

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 4, 2018**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 4, 2018, at Prairie Meadows Racetrack and Casino (PMR&C), Altoona, Iowa. Commission members present were Richard Arnold, Chair; and members Carl Heinrich, Jeff Lamberti and Dolores Mertz. Commissioner Kris Kramer was absent.

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

APPROVE MINUTES: Chair Arnold moved to the approval of the minutes from the November 16, 2017 meeting. Commissioner Lamberti moved to approve the minutes as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

ANNOUNCEMENTS: Chair Arnold called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko advised there would be no meeting in February; the next meeting will be held on Tuesday, March 6th at PMR&C. Submissions for that meeting are due in the Commission office by February 20, 2018. The Commission will meet at Ameristar Casino on April 12, 2018.

Mr. Ohorilko recognized State Steward Ralph D'Amico, who is assigned to PMR&C. Mr. D'Amico received the 2017 Pete Pedersen Award at the Annual Racing Symposium held in Tucson, AZ. The award is given annually to stewards who have demonstrated professional excellence, integrity, and benevolent consideration in the performance of their duties.

CAESARS ENTERTAINMENT OPERATING COMPANY: Anne Clark, legal counsel, requested the Commission's approval of the Master Lease on non-Caesars Palace Las Vegas as executed and amended, including the First Amendment before the Commission.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the Master Lease as executed and the amendment. Commissioner Mertz seconded the motion, which carried unanimously.

CONTRACT APPROVALS: Chair Arnold moved to the contract approvals and called on Wild Rose Clinton, LLC (WRC). Leah Garcia, Assistant General Manager, presented a contract with Pepsi Cola Bottling Co. of Davenport for beverages and beverage products.

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

Chair Arnold called on Wild Rose Emmetsburg, LLC (WRE). Steve Cody, General Manager, presented a contract with Ziegler Power Systems for a maintenance agreement for a back-up power generator.

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

Chair Arnold called on Wild Rose Jefferson, LLC (WRJ). Travis Dvorak, General Manager, presented the following contracts for Commission approval:

- Convey Sign Solutions – Digital Signage
- Bankers Trust – Credit Card Billing

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

Chair Arnold called on Catfish Bend Casinos II, LLC (CBC). Rob Higgins, General Manager, presented a contract with Huckleberry Holding, LLC regarding an amendment to the lease of the casino facility.

Commissioner Lamberti clarified the contract before the Commission was an amendment. Mr. Higgins explained the amendment is to have the dates in the refinancing and the terms of the loan match up.

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

Chair Arnold called on Diamond Jo Worth, LLC (DJW). Scott Smith, General Manager, presented a contract with Solutions II, Inc. for an I Series Server.

Commissioner Lamberti noted this contract is part of a larger transaction, and questioned whether an Iowa vendor was considered. Mr. Smith stated it should have been, but a step was missed with the multi-jurisdictional purchase. He advised the Commission it would not happen again.

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

Chair Arnold called on Dubuque Racing Association, Ltd (DRA). Brian Rakestraw, General Manager, presented a contract with Crescent Electric Company for electrical supplies.

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

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

- American Engineered Products, LLC – Resort Renovation Project – Slot Bases (OSV)
- Architectural Arts – Resort Renovation Project - Architectural Woodwork
- Brockway Mechanical & Roofing Co. – Resort Renovation Project – Mechanical and Roofing
- Builders Sales and Service Company – Resort Renovation Project – Interior Framing and Drywall (OSV)
- CR Glass Company – Resort Renovation Project – Storefronts and Glazing
- E-Gads!, LLC – Resort Renovation Project – Metal Fabrications (OSV)
- Garling Construction, Inc. – Resort Renovation Project – Finish Carpentry
- Iowa Demolition, Inc. – Resort Renovation Project – Selective Demolition
- Mixed Media Group, Inc. – Billboard Advertising (OSV)
- Mohrfeld Electric, Inc. – Resort Renovation Project – Electrical
- North American Home Centers, Inc. – Randy's – Resort Renovation Project – Tile Work
- Rapids Wholesale Equipment – Resort Renovation Project – Food Service Equipment

Commissioner Lamberti asked Mr. Franz when the renovations would begin. Mr. Franz advised the renovations would begin on January 16th. Commissioner Lamberti asked how long it would take to complete the renovations. Mr. Franz stated they should be completed by the end of July if everything goes well.

