

**IOWA RACING & GAMING COMMISSION
MINUTES
AUGUST 27, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, August 27, 2009 at Riverside Casino & Golf Resort (RCGR), Riverside, Iowa. Commission members present were: Greg Seyfer, Chair; Toni Urban, Vice Chair, and members Kate Cutler, Paul Hayes and Andrea Harrison.

Chair Seyfer called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Mr. Ketterer advised that there was an amendment to the contract approval portion of the agenda for Lady Luck Marquette. He advised that the contract to be added is an increase to a previously approved contract, and that a copy is included in their meeting packets. The contract was inadvertently left off the agenda. Commissioner Cutler moved to approve the agenda as amended. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Dan Kehl, CEO of RCGR, who welcomed the Commission to Riverside on behalf of the Iowa investors and employees. He noted the facility is preparing to celebrate its three-year anniversary. Mr. Kehl advised that over the last three years RCGR has generated in excess of \$53 million in gaming taxes, over \$9 million in fees for the Washington County Riverboat Foundation (WCRF), \$48+ million in payroll, \$8 million in other taxes, \$10 million in license fees, and purchased approximately \$85 million in Iowa goods and services.

Mr. Kehl introduced Tim Putney, Chair of the WCRF, who gave a brief history of how RCGR came to be, noting that the Kehl family indicated the facility would employ 600, that the non-profit would receive approximately \$2.3 million and the local community would have an opportunity to invest in the project. Mr. Putney stated that the above numbers weren't quite accurate: The project cost \$140 million, employs over 800, and the non-profit has received in excess of \$12 million over the last three years. He noted that Washington County investors own 30% of the facility, which is 100% owned by Iowa investors.

Mr. Putney advised that WCRF has funded projects anywhere from \$3,000 to \$2 million. They have provided \$1.8 million to Washington County school districts and \$1.1 million into fire and rescue units. Additionally, 25% of WCRF's income is distributed to the municipalities in the county, and to date, they have received \$2.2 million. Mr. Putney pointed out that all of Washington County, not just Riverside, is benefiting from RCGR. He noted that the University of Iowa is opening a new medical clinic, that there are several new businesses on main street, and that Riverside received a Vision Iowa grant to

renovate main street. Mr. Putney thanked the Commissioners and those that had the foresight to grant Riverside a license.

Chair Seyfer moved to the approval of the minutes. Commissioner Urban moved to approve the minutes from the July 16, 2009 meeting as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced Scott Ditch and Sue Hansen, who are the on-site Gaming Representatives for IRGC at RCGR.

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

- September 2009 – No Meeting
- October 8, 2009 – Diamond Jo, Dubuque, IA (Submissions due by September 24, 2009)
- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)
- December 2009 – No Meeting
- January 14, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by December 30, 2009)

Chair Seyfer moved to the review of the financial audit for the Isle of Capri (IOC) properties. Dale Black, Chief Financial Officer for IOC, was present to answer any questions regarding the financial statement relating to the parent company. There were also staff members present from IOC Bettendorf, Rhythm City, Lady Luck Marquette and IOC Waterloo.

Commissioner Hayes advised there was not a consolidated statement of cash flow breaking out the individual casinos. He stated that he was primarily interested in the amount of capital expenditures at each facility. He requested that the information be provided. Mr. Black indicated the information would be provided.

Commissioner Hayes also noted that the Internal Control letter was very detailed. He asked if that was unusual. Mr. Black advised that any public company subject to the Sarbanes-Oxley rules is somewhat different than some of the other licensees due to their structure.

Chair Seyfer moved to the next agenda item, New Applications, and particularly the application filing deadline. He advised that at the July 16th Commission meeting, the Commission agreed to accept new applications and requested informal meetings with the interested groups. During those meetings it became very clear that the original deadline of October 1st would be very difficult for the applicants to meet. One of the main stumbling blocks was the issue of financing and being able to know where it might be coming from that quickly. Chair Seyfer stated that the Commission has discussed the

matter and decided as a group to extend the application deadline to November 9, 2009. He stated that it is the Commission's goal to establish some guidelines over the next couple of weeks regarding financing, and what they would like to see in the application when it is filed. The information will be distributed to the interested parties.

