# IOWA RACING & GAMING COMMISSION
# MINUTES
# JANUARY 9, 2001

The Iowa Racing & Gaming Commission (IRGC) met on Tuesday, January 9, 2001 at the University Park Holiday Inn, 1800 50th Street, West Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton and Jim Hassenfritz. Commissioner Mike Mahaffey was absent.

Chair Hansen called the meeting to order at 8:30 AM, and moved to the approval of the agenda. Chair Hansen noted the following modifications to the agenda: Item 8, Greater Dubuque Riverboat Entertainment Company will be combined with the contract approvals for Dubuque Diamond Jo; and Item 10, Iowa Greyhound Association, will be moved up on the agenda and occur after the presentation by the American Gaming Association.

Chair Hansen requested a motion. Commissioner Hamilton moved to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to the approval of the minutes for the November 16, 2000 Commission meeting. Commissioner Hassenfritz moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of the IRGC, for announcements. Mr. Ketterer provided the following information on future Commission meetings:

- February – No Meeting
- March Commission Mtg. – March 1, 2001 – Four Points Sheraton Hotel West, Clive (There is a block of 20 rooms being held under Iowa Racing & Gaming Commission. Submissions are due by February 15, 2001)
- April Commission Mtg. – April 19, 2001 - Radisson Quad City Plaza, Davenport (There is a block of rooms being held under Iowa Racing & Gaming Commission until 3/19/01. Submissions are due by April 5, 2001.)

Mr. Ketterer noted that the riverboat licenses would be renewed at the March meeting.

At this time, Chair Hansen called on Frank Fahrenkoph, President of the American Gaming Association (AGA). Mr. Fahrenkoph stated that the AGA is the national trade organization that represents the commercial casino industry, and noted that Argosy and Isle of Capri are members of the national association. He indicated that his presentation would focus on the policy decisions facing the Commission and the counties that have riverboat gambling, which are facing a 2002 referendum on the continuation of riverboat gambling. Mr. Fahrenkoph stated that he hoped the residents of the counties would make

their decision based on facts, not the myths and stereotypes that plague the gaming industry.

Mr. Fahrenkoph noted that the National Gaming Impact Study Commission's (NGISC) starts with the following quote: "The vast majority of Americans either gamble recreationally and experience no measurable side effects related to their gambling or they choose not to gamble at all. Regrettably, some of them gamble in ways that harm themselves, their families and their communities." He stated that the AGA's research shows that approximately 1% of the adult population are pathological gamblers. Mr. Fahrenkoph indicated many independent groups as well as the Harvard Medical School of Addiction did the research. Since the founding of the AGA five years ago, they have had a commitment to addressing the issue of problem gambling. He noted that the NGISC report indicates that the AGA is funding more research and doing more in the area of responsible gaming than any other segment of the gaming industry, and in most cases, more than any state or the federal government.

At this time, Mr. Fahrenkoph addressed issues that could be highlighted during the upcoming referendum. The first one was the claim by gambling opponents that the social costs from gaming exceed any economical benefits. The NGISC report states that the National Research Council of the National Academy of Science found "that gambling appears to have net economic benefits for economically depressed communities." Additional research found that a new casino with limited attractiveness placed in a market not already saturated would yield positive economic benefit on net to the host economy. The National Opinion Research Center from the University of Chicago, in their report to the NGISC, stated that the communities closest to the casinos experience a 12-17% drop in welfare payments, unemployment rates, and unemployment insurance. Opponents of gaming also claim there is an excessive cost to the nation related to gaming. One professor from the University of Illinois provided testimony to the NGISC indicating that up to $200 billion/year is the economic social costs of gaming. The NGISC committee members found that was not the case; the annual cost for all seven forms of gaming is $5 billion/year. The annual cost of alcohol abuse is estimated to be $166 billion/year while the annual cost for heart disease is $125 billion/year.

Another argument is that the increased availability of gaming, access to funds, and expanded hours of operation lead to an increase in pathological gambling. Mr. Fahrenkoph pointed out that the first Federal Gaming Commission did its work in the late 1970's, and found at that time that probable compulsive gambling percentage in the country was just under 1% - about three-quarters of a percent. That figure is virtually identical to the findings of the Harvard Medical School of Addiction, National Research Council, National Academy of Science, and others in their reports to the NGISC two years ago, despite the growth of gaming opportunities across the country, particularly in the Midwest. Additionally, the NGISC also found the following: "The availability of casinos within driving distance does not appear to affect prevalence rates." This statement was supported by recent studies in Minnesota, Texas, and Connecticut. Mr. Fahrenkoph stated that a prevalence study was done in Iowa in 1988, and again in 1995,

and that those studies came to a different conclusion. He shared some thoughts on those studies told to him by experts on prevalence studies. The 1988 study showed the rate for pathological gambling in Iowa was one-tenth of one percent lifetime. That figure was far lower than any other state in the United States. The experts considered the number to be an "outlier" number (a number that falls outside the expected range); and therefore, is not a reliable gauge for comparison to later numbers. The 1995 study was fairly consistent with studies across the United States and the findings of the NGISC. Mr. Fahrenkoph stated that the prevalence figures for both Iowa studies relied on a methodology, the South Oaks Gambling Screen (SOGS), which has been widely discredited. He stated that the NGISC did not use the SOGS methodology for its research for their report. The main criticism of SOGS is that it does not distinguish well between recreational gamblers and problem gamblers.

Mr. Fahrenkoph stated that another erroneous assumption is that the more people gamble, the more likely they are to become pathological gamblers. The NGISC's research found that while many more people gamble at least once in their lifetime, the number of people who have gambled in the past has remained relatively unchanged from the federal study twenty years ago. Dr. Lance deHaven-Smith, Executive Director of the Public Sector Gaming Study Commission, after reviewing the final findings of the NGISC, stated: "These findings mean that Americans have become much more likely to experiment with gambling, but this experimentation has not turned them into people who gamble regularly or routinely."

Another claim, often repeated by opponents of gambling, is that a high percentage of the revenues come from pathological gamblers. Some opponents indicate the number is as high as 50% of the revenue comes from pathological gamblers. The NGSIC's report shows that 5-15% of the industry's gross revenues were estimated to come from pathological gamblers. The high end, 15%, comes from individuals patronizing racetracks. Mr. Fahrenkoph stated that the gaming industry in Iowa, as well as in other states, have stated they do not want people gambling in their facilities who bet over their heads. He stated that the AGA has been working to promote responsible gambling via education, posters and brochures, training for employees, and posting toll-free help numbers on the casino floor. Opponents also claim that the casinos target pathological gamblers in their marketing. Mr. Fahrenkopf pointed out that it is impossible for anyone to determine who is a pathological gambler based on lists of data and names. Treatment counselors' testimony before the NGISC indicated that it is difficult to diagnose the disorder. Experts have advised the casino industry that their role should be one of educating their customers and employees and funding research.

Mr. Fahrenkoph noted that another issue is the connection between bankruptcies and gambling. He stated that despite overwhelming evidence to the contrary, opponents continue using this false accusation about the issue of bankruptcy. Last year, the U.S. Treasury Department released an in-depth study on the inter-relationship, which found there is no connection between state bankruptcy rates and either the extent of or

introduction of casino gambling. The NGISC, which heard the same testimony, found that casino effect is not statistically significant for any bankruptcy measure.

Mr. Fahrenkoph noted that opponents indicate that gambling leads to increased crime. The NGISC report found that to be untrue. Additionally, the report cited a study in which a comprehensive review of public information across the country on gaming and crime found no documentation of a causal relationship between the two.

Mr. Fahrenkoph stated that opponents also like to blame the gaming industry for the deaths of those individuals who commit suicide. He noted that studies done by the National Research Council, National Academy of Science, and Harvard Medical School make it very clear that 1% of the individuals who qualify as pathological gamblers suffer from what is called "co-morbidity". A majority of the 1% of pathological gamblers have problems with either alcohol, drugs or psychiatric problems. He stated these are individuals who need help, and are in distress. Experts have indicated that the gaming industry cannot be blamed for their suicides. A 1997 report by the Center for Disease Control (CDC) found that suicide rates are a regional phenomenon in the United States and do not mirror the availability of legalized gambling. The CDC study noted that suicide rates in the West are 70% higher than in the Northeast. Mr. Fahrenkoph further stated that a study written by a team of researchers from the University of California Ervine compared actual suicide rates across the country, and found that gaming communities "have no higher risk" of suicide than non-gaming communities.

Mr. Fahrenkoph concluded his remarks by stating that he had asked the NGISC members to "trust but verify" the information presented to them. Despite the fact that the majority of the members on the NGISC are opposed to gambling, the NGISC states that the casino industry provides quality jobs, promotes capital investments, and generates economic development that clearly exceeds any social costs. He asked the Commission to base their decisions on fact, not anecdotes; and science, not theory.

Commissioner Hassenfritz asked Mr. Fahrenkoph if there has ever been a correlation between "credit responsibility" and problem gamblers. Mr. Fahrenkoph indicated that would be a part of the "co-morbidity" problems that he mentioned earlier, and that they need help. He stated that states have not been as responsible over the years in dealing with problem gambling as they should have been. Mr. Fahrenkoph stated the AGA is trying to build support for bills in Congress for the National Institute of Health, which had nothing to do with pathological gambling until last year. Some experts have compared compulsive gambling behavior to manic behavior. The AGA is funding research to determine whether or not there are genetic disorders that lead to pathological gambling.

Chair Hansen stated that the lack of non-biased statistical data is the biggest dearth in the gaming industry. Mr. Fahrenkoph stated there is actually information available now. He reiterated his earlier comment that the NGISC made it very clear there are seven distinct types of gambling in the United States, noting there are only three states that do not have

some form of legalized gambling. The benefits and costs vary with the different types of gambling. The NGISC report stated "destination casinos" were a positive because of the economic growth and jobs that are created, which is considerably different from "convenience gambling" where there is no capital investment or job creation.

Following a short break, Chair Hansen called on the Iowa Greyhound Association (IGA). Jerry Crawford, legal counsel, stated that Commissioner Hassenfritz made a motion at the September Commission meeting to have the escrow account audited by the State Auditor. He noted that the audit has not been started. It is his understanding that the Auditor's office has indicated they might be able to get to this project by the end of the month; and it would then take approximately three weeks to review the material and another week to provide the written product. Using that timetable, the audit would not be completed until March. Mr. Crawford stated that the Dog Promotion Fund application filed by the IGA awaits the conclusion of this audit, and until the Promotion Fund application is approved subsequent to the audit, the arbitration process can not take place, which results in a contract being submitted to the Commission for the 2001 racing season. The kennels, and all individuals with an interest in those kennels at Bluffs Run, are running without a contract despite the fact that Chapter 99F.6 indicates that the Commission will insure that a timetable is adopted whereby annual contracts are approved. Mr. Crawford stated that the earliest possible completion of the audit is in the best interest of everyone involved, which is why the IGA is requesting that the Commission approve a private auditing firm, of the Commission's choosing, to commence an immediate audit. He stated the IGA was not requesting a particular auditing firm, as they did not feel that was appropriate. The IGA's request is that the Commission select an auditing firm at this meeting.

Chair Hansen stated that he had just spoken with Warren Jenkins from the State Auditor's Office. Mr. Jenkins stated that it would take two weeks to review the material and one week to write the report. Mr. Jenkins further stated that he felt the auditor's office would be able to get this project started, and possibly completed by the end of January. Chair Hansen noted there is no scheduled Commission meeting in February, unless a telephonic meeting was held.

Lyle Ditmars, legal counsel for Iowa West Racing Association (IWRA), stated that the December 1996 Arbitration Decision stated that the escrow account was to be in the name of both the IWRA and IGA; that the IGA would have sole control of the manner and type of investment with the caveat that decisions with regard to the investment of funds will be made based upon the primary goal of retaining the principal in tact. The Arbitration Decision also talks about what the funds can be used for. Mr. Ditmars indicated there are two groups that are beneficiaries of the fund: the people that are going to be racing at Bluffs Run Casino (BRC) and then the interest of the greyhound industry in general. Mr. Ditmars further noted that the Arbitration Decision stated that if the IGA should cease to be the annual recipient of the Dog Promotion Fund then its role with regard to the escrow fund will cease and the new individual or group receiving the promotion fund money would assume control.

Mr. Ditmars pointed out that IWRA started this project in February 2000 when they requested information pertaining to the accounts. IWRA brought the matter to the attention of the Commission in August, but it was September before they received a letter from the IGA directing the investment firms to provide information to IWRA.

Mr. Ditmars, noting that the issue before the Commission is whether the audit should be shifted from the State Auditor to a public company, stated that he assumed time might be an issue. On that basis, he contacted some private auditing firms to get an idea as to how long it would take them to perform the audit. He stated that all of them asked about the scope of the audit, how concise the material was, and what is the past history. These firms advised Mr. Ditmars that there is a difference in the way the State Auditor and a private firm approach an audit. The State Auditor goes in with an open mind, and the ability to look into any areas that warrant checking. A private firm is limited to doing what it is instructed to do. If they find something they feel needs to be checked, they either have to end the audit and indicate that fact in their report, or go back to the hiring entity for additional directions. Mr. Ditmars stated there are two ways to look at the audit of the escrow account: one is dollars in, dollars out, and insure that the money went to the right spot. The second way, and the way IWRA would like to have the Commission look at this, is whether the IGA managed the funds per the Arbitration Decision as approved by the IRGC, and did the IGA fulfill its fiduciary duties to those who are to benefit from the fund.

Mr. Ditmars stated that he had received the information from Baird within ten days of IGA's letter directing them to provide the requested information. The information from Morgan Stanley Dean Witter did not arrive until the end of November, after he had written a letter to their staff attorney indicating that a lawsuit would be filed if the information were not received. Mr. Ditmars pointed out some differences that he found between the two accounts:

- The Baird account is being paid on the basis of 51 basis points while the Morgan Stanley Dean Witter account is being paid on the basis of 67.5 basis points. He questioned why one firm was being paid more than the other.
- He asked about the returns on the accounts, noting that the idea was to maintain the integrity of the principal. On a 1999 Asset Summary sheet for the Morgan Stanley account, the beginning balance is $4,651,000 with a deposit of $264,126, the final payment from IWRA. If that amount were deducted from the ending balance of $4,778,000, it would show that this fund lost money in one of the most prosperous years for investments. As of September 30, 2000, the Baird account had a balance of $5,427,000, while the Morgan Stanley account had a balance of $3,983,000. Mr. Ditmars expressed his hope that any audit would encompass a review of the significant difference in the account balances. He stated that he was not saying anything was wrong, just that he would like to have an in-depth review of the accounts. Mr. Ditmars noted that the funds had received exactly the same input from IWRA and exactly the same withdrawals, or should have. Mr. Ditmars stated that he had no reason to believe otherwise.

Mr. Ditmars stated that IWRA feels the purpose of the audit is to make sure those individuals who are supposed to benefit from this fund receive all that they are supposed to receive. He feels the State Auditor's office should be the one to do the audit, as they answer to the citizens of Iowa. Mr. Ditmars further stated that if IWRA had gotten cooperation in February when they first requested information concerning the investment accounts, the parties might not be in this position at this time. Mr. Ditmars stated that he would like to see the Commission hold to their original decision to have the State Auditor's office perform the audit of the escrow account.

Commissioner Hassenfritz, noting that Mr. Ditmars' assumptions are well based regarding the difference between a private firm and the State Auditor's office, stated that a truly professional auditing firm can branch out into other areas, and will set out the facts. He stated that he would be just as comfortable with the audit if it was performed by one of the big five auditing firms.