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

Chair Arnold called on SCE Partners, LLC (SCE). Kevin Sweet, Interim General Manager, presented a contract with Brad Henry Friedmutter & Associated, Ltd. for architectural services.

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

Chair Arnold called on Grand Falls Casino Resort, LLC (GFCR). Sharon Haselhoff, General Manager, presented a contract with Toro NSN for an irrigation system service agreement and extended warranty. She advised the facility experienced some issues with their fire suppression system over the holiday weekend. The system has been repaired; however, the facility suffered damage to 18 hotel rooms, spa, a meeting room and some hallways. Repairs have started.

Chair Arnold asked if the damage estimate was between \$500,000 and \$1 million. Ms. Haselhoff indicated that was correct.

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

Chair Arnold called on IOC Black Hawk County, Inc. (IOCW). Todd Connelly, General Manager, presented a contract with Hockenbergs for the purchase of a combi oven and various other restaurant supplies.

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

PRAIRIE MEADOWS RACETRACK & CASINO, INC. D/BA PRAIRIE MEADOWS RACETRACK & CASINO: Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the agenda items. Mr. Heldt presented the 2018 Iowa Thoroughbred Meet Supplement Program and the 2018 Iowa Quarter Horse Supplement Program for Commission approval. He advised they were not included in the November 45-day season approval submission due to a timing issue with the horsemen.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the 2018 Iowa Thoroughbred Meet Supplement Program. Commissioner Heinrich seconded the motion, which carried unanimously.

Commissioner Lamberti moved to approve the 2018 Iowa Quarter Horse Supplement Program. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to PMR&C's remodel request pursuant to Iowa Admin. Rule 491-5.4(15). Mr. Palmer advised they are in the process of doing two major remodeling projects. The first involves the event center, and will be completed in three phases and cost over \$6 million. The remodel will start with the Board room and breakout rooms. The second phase will commence in June and will be completed in the fall. The event center remodel will enhance 50,000 square feet with all new furnishings, and include two restroom sets. The first phase, which commenced after the Thanksgiving holiday, addresses the hallway between the buffet and event center, and breakout rooms. This phase is expected to be completed by January 21, 2018. The second phase will focus on the Skinner meeting rooms and is scheduled to commence June 17th and be completed by the end of June. The final phase is expected to start in July and finish on or around September 16th and will encompass Bishop Hall. Mr. Palmer stated there are no major structural changes, they are mostly cosmetic. He advised a new lighting system will be installed. He noted the last update occurred about ten years ago.

Mr. Palmer stated the second project will be a remodel of the Clubhouse area, which has not had a significant remodel since 1999. The project will start with the east side of the building, and is

to be completed before the 2018 racing season. Following the completion of the 2018 racing season, the remodel of the west side will commence, and will be completed prior to the start of the 2019 race season. This project is estimated at \$2.7 million. Mr. Palmer stated with these projects and the scheduled projects, total improvements to the facility will total about \$17 million.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the remodel project as presented by PMR&C. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to the contracts. Mr. Palmer submitted the following contracts for Commission approval:

- Audi Des Moines – Vehicles for Giveaway Promotions
- Ball Team Construction – General Contractor
- Baxter Construction – General Contractor
- Poindexter Flooring – Tile and Carpet Flooring
- Pro Commercial, LLC – General Contractor
- Sportech, Inc. – Pari-Mutuel Wagering Totalizator Services (OSV)
- United Tote Company – Pari-Mutuel Wagering Totalizator Services (OSV)