Chair Seyfer moved to the discussion of the time frame for the licensing process. Mr. Ketterer stated that the following would be a preliminary guideline regarding the licensing process; that once the applications have been filed the time frame would be finalized. He noted that there are a number of issues that play into the amount of time necessary to complete the licensing process. Mr. Ketterer stated that the goal is to have a fair, open and transparent process; all meetings with the exception of the background investigation reports, are open to the public. Sometime in March, the Commission will hear the 45-minute presentation by each applicant; there will not be a question and answer period at this time. This is an opportunity for each applicant to "sell" their project to the Commission. Mr. Ketterer anticipates that the Commission will also receive the DCI background investigation reports in Executive Session sometime in March as well. In April, the Commissioners will be offered the opportunity to view the proposed sites; he noted that the logistics have not been worked out at this time. Mr. Ketterer advised that in late April/early May, the Commission will receive public comment on the proposed projects to allow individuals not involved with the applicants an opportunity to express their views or concerns. Mr. Ketterer stated that the Commission members wish to enforce the same rules regarding the licensing process that were in place during the 2004-2005 process. A couple of those rules are as follows: No amendments or additions to the application, except those requested by the Commission, will be allowed once the application has been filed with the Commission. Secondly, once the applications are submitted, the Commission members have requested that there will be no contact by the applicants or any representatives with the Commission members. Mr. Ketterer stated the above would be reviewed at the November Commission meeting, and possibly finalized.

Chair Seyfer moved to the discussion of the Greater Des Moines market. Chair Seyfer advised there is no application pending before the Commission concerning Polk County or the Greater Des Moines market. He noted that from information the Commission has been reading, and contacts regarding discussions that have been taking place, the Commission felt it was an issue that should be discussed at this meeting. He opened the floor up to the Commission members to express their thoughts on the issue.

Commissioner Cutler stated that she had been advised there was an article in the Des Moines Register indicating that Prairie Meadows Racetrack & Casino (PMR&C) had decided not to pursue a second casino in Polk County. She noted that the Commission does not believe any precedence was set for the splitting of a license, and it now becomes a moot issue. Noting there was a comment in the newspaper article which said "that unless the Commission promotes the idea", PMR&C would not pursue a second license"; Commissioner Cutler stated that the Commission is not in a position, nor is it their job, to promote or encourage people to apply for a license. There are currently five counties

who have passed referenda who are seeking a license. In her opinion, the issue should be put to rest.

Chair Seyfer stated that the Commission will give the five counties that have passed a referendum the best shot at a license.

Chair Seyfer called on Peninsula Gaming Company, Inc. (PNG) for the approval of acquisition and financing agreements. Curt Beason, legal counsel, stated that he had submitted the financing documents along with a short memorandum explaining the transaction. PNG and AB Casino Acquisition have entered into a definitive purchase agreement with Columbia Properties New Orleans, LLC to purchase 100% of the outstanding limited liability interests of Belle of Orleans, LLC for \$106.5 million. The Belle of Orleans operates a riverboat casino, Amelia Belle, in Amelia, Louisiana. It is anticipated the transaction will close in September.

Commissioner Hayes asked about the debt to EBITDA ratio once the refinancing is in place. Jonathan Swain, COO for PNG, indicated it would be approximately 4.5 to 4.8 times, or \$120 million.

Hearing no further questions for Mr. Beason or Mr. Swain, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the transaction as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-87)

Chair Seyfer moved to contract approvals and called on Harrah's. Janae Sternberg, Director of Finance, presented a contract with Roto Rooter for plumbing repairs for Commission approval.

Hearing no comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-88)

Chair Seyfer called on RCGR. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Baxter Construction Company, LLC – Blue Top Ridge Golf Expansion
- Comerica Bank – Purchasing Card Transactions
- Hawkeye Foodservices Distribution – Food Purchases
- Konami Gaming, Inc. – Purchase of Slot Machines
- Marsh USA, Inc. – Insurance
- Myers-Cox Company – Purchase of Cigarettes, Sundries, and Candy/Chips
- Rees Jones, Inc. – Design Services for Blue Top Ridge Expansion
- Tournament Golf – Blue Top Ridge Golf Expansion

Commissioner Urban, noting that Hawkeye Foodservice Distribution has already received approximately \$83,000 in payments, asked Mr. Massa if there was a way to submit the contract earlier. Mr. Massa answered in the negative, noting that RCGR aggressively shops the foodservice vendors for the best deals.