Mr. Ditmars stated that what he found when he called the CPA firms was that the actual audit may only take a week, but there is gear up time and review time.

Mr. Crawford stated that following the 1996 Arbitration Decision, the IGA sent out Requests for Proposal (RFP) to several major investment firms. Those RFPs were reviewed with the Commission and the Commission approved the selected firms. He noted that there could be a difference in results between any firms. Mr. Crawford stated that both firms have been frustrated because of the conservative nature of the instructions they have been given regarding fund management based on the caveat of maintaining the principal. He expressed his opinion that there are now two separate issues before the Commission. The first is the audit. He noted there has never been any discussion concerning the firms that were chosen, or the management techniques being utilized by them, nor were they included in Commissioner Hassenfritz' original motion. Mr. Crawford stated that Mr. Ditmars had accurately stated that the audit is for dollars in, dollars out. The final report to the Commission should account for all funds going in or out of the accounts, and that any funds withdrawn were used in the manner approved by the Commission. Mr. Crawford noted that funds can not be withdrawn without the approval of the Commission He urged the Commission to name a private auditing firm to do a dollar in, dollar out audit. Mr. Crawford stated that if that firm wanted to look at the management of the funds that was fine with the IGA. He also stated that if the Commission wanted the IGA to get a report from each of the two fund managers on their strategies and results, they would do so. Mr. Crawford stated that the IGA would do whatever the Commission requested, but emphasized that the IGA wants to get the audit done.

Commissioner Sealock stated that the Commission has already been advised by the State Auditor's Office that they are willing to perform the audit. She asked if the big accounting firms would be able to perform the audit any faster, and how the Commission would know that at this time without talking to them. She noted that the IGA was asking for a decision at this meeting.

Commissioner Hassenfritz stated that it all comes down to money. He reiterated that the escrow account would not be difficult to audit. He stated that he could not answer Commissioner Sealock's question.

Commissioner Sealock stated that since the IGA's only issue was timeliness, she feels there is not an issue based on the information Chair Hansen provided regarding the timeframe. She wondered why the Commission would want to take a chance on naming another firm. She expressed her opinion that the Commission should not change its direction at this time.

Commissioner Hassenfritz stated that if the issue is just timeliness, and the State Auditor is ready to go, fine. If not, he volunteered to make some phone calls, or refer them to Chair Hansen or Mr. Ketterer. He stated that he was uneasy spending someone else's money.

Commissioner Sealock questioned if a motion was needed. Commissioner Hassenfritz reiterated that the issue before the Commission is one of timeliness. He indicated that the larger auditing firms could be contacted to determine if they could perform the audit any sooner than the State Auditor. He asked Chair Hansen if he understood correctly that the State Auditor could have the audit completed in January.

Chair Hansen stated that Mr. Jenkins had indicated his best appraisal of the situation at this time was that they could get going shortly; that it would take two weeks to complete the audit and one to write the report. He indicated there is no absolute assurance that the audit would be done by the end of January.

Commissioner Hamilton asked what would happen if the State Auditor could not complete the audit in that time frame.

Commissioner Hassenfritz asked if the State Auditor had received any of the information necessary to complete the audit. Mr. Ketterer stated that when he met with the State Auditor's Office, he advised them that when they were ready to begin they should come to the Commission office and any information in our possession would be made available to them, and we would get any other information they felt they needed.

Commissioner Hamilton stated that her previous question was still not answered.

Mr. Crawford stated that the IGA would agree to the Commission empowering Mr. Ketterer to determine if the State Auditor can complete the audit by the end of January. If not, that he select one of the "Big 5" auditing firms who indicate that they can meet that timeline. This would allow the process to continue to move forward.

Commissioner Hassenfritz made a motion to have Mr. Ketterer meet with the State Auditor to determine if they can complete the audit by the end of January; and if not, that he check with the "Big 5" auditing firms to ascertain their timetable for completing the

audit. If one of the "Big 5" firms would be able to complete the audit in a more timely manner, that they proceed with the audit. Commissioner Sealock seconded the motion.

Chair Hansen asked Commissioner Hassenfritz for a point of clarification. In the event the State Auditor now says that he can't complete the audit by the end of January for whatever reason, is it his wish to delegate the selection of an alternative firm to Mr. Ketterer. Commissioner Hassenfritz answered in the affirmative.

Hearing no further discussion concerning the motion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 01-01)

Chair Hansen called on the Iowa Gaming Association (Association). Wes Ehrecke, Executive Director, stated that the Association had submitted a Petition requesting an amendment to IRGC rule 491-5.4(4) relating to the required staffing for first aid and medical needs. They are proposing that the existing language be maintained for when the riverboats are cruising and when live racing is taking place at the tracks. During all other hours of operation, the proposed rule requires that one employee per shift be trained in CPR, first aid, and in the use of the Automatic External Defibrillator (AED). Each property would be required to have an AED. The Association does not feel this change would compromise the public's safety, and would allow the properties to attend to the minor medical situations. One of the reasons for the suggested change is the tight labor market, the limited pool of trained EMTs, and having to compete with local police, fire, ambulance and hospitals for those individuals.

Chair Hansen asked Mr. Ketterer if there were any procedural steps the Commission needed to take at this time. Mr. Ketterer stated that the Association had followed the procedure recommended by the Commission office in petitioning for rulemaking. There were discussions about a proposed rule that would encompass what they were proposing, and it is attached to the Association's Petition. It was suggested that the properties check with their insurance companies to determine if they were required to have a specific level of medical staff, any state or municipal requirements, medical staffing requirements for large events such as concerts or athletic events, and what do other regulatory jurisdictions require. Mr. Ketterer stated that the Association had addressed those issues. He indicated that Commission staff did not have any significant concerns regarding the proposed change to the rule.

Mr. Ketterer informed the Commissioners that if they wanted to approve the Association's Petition, the rule was included in the Notice of Intended Action, and would be included in that agenda item. If they elect not to approve the proposed change, then the motion regarding the Notice of Intended Action would need to indicate that.

Commissioner Sealock noted that the Association's Petition contains a reference to the Security Department at each of the facilities, and indicated that each department checked with their local police, fire, and rescue departments as to their opinion on the proposed

rule change. She asked Mr. Ehrecke if he was sure that every property had talked to their local police, fire, and rescue departments.

Mr. Ehrecke stated the Association had extensive discussions with all of the security personnel at each property. He advised Commissioner Sealock that he could not assure her that very one of them checked, but he did hear back from a majority of the security departments.

Chair Hansen called on Jean Davis, Assistant Attorney General for the Commission. Ms. Davis stated that she had a non-substantive suggestion that would increase the pool of available personnel. She suggested that physician's assistant be added as a category of persons that could be used to fill the medical staffing requirement when live racing or cruising is taking place.

Based on that suggestion, the proposed rule would be changed as follows: "... either a physician, a physician's assistant, a registered nurse, a licensed practical nurse, ..."

Chair Hansen commended the licensees and the Association for bringing the proposed change to the Commission, and that he felt it was a valid recommendation.

Following a short break, Chair Hansen called on Mr. Ketterer with regard to the Notice of Intended Action on Rules. Mr. Ketterer stated that he would address the two filings separately, but that the Commission could approve them together if they so choose. He noted that the Commission has performed a comprehensive review of all its rules over the past year. The first filing contains rules, which needed clarification, as well as some that were deleted that the Commission has elected to put back in. Mr. Ketterer advised that most of the changes were not substantive in nature. He noted that Chair Hansen had expressed concerns regarding Items 1 and 4, allowing the Commission to initiate a hearing upon its motion, and to reinforce that the Commission has the authority to deny, suspend or revoke any license. Mr. Ketterer stated these rights may have been implied in other rules, but by reinstating these two rules, it is clear the Commission has authority to take those steps if necessary. He pointed out that Item 6 of this filing pertains to the proposed rule submitted by the Iowa Gaming Association. The wording of the rule will have to be amended to include Ms. Davis' suggestion that "physician's assistant" be included in the pool of individuals that are qualified to meet the medical staffing requirement during cruising or live race meets.

With regard to Chapter 9, the Harness Racing rules, Mr. Ketterer stated they were adopted a year ago last fall in connection with the opening of harness racing at Prairie Meadows Racetrack & Casino (PMR&C). During the course of the first meet, the Commission determined there were some changes that needed to be made to the rules, and elected to have those rules reviewed by stewards and other individuals knowledgeable in the harness racing industry as part of the comprehensive review of all rules. Mr. Ketterer noted that the Iowa Harness Horsemen's Association has contacted the Commission office with some concerns. They were advised that this was simply a

notice of intended action, that they would have the opportunity in upcoming weeks to give oral or written testimony regarding the rules.

Mr. Ketterer asked the Commission to approve the Notice of Intended Action regarding the rules.

Chair Hansen called for any questions concerning the Notice of Intended Action. Hearing none, he requested a motion encompassing both filings and the amendment to 491-5.4(4).

Commissioner Sealock moved to approve the rules under Notice of Intended Action as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-02)

Chair Hansen moved to the contract approval portion of the agenda, and called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- Anchor Coin d/b/a Anchor Games – Participation Lease for 6 Slot Machines (Revision) (Replacements)
- Mikohn Gaming – Participation Lease for 4 Slot Machines (Revision) (Replacements)
- Mikohn Gaming – Participation Lease for 6 Slot Machines (Revision) (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-03)

Chair Hansen called on BRC. Verne Welch, General Manager, presented the following contracts for Commission approval:

- International Game Technology – Purchase 14 Slot Machines (Replacements)
- Pinnacle Construction, Inc. – Change Order to Existing Contract, Remodel of Exterior Entrances

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BRC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-04)

Chair Hansen then called on Prairie Meadows Racetrack & Casino. Bob Farinella, General Manager, presented the following contracts for Commission approval:

- Anchor Games – Lease Agreement on 1 Participation Slot Machine and 24 Participation Slot Conversion Programs (Replacements)
- IKON Office Solutions – 2 Canon 1R110 Leased Copy Machines
- Local 254 – International Association of Machinists & Aerospace Workers Collective Bargaining Agreement – Contract Extension

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by PMR&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-05)

Chair Hansen moved to the contracts submitted by the Mississippi Belle II (MB II). Ken Bonnet, General Manager, presented the following contracts for Commission approval:

- ShuffleMaster Gaming – License for 6 Press Your Luck Slot Machines (Replacements)
- ShuffleMaster Gaming – Three-Card Poker Table Lease
- Commercial Flooring Co. – Furnish and Install Custom Carpet and Base
- Kehl River Boats – Settlement of Lawsuit in Louisiana (RP)

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-06)

Chair Hansen called on IOC Davenport. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Aramark Uniform Services, Inc. – Linen Rental and Cleaning Services
- Bally Gaming, Inc. – SDS Hardware Purchase and License Agreement
- Brintons Carpets – Casino Carpeting
- Chesapeake Advertising – Advertising Services
- Gensler – Graphic Design Services – Signage
- Marine Propulsion, Inc. – Bow Thrusters
- Michael Raiser Associates – Installation of SDS System on New Vessel and Low Voltage Cabling for Surveillance and Telephones; Termination Work
- North American Video – Surveillance Video Equipment
- Pepsi-Cola Company – Pepsi and Juice Products
- Rodney E. Lay & Associates – Engineering and Naval Architectural Services for the Vessel
- SOSH Architects – Architectural Design
- Tech Art – MAXTime License Agreement
- W. G. Yates & Sons Construction Co. – Guest Service Center Renovations

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by IOC Davenport. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-07)

Chair Hansen called on Isle of Capri Bettendorf (IOCB). Nancy Donovan, General Manager, presented a contract with Gear for Sports for the purchase of gift shop and management apparel. This was a request for an increase in the amount of the contract previously approved by the Commission.

Commissioner Hamilton asked if IOCB was still trying to get more of their contracts with Iowa vendors. Ms. Donovan assured they are working on it.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by IOCB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-08)

Chair Hansen called on the Dubuque Diamond Jo (DDJ). He stated that following DDJ's presentation, Greater Dubuque Riverboat Company (GDREC) would address the Commission. Lorraine May, legal counsel, presented the following contracts for Commission approval:

- Foothill Capital Corporation – Line of Credit - Loan & Security Agreement
- Foothill Capital Corporation – Line of Credit – Mortgage, Leasehold Mortgage, Security Agreement
- Foothill Capital Corporation – Line of Credit – First Preferred Ship Mortgage

Ms. May advised the Commission that these contracts fulfilled a Letter of Intent, which was approved by the Commission at its September 2000 meeting.

Hearing no questions concerning the contracts, Chair Hansen called on GDREC's legal counsel, Doug Gross. Mr. Gross stated that the investors in GDREC were the prior owners of the DDJ. At the time of the sale to Peninsula, GDREC kept $7 million of their cash in the property, the most significant amount of cash that was put into the property at the time of the sale. In return, GDREC received a commitment from Peninsula to make semi-annual 9% dividend payments on that investment, plus a commitment to repay $3 million as a distribution of principle to GDREC on January 15 of this year, 18 months after the closing. Mr. Gross indicated the first dividend payment was four months late and the second dividend payment was six months late. GDREC requested to be on the agenda to discuss that issue, but withdrew the request when payment was received. When GDREC withdrew their request to be on the agenda, they were not aware of the contracts being submitted by Peninsula. Mr. Gross stated that GDREC has two concerns regarding the documents for the $10 million line of credit for which Peninsula is requesting Commission approval. Those questions are:

- What is Peninsula going to do with the $10 million? Mr. Gross stated that GDREC has made several requests of Peninsula regarding what the disposition of the resource would be, and have not received a response.
- Secondly, how does this line of credit impact Peninsula's ability to meet their legal obligations?

Mr. Gross stated that both are issues within the jurisdiction of the Commission due to its ability to regulate disposition of gaming resources and insure that licensees are able to meet their legal obligations as a matter of licensure.

Mr. Gross presented the following information, which caused GDREC to raise these questions:

- The documents appear to contemplate the creation of a new legal entity that could receive these funds. They do not state for certain that the new entity would receive the funds.
- If the funds are given to the new legal entity, what will they be used for, and will the Commission have jurisdiction over the use of the funds in the new entity in the event that it is not a regulated entity. GDREC is concerned about the possibility of moving dollars from an entity that has a legal obligation to pay them into a non-regulated entity when they have a difficult time receiving payment.
- The documents appear to put into place legal restrictions on the payment of funds to GDREC greater than those contemplated at the time of the sale to Peninsula. As a result, GDREC is concerned that this could be another indication that Peninsula does not intend to pay GDREC the $3 million owed on January 15, 2001.

Mr. Gross stated that he was aware the Commission was in receipt of correspondence from Ms. May stating that Peninsula planned to review whether or not to make the January 15th payment to GDREC, which he acknowledged is subject to offsets if GDREC violated any representations or warranties. He pointed out that GDREC has not had any indication over the past 18 months of any legitimate violations of any representations or warranties in any respect. GDREC is simply trying to ascertain that this is not a ruse to avoid payment of a legal obligation.

Mr. Gross summarized by reiterating that GDREC is concerned about the use of the funds, that the disbursement of the funds would be subject to the Commission's approval if it were paid to a new entity, and to what extent it would impact Peninsula's ability to meet its legal obligations.

Commissioner Hassenfritz stated that he felt there were two separate issues: Peninsula seeking to borrow money and the fact that Peninsula owes GDREC money.