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

HEARINGS: Chair Arnold moved to the hearings and called on Mr. Ohorilko. Mr. Ohorilko advised Commission staff and Casino Queen Marquette have entered into a Stipulated Agreement for a violation of Iowa Code §99F.4(22) (Self-Exclusion). He provided the following synopsis of the incident: On April 18, 2017, an individual signed up to participate in the program. Casino Queen had identified the individual on their patron management system; however, during the course of the transition during the sale between Isle and Casino Queen, there was a mix-up. On or about September 27, 2017, the Commission received a written complaint from the patron's daughter that they had received some promotional mailings. Casino Queen investigated the matter with IRGC staff and determined there were six patrons on the list that had received promotional mailings, with one patron receiving the mailing after the 90-day window that is identified in the Commission's Resolution as a triggering violation. Since this incident, IRGC staff has worked with Casino Queen to implement new procedures. Mr. Ohorilko advised Casino Queen has agreed to pay an administrative penalty in an amount between \$5,000 and \$20,000. He noted this violation occurred after the July 2017 meeting when the Resolution and some of the fines were changed.

Don Ostert, General Manager, advised Casino Queen takes the Iowa program very seriously, and the Marquette property takes pride in their past compliance with IRGC rules. He advised Casino Queen immediately implemented procedures to hopefully prevent a similar incident from occurring in the future. The first part is insuring there is a second verification of the file on

property by the marketing department, and secondly, running the mailing list against the IGA list twice, once when the file is pulled and again prior to the printing. He feels the property has taken the necessary steps to prevent this situation from re-occurring.

Mr. Ohorilko advised this is Casino Queen's first offense within the last 365 days.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the Stipulated Agreement with an administrative penalty in the amount of \$5,000. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Arnold called on Mr. Ohorilko regarding the hearing for Rhythm City Casino (RC). Mr. Ohorilko advised Commission staff and RC have entered into a Stipulated Agreement for a violation of Iowa Code §99F.4(22) (Self-Exclusion). He provided the following synopsis of the incident: On February 19, 2017, the individual signed up to participate in the program at Wild Rose Clinton. On May 15, 2017, the individual entered RC and won a taxable slot jackpot in the amount of \$1,500. The individual informed RC employees she did not have her ID and left the facility. She returned a few hours later and presented a valid driver's license and social security card belonging to someone else and the jackpot was paid, which triggered the violation. A few hours later, a RC security officer recognized the individual and identified the individual as being self-excluded, but the individual had left the facility. Rhythm City self-reported the incident and has paid \$1,500 to the State offset program as required by Iowa law. Mr. Ohorilko advised RC has agreed to pay an administrative penalty in an amount between \$3,000 and \$20,000. He noted this violation occurred prior to the July 2017 meeting, and is the second offense within the last 365 days.

Mo Hyder, General Manager, advised RC takes compliance with the regulatory requirements very seriously. In this instance, the individual made a blatant and intentional attempt to defraud the facility and were somewhat successful to the extent that the security team was able to identify the individual and take proper action. Mr. Hyder stated team members have been asked to be extremely diligent in their observations.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti stated that while this incident would technically be a second offense, he wanted to treat this as a first offense given the facts in this matter. He moved to approve the Stipulated Agreement with an administrative penalty in the amount of \$3,000. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Mr. Ohorilko regarding the second hearing involving RC. Mr. Ohorilko advised Commission staff and RC had entered into a Stipulated Agreement for a violation of Iowa Code §99F.4(22) (Self-Exclusion). An individual signed up to participate in the program at PMR&C on January 14, 2006. That individual entered RC on July 10, 2017 and attempted to participate in a poker tournament. During that process, the individual registered for the Player's Club program, and did receive a card. The name, address, date of birth and other identifying factors did match. Mr. Ohorilko stated RC caught the error during their internal audit on August 5th and self-reported the incident to Commission staff. As a result of the violation, RC has

agreed to pay an administrative penalty in an amount between \$3,000 and \$20,000. He noted this violation occurred prior to the July 2017 meeting.