Commissioner Seyfer asked about the timeline for the golf course expansion. Mr. Massa stated that the expansion is currently under construction, and it is anticipated that the four holes will be open in mid-July.

Commissioner Cutler asked about the contract with Comerica Bank, noting that Wells Fargo Bank had also submitted a bid. She questioned whether their bid was lower. Mr. Massa advised that Wells Fargo chose to add profit sharing to their bid, which made it more expensive than Comerica's bid. Commissioner Cutler asked if the profit-sharing was part of the bidding process. Mr. Massa indicated that it was an option.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by RCGR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 08-89)

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

- Agilysys NV, LLC – IT Solutions and Services
- Hawkins Construction – Capital Construction Projects
- Interline Brands, Inc. – Cleaning Equipment
- J&B Group – Meat Inventory
- Vital Signs – Marquee and External Lighting

Commissioner Cutler asked Ms. Bell if Ameristar received additional bids for the marquee and external lighting work. Ms. Bell advised that Vital Signs has done all of Ameristar's sign work for a number of years, but due to the age of some of the signs more extensive work was needed this year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 08-90)

Chair Seyfer called on the Diamond Jo (DJ). Todd Moyer, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Utilities
- Aristocrat Technology – Replacement Slot Machines, Parts, Repairs & Enhancement Services
- Beecher Company, Inc. – Beverage Purveyor

- Conlon Construction – Gas-fired Humidifiers for Casino
- Kirchoff Distributing Company, Inc. – Beverage Purveyor
- Mail Services Unlimited, Inc. – Direct Mail Postage
- Matthews Distributing – Beverage Purveyor
- The Media Marketing Group – Marketing, Media Purchasing and Creative Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by the DJ. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-91)

Chair Seyfer called on Rhythm City (RC). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Qwest – Three-year Contract for Direct Inward Dialing/PRI
- Qwest – Three-year Contract for T1 Service

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-92)

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

- Southwest Bus Service – Line Run Transportation to Property
- Epic Constructions – Interior Remodel Project – Rebranding to Lady Luck

Commissioner Urban asked for an explanation of the contract with Southwest Bus Service. Mr. Steffen explained that it is a bus service that runs from La Crosse, Wisconsin to the property that runs seven days a week. The service is strictly for individuals wishing to visit the LLM property.

Chair Seyfer asked about the renovation of the property. Mr. Steffen indicated that it is progressing, and they hope to finish it up in the next couple weeks. He indicated that a few more change orders are expected.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by LLM. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-93)

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

- Andersen Construction – General Construction
- Lamborghini Dallas – Purchase of Car
- Roto Rooter – Plumbing Repair

Commissioner Urban asked what BR/HC was going to do with the Lamborghini. Ms. Sternberg stated that it was being given away on Sunday. The winner will have a choice between the Lamborghini and \$150,000 cash. Ms. Sternberg indicated that it would most likely be the cash due to the insurance costs on the Lamborghini.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by BR/HC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-94)

Chair Seyfer called on Dubuque Greyhound Park/Mystique Casino (DGP/MC). Roger Hoeger, Assistant General Manager, presented the following contracts for Commission approval:

- Kochan & Company – Full Service Advertising Agency
- Qwest – T1 Upgrade for Internet Connection
- Shuffle Master, Inc. – Leased Games/Shuffler and Shuffle Maintenance Agreement
- Sysco – Food Purchases
- The Printer, Inc. – Direct Mail and Printing Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DGP/MC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-95)

Chair Seyfer called on the Iowa Horsemen's Benevolent and Protective Association (IHBPA) for a presentation on an alternative racing program for 2010 at PMR&C. Tom Levis, an attorney representing the Iowa Thoroughbred Breeders and Owners Association and IHBPA, noted that he first addressed the Commission in June in response to the racing program proposed by the horse racing committee, and adopted by PMR&C. He stated that today he was representing all three breeds. Mr. Levis stated that since the June meeting, the three breeds have met and made numerous compromises to arrive at a plan, or horsemen's proposal, that all three could live with, and hopefully would address the needs of PMR&C.

Mr. Levis advised that the horsemen's proposal calls for racing to begin in mid-April and end at the end of September. The thoroughbreds would have a 35-day meet commencing in mid-April, followed by a thoroughbred/quarter horse meet starting in mid-June that would run for 45 days. Then in late August, the quarter horses and standardbreds would have a 9-day meet, followed by 10 days of standardbred racing. The above schedule

would coincide with the Midwest racing circuit. This proposal calls for racing to take place on Monday, Tuesday, Friday and Saturday, with the exception of Extreme Racing days and one day of standardbred racing, in order to maximize simulcast revenue.

A copy of the Proposal for Horse Racing in Iowa for 2010-2014 submitted by the IHBPA, ITBOA, Iowa Quarter Horse Association and the Iowa Harness Horsemen's Association is attached and incorporated in its entirety by this reference.

The following is a summary of the Horsemen's proposal:

1. During the life of the five-year agreement, PMR&C will save approximately \$22,000,000.
2. The Horsemen's proposal nurtures the Iowa horse racing and breeding industry as required by Iowa law.
3. The Horsemen, including all three breeds, would sign a five-year agreement with PMR&C.
4. Horse races would begin in mid-April and end at the end of September. The Thoroughbreds would have a 35-day Thoroughbred meet from Mid-April to mid-June. The Thoroughbreds and Quarter Horses would have a 45-day combined meet beginning in mid-June and ending in late August. In late August, the Quarter Horses would have a nine day combined meet with the Standardbreds. The Standardbreds would have ten days of racing on their own the last two weeks of September. On four Sundays in August, the Standardbreds, the Quarter Horses and Thoroughbreds would have a combined meet with each breed having three races.
5. To accommodate the racing schedule, PMR&C would construct a new Standardbred track on the inside of the current track. The cost of constructing the new track will be \$400,000 – 500,000 and will constitute a significant cost savings to PMR&C during the life of the contract.
6. The Horsemen and PMR&C will establish benchmarks to accurately evaluate horse racing at PMR&C.
7. The Horsemen will partner with PMR&C in generating additional simulcast revenue and lobbying the Iowa Legislature to allow Advanced Deposit Wagering (ADW) account wagering. The Horsemen will make no claim to any simulcast or ADW wagering revenue.

Mr. Levi concluded his remarks by advising the Commission that the PMR&C Board of Directors had voted against adopting the horsemen's racing proposal at their meeting on Wednesday, August 26th.

Commissioner Hayes asked Mr. Levis to address the \$1,000,000 savings to PMR&C set forth on page 4 of the report. Mr. Levis advised that former General Manager Bob Farinella told the Commission that it cost PMR&C \$57,000/day to conduct racing. Using that figure times the number of racing days eliminated in October would equate to the savings.

Commissioner Harrison asked Mr. Levis if he could explain the reasoning behind PMR&C's rejection of the proposal. Mr. Levis stated that the PMR&C Board does not want standardbreds to run at the track; they want to shorten up the racing season. He advised that Mr. Whitney did indicate that the PMR&C Board is still open to discussions and negotiations.

Commissioner Hayes asked if adding the new 7/8 mile track would increase maintenance costs. Mr. Levis indicated that it probably would.

Commissioner Hayes asked if all three breeds could sign the proposed five-year contract. Mr. Levis answered in the affirmative, noting that the Iowa Quarter Horse Association had to change their By-Laws in order to be able to sign the agreement.

Commissioner Hayes asked Mr. Levis if the breeds had discussed the split of the purses; if they would be set for five years or vary from year to year. Mr. Levis advised that the purses are an open item, but indicated he thought the horsemen were prepared to sign a five-year contract.

Commissioner Cutler stated that the Commission was pleased to see this proposal from the horsemen, and appreciated their hard work. Mr. Levis indicated that he believes this is the first time that all three breeds have come together on a proposal

Mr. Ketterer noted that the proposal indicated the standardbred group would agree to a \$100,000 annual reduction in the county fair funding received from PMR&C contingent upon the construction of the new track. He asked if the proposal contemplates the continued funding of racing at the county fairs with the current rate of \$1 million. Mr. Levis answered in the affirmative.

Royal Roland, President of the IHHA, asked for the Commission's help in insuring the continuation of standardbred racing at PMR&C. He stated that based on the PMR&C Board of Directors' vote yesterday, he does not believe PMR&C will continue standardbred racing in the future. Mr. Roland stated that the standardbred industry would suffer substantial losses, noting there are two upcoming sales for standardbred yearlings where the value of the horses could be steeply impacted.

Chair Seyfer called on PMR&C and requested an update from the Horse Racing Committee. Gary Palmer, General Manager, and Derron Heldt, Director of Racing, were present to address this item. Mr. Palmer advised that the committee continues to move forward and has rehired Dr. Margaret Ray and Doug Reed to work on the marketing

study for racing, evaluation of the metrics, as well as economic models of different race scenarios – all thoroughbred, all quarter horse, mixed meet, etc. Dr. Ray and Mr. Reed hope to have the statistics ready to submit at the November Commission meeting. Commissioner Urban asked about the time frame. Mr. Palmer reiterated it is their goal to present the information to the Commission at the November 12th meeting.

Commissioner Cutler advised Mr. Palmer that the Commission would really encourage PMR&C to enter into a five-year contract with the horsemen.

Commissioner Seyfer noted there is still time to negotiate an agreement, and asked if PMR&C was willing to continue to work toward that goal. Mr. Palmer answered in the affirmative, noting that the Board reaffirmed their goal yesterday to provide a quality horse racing program that works for the community.

Commissioner Cutler, referencing the discussions about a second Polk County casino and an untapped market, asked how that would be factored in to PMR&C plans, noting that PMR&C's current marketing has not reached as many people as it could have. She questioned whether some of the racing losses could be attributed to the non-promotion of PMR&C to the aggregate.

Mr. Palmer stated that PMR&C has to look at 20 years of experience in horse racing, what has worked, what hasn't, the handle, attendance, etc. He stated that he does not believe the market area is underserved; that there are a number of table games and slot machines open that should be full if the market were underserved. Mr. Palmer stated that PMR&C appreciates the support for the hotel they are working on. He stated that attendance is up over last year, but revenues are down, which he attributed to the economic issues facing the country and area now. Mr. Palmer stated that the Board's emphasis is to make PMR&C the best that it can be in horse racing, slot machines, gaming, etc.

Commissioner Cutler advised Mr. Palmer that PMR&C should not balance the budget on the back of the horsemen; that there are other areas where they can generate additional revenue.

Mr. Ketterer requested that the report being prepared by Dr. Ray and Mr. Reed be completed around October 25th, thus giving the Commission members an opportunity to review the report prior to the November 12th Commission meeting.

Commissioner Harrison asked Mr. Palmer what PMR&C's reasons were for declining the horsemen's racing proposal. Mr. Palmer stated that as PMR&C put the committee together, hired Dr. Ray and Mr. Reed, traveled around the country, and reviewed the past 20 years at PMR&C, the committee put together a program that they feel will bring the quality of racing they want to see to PMR&C. He stated the Board is confident this is the right direction to go.

Commission Harrison asked for clarification on what was meant by “quality”. Mr. Palmer indicated it meant a variety of things: handle, attendance, field size; to have a product that people want to come out and see that will generate some kind of revenue. He noted that it is important for PMR&C to develop metrics and an evaluation process in order to be able to show progress in developing a premier program.

Commissioner Harrison asked if the upcoming marketing study would help PMR&C. Mr. Palmer stated that is the hope of the Board. Commissioner Harrison asked about the deadline for the marketing study. Mr. Palmer advised that it is now October 25th.

Chair Seyfer moved to the report from the Hotel Committee. Mr. Palmer read a memo from the committee to the Board, which is attached and incorporated in its entirety by this reference.

Commissioner Cutler asked about the proposed start date for construction. Mr. Palmer indicated it would be sometime in March, if all of the details set forth in the above-mentioned memo can be finalized.

Commissioner Seyfer asked if it would be necessary for PMR&C to amend their agreement with Polk County. Mr. Palmer answered in the affirmative. Commissioner Seyfer asked if those discussions were underway. Mr. Palmer again answered in the affirmative; stating that they are progressing very well.

Hearing no further questions concerning the hotel committee report, Chair Seyfer moved to the contract approvals. Mr. Palmer submitted the following contracts for Commission approval:

- Adventureland – Ticket Sales and Lodging Expense
- Belin, Lamson, McCormick, Zumbach, Flynn – Corporate Legal Counsel
- Citadel Broadcasting – Advertising Expense
- Hawkeye Foodservice Distribution – Food, Equipment and Supplies
- North Country Business Products – Paper Products and IT Supplies

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion which carried unanimously. (See Order No. 09-96)

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

MINUTES TAKEN BY:

JULIE D. HERRICK