and have him continue as Administrator.

Chair Lamberti called for any further comment. Hearing none, he called for the vote on the motion. The motion carried unanimously.

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

MINUTES TAKEN BY:

JULIE D. HERRICK