Mr. Hyder advised that in this instance there was a major breakdown as they do have all of the policies and procedures in place to address such issues; this incident occurred due to human error. Following this incident, Rhythm City retrained the entire team to ensure they understand the importance of following all policies and procedures as designed and being careful when setting up new accounts.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the Stipulated Agreement with an administrative penalty of \$5,000. Commissioner Heinrich seconded the motion, which carried unanimously.

PUBLIC COMMENT: Chair Arnold called on Matthew Richard. Mr. Richard, representing a group of horse players, addressed the proposed rule change by PMR&C to lower the minimum payout. He requested the Commission deny PMR&C's request to lower the payout from \$2.20 to \$2.10. Mr. Richard stated he hoped the e-mails sent by the group were considered and the information analyzed by the Commission members in making their decision. While they are cognizant the horse racing industry has challenges, Mr. Richard stated reducing payouts and limiting pools is not the way to fix the problems. He stated increasing the social imprint through media such as Twitter, etc. and by attracting new owners and trainers, and changing field sizes will all help. Mr. Richard again requested that the Commission deny the rule change to lower the payout. He stated the group looks forward to working with the Commission and PMR&C to strengthen the horse racing industry in Iowa.

There was no additional Public Comment.

ADMINISTRATIVE BUSINESS: Chair Arnold moved to Administrative Business and called on Mr. Ohorilko. Mr. Ohorilko advised the rules before the Commission are the same package from the October meeting. Since that time, the Commission has held a public hearing, and presented in front the Administrative Rules Review Committee (ARRC). He advised no one attended the public hearing, but the Commission did receive some letters from the public with regard to Item 6, which is the wagering rule. Mr. Ohorilko stated all of the letters were included in their packets. Additionally, the Commission received a letter from PMR&C in support of the rule. Mr. Ohorilko noted the Commission also received some letters from the Iowa Gaming Association with questions regarding Item 3, which is the remodel rule. They also expressed some concerns with Item 22, the aggregate minimum payback rule related to table games. Mr. Ohorilko advised staff did field some questions at the ARRC meeting, but no concerns from any of the legislators.

Mr. Ohorilko stated that since October, changes have been made to the rule package as a result of the public comments. For Item 3, some wordsmithing has occurred with the remodel rule. For Item 22, Commission staff worked with the Iowa Gaming Association and there is a new payback based on a different type of formula; however, the general concept is the same.

Mr. Ohorilko asked if PMR&C wanted to comment on the wagering rule. Mr. Heldt introduced Eric Halstrom, Assistant Director of Racing. He advised Mr. Halstrom has worked at many different racetracks around the country, and brings his insight and knowledge from those tracks to help PMR&C with their racing program.

Mr. Heldt advised that with regard to the proposed change to the minimum payout from \$2.20 to \$2.10 there are approximately 44 racing jurisdictions in the United States; only Iowa and West Virginia have a minimum payout of \$2.20. Of the 44 jurisdictions, approximately 150 racetracks are represented in those jurisdictions, and only three – PMR&C and two in West Virginia do not have the current \$2.10 minimum payout. The difference in minimum payout has left PMR&C in a position that nearly all tracks in North America are not faced with. Additionally, the difference hurts PMR&C's raw off-track handle. Mr. Heldt stated the minimum \$2.20 payout does not conform to the rules in place in approximately 96% of the racing jurisdictions across North America, putting PMR&C at a disadvantage. He respectfully requested that the Commission put PMR&C on a level playing field with the vast majority of the racetracks in the country.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti stated he appreciated the comments as they provide additional insight into the matter. Commissioner Lamberti moved to approve the final adoption of the rules. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called for any other business to come before the Commission. Mr. Ohorilko advised Commission staff has started the process for the annual distributions pursuant to the greyhound cessation fund. He stated the payments are currently being calculated and should be forwarded to the Department of Revenue within the next two weeks for processing.

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

MINUTES TAKEN BY:

JULIE D. HERRICK