Mr. Gross stated that GDREC was not asking the Commission to take any action at this time. Subsequent to GDREC requesting to be on the agenda, Peninsula did pay them the

July dividend payment on December 29, 2000. He reiterated that GDREC is only concerned with how the $10 million loan would impact Peninsula's ability to make future dividend payments to them, what they would be used for, and whether they would be subject to the Commission's jurisdiction.

Ms. May advised the Commission that there are several documents that govern when the dividend payments are due: bond indentures and obligations to bond holders who have a huge investment in this transaction. She stated that if GDREC had any reason to believe the dividend payments were not made in accordance with all of the bond indentures, etc., they have the ability to file an arbitration to resolve that issue. They did not do so. Ms. May stated that it is Peninsula's position that none of the dividend payments have been late under all of the agreements. She noted that GDREC had requested to be on the agenda, as they had not received the July dividend payment. Ms. May stated that she sent Mr. Gross a letter on December 17th, one week prior to GDREC's request to be on the agenda, indicating that the payment would be made on December 29th.

Ms. May stated that the initial offering of this transaction contemplated a line of credit of $10 million. She stated that this is not anything different than was originally signed. With regard to Peninsula's ability to pay, Ms. May assured the Commission that there is plenty of cash available in the company to make a $3 million principal payment in the event that the payment is due under the contract as written. She pointed out that Mr. Gross had mentioned the right of offset in the event of certain circumstances, and legal counsel is reviewing those issues at this time. She has not heard a decision from them. Ms. May stated that is a legal issue and has no impact on Peninsula's ability to make the payment.

Commissioner Hassenfritz stated it is his understanding that there is a schedule of payments in place. Ms. May indicated there was, and that a $3 million payment is due on January 15, 2001 subject to certain contractual rights.

Commissioner Sealock stated that her understanding of Ms. May's comments is that the $10 million line of credit is not an attempt to circumvent regulation. Ms. May stated that issue had been raised earlier, and that the correspondence before the Commission states that she does not find regulation to be a negotiable issue, and Peninsula will comply with all regulations.

Mr. Gross stated that GDREC addressed the Commission because they would like to have a determination by the Commission on the extent that the distribution of the $10 million is subject to the Commission's review and approval. He questioned if the Commission's approval at this meeting constitutes their approval for the distribution of the $10 million regardless of where it goes, or if the Commission is retaining jurisdiction.

Ms. May stated that the Commission's rules state that any transaction exceeding $50,000 has to be approved by the Commission. Chair Hansen concurred with her statement.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DDJ. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-09)

Chair Hansen called on Ameristar Casino. Jane Bell, Government Relations Manager, presented the following contracts for Commission approval:

- Lang Associates – Booth Fabrication in Coffee Shop
- Maharam – Upholstery Fabric
- Mintronix – Dynova Flatscreen Computers
- Lista International Corp. – Metal Cabinets for Casino Retrofit
- Creative Light Source – Custom Lighting Fixtures for Casino Retrofit
- The End Product – Kitchen and Food Service Equipment (Restaurants)
- Island Systems – Design, Configuration and Install Sign & AV Equipment

Ms. Bell stated that the contracts were associated with the casino retrofit and ongoing remodeling and retrofit within the land-based facility.

Commissioner Hamilton asked Ms. Bell about the out-of-state contracts. Commissioner Sealock noted that the explanation for using an out-of-state vendor was not attached to the Request for Transaction Approval form. Ms. Bell advised that the items purchased from out-of-state vendors were specialty items that were specced by the design people.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-10)

Commissioner Sealock stated that she had been fielding phone calls indicating that competitive bids were not being taken. She asked Ms. Bell that future contract submissions indicate which companies had submitted bids. Ms. Bell stated that competitive bids had been taken on all of the contracts except for three, which were sole source.

Chair Hansen called on the Belle of Sioux City (BSC). Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for October 2000 (RP)
- Argosy Gaming – Intercompany Charges for November 2000 (RP)
- Equifax Check Services, Inc. – Check Checking Services
- Farner Bocken – Cigarettes
- Hartford Life Insurance – Employee Life & Disability Insurance
- Team Ford – Vehicle Purchases, Repairs & Maintenance
- Lewis, Rice, Fingersh, LC – Legal Services – Employee & Patron Claims

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BSC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-11)

Chair Hansen called on Isle of Capri Marquette (IOCM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- IGT – Purchase of 16 Slot Machines (Replacements)
- Video Lottery Consultants, Inc. – Purchase of 6 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCM. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-12)

Chair Hansen called on Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager, presented their request for the following amended race dates and post times for the 2001 Thoroughbred Meet to allow them to proceed with marketing materials:

- Sunday @ 1:30 PM
- Monday & Tuesday @ 4:30 PM
- Friday & Saturday @ 6:00 PM
- There will be no races on Wednesdays and Thursdays except Wednesday, July 4th (post time @ 6:00 PM) and Thursday, July 5th (post time @ 6:00 PM)
- There will be no racing on Monday, July 2nd.

Mr. Farinella stated that the balance of the 45-day plan for the Thoroughbred Meet would be submitted for approval at the March 1 Commission Meeting.

Chair Hansen expressed his continued concern over the race times and his previous inquiries that they will have on PMR&C's simulcast revenue, and whether the proposed starting times will jeopardize the total handle at the track.

Mr. Farinella advised that he had spent a considerable amount of time reviewing their original time plan, which called for racing to begin at 5:30 every day. The starting time has been moved up an hour on Mondays and Tuesdays, which are the two days on which they could possibly have an opportunity to have additional simulcast wagering. The half-hour later start on Friday and Saturday should not affect the simulcast market, but will provide them with the ability to attract local patrons.

Chair Hansen requested that PMR&C share their marketing plan during their presentation at the March meeting to reassure the Commission that it would replace the lost simulcast revenue.

Mr. Farinella stated that within the factors that are driving the market, PMR&C would be happy to share their marketing plans with the Commission.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve PMR&C's requested race days and post times. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-13)

Chair Hansen called on Mr. Ketterer regarding the Hearings. Mr. Ketterer stated that this agenda item dealt with hearings on complaints of underage gambling at Lakeside Casino and PMR&C. Both issues have been resolved through Stipulated Agreements between the parties. He noted there were similarities in both instances.

Mr. Ketterer reviewed the process used to determine if an underage gambling violation is brought to the Commission for review. He noted that the early history of these types of violations made it difficult to treat them fairly and consistently from a regulation standpoint, which lead the Commission to develop some criteria that these situations need to meet before being brought to the Commission. If they are not brought to the Commission, the Commission's Gaming Representative at the facility, who has the ability to levy a $1,000 fine, will handle the violation. He noted that many times, no fine is levied, but that it is up to the Gaming Representative.

Mr. Ketterer noted that the instances before the Commission were considered to be more serious in nature, and met the following criteria:

- The minor is able to enter the facility without being stopped or challenged for identification by an employee who is a security guard of the licensed facility. Many times minors will attempt to use an altered or fake ID, out-of-state ID, or borrowed ID in order to gain entry. The Commission does not expect that every security guard at every facility is going to detect all of the schemes used by minors to gain entry. It is expected that licensees' security personnel be trained to ID any individual that appears to be underage.
- The minor is able to gain entry and is on the casino floor for at least 30 minutes, providing an opportunity for another security guard or other personnel of the licensee to identify the person who appears to be underage, and contact the nearest security guard or supervisor.
- The third criteria is that the minor is either able to gamble or obtain alcohol, meaning that the minor has contact with other employees of the licensee.

Mr. Ketterer stated that if all three criteria are not met, the violation is not brought before the Commission. He stated that the criteria were developed in an attempt to make this issue more than just a security issue; that it is a facility issue and to make all employees aware of the seriousness of the violation. Secondly, they provide a manner in which the Commission could deal with all licensees in a fair and consistent manner.

Mr. Ketterer stated that in both instances before the Commission, the minor was checked at the turnstile, noting that the minor's hand was stamped at PMR&C when he entered the racetrack area, but was able to walk past the security guard at one of the cross over entrances without being asked for his ID. If the guard had requested an ID, he would have been able to see the stamp on the minor's hand, which PMR&C put in place to help identify minors. At Lakeside, the individual was checked on her first attempt to enter the casino and was turned away. The individual returned later in the evening and was able to just walk past a different security guard. Mr. Ketterer stated that the Commission had gained access to a letter that Mr. Massa had sent to all Lakeside employees immediately after the incident, and prior to any knowledge of repercussions from the Commission, chastising some of his employees and pointing out that this violation was a serious matter. He made it very clear that he did not expect this situation to occur again. Mr. Ketterer pointed out that PMR&C, which has the highest admission figures in the state, had checked over 700 IDs on the day in question. Mr. Ketterer stated that it is the Commission's regulatory responsibility to enforce the statutes the Legislature passed, one of which is that no minors will be allowed in the casinos; however, that does not mean that these two facilities are doing a bad job.

Mr. Ketterer advised the Commissioners that the Stipulated Agreements set out the facts of the violations as they occurred. Lakeside Casino and PMR&C have agreed to an administrative penalty of $10,000 each. He noted that the Commission's criteria do contain a provision that if there are additional violations within a year of these instances, which occurred the latter part of September, the fines for such violations can increase. Mr. Ketterer recommended approval of the Stipulated Agreements.

Chair Hansen called for any questions concerning the proposed Stipulated Agreements. Commissioner Sealock stated that she did not have questions about the Stipulated Agreements, but did have some questions for Mr. Massa and Mr. Farinella. Chair Hansen requested a motion.

Commissioner Sealock moved to approve the Stipulated Agreements for Lakeside Casino and PRM&C as presented to the Commission. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-14)

Commissioner Sealock stated that the Commission has had several of these violations come before them in previous years. She noted that Lakeside attracts underage individuals because of their convention center. She asked what happens to the underage person when they are caught in the casino. The Stipulated Agreements indicate that the individual has been cited. Commissioner Sealock asked if the individual is taken to jail, or something, so that an impression is made and help to get the word out.

Mr. Massa stated that in their situation the DCI filed charges against the individual, and they were convicted in a local court. He indicated that the individual was fined $325. Commissioner Sealock asked Mr. Farinella what happened to the individual in their case.

Mr. Farinella stated that PMR&C, like all of the facilities, is concerned about this issue. He noted because PMR&C is a racetrack, and minors are allowed on the trackside, the number of openings between the track and the casino make it more difficult to contain the minors. Mr. Farinella stated that the City of Altoona has a requirement that underage minors caught in the casino be assessed a fine of $100. He indicated that the gaming industry look at gaining some type of legislative relief, and suggested the possibility that if an Iowa minor with a driver's license is caught in a casino that the minor lose their license for six months, or be assessed a significant fine. He noted there is not much they can do when the individual is from out-of-state.

Commissioner Hamilton noted that was a suggestion the Commission made in their Legislative report last year. Commissioner Sealock stated that she couldn't understand why the Legislature wouldn't be eager to take up this issue considering their stance against underage gambling.

Mr. Farinella suggested that it was time for the gaming industry to approach the Legislature regarding this issue.

Chair Hansen moved to Administrative Business. He shared information provided to the Legislative leadership regarding the Commission's proposals on eliminating the diversion of funds from the Gamblers' Treatment Program, which is continuing at an accelerated rate. He expressed concern that the funds were being taken before reaching the treatment program, and reached approximately $1.9 last year. Chair Hansen stated that during the first 14 years, FY '86 – '99, only $2.1 million was diverted; however, during the last two years $2.4 million has been diverted. Due to the diversion of funds, the Gambling Treatment Program was reduced by 17% two years ago and 20% this year, while there is a 14% increase in the number of people seeking help. Chair Hansen stated that he has a difficult time seeing why the Legislature is diverting that kind of money when there has been such a growth in revenue. He noted that in 1994 the state received just under $10 million in wagering taxes; while in the current year, the state is receiving $187 million plus in wagering taxes. The Lottery contributes another $35 million, meaning the state's general fund received $222 million from the gaming industry and lottery. Chair Hansen stated that he did not understand the need to divert the $1.9 million.

Chair Hansen stated that he also addressed preserving the integrity of the fund. He noted that the state collects it as gambling treatment tax, and feels that is what it should be used for. Secondly, he stated that the Board for the Gambling Treatment Program should be restructured in such a way that it includes a member of the Racing & Gaming Commission, a member from the Lottery Commission, one representing the licensees, and four members appointed by the Governor. Chair Hansen also advised the Legislative leaders that it would be to the treatment program's benefit if it were relocated to a department where the Legislators would not be tempted to blend, merge and blur the funding between programs.

Commissioner Hassenfritz asked if the Legislature had ever been approached about setting these funds up as a trust, rather than a General Fund item.

Chair Hansen stated that until 1999, the fund had all the appearances of a special fund. Commissioner Hassenfritz stated that the term "special" is like "heavy duty" and is in the eye of the beholder, which is why he suggested the trust fund similar to the employment insurance fund, as it would preserve the money for the proper use and provide an experience rate.

Chair Hansen stated that his letter to the Legislative leadership indicated now is the golden opportunity to review the entire process of what has occurred, noting that previous Legislative sessions have removed the descriptive language for the program out of the Code so that the only reference to it is now in the appropriations bill, which he feels has the shelf life of that particular appropriations bill. He feels the current Legislature should take the appropriate steps to restore the funding to the Gamblers' Treatment Program.

Commissioner Sealock noted that when Chair Hansen puts his information into numbers, it is very difficult to overlook.

Mr. Ehrecke advised the Commission that the Alliance Group met on January 5. He indicated there is a strong commitment within the group to get the treatment funds restored. Mr. Ehrecke stated that he would be meeting with the subcommittee members that will be working on this issue over the next several weeks. He indicated that the treatment providers were challenged to provide information as to the best way to utilize those funds once they are restored. Mr. Ehrecke indicated that a preliminary budget has been prepared, and they hope to have a more in depth budget prepared by January 22nd. The Alliance Group is going to have another meeting on January 26th. Mr. Ehrecke stated the Association supports the Commission's legislative proposals.

Chair Hansen called for any further comments.

As there were no Public Comments, Chair Hansen called for a motion to adjourn. Commissioner Sealock so moved. Commissioner Hassenfritz seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# MARCH 1, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, March 1, 2001 at the Sheraton Four Points Hotel, 11040 Hickman Road, Clive, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:10 AM, and called for a motion regarding the agenda. Jack Ketterer, Administrator of IRGC, advised that the last contract for Rhythm City, Agenda Item 11H(15) should read "10 Additional Slot Machines" instead of four.

Hearing no further corrections to the agenda, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

At this time, Chair Hansen requested a motion to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation (DCI). Commissioner Sealock so moved. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-15)

The Commission reconvened in open session at 8:35 AM.

Chair Hansen advised those attending the meeting of the change made to the agenda. He then called for a motion regarding the minutes from the January 11, 2001 Commission Meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-16)

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer introduced Corey Powell and Ralph D'Amico, who are employed by IRGC at Prairie Meadows Racetrack & Casino (PMR&C) as a Gaming Representative and Steward respectively.

Mr. Ketterer provided notice of the upcoming Commission meeting dates and locations as follows:

- April Commission Meeting – April 19, Davenport – Radisson Quad City Plaza
- May Commission Meeting – May 17, Council Bluffs – Ameristar
- June Commission Meeting – June 21, Des Moines – Sheraton Four Points, Merle Hay Road

- July Commission Meeting – July 19, Des Moines – Sheraton Four Points, Merle Hay Road

Mr. Ketterer stated that future meeting dates and sites would be considered at the April Commission meeting.

At this time, Chair Hansen called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the 45-day plan for the upcoming live race meet. The following contracts were also submitted for Commission approval:

- Alliant Utilities – Electrical Service
- Alliant Utilities – Electrical Service
- R. W. Borley – Promotional Items
- Henry Russell Bruce – Advertising Services
- Sysco Food – Food Items
- Telegraph Herald – Advertising Services
- Lamar Companies – Billboards (11 Contracts & Locations)
- Casino Data Systems (CDS) – Upgrade Casino Tracking System
- Tricore - Insurance

Commissioner Sealock moved to approve the 45-day plan as submitted contingent upon the completion of all necessary backgrounds, and the additional contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-17)

Chair Hansen called on PRM&C. Bob Farinella, General Manager, noted PMR&C had several items before the Commission today. He introduced Tom Manning, Director of Marketing, who presented the marketing plan. Mr. Manning noted that the horse racing industry is in a dynamic period, facing more than its share of challenges at this time. He pointed that many tracks, particularly in the Midwest, have experienced lower on-track handle over the last year. Mr. Manning stated that tracks have lost $650 million in on-track handle over the last four years.

Mr. Manning stated that the simulcast market is very competitive, and is becoming dominated by a few major tracks. Offshore wagering and the rebating situation have continued to increase. Because of these situations, PMR&C has made some modest shifts in their operation for 2001, placing a greater focus on the local on-track market as opposed to the simulcast market. PMR&C has elected to proceed in this manner because: 1) On-track handle is substantially more profitable. It takes $8.00 in off-track handle to generate the same revenue as $1.00 of on-track handle. 2) On-track provides collateral income opportunities, and 3) Provides for industry growth.

Mr. Manning reiterated his earlier statement regarding the competitive nature of the simulcast market. Opportunities that previously existed and were beneficial to PMR&C

are no longer there. Off-track handle for 2000 was 22% lower than in 1999, while on-track handle increased by 6%. For 2001, PMR&C has elected to focus their marketing efforts on different groups for different days of the week. The post time for Monday and Tuesday has been changed to 4:30 PM to allow them to focus on group sales. The post time of 6:00 PM on Friday and Saturday will allow them to focus on the core players and the entertainment market. They will be focusing on families on Sunday, and attempting to introduce new individuals to the sport. They will be focusing on the in-bound simulcast market, which is a major source of market as it exceeds both on- and off-track simulcast revenues.

Mr. Manning stated PMR&C hopes to offer three new wagering options – a Guaranteed Pick 6, which will be offered on weekends during the first meet. There will be a $10,000 guaranteed payout. They will also offer a Rolling Double, essentially a daily double on each race except for the first and last race. PMR&C will also offer a $1.00 box on all the two and three horse combinations. They are increasing their fan education programs. Mr. Manning noted that most individuals involved in the industry have a plan for the industry, but all concur that individuals need to win in order to enjoy the sport. It is PMR&C's opinion that by offering a $1.00 box on the Quinella bet, it will allow the novice bettor to focus on two or three horses that they like, inexpensively place bets, and hopefully have some winning tickets. PMR&C is building a racing center in the Pub House, which focuses on simulcast and will be available for more experienced bettors during the live racing season. The area on the apron will be used to help the novice learn to handicap and place a bet. There will be daily live or taped handicapping seminars. Promotions will be focused on players and potential players. Advertising efforts will be targeted to players and potential players as well. PMR&C will do less mass marketing, and do more targeted marketing. They will do more advertising on cable channels featuring sports, will have a national television presence on ESPN, and will do less prime time advertising.

Commissioner Sealock asked Mr. Manning how PMR&C's takeout rate compares with other tracks. Mr. Manning stated that PMR&C's win-place-show bet and the three-leg trifecta takeout rates are in the middle, but are higher on others. Commissioner Sealock noted that they have been receiving information indicating that other tracks are lowering their takeout rates. Mr. Manning indicated that is occurring particularly at Texas tracks, and PMR&C is monitoring the situation. He noted that PMR&C had lowered their takeout rate several years ago. Theoretically, PMR&C understands the principle, but it did not create a higher return for them.

Chair Hansen stated that it would be helpful if the plan could be fleshed out with numbers. He asked what the actual drop was in terms of dollars last year. Chair Hansen noted the last press release he saw indicated that admissions were down 22% and revenue was down 13.2%. The last time this issue was before the Commission, PMR&C was lowering its revenue estimate from $149.9 million to $140 million. He asked what the final number was, and asked that dollar figures be associated with the various items discussed previously.

Mr. Manning stated that he felt the $149 and $140 million figures were referencing the slot revenue. He indicated that he had the racing statistics in front of him, but not the slot information. Chair Hansen asked for the comparison on the track revenues from this year to last year. Mr. Manning stated that the on-track handle decreased by 6%. On-track handle in 1999 was $8,287,000 compared to $7,787,000 in 2000. Off-track handle decreased by 22%, from $66 million plus change in 1999 to $52 million in 2000. In both instances, the mixed thoroughbred/quarter horse meet experienced larger drops than the thoroughbred meet.

Chair Hansen asked what the overall dollar percentage decline was for 2000. Mr. Manning stated that it was approximately $16 million, including inbound simulcast fees. Chair Hansen asked for a percentage. Mr. Manning stated that approximately $14.5 million was for off-track handle on which PMR&C realized 2.7% in gross revenue.

Chair Hansen asked how much revenue PMR&C estimated the new format would generate to replace the $16 million that was lost in 2000. Mr. Manning reiterated that the focus for 2001 would be on on-track handle, which would be more than $16 million, but really are looking at the revenue generated by the handle. PMR&C hopes to realize a minimum of a 5% increase in on-track handle over 2000, which would be approximately $500,000. They also hope to generate a 10% increase in off-track handle, which would be approximately $5 million, for revenue of $100,000.

Chair Hansen stated that his understanding of the situation was that PMR&C lost $16 million, but the plan presented to the Commission would only recoup $600,000. Mr. Manning stated that was $600,000 of revenue. He pointed out that the $16 million decline was not in revenue, but in handle. Eighty-five percent in revenue generated equals 2.7%.

Chair Hansen asked how much the gross profits at PMR&C declined last year. Mr. Manning stated that the statistics he had did not include gross profit. Chair Hansen suggested that while other issues were discussed someone could come up with an answer. He stated that the information presented is theoretical, while the reality is that PMR&C experienced a decline in gross profit, and they need to do certain things to recoup the loss. He asked Mr. Manning how much of the loss their marketing plan would recoup. Mr. Manning indicated PMR&C experienced a half-million dollar decrease in on-track revenue from 1999 to 2000. The current plan calls for a $350,000 increase in on-track revenue from 2000 to 2001.

Chair Hansen asked how much the slot revenue declined, and what amount does PMR&C expect to recoup. Mr. Manning indicated he did not have those statistics in front of him. Chair Hansen suggested he could work on that while the Commission moved on to other areas of the agenda item.

Commissioner Hassenfritz asked Mr. Manning if he had the sales costs and expenses in front him. Mr. Manning answered in the negative.

Commissioner Mahaffey, referring to the change in post times, asked what groups of people PMR&C was trying to attract. Mr. Manning stated that one of the goals is to attract the core players to the track more often, as well as generate new fans. He indicated that new fans do not necessarily translate to an increase in handle; but getting more of their core players back to the track would increase the handle.

Commissioner Mahaffey noted there have been discussions in the past about improvements at the track. He wondered where those discussions were at, and what was taking place. Mr. Manning stated that the improvements have been deferred until after the 2002 referendum.

Commissioner Sealock asked if some of the core players left because of the major construction project at PMR&C during the past year. Mr. Manning indicated it did have an impact. He stated there is a high correlation between a horseplayer and a gaming enthusiast who likes to play tables; and the fact that there is a facility 40 miles away with table games has also had an impact.

Chair Hansen called for any other comments regarding the marketing plan. Hearing none, he moved on to the 45-day plan for the upcoming thoroughbred meet. Derron Heldt, Director of Racing, briefly covered the information previously submitted to the Commissioners. He stated the meet would run from April 27 through July 7, 2001. He noted that a majority of the racing officials hired for the thoroughbred meet will be staying for the thoroughbred/quarter horse meet. Mr. Heldt reiterated that post times would be at 4:30 PM on Monday and Tuesday, 6:00 PM on Friday and Saturday, and 1:30 PM on Sunday. Additional races will be held on July 4 and 5 with a 6:00 PM post time. A full system check will be on Wednesday, April 25th at 7:00 PM. There will be a minimum of nine races daily. Mr. Heldt stated they are requesting permission to add two new wagering formats: the Rolling Daily Double at a 20% take out rate and a Pick 6 carry over to be offered on the weekend with a 25% take out with a 25% minor pool.

Mr. Ketterer asked Mr. Heldt for the dates of the mixed meet. Mr. Heldt stated that the dates are Saturday, July 21st through Saturday, October 6th. The dates for the harness meet are Monday, October 15th through Saturday, November 17th.

Chair Hansen asked Mr. Ketterer about the Legislative discussions concerning budget cuts. He stated that he did not understand why it should extend to Racing & Gaming since it is money in, money out. Mr. Ketterer stated that as part of a de-appropriation bill there was $46,000 targeted from the pari-mutuel budget. He noted that the drug testing performed by Iowa State would probably be pared by eight or nine percent to cover that amount, but would not have an impact on the General Fund as the testing is, by law and Commission rule, reimbursed by the unclaimed winning tickets at the tracks and by the tracks themselves. Mr. Ketterer stated that he feels this would lessen the regulatory power of the Commission, as the drug testing is a deterrent to illegal use of medications or drugs in an effort to win purses.

Chair Hansen asked if the proposed cut would affect the length of the season. Mr. Ketterer indicated that would occur only to the extent the Legislature would target other areas of the budget, other than specifically stating that the Commission could not reduce the budget for drug testing. The salaries for the racing stewards (2 per track) and veterinarians (4 at the three tracks) comprise 80% of the budget. Chair Hansen stated that he would hate to see any action that would minimize the testing procedure. He stated the purpose of this discussion was to make people aware of what is occurring in the legislative halls.

Hearing no further questions for Mr. Heldt, Chair Hansen acknowledged Mr. Farinella. Mr. Farinella stated that he had the figures regarding the on-track handle, and the simulcast export signal. Between 1999 and 2000 season, the amount the track retained dropped by $370,000. PMR&C estimates that the plan for the current year will allow them to recoup 60% of the amount dropped last year in spite of the strong changes in the simulcast market, particularly the rebating issue. Mr. Farinella stated that the Thoroughbred Racing Protective Bureau, the investigative arm of the Thoroughbred Racetrack Association of America, indicated in their annual report the following: "Developments on the rebating front in the past year have reinforced the Thoroughbred Racing Protective Bureau's conclusion that rebates to high-end players by tail-end pari-mutuel outlets are one of the major issues, the foremost business issue, facing thoroughbred racing tracks today." Mr. Farinella stated that PMR&C has received indications that it could be occurring on wagering handle not only on races performed at PMR&C, but at racetrack signals that are normally provided at PMR&C as they all go through alternative sources, to the extent that some of them might even be sent to Iowa in non-state regulated Indian casinos and other places such as the Internet. Rebating revolves around large bettors placing their bets by telephone to another location. On an average wager, the rate that is kept is approximately 20%, the cost of the simulcast signal is about 3%, leaving a net of 17% that would go to the end retail outlet, which has no operating costs, purse costs, etc. If the end retailer pays a rebate of 8%, they are still left with 9% to cover their operating costs. Mr. Farinella stated that the racetracks are significantly limited in their ability to control that environment. The tracks have worked diligently over the last several years in revising the simulcast contract so that every signal sent to a location indicates where that facility may send their signal. He noted there are simulcast signal providers that don't enforce or care where their signal goes.

Mr. Farinella stated that technology is also playing a large part in the industry, making it easier for individuals to place wagers from their homes. The question is not if the individual will do so, but whether the track can deliver their product to the individual's point of sale, thereby allowing them to participate in the track's activities. Currently, PMR&C does not have the ability to send their signal to a closed loop system, which would allow Iowans to place wagers on PMR&C's races from their home. Since they do have the ability to place wagers on other activities, those are wagering dollars that do not go through PMR&C. Mr. Farinella expressed his opinion that more point of sale wagers will be taking place at individual's home instead of the racetrack, either through the

Internet or a rebate shop. In light of all these issues, Mr. Farinella stated that PMR&C's intent to recoup 60% of the loss from last year is significant.

Chair Hansen stated it was his understanding that an individual could place a $100 bet for $90 at a rebate location. He recalled reading a media article last November that suggested one of the unregulated facilities in Iowa was the source of that. Chair Hansen asked Mr. Farinella if PMR&C had any way to impose a restriction on their simulcasts so that they would not find their way back to an unregulated facility in Iowa. Mr. Farinella stated that they follow their contracts fairly closely as to where the signal is distributed. He noted that selling a simulcast signal is not the key to success, but just happens to be a part of what they do. Another portion of PMR&C's racing business is the wagering that takes place on inbound simulcast signals from other tracks; however, individuals have the ability to place wagers at other locations. When that happens, not only does PMR&C lose money on the live racing, but the inbound simulcast signal as well.

Mr. Farinella pointed out that one of the difficulties in shutting down rebaters is that the tracks have no control over the signal being provided to the rebater. He noted that PMR&C's handle on inbound simulcast signals from Gulfstream Park has decreased significantly, indicating that the wagers are being placed elsewhere. Tracks are not willing to share with other tracks where their signal is going.

Mr. Ketterer noted that Mr. Farinella stated very well what is occurring in the industry. He looked at the issue from the player's perspective. Starting with the 20% that was withheld by the simulcast outlet, the 8% rebate leaves the player with a 12% takeout. Lower takeout rates attract major core bettors. Mr. Ketterer agreed with Mr. Farinella's statements that the rebate outlets do not have the overhead costs associated with the tracks, nor do they have the revenue stream Iowa's tracks receive from the casinos. Mr. Ketterer stated that if PMR&C's intent was to focus on core players, they are looking for lower takeout rates, indicated by the fact that they are wagering through illegal means in many instances to get them. He feels that PMR&C, and the greyhound tracks, could lower the takeout rate because of the significant cash revenue generated by the slot machines. The question then becomes that the racetrack casinos cannot "be all things to all people", noting that the local governments, state taxes, charities and purses all take their share of the money. The tracks must determine if the player is a priority too.

Mr. Farinella stated that if a track is exporting a signal out of your market area, and an individual wagers on the race in a remote location, the track is happy to receive their simulcast fee, as the on-track business will provide sufficient revenue to maintain the operations. In most locations, patrons are paying to park, paying to enter the facility, paying higher prices on concessions, pay to enter the clubhouse, which is helping to keep racetrack facilities open, not just the wagering. Tracks considered the simulcast fee to be "gravy". Mr. Farinella stated that he does not feel a racetrack can operate on a 12% takeout rate, making the racetrack operator determine how much they want to lower the takeout rate to generate enough "churn" to offset that without affecting the bottom line. When PMR&C tried lowering their takeout rate in 1997 by lowering the win-place-show

bet from 17% to 14%, PMR&C found that their handle did go up slightly, but the net revenue declined causing them to raise the takeout rate to16% for 1998. Mr. Farinella stated that PMR&C is evaluating their two-horse wagers, as they are somewhat high nationally. When a track is selling their simulcast signal, if the blended rate for all wagers would go too low, it may hinder PMR&C's ability to sell their simulcast signal. Mr. Ketterer stated that if the simulcast purchaser will not take the signal at the lower rates, the players just stay home and place their bets through other locations that have a lower takeout rate.

Mr. Farinella stated that as long as the rebaters are allowed to remain in business, that will force the tracks to lower the takeout percentage in an attempt to drive the rebaters out of business. The tracks need to control their signal, and where it is being sent.

Mr. Farinella presented the following contracts for Commission approval:

- Bankers Trust Company – Line of Credit (RP)
- G&K Services – Line Services
- IGT – Purchase of 11 Slot Machines (Replacements)
- IGT – Purchase 106 EZ Pay Ticket Printers for Slot Machines
- Rock-N-Roll Nostalgia – Booking Agent for On-Site Entertainment

Commissioner Sealock asked about the related party designation on the Bankers Trust Company contract. Mr. Farinella was advised that it is no longer a related party contract.

Hearing no further discussion on any of the items relating to PMR&C, Chair Hansen called for a motion. Commissioner Sealock moved to approve all of the items as submitted, with the following contingencies:

- The immediate written notification of any change in racing official positions;
- The completion of necessary DCI backgrounds; and
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-18)

Following a short break, Chair Hansen called on Commissioner Sealock, who introduced Jim Lovely, who was named Trainer of the Year at Bluffs Run Casino by his peers.

Chair Hansen called on Mr. Ketterer to open the discussion of the Iowa Greyhound Association/Iowa West Racing Association (IGA/IWRA) Escrow Account Audit. Following Mr. Ketterer's comments, Jerry Crawford and Lyle Ditmars, legal counsel for the IGA and IWRA respectively, will be given an opportunity to comment.

Mr. Ketterer explained that the State Auditor had performed the audit, and made it available this week. The audit stated that based upon procedures performed and inquiries made, the Auditor's Office believes the deposits into and disbursements from the Escrow Account were in compliance with the criteria included in the binding arbitration decisions. The Auditor's Office made three recommendations – two pertaining to the IGA and one to IRGC. They are as follows:

- The IGA should evaluate the investment manager agreement annually and consider soliciting and evaluating new proposals for the investment managers. The Agreements should be for a specified term, and if it is the intent of the Association, include renewal conditions. Any requests for proposal and other correspondence should be maintained for a time period established by the IRGC. Signed agreements with investment managers should be maintained for the term of the agreement. The minutes for the IGA board meetings should include additional documentation to indicate the vote of each member or note when a member has abstained. In addition, any potential related parties should be disclosed to the IRGC.

The second recommendation centers on the $100,000 withdrawn from the account to pay for the consultant approved in the arbitration panel decision, and returned six months later. However, no interest or investment income was paid for the time that the funds were in the IGA legal counsel's trust account. While the IGA attorney has stated that he has made a remittance to the Lawyers' Trust Account Commission, no restitution for the investment value of the $100,000 improperly transferred on March 22, 2000 through October 6, 2000 has been made as of this date to the Escrow Fund. The recommendation was:

- Funds should not be withdrawn until a contract has been signed. Although no relocation/moving expenses have been paid as of December 1, 2000, we were informed that the individual might be seeking reimbursement of certain expenses. Since no consulting services were provided, no reimbursement of relocation/moving expenses should be paid from the Escrow Account.

The third recommendation was for the IRGC:

- The IRGC should develop policies and procedures to exercise the authority provided in the binding arbitration decisions including, but not limited to Escrow Account disbursement approval. The IGA and IWRA should develop and submit a specifically identifiable plan for the disposition of the Escrow Account, as required by the binding arbitration decisions, or the Commission should develop and implement a specifically identifiable plan for the two parties.

At this time, Chair Hansen called on Mr. Crawford. He requested that Mr. Crawford and Mr. Ditmars confine their comments to five to seven minutes.

Mr. Crawford made the following comments:

- With regard to the suggestion that the IGA Board review the selection of investment managers, the Board had passed a vote to do so before the end of April. The vote was taken prior to any knowledge of the Auditor's recommendation.

- He concurred with the Auditor's recommendation that no funds be withdrawn from the account without a signed contract. The recommendation will be implemented in the handling of the escrow accounts.

- With regard to the plan, Mr. Crawford stated that it is little more than nomenclature when the Auditor talks about a specifically identifiable plan. He feels the Commission approved a plan when they approved the Arbitrator's Decision last year. Mr. Crawford noted that over $2 million of expenditures were made pursuant to the plan that was approved by the Arbitration panel and then the Commission. He indicated the issue would be part of the arbitration again this year, and will continue to be handled that way in the future unless the IGA was able to reach a 2-year agreement with IWRA.

Mr. Ditmars explained that the audit is the culmination of IWRA's efforts starting in February 2000 to obtain information concerning the fund. He stated that IWRA received the audit report on February 21st. Although they were pleased to receive the report, IWRA was concerned, and continue to be concerned, about the fact that they were not included in the exit conference, which was attended by Mr. Ketterer and Mr. Crawford. Mr. Ditmars stated they were not aware of the exit conference, nor were they invited to attend. He expressed the following concerns on behalf of IWRA:

- There were no records kept of the proposals received for the management of the fund, or the presentations made. Therefore, there is no way to confirm that the contracts issued were in the best interest of the funds, of which the IGA is a trustee along with the IWRA.

- The IWRA is concerned that one of the contracts was awarded to a business partner of the attorney for the IGA. The other contract was awarded to a direct relative of an IGA Board member who does not live in the state of Iowa, but lives in Portland, Maine. The IWRA is concerned that both of the funds are being handled outside of the state of Iowa, and that there was no disclosure to the IWRA or IRGC about the above-mentioned relationships at the time the investment management contracts were announced. Mr. Ditmars noted that he had carefully reviewed the records and minutes and found no such disclosure.

- Additionally, IWRA is concerned about the fund performance. Noting there is no opinion expressed as to the management of the funds within these groups, IWRA is concerned as whether it is being done in a manner consistent with the

Arbitration Decision, which stated the fund shall be managed with an eye to preserving the principle. The audit specifically indicated that issue had not been reviewed.

- The IWRA is concerned about the fact that one of the funds, according to the auditor, had a difference in value increase of $1,615,925 while the other fund had an increase of value of $135,664. He questioned why that issue has not been addressed up to this time. The return for the Morgan Stanley firm was 90% less than the other firm, but that contract has not been re-evaluated or changed by the IGA.

- The IWRA is concerned about the use of the promotional consultant. Mr. Ditmars noted that the Arbitration Decisions for three consecutive years recommended that the IGA retain a promotional consultant, which they have failed to do. They questioned why $100,000 was taken from the accounts ($50,000 from each account) on the same day by wire transfer. The funds were not returned to those accounts for six and one-half months, nor was any interest returned to the accounts as the funds were held in an attorney trust account. The interest generated by attorney trust accounts goes to the State of Iowa; therefore, the industry did not receive any benefit.

- The IWRA is concerned that there is no plan in place for the disposition of the escrow account despite repeated demands by the arbitration panel and the Commission.

Mr. Ditmars stated that the IWRA is just generally concerned that the manner in which the escrow account is being handled is inappropriate. The problem is that there is a lot of money at stake. This fund is part of the gaming industry, which should be above reproach. There should not even be the slightest hint of impropriety. IWRA is concerned not only because of their interest in the gaming industry, but because of their position as an entity named on the account, giving them some responsibility as a co-trustee.

Commissioner Hassenfritz stated that the purpose of the audit was to draw a line as a hand-off point from one to the other. He recommended that the fact that the IGA does not have a paid Executive Director to manage the entity in the best interests of its members should be examined very closely. The purpose of the audit was not to go on a witch-hunt. The culpability is minimal, and rather than doing so, the parties should look at what needs to be done. In his opinion, the following steps needs to be taken:

- A professional association-type director that is paid. If the individual is good, they will not cost the organization money, they will make money. The individual should know how to operate a non-profit, the ins and outs of such an organization. Commissioner Hassenfritz stated that a non-profit organization is 25-50 times more likely to be audited by the IRS than a for-profit entity. He highly recommended that a professional association manager be hired by the IGA to

manage the business of the IGA, and be charged with looking out for the best interest of the members.

- Commissioner Hassenfritz also recommended that the IGA hire an auditing firm on a yearly basis to perform an audit of the escrow account. He stated that as a non-profit the IGA would constantly be receiving suggestions because the laws governing non-profits are constantly changing. The suggestions should not be taken as an indication that something is being done wrong, but as guidance. He noted that the rules and regulations for non-profits are much stricter than for a for-profit organization.

Commissioner Sealock stated that the Commissioners had been provided with some conditions in the event the Commission awards the Greyhound Promotion Fund to the IGA, and they relate to the recommendations/suggestions from the audit report. She expressed regret that funds were withdrawn from the escrow account, and is uncomfortable with the fact that the fund lost interest on that money for six months. She noted mistakes were made in the handling of the account, but that if a motion could be made incorporating recommendations from Mr. Ketterer, she would be willing to move forward.

Commissioner Hassenfritz reiterated his recommendation that the IGA hire an Executive Director. In his opinion, the problems outlined in the audit could have been avoided if there was a professional director knowledgeable in running a non-profit organization in place. Commissioner Sealock asked if the IGA could be forced to hire a director. Commissioner Hassenfritz answered in the negative, but strongly recommended they do so.

Commissioner Mahaffey stated that he did not feel the recommendation could be part of the motion to accept the recommendations of the audit, nor that it should be. Commissioner Hassenfritz stated that he would yield on the point.

Commissioner Sealock asked Chair Hansen if he was ready for the motion. Chair Hansen stated that the criteria on the fund should be contained in the motion for the awarding of the Greyhound Promotion Fund. He stated that the motion with regard to the audit should indicate the Commission has received the audit and is recommending that the recommendations of the audit be implemented. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion.

Chair Hansen stated that it had been moved and seconded to receive the audit by the State Auditor of Iowa as presented and to accept the responsibility for the implementation of the recommendations of that audit for future action. Hearing no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 01-19)

Chair Hansen moved to the awarding of the Greyhound Promotion Fund, which has been on hold for several months. The funds would be through June 30, 2001, for fiscal year 2001.

Commissioner Sealock asked if this distribution would be retroactive to last July. Mr. Ketterer answered in the affirmative. The entity receiving the Greyhound Promotion Fund would represent the dog racing industry for the negotiation of purse supplements for BRC for the 2001 racing season.

Chair Hansen stated that now would be the appropriate time to incorporate some of the recommendations and criteria provided by staff. He noted that Commissioner Hassenfritz might want to add some of his thoughts. Chair Hansen stated that he felt the Commission concurred they were only recommendations. Commissioner Sealock advised that if the recommendations were included with the motion, they would be more than recommendations. Chair Hansen clarified that the criteria would be mandatory, but any other suggestions would only be recommendations. Commissioner Hassenfritz again suggested the IGA hire an executive director.

Commissioner Sealock moved to award the Dog Racing Promotion Fund to the IGA retroactively to August 2000 with the following conditions:

- The IGA should evaluate existing investment manager agreements and consider soliciting and evaluating new proposals for investment managers, hopefully giving a lot of consideration to those located in Iowa.
- Agreements should be for a one-year term subject to renewal conditions approved by the Commission.
- Requests for proposals and other correspondence should include a copy to the IRGC.
- The IGA should disclose any potential related parties to the Commission prior to submission for approval.
- Funds shall not be withdrawn from the Account until the Commission has approved contracts or expenses. If events occur which no longer require expenditure of funds, the funds will be immediately returned to the Escrow Account and not deposited in any other account.
- The IGA and IWRA have until March 31 to develop and submit a specifically identifiable plan for the disposition of the Escrow Account or the IRGC will. The 1999 arbitration decision shall be used as a guideline to develop a consistent and reliable pattern for future years.
- The IGA and IWRA shall make themselves available to the arbitration committee so that a decision is in the Commission office by 4:30 PM on May 1.

Commissioner Hamilton seconded the motion. Chair Hansen called for any further discussion.

Mr. Ketterer stated that he took most of the conditions out of the recommendations from the Auditor, but feels the IWRA should also receive copies of proposals and correspondence.

Commissioners Sealock and Hamilton concurred.

Mr. Crawford stated that he had two questions. The first relates to condition number two. He noted that Commissioner Sealock indicated that "one year terms for the investment managers to be approved by the Commission." That statement is contrary to an Arbitrator's Decision rendered on December 19, 1996, which states in part: "The IGA will have sole control over the manner and type of investment." In his opinion, it would be perfectly appropriate for the IGA to make a report on an annual basis to the Commission in which IGA would inform the Commission of the decision that has been made pursuant to the prior order of the arbitration panel. Mr. Crawford stated that use of the word "approved" is contrary to present law in the case in terms of control and responsibility.

Mr. Crawford's second question dealt with item number six which stated that the IGA and IWRA have until March 31 to submit a specifically identifiable plan for disposition of the escrow account. He pointed out that is one of the areas included in arbitration, which item seven requires to be concluded in such a manner that a decision is received in the Commission's office by 4:30 PM on May 1st. Mr. Crawford expressed his hope that this year would be different, but that this issue has not historically been a negotiated result unlike Dubuque, where negotiated results have been reached in a matter of days. He suggested that in order to be consistent with the arbitration procedure outlined by statute in 99F, which states that any one of the Commission's members can serve as the third arbitrator or the Commission in its entirety can serve as the third arbitrator, the condition should state that a specifically identifiable plan will be the subject of arbitration and will be included in the Arbitrator's Report to be submitted to the Commission no later than 4:30 PM on May 1st.

Commissioner Sealock stated that she would defer to Mr. Ketterer. Mr. Ketterer stated that he had taken these recommendations out of the auditor's report, which stated that the Commission should develop policies and procedures to exercise the authority provided in the binding Arbitration Decisions, including, but not limited to, escrow account disbursement approval. He noted there have been many requests from the Commission to the parties to submit a plan for the disposition of the escrow account, which has not reached fruition. The auditor's recommendation stated that IGA and IWRA should develop and submit a specifically identifiable plan for the disposition as required by binding arbitration decisions. If they are unable to do so, the Commission should develop and implement a specifically identifiable plan. Mr. Ketterer stated the condition was included to give the parties one more opportunity to develop and submit a plan regarding the disposition of the escrow account. If they are unsuccessful, the Commission will do so.

Mr. Ditmars stated that one of the recommendations is that there is something being redone on a yearly basis. He noted there may have been a decision in 1997, but he feels the arbitration panel would have suspected that if the fund was returning less than 1% on the assets that someone would evaluate the management of the fund. He stated that he felt the recommendations were well within the purview of the Commission to require that these matters be submitted for purposes of approval, given the track record over the past four years on some of these issues. Mr. Ditmars stated that he felt the conditions were appropriate. He recommended that the Commission, the party that approved the earlier Arbitration Decision, follow the recommendations of the audit in that regard.

Commissioner Sealock called for the question. Chair Hansen, noting that there had been a call for the question, called for further comments from the Commission. Hearing none, he called for the vote. The motion carried unanimously. (See Order No. 01-20)

Chair Hansen moved to the next agenda item – a request from Bluffs Run Casino (BRC) for approval of a stakes race schedule. Gary Armentrout, Sr. Vice President of Business Development and Government Relations, stated BRC is seeking approval to run four stakes races in the amount of $50,000 each. He noted that the 1999 Arbitration Decision, as well as previous decisions, provided that the amount of the purse supplement be denominated in terms of either a percentage of net casino win or a total amount of dollars paid out in points throughout the racing season, whichever is greater. This year, as well as a year ago, the amount paid out in points was less than the aggregate amount of the percentage of the net gaming revenues; therefore, there was approximately $300,000 left over at the end of last year that was used to fund four stakes races in the amount of $75,000 each. The amount of money that is left over from the 2000 racing season is approximately $195,560. Harveys and BRC are willing to contribute additional money to bring the amount up to $200,000, and are requesting approval to fund four stakes races in the amount of $50,000.

Mr. Crawford noted that Mr. Armentrout had made it clear that the money for the stakes races did not come from Harveys, BRC, or IWRA, but from the escrow account or the money left over that would have otherwise gone into the escrow account. This is money that was awarded by last year's arbitration panel for purses. Mr. Crawford stated that last year's arbitration decision provided for four $75,000 stakes races, with the funds coming out of the arbitrator's award. It is the IGA's proposal that the four stakes races occur again this year, that the $195,000 or $200,000 Mr. Armentrout referred to be used exactly as he suggested, but that the IGA be allowed to supplement that amount out of the escrow account so that the stakes races this year would have the same value as last year's stakes races - $75,000 per race. This recommendation would be part of IGA's specifically identifiable plan for the coming year to use escrow funds to maintain a level payout for the stakes races. Mr. Crawford noted that the IGA has consistently argued for consistency in earnings in the industry. He requested that the Commission authorize as a part of Mr. Armentrout's request the supplement of the four stakes races out of the escrow account so that they will be exactly the same as the races approved a year ago as recommended by the arbitration panel.

Commissioner Sealock asked Mr. Crawford if he was requesting that the total amount for the purses of stakes races be raised to $300,000. Mr. Crawford indicated that was correct, with the difference to come from the escrow account.

Mr. Armentrout stated that he appreciated the suggestion by Mr. Crawford that additional funds be taken out of the escrow account in the amount of an additional $100,000 to supplement the $200,000 he mentioned previously. He stated that he supported the request, and recommended that the Commission approve the request. Mr. Armentrout clarified for the Commission that the four stakes races being discussed were not a part of the arbitration decision. He noted that the arbitration decision that was issued did not address the stakes races. The management of BRC, and members of the IGA, officers and directors agreed upon these races subsequent to the arbitration decision. They also decided to fund these races out of the money that remained from the preceding year. Mr. Armentrout further clarified that the money used to fund the purses for the stakes races does not come out of the escrow account, nor is it money that is entitled to be placed in the escrow account by previous arbitration decision. He stated that it is the amount of money left over resulting from the two separate formulas established in previous arbitration decisions to determine the purse supplement. Should there be a surplus, the arbitration decision states the funds should be used to fund purses. Mr. Armentrout reiterated his request that the Commission approve his request for four stakes races as presented and modified by Mr. Crawford.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve BRC's request for four stakes races as modified by Mr. Crawford. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-21)

Mr. Ketterer asked if IWRA wanted to address the request for the $250,000 races at this time, or if the issue would be raised in the future. Mr. Armentrout stated that in light of the Commission's earlier decision that there would be arbitration, he feels those races, which were a subject of last year's arbitration, should be a part of this year's arbitration process. He indicated that it would be premature to attempt to piecemeal a purse supplement decision at this meeting. Mr. Armentrout recommended that those races be left as a part of the arbitration process. Mr. Crawford stated that he agreed with Mr. Armentrout's comments.

Chair Hansen called on BRC regarding their contract. Mr. Welch presented a contract with Davis, Brown, Koehn, Shors, et al for legal services and government relations.

Hearing no discussion concerning the contract, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-22)

Chair Hansen moved to the Excursion Gambling Boat License Renewals, and called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C. (SIRRC/CBC), license holders for Catfish Bend Casino. Dan Kehl, General Manager, Bob Winkler, Assistant General Manager and Dr. Larry Smith, Chair of SIRRC were present to answer any questions. Mr. Kehl also presented a contract with Burlington Hawk Eye for the purchase of newspaper advertising.

Hearing no discussion concerning the license renewal or the contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal and contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-23)

Chair Hansen called on Clinton County Gaming Association/Mississippi Belle II, Inc., (CCGA/MB II) license holders for the Mississippi Belle II. Alice Schnepel and Allen Campbell representing CCGA, and Gus Linke, Controller for MB II, were present to answer any questions concerning the license renewal. Mr. Linke also presented a contract with the Kitchen and Bath Design Center for new bar countertops, deli countertops, and buffet line laminates.

Mr. Ketterer asked Mr. Linke if the casino was able to reopen the previous evening (Wednesday) following the sinking of a barge connected to the boat on Tuesday. Mr. Linke answered in the affirmative. Commissioner Sealock stated that the pictures shown on the news in her area were misleading; that it looked like the boat was also going underwater. Mr. Linke advised that only the work barge went under.

Hearing no further discussion concerning the MB II license renewal or the contract, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the license renewal of the MB II and the additional contract as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-24)

Chair Hansen moved to the license renewal of Missouri River Historical Development, Inc./Belle of Sioux City, L.P. (MRHD/BSC), license holders for the Belle of Sioux City. Brian Wessels, Director of Finance, and Betty Strong, President of MRHD, were present to answer any questions. Mr. Wessels presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for December 2000 (RP)
- Argosy Gaming – Intercompany Charges for January 2001 (RP)
- Bally Gaming – Purchase 3 Slot Machines (Replacements)
- Innovative Gaming – Purchase 5 Slot Machines (Replacements)
- IGT – Purchase 10 Slot Machines (Replacements)
- Atronic Casino Technology – Purchase 4 Slot Machines (Replacements)
- Executive Copy – Three-year Lease of Duplicator and Copier
- Executive Copy – Three-year Lease of Shredder

Mr. Ketterer asked Mr. Wessels what progress had been made with regard to relocating the boat to an area that would allow expanded parking for the public. He noted that Argosy has talked about bringing up a barge, or a larger boat. Mr. Wessels stated that Argosy is working with the City of Sioux City and reviewing development opportunities. He noted that the City is currently involved in a pending lawsuit pertaining to the lease at the marina, which prevents them from making any definite plans. If the proposed project makes sense for the City, the BSC and Argosy, they will move forward in lieu of the 2002 referendum, but are currently in a holding pattern.

Hearing no further discussion concerning the BSC license renewal or contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal for the BSC and the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-25)

Ms. Strong stated that since 1989 when riverboat gambling was authorized, it has been good for the state. She noted that MRHD has given over $2.5 million to non-profit organizations. They are also in the process of breaking ground on the Lewis & Clark Interpretive Center, which will open late next summer.

Chair Hansen called on the Dubuque Racing Association/Peninsula Gaming Company, LLC, (DRA/Peninsula), license holders for the Dubuque Diamond Jo (DDJ). Brent Stevens, CEO of Peninsula and Bruce Wentworth, President of DRA, were present to answer any questions. Mr. Stevens introduced George Papanier, Chief Operating Officer of the DDJ. Mr. Papanier has an extensive background in the racing and gaming industry – 20 years in operations, accounting, marketing.

Hearing no questions concerning the license renewal for the DDJ, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the license renewal for the DRA/Peninsula as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-26)

Chair Hansen called on Clarke County Development Corporation/Southern Iowa Gaming Company (CCDC/SIG), the license holders for Lakeside Casino Resort. Joe Massa, General Manager, and Rick Buesch, President of CCDC, were present to answer any questions concerning the license renewal. Mr. Massa presented the following contracts for Commission approval:

- Innovative Gaming – Purchase 20 Slot Machines (Replacements)
- IGT – Purchase 70 Slot Machines (Replacements)
- Delta Dental Plan of Iowa – Dental Insurance for Employees

Hearing no questions or comments concerning the license renewal or the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the license renewal and contracts as submitted by CCDC/SIG. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-27)

Chair Hansen called on IWRA/Ameristar Casino Council Bluffs, Inc. (Ameristar), licenses holders for Ameristar. Tony Payne, Executive Director of IWRA, showed the Commission before and after pictures of some of the projects that Council Bluffs has been able to undertake because of the partnership between IWRA and Ameristar and Harveys. He noted that the fire department has been able to purchase infrared cameras, and that many city/county vehicles are equipped with defibrillators. Mr. Payne stated that because of funding received from IWRA, Habitat for Humanity has been able to build twelve homes in the Council Bluffs area.

At this time, Tony Taeubel, General Manager, introduced Troy Stremming, the new Vice President of Legal and Regulatory Affairs. He will be responsible for all of the riverboat facilities for Ameristar. Mr. Stremming was formerly with Station Casinos, and will be stationed in Kansas City. Mr. Taeubel presented a contract with Gasser Chair Company for Slot Stools and Chairs.

Mr. Taeubel stated that Ameristar has spent $8 million on recent renovations. He indicated that Ameristar elected to proceed with the renovations in spite of the 2002 referendum. The 98-room Hampton Inn is completed and will be opening soon.

Mr. Taeubel advised the Commission that Ameristar will not be contributing upfront to the Council Bluffs arena project, which is expected to receive some funding from the Vision Iowa fund. He noted that the Vision Iowa funds come from casino revenues paid to the state. The project is also receiving funding from IWRA, the non-profit license holder for Ameristar. Mr. Taeubel stated that since the project includes hotels and restaurants, it would be in direct competition with their facility.

Mr. Ketterer commended Ameristar on their continued investment in their facility.

Chair Hansen called for any further discussion or comments concerning the IWRA/Ameristar license renewal or contract. Hearing none, he requested a motion. Commissioner Sealock moved to approve the IWRA/Ameristar license renewal and contract as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-28)

Chair Hansen called on IWRA/Harveys Casino Hotel, license holders for the Kanesville Queen. Mr. Payne and Verne Welch, General Manager, were present to answer any questions. Mr. Welch presented the following contracts for Commission approval:

- Clark Creative Advertising, Inc. – Production of TV Commercials
- Successories of America – Promotional Materials

Commissioner Sealock asked Mr. Welch about the contract with Clark Creative Advertising. Mr. Welch advised that the company had opened an office in Council Bluffs, as well as maintaining their office in Omaha.

Commissioner Sealock asked Mr. Welch when Harveys planned to move forward with the improvements previously approved by the Commission. Mr. Welch advised that Harveys would not build a second hotel tower at this time, but would continue to watch the Omaha market. He feels the demand for hotel rooms will increase once the Omaha convention center/arena is built. He indicated the current number of hotel rooms is sufficient to meet the demand in the area. Mr. Welch noted that Harveys' involvement with the proposed arena and entertainment complex in Council Bluffs, as well as the improvements made at BRC, have pushed back some of the planned renovations at the riverboat facility. He pointed out that Harveys had added a parking garage, which cost approximately $11 million, since the additional slot machines were approved.

Commissioner Sealock advised Mr. Welch that the Commission still expected to see improvements at Harveys' main facility.

Chair Hansen called for any further discussion concerning IWRA/Harvey's license renewal. Hearing none, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve IWRA/Harveys' license renewal application and contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-29)

Chair Hansen called on Riverboat Development Authority/IOC Davenport, Inc. (RDA/IOCD), license holders for the Rhythm City Casino. Mark Lohman, General Manager, and Mary Ellen Chamberlin, President of RDA, were present to answer any questions. Mr. Lohman advised the Commission that the President would be closing on Monday, March 5th to allow for the changeover to the new vessel, which will open at 5:00 PM on Friday, March 9th. The following contracts were presented for Commission approval:

- Acme Sign Co., Inc. – New Property Signage
- Alter Trading Corporation – Unprepared Scrap Purchase from IOC Davenport, Inc. (RP)
- Anchor Games – Replace 7 Slot Machines
- Doug Smith – Memorabilia for Display in Casino
- Evergreene Painting Studios, Inc. – Casino Mural Design & Production
- Mikohn Gaming Corporation – Casino Slot Signage
- Mikohn Gaming Corporation – 4 Additional Slot Machines
- North American Video – Surveillance Video Equipment
- TeleCorp Realty, L.L.C. – Lease Agreement – Telecommunication Equipment on Blackhawk Hotel
- The D1 Initiative – Four Year Investment Package
- TMI – Consulting Services
- Uniforms to You – Uniform Design & Production
- IGT – 3 Additional Slot Machines

- IGT – 3 Additional Slot Machines
- IGT – 10 Additional Slot Machines

Hearing no further discussion concerning RDA/IOCD's license renewal or contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve RDA/IOCD's license renewal and contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-30)

Chair Hansen called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. (SCRA/IOCB), license holders for the Isle of Capri Bettendorf. Nancy Donovan, General Manager, Patsy Ramacitti, Secretary of the SCRA Board, were present to answer questions concerning the license renewal application. Ms. Donovan advised the Commission that their facility would be putting together a presentation to share with all of their employees as there are approximately 20 individuals still employed with the facility that have been there since day one, April 1, 1991. She noted that she has been helping Mr. Lohman through the transition occurring in Davenport.

Ms. Ramacitti stated the SCRA was pleased to support the license renewal of the IOCB. She indicated they have a good relationship with the staff. She distributed a brochure that was inserted in the Quad Cities newspaper on February 6th to show area residents what SCRA has been doing with the funds received from the riverboat.

Hearing no comments concerning the license renewal of SCRA/IOCB, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the license renewal of SCRA/IOCB. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-31)

Chair Hansen called on Upper Mississippi Gaming Corporation/Isle of Capri-Marquette (UMGC/IOCM), license holders for the Isle of Capri Marquette. Kim Hardy, General Manger, was present to answer any questions, and presented the following contracts for Commission approval:

- Williams Gaming, Inc. – Lease Fees on Slot Machines
- Global Payments (NDC Check Service) – Check Cashing Services

Hearing no discussion regarding the license renewal or contracts submitted by UMGC/IOCM, Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal and contract submissions of UMGC/IOCM as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-32)

Commissioner Sealock asked Mr. Hardy if he was pleased that he could adjust the vessel's cruising route. Mr. Hardy answered in the affirmative, but noted that the river is still frozen solid.

Chair Hansen moved to the next agenda item – a report regarding industry growth in the '90s. Chair Hansen stated that this report was a combined effort between Wes Ehrecke, Executive Director of the Iowa Gaming Association, and himself. Chair Hansen indicated the first chart shows the number of licensees, which has been on a plateau since 1997. One of the more significant graphs is the one showing the gaming tax revenues from 1985 forward. Revenues started at approximately $2.1 million and increased significantly following changes to the law in 1994 that removed the wagering and loss limits and allowed the racetracks to have slot machines. Chair Hansen stated that the general fund has enjoyed an increase from $8.5 million in 1994 up to $183.9 million in 2000, with an estimate of $194.3 million for this year, which equates to a 2000% increase. Chair Hansen then referred to a chart showing the comparative growth rate of funds from various areas. The red line shows the total revenue from gaming and lottery; the blue line is strictly gaming tax revenues, and the yellow line shows revenue from the lottery, which has been declining since 1995. This chart indicates the general fund only grew by 25.7% and lottery revenue declined by 23.7%. Chair Hansen stated that he felt the majority of Iowa's population is not aware how much revenue the gaming industry was generating for the state.

At this time, Chair Hansen called on Mr. Ehrecke, indicating that he had requested Mr. Ehrecke and the licensees to prepare a year-by-year compilation of salaries and wages, and charitables. Mr. Ehrecke stated that the gaming industry has proven to be a viable part of Iowa's economy and adding value to the state's entertainment and tourism industry. Gaming has created 10,000 good-paying jobs with good benefits, which equates to stable employment. He noted that if there is stable employment in a community, those employees give back to the community in a number of ways. Mr. Ehrecke stated that the gaming industry has given over $560 million to charitable organizations since its inception. With respect to the "Buy Iowa First" program, the casinos have spent over $100,000 million with Iowa vendors, which Mr. Ehrecke estimated supported another 3,500 jobs on an indirect basis. Mr. Ehrecke stated that the gaming industry is a very viable part of Iowa's economy, and is proving to be a form of entertainment and recreation, and a boost to the economic and tourism efforts of the various communities and all of Iowa.

Chair Hansen stated that he was going to work with Mr. Ehrecke to try and develop a comprehensive handout over the next month that will show all of this information. Chair Hansen stated that the gaming taxes are now the fifth largest source of revenue to the state treasury, just after the "Big Four": sales, use, individual income and corporate income.

Chair Hansen moved to Administrative Business, with one item being the Horse Promotion Fund. Mr. Ketterer noted that requests are to be received in the Commission's office prior to 4:30 PM on March 23rd.

Mr. Ketterer advised that he will check with the State Auditor's Office to determine the cost of the audit on the Escrow Account so that it can be an agenda item in April. The costs will be paid from the Escrow Account.

Commissioner Mahaffey expressed his appreciation of the work done by staff with regard to the license renewals. Chair Hansen added his appreciation, noting that he had a notebook 4" thick that contained just the contracts submitted by the licensees with their license renewals.

As there were no requests to address the Commission under Public Comment, Chair Hansen called for a motion to adjourn the meeting. Commissioner Mahaffey so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# APRIL 19, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 19, 2001 at the Radisson Quad City in Davenport Iowa. Commission members present were Rita Sealock, Acting Chair; and members Diane Hamilton and Mike Mahaffey. W. R. "Bill" Hansen was in attendance via telephone conference call. Commission member Jim Hassenfritz was absent.

Chair Sealock called the meeting to order at 8:30 AM. Chair Sealock requested that all cell phones be turned off during the meeting to enable Commissioner Hansen to hear what is being stated.

Chair Sealock called on Mary Ellen Chamberlin, President of Riverboat Development Authority (RDA), to welcome the Commission to Davenport. Ms. Chamberlin introduced Phil Yerington, Mayor of Davenport, who also welcomed the Commission to Davenport. Mayor Yerington stated that the Rhythm City Casino provides tourism and economic benefits to the city. Chair Sealock expressed regret that the Commission members would not be able to tour the new riverboat due to flooding.

Ms. Chamberlin introduced the following RDA board members in attendance: Gary Mohr, Chairman; Carol Sommer, Dan Nagle, Betsy Brandsgard and Kate Ridge, Secretary of RDA. She advised that she had asked two individuals from the community to prepare a short presentation to show the impact the RDA and the casino have had on the downtown and surrounding neighborhoods. She introduced Dan Huber, President of Davenport One, Davenport's Chamber of Commerce & Community Development group.

Mr. Huber expressed his appreciation for the Iowa Racing and Gaming Commission, having previously lived and worked in Dubuque and Clinton. He noted that the City of Davenport, RDA and Davenport One have collaborated for a number of years on various projects. In the coming year, the group will be constructing two new parking facilities in support of projects on the Mississippi riverfront. Additionally, the RDA has been a partner in studies relating to streetscaping and enhancing the main street corridor. Mr. Huber stated that over the past year the multi-year project has reached a critical mass, noting that the RDA has been a major contributor. At the present time, the community is focusing on two main projects, the first one being the D-1 initiative, which is a community and economic development fund to increase the marketing and efforts to promote Davenport to prospective companies and newcomers. A goal of $3.75 million was established. They are well on the way to reaching that goal as the City, RDA and Rhythm City are major investors. The second project, River Renaissance on the Mississippi, is viewed as a catalytic event for downtown Davenport that will change the face of Iowa.

Ms. Chamberlin advised the Commission that the majority of the money for the Davenport Junior Achievement building came from the Scott County Regional Authority, and most of Davenport's funds went to Rock Island's Junior Achievement office, which serves the entire Quad Cities area. At this time, she introduced Ida Johnson, Director of United Neighbors Incorporated, and Paul Fessler, who works in the various neighborhoods organizing neighbors and events. This group is another major partner with RDA. Mr. Fessler presented a brief slide presentation highlighting how the partnership has helped individuals and neighborhoods. Ms. Johnson expressed United Neighbors' appreciation for RDA's support, in excess of $300,000, over the past ten years, and their hope for another ten years.

Chair Sealock called for a motion concerning the agenda. Commissioner Hamilton moved to approve the agenda as presented. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Sealock called for a motion regarding the minutes from the Commission Meeting held on March 1, 2001. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Sealock called on Jack Ketterer, Administrator of the IRGC, for announcements. Mr. Ketterer introduced the following IRGC employees: Gaming Representatives Tom Peters and Shirley Stokes, and Licensing Assistants Betty Clark and Debbie Douglas. He noted that future Commission meetings would be held on the following dates:

- May Commission Meeting – May 17, Council Bluffs – Ameristar (Submissions due by May 3, 2001)
- June Commission Meeting – June 21, Des Moines – Sheraton Four Points, Merle Hay Road (Submissions due by June 7, 2000
- July Commission Meeting – July 19, Des Moines – Sheraton Four Points, Merle Hay Road (Submissions due by July 5, 2001)

Chair Sealock called on Mr. Ketterer regarding the rules before the Commission. Mr. Ketterer noted that the rules had been before the Commission previously under Notice of Intended Action. The rules encompass various areas and are all inclusive of the Harness Racing rules. Mr. Ketterer recommended approval.

Hearing no discussion, Chair Sealock requested a motion. Commissioner Mahaffey moved to adopt the rules submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-33)

Chair Sealock moved to the Contract Approval portion of the agenda, and called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- WMS Gaming, Inc. – Purchase 6 Slot Machines (Replacements)

- Aristocrat, Inc. – Purchase 8 Slot Machines (Replacements)
- Pepsi Cola – Beverage Products
- International Game Technology – Replace 4 Machines w/Addams Family and Jeopardy Machines under Iowa Agreement
- International Game Technology – Lease 6 Slot Machines (Replacements)
- AC Coin – Lease 4 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-34)

Mr. Wentworth advised the Commission that everyone was very happy with the Vision Iowa Board's decision to give Dubuque $40 million toward the America's River Project. He noted that the City, Dubuque Racing Association, and Dubuque Diamond Jo had worked very hard on the project. Mr. Wentworth stated that since Vision Iowa is funded with gaming dollars, the grant represents $40 million of gaming funds going back to the area.

Chair Sealock called on Dubuque Diamond Jo (DDJ). Natalie Schramm, Chief Financial Officer, presented a contract with Sysco Iowa for food products for Commission approval.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by DDJ. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-35)

Chair Sealock called on Kim Hardy, General Manager of the Isle of Capri Marquette (IOCM), who presented a contract with VSR Lock, Inc. for slot stands for Commission approval.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contract as submitted by IOCM. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-36)

Chair Sealock called on Catfish Bend Casino. Dan Kehl, General Manager, advised the Commission that the vessel had been moved to Fort Madison a month early due to the flooding on the Mississippi River. He indicated the docking facility in Fort Madison is better equipped to handle the high water levels.

Mr. Kehl presented the following contracts for Commission approval:

- Midwest Game Supply – Purchase 10 Slot Machines (Replacements)

- Mikohn Gaming Corporation – Lease 1 Caribbean Stud Table & Related Equipment
- Rheinschmidts Floor Specialists – Furnish and Install New Carpet on 1st, 2nd and 3rd Decks of Vessel

Mr. Kehl stated that the carpet contract is part of a planned $600,000 renovation of the vessel to be started in June. He indicated further contracts connected to this project would be forthcoming.

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Catfish Bend Casino. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-37)

Chair Sealock called on the Mississippi Belle II (MB II). Ken Bonnet, General Manager, presented the following contracts for Commission approval:

- Innovative Gaming – 60-day Trial and then Purchase of 8 Video Slot Machines (Replacements)
- Shuffle Master – Lease of 3 Video Slant Top Machines (Replacements)
- Shuffle Master – Lease of 3 Video Slant Top Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the MB II contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-38)

Chair Sealock moved to the contracts submitted by Rhythm City Casino. Mark Lohman, General Manager, welcomed the Commission to Davenport. He stated that Isle of Capri had spent approximately $24 million renovating the new Rhythm City Casino, and were anxious to have the Commissioners tour the new vessel; however, the Mississippi River had other ideas. Mr. Lohman noted that the vessel was closed to the public Wednesday morning due to safety concerns. Chair Sealock expressed regret that the Commission members would not get to see the new vessel on this trip.

Mr. Lohman stated that the grand opening of the vessel had been scheduled for the following week, but that it had been postponed until the water levels fell.

Mr. Lohman presented the following contracts for Commission approval:

- Brandt Company – Direct Mail Printing & Distribution
- Chesapeake Advertising – Advertising Services
- Collections Services Center – Employee Withholding Payment Center
- Dingeldein Philms – DVD Production

- Equifax – Check Authorization Service Provider
- Four Star Entertainment – Ray Charles Concert Agreement
- Hartford Life Insurance – Short Term Disability – Employee Benefit
- IGT – Purchase of 16 Slot Machines (Replacements)
- Iowa Workforce Development – State Unemployment Taxes
- Mikohn Corporation – Lease 10 Slot Machines (Replacements)
- Parker Distributing – Diesel Fuel for Vessel
- Pepsi – Vending Machine Lease/Mobile Bar Purchase
- Rivercenter/Adler Theatre – Concert Tickets & Packages
- Taylor & Dean – Chair Recovering/Embroidery
- WMS Gaming, Inc. – Purchase 24 Upright Video Slot Machines (Replacements)
- WMS Gaming, Inc. – Lease 7 Slot Machines (Replacements)

Hearing no discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts for Rhythm City as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-39)

Chair Sealock called on Ameristar Casino. Jane Bell, Government Relations Manager, presented the following contracts for Commission approval:

- X-Treme Laminators – Laminate 900 Slot Machines
- Poe Construction and Mfg. – Rental of Grandstand Seating
- Creative Surfaces – Fabricate & Install Slot Machine Signs
- Mikohn Gaming – Fabricate & Install Slot Machine Signs
- Atronic Casino Technologies – Purchase 50 Slot Machines & Related Supplies (Replacements)

Hearing no discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts for Ameristar as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-40)

Chair Sealock called on the Belle of Sioux City (BSC). Brian Wessels, Director of Finance, presented a contract with Argosy Gaming for Intercompany charges for February 2001.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-41)

Chair Sealock moved to the contracts submitted by Harveys. Verne Welch, General Manager, presented the following contracts for Commission approval:

- Commercial Consultants – Casino Carpet
- Electronic Engineering Co. – Internal Radio System
- Sysco Corporation – Food Products (Increase)

Mr. Welch informed the Commission that Sysco had opened an office in Council Bluffs. He provided the Commissioners with a list showing the various Iowa vendors from which Sysco purchases products.

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Harveys. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-42)

Chair Sealock called on Lakeside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- WMS Gaming, Inc. – Purchase 8 Slot Machines (Replacements)
- Boise Cascade Office Products – Purchase Office Supplies for Casino

Hearing no discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside Casino. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-43)

Chair Sealock moved to the approval of the distribution of the Horse Racing Promotion Fund. Linda Vanderloo, Director of Racing/Administration for IRGC, stated that notice had been given at the March Commission meeting, with applications due in the Commission's office by March 23, 2001. Staff recommended that each horse association receive the amount generated through their races. The total amount available for distribution is $5,045.58.

Hearing no discussion concerning the proposed distribution, Chair Sealock requested a motion. Commissioner Hamilton moved to approve distribution of the Horse Racing Promotion Fund in the following manner:

- Thoroughbred Breeders and Owners Association - $4,520.48
- Iowa Quarter Horse Racing Association - $410.28
- Iowa Harness Horseman's Association - $114.82

Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-44)

Chair Sealock called on Prairie Meadows Racetrack and Casino (PMR&C). Derron Heldt, Director of Racing, presented PMR&C's 45-day plan for the mixed thoroughbred/quarter horse meet, which begins on July 21 and runs through October 6, 2001. He noted there are two vacancies in the racing officials at this time, but that he would work with Ms. Vanderloo.

Mr. Ketterer asked Mr. Heldt what the percentage of purses for the second meet was relative to the first meet. Mr. Heldt stated that thoroughbred purses would be $1,950,000 while purses for the quarter horse meet are $1,450,000. Mr. Ketterer stated that the average thoroughbred purse for the mixed meet is approximately 65-70% of the purses for the first meet. Mr. Heldt confirmed the statement.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Mahaffey moved to approve the 45-day plan for the mixed meet at PMR&C as submitted with the following contingencies:

- The immediate written notification of any change in racing official positions.
- The completion of necessary DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-45)

Chair Sealock moved to the contracts submitted by PMR&C. Gary Palmer, Director of Operations, presented the following contracts for Commission approval:

- Audiovisual, Inc. – Audio/Visual Equipment & Service (Increase)
- Cash Systems, Inc. – Cash Advance Services
- Bolton & Hay – Food Service Equipment (Increase)
- Combined Systems Technology, Inc. – Computer Products/Service
- Data Business Equipment – Coin Redemption Systems
- Harker's Distribution, Inc. – Food Purchases
- IKON Office Solutions – Copy Machine Maintenance (Increase)
- IOS Capital – Copy Machine Lease (Increase)
- KPMG Peat Marwick, LLP – External Auditing Services (Increase)
- Pomeroy Computer Resources – Computer Hardware/Service

Commissioner Hamilton asked about the contract with Cash Systems, Inc. from Burnsville, MN. Mr. Palmer stated the RFP was submitted to four different companies, but that no Iowa vendors submitted a bid.

Hearing no further discussion, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-46)

Chair Sealock moved to the approval of a proposed Stipulated Agreement on Delinquent Pari-Mutuel Taxes by Bluffs Run Casino (BRC). Mr. Ketterer stated that in early February, the Commission became aware of the fact that they had not received pari-mutuel taxes or unclaimed winnings from some of BRC's simulcast meets they were receiving. Following a short review of the records, it became apparent that BRC had not made any payments since November 1999 in compliance with Iowa Code Section 99D.15, which requires that pari-mutuel taxes be paid to the Commission office within ten days of the close of the meet, and unclaimed winnings are to be paid within 60 days of the close of the meet. Mr. Ketterer stated that he treated the violation the same as failure to pay taxes in a timely manner, and looked to the Department of Revenue and Finance for guidance. Each of the delinquent payments was charged the statutorily prescribed rate of interest, with an added penalty of 10% interest. The final totals were $297.67 interest and $2,147.10 for the 10% penalty. Mr. Ketterer recommended approval.

Mr. Welch, General Manager at BRC, advised the Commission that a new mutuel manager had been hired. He also indicated that the taxes used to be paid annually under the former managers, and that he was unaware of the taxes. Mr. Welch stated that several new procedures have been put in place to prevent this from happening in the future. He stated that BRC is current with its tax payments at this time.

Hearing no discussion concerning the proposed Stipulated Agreement, Chair Sealock requested a motion. Commissioner Hansen moved to approve the Stipulated Agreement as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-47)

Chair Sealock moved to the next agenda item – Consideration and Approval of Plan for Escrow Fund by Iowa West Racing Association (IWRA). She noted that the plan had been submitted in response to a motion made at the March Commission meeting, which stated in part: "The Iowa Greyhound Association and IWRA have until March 31 to develop and submit a specifically identifiable plan for the disposition of the Escrow Account or the IRGC will." Commissioner Sealock pointed out that the plan submitted by IWRA did not meet the requirements of the motion; therefore, IRGC will be creating the plan for the disposition of the escrow account. She indicated that since there may have been a lack of opportunity to develop a joint plan, IWRA developed their own plan and submitted it to the Commission. Chair Sealock stated the plan was well put together and contained a considerable amount of valuable data that would be a useful tool for the Commission in developing their plan.

Tony Payne, Executive Director of IWRA, stated that in response to the directive of the Commission on March 1st, IWRA put together a plan for the Bluffs Run Greyhound

Escrow Fund for the development and promotion of the Iowa greyhound industry. IWRA established goals, and developed action plans in order to accomplish the goals. Mr. Payne advised that IWRA had put a lot of effort into the plan, and is very enthused about the plan. They feel the plan will help turn the industry around. At this time, Mr. Payne turned the floor over to Gary Armentrout, Senior Vice President of Harveys.

Commissioner Mahaffey asked if there were any discussions with IGA in an attempt to reach a joint agreement to present to the Commission by March 31. Mr. Armentrout advised that there was one meeting with the IGA in an effort to resolve the purse supplement issue for 2001. Part of the plan presented to IWRA by IGA incorporated the use of the escrow fund into the purse supplement issue. The parties were unable to negotiate a purse supplement, so they are proceeding to arbitration.

Mr. Ketterer asked for guidance for future reference. He stated that when the plan was delivered, along with a cover letter, that it appeared to be inconsistent with the Commission's motion at its March 1 Commission meeting. Mr. Ketterer stated that he was reluctant to place the matter on the agenda because of the discrepancy, but was cognizant of the fact that there was a written request to have the matter placed on the agenda. He stated that he did not feel he could leave the matter off the agenda without a written request to withdraw the issue from the agenda. Mr. Ketterer stated that no such request was received. He further indicated that he did have a discussion with a representative of the IGA, and because of conversations of various Commissioners, he did not think this particular item would be discussed at this meeting. Mr. Ketterer stated that he did not think an IGA representative was present based on his belief, and representation to them, that this item would not be discussed. It was his understanding, based on the motion, that since a joint plan was not submitted, the Commission would be developing the plan for the disposition of the escrow account.

Chair Sealock stated that she had discussed the matter with Jean Davis, Assistant Attorney General representing the Commission. Ms. Davis stated that the request from IWRA was made in conformance with the Commission's rules, and without a request to withdraw the item from the agenda, IWRA would have the right to make the presentation.

Mr. Armentrout stated that Mr. Ketterer's comments or the Commissioners were not inconsistent with his understanding of the motion, and were consistent with his discussion with Mr. Ketterer when he submitted the plan on March 30. His understanding of the Commission's motion on March 1 was that the IGA and IWRA were to submit a joint plan by March 31; and in the event the two parties failed to do so, the Commission would do so. Mr. Armentrout stated that IWRA made a good faith effort in meeting with the IGA. As the parties were not able to agree on a joint plan, IWRA elected to submit a plan in reliance upon the Commission's directive in the hope that the plan would contain information that would be useful to the Commission as a resource document as they developed a plan. Mr. Armentrout stated that he assumed the IGA would also submit a plan to the Commission so that the Commission could take the best points from each plan and meld them into their own plan for the Bluffs Run Greyhound

Escrow Fund. IWRA requested an opportunity to discuss their plan with the Commission. He assumed the IGA would be present to do the same, and presumed they would still have the same opportunity. Mr. Armentrout stated that he would like to proceed with his presentation and explain in detail some of the thinking behind IWRA's plan.

Chair Sealock reiterated that the March 31 deadline for submitting a plan has passed, and it is now up to the Commission to develop a plan for the disposition of the escrow account. She indicated that she would have preferred that IWRA and IGA had come to an agreement.

Mr. Armentrout stated that he also would have preferred that the parties reached an agreement. He indicated that he did not expect the Commission to approve the plan as submitted by the IWRA. IWRA feels this is a balanced plan that calls for an immediate payout to current operators and dog owners at BRC, but also allows for the investment for the future of the industry at BRC.

Chair Sealock stated that there are several points in the plan that would be helpful to the Commission staff and the arbitration panel.

Mr. Armentrout stated that IWRA's plan has taken seriously the directive of the Iowa Legislature that slots were allowed at BRC for the purpose of promoting and developing the greyhound industry in Iowa. Despite five and half years of slots and increasing dollars in purse supplements at BRC, the current situation has not achieved the goal that the Legislature sought. Patron participation is declining. Handle at BRC has decreased from $122 million in 1986. Since 1986, attendance, as measured by handle, has fallen by 92%. Last year, attendance at BRC, as measured by live handle, amounted to $9.9 million. During that same time period, purses have increased from $3.9 million to $9.6 million, or an increase of 242%. In 2000, attendance dropped by 12.4% even though purse supplements have increased by 32.6%. Mr. Armentrout stated there are no incentives for Iowa-bred greyhounds to race at out-of-state tracks.

Mr. Armentrout started his presentation by providing a brief history of previous arbitration decisions regarding the escrow fund. He pointed out that in 2000, the arbitration panel ordered disbursement from the escrow fund for purse supplements at $20 per point for Iowa bred and regular purses, and $500,000 for two additional stakes races. The arbitration panel also authorized the use of $100,000 from the escrow fund to be used by the IGA to hire an individual to promote the Iowa greyhound industry. The money was withdrawn from the fund, but no one was ever hired by the IGA. These mandates by the arbitration panel cost the Bluffs Run Escrow Fund over $2 million. IWRA feels the funds could be better used for the benefit of the greyhound industry.

Mr. Armentrout advised that IWRA's plan contains seven points, which are as follows:

- Protect the Fund

- Retain a Professional Consultant
- Promote the Sport
- Improve Greyhound Safety and Welfare
- Invest in the Business
- Supplement Purses
- Support the 2002 Referendum

He then covered each point and IWRA's recommendations concerning that point. A copy of IWRA's plan is available for viewing in the Commission's Des Moines office.

Mr. Armentrout provided a brief cost analysis by each point as to the cost of IWRA's plan to the escrow account. IWRA's plan would cost the escrow account $1,593,000 on an annual basis and $445,000 in one time costs, for a total of $2,038,000.

Mr. Armentrout stated that it is time for the Commission to create a long-term plan for the Bluffs Run Greyhound Escrow Fund. IWRA has suggested seven points, and encourages the Commission to utilize their plan, and other resources, in developing their plan. Mr. Armentrout expressed IWRA's hope that the Commission's plan would incorporate many of the points included in their plan. One of the benefits of adopting such a plan is that it would remove one of the obstacles to the negotiation of the purse supplements and the arbitration of the purse supplements. Mr. Armentrout stated that once the Commission has adopted a plan concerning the escrow account, it will be considerably easier for the IGA and IWRA to come to terms on the purse supplements.

Mr. Ketterer stated that the marketing and promotion of the racing fan, racetrack safety, and renovation and upgrading of the grandstand would be the responsibility of the racetrack licensee, not the kennel operators. He indicated these issues should be brought up during the license renewal in September.

Tom Murphy, a member of the Crawford Law Firm, was present to represent the IGA. He stated that he attended the March Commission meeting, and understood that the plan was to be a joint plan to which both parties agreed. Mr. Murphy stated that the IGA never saw IWRA's plan prior to its submission, nor did they have an opportunity to review the plan prior to receiving inquiries from the media. He indicated that the IGA thought this meeting would be uneventful. Mr. Murphy made the following statements in response to comments made by Mr. Payne and Mr. Armentrout:

1) There were several meetings at the conference table at which this plan was developed. He stated that to the best of his knowledge, the IGA was never invited to attend the meetings.

2) Mr. Armentrout indicated there was a meeting with the IGA regarding the plan. Mr. Murphy indicated the plan was submitted by IWRA prior to the meeting, and the IGA did not receive a copy of the plan at the meeting.

Mr. Armentrout stated that he understood the Commission's concern on the duties of the track to promote itself and invest in the facility. He stated that BRC has done both over the past year to a greater extent than has ever been done in the past. Mr. Armentrout stated that the Iowa Division of Tourism awarded BRC the Tourism Attraction of the Year award. He stated that IWRA intended to continue that level of promotion. Mr. Armentrout stated that past arbitration decisions have stated that funds from the Bluffs Run Escrow Fund can be used to pay operating expenses at BRC.

Lyle Ditmars, legal counsel for IWRA, addressed the issue of greyhound injuries at the track. He pointed out that IWRA had made a presentation to the Commission at its October meeting on this topic. Mr. Ditmars stated that the injury rate has dropped to an acceptable level since BRC has gone back to relying on their own judgment and knowledge versus the advice of experts in the area. He indicated they are very pleased with the condition of the track surface, and pointed out that is the limit of what BRC can control with regard to injuries. BRC does not have any control over the care of the greyhounds, the frequency they are raced to a certain extent, nor any of the factors that may cause injuries. Mr. Ditmars referred to a study by Dr. Peter Muir, "Prevention of Fatigue Fractures in the Racing Greyhound", which contains suggestions to help the greyhound trainers and breeders develop greyhounds, train them and race them in a manner that is most beneficial to the greyhound. Mr. Ditmars stated that an outside, independent engineering firm tests the track surface at BRC on a quarterly basis and provides management with a report. The most recent report indicates the track surface is in excellent condition.

Mr. Payne left a copy of Iowa West Foundation's annual report.

Chair Sealock called on Wes Ehrecke, Executive Director of the Iowa Gaming Association. Mr. Ehrecke presented an update on legislative action regarding the Gambling Treatment Fund. He noted that the Association's members have always had a strong commitment regarding responsible gaming. He advised the Commission that over the past two years, approximately $2.5 million of the gambling treatment funds have been redirected toward other uses; and despite efforts to the contrary, this year could be worse if the Legislators approve the appropriations bill for the Department of Public Health in its current form. The fund would see a cut of approximately 55%. Those funds would be distributed as follows: $1,690,000 – Addictive Disorders/Substance Abuse Treatment; $371,000 – Iowa Veteran's Commission for Iowa Veteran's Home; and the remaining $1,690,000 would go to the Gamblers Treatment Program. This is what would be left to fund the 1-800 help line, the treatment providers, advertising, and outreach. The bill could be debated on the floor as early as Friday, or early next week. Mr. Ehrecke also stated that the Fund suffered an additional $400,000 cut last week, which will affect approximately 400 people seeking help from the Iowa Gambling Treatment Program. He stated that he liked to think Iowa has one of the lowest problem gambling rates in the country due to the fact that they had a premier program that was adequately funded.

Commissioner Mahaffey asked Mr. Ehrecke to what extent the cut in funding was attributable to the budget problems and those individuals that don't believe the Gambling Treatment Program needs that much money and there are better uses for the money. Mr. Ehrecke stated that the cut was a combination of the two. He noted that the chairman of the Health & Human Rights Committee stated that substance abuse was a far greater problem than gambling treatment. Mr. Ehrecke stated that the licensees pay into the fund, but it is up to the Legislature to determine how the funds are used. He noted the Gambling Treatment Program could be very well funded, and Iowa could have a premier treatment prevention treatment program.

Chair Sealock stated that at the beginning of the legislative session there was talk of restoring the funding to the Gamblers Treatment Program. Mr. Ehrecke stated that the legislators were taken by surprise by the budget shortfalls, and there are major cuts being discussed in all areas.

Chair Sealock called on Mr. Ketterer regarding the Commission's budget. Mr. Ketterer stated that when this item was placed on the agenda, the Commission had received a request from the Administration and Regulation Subcommittee for a 17% cut from IRGC's budget. Since that time, the request was dropped to a much lower level, and the appropriation has been approved. The issue is moot at this point. If the 17% cut had been necessary, IRGC would have been looking at paring racing dates at the three racetracks. The final budget cut was approximately 6%.

Chair Sealock moved to Administrative Business. There was a discussion concerning the proposed meetings dates for FY 2002. Mr. Ketterer noted that past practice of the Commission has been to avoid holding the October meeting during the week of the World Gaming Expo. It was determined that if the majority of the licensees were going to attend an earlier conference in October versus the World Gaming Expo, the October meeting would be held on the third Thursday. No action was taken to finalize the dates.

As there was no Public Comment, Chair Sealock called for a motion to adjourn the meeting. Commissioner Mahaffey so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# MAY 17, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, May 17, 2001 at the Ameristar Casino Hotel in Council Bluffs, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton and Mike Mahaffey. Commission member Jim Hassenfritz was absent.

Chair Hansen called the meeting to order at 8:40 AM, and called on The Honorable Tom Hanafan, Mayor of Council Bluffs, who welcomed the Commission to the city.

Chair Hansen then called on the Iowa West Racing Association (IWRA), the non-profit license holder for Ameristar, Harveys and Bluffs Run Casino (BRC). Chuck Smith, President, showed a brief video highlighting the positive impact that gaming has had on Council Bluffs, Pottawattamie County and all of Southwest Iowa. Since its inception, IWRA had given out 820 grants totaling more than $55 million.

Chair Hansen moved to the next agenda item – a presentation regarding Council Bluffs' Vision Iowa project, the Mid-America Recreation and Convention Center by Gary Armentrout, Senior Vice President for Harveys.

Chair Hansen gave a brief presentation regarding the tax growth/economic implication of gaming proceeds in Iowa. He noted that the two previous presentations highlight the impact of gaming on the cities, counties and other organizations. Chair Hansen stated that he wanted to take a few minutes to underscore how the changes had occurred. Of the gambling proceeds received by the State of Iowa annually, more than $60 million goes into the General Fund, approximately $15 million goes to Vision Iowa, another $5 million is used for special infrastructure, and another $100 million goes to other infrastructure projects. Chair Hansen stated that $45 million of the $47 million needed for the restoration of the capitol came from gambling proceeds. He indicated that he had been tracking the economic implications and the tax impact since the beginning of racing and gaming in Iowa. A copy of Chair Hansen's chart is attached, and fully incorporated in the minutes by this reference. Chair Hansen noted that during the 1980's the State collected approximately $34 million in taxes from the three racetracks, but during the 1990's, the State has collected more than $676 million from the racetracks and riverboats, an increase of approximately 2,000%. He then did a comparison of the last five years. In 1994, the State received $8.5 million in taxes; however, in 1999, the State received $163.4 million, for an increase of 1,872%. Chair Hansen noted that from 1991 to 2000, total receipts to the General Fund increased by $1.8 billion. He then advised that the Legislature had diverted approximately 50% of the funds earmarked by the Gambling Treatment Program for use in other areas.

Chair Hansen moved to the approval of the agenda. Commissioner Mahaffey moved to approve the agenda as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen moved to the approval of the minutes from the April Commission meeting. Commission Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced the IRGC staff from the Council Bluffs facilities: Licensing Assistants Linda Baxter, Gina Goos and Julie Petersen; Gaming Representatives Lynette Masker, Scott Ditch, Carol Fajen, Karen Larsen and Max Zaragosa; Jeff Rethmeier, Steward, and Dr. Sally Prickett, State Veterinarian.

Mr. Ketterer noted that the June 21 and July 19 Commission meetings would be held at the Sheraton Four Points located on Merle Hay Road in Des Moines. Submissions are due by June 7 and July 5 respectively.

Chair Hansen called on Mr. Ketterer regarding the rules before the Commission under Notice of Intended Action. Mr. Ketterer stated that the rules contained items Commission staff felt needed to be addressed. The first item pertains to the Board of Steward's ability to designate the date of suspension when a license is suspended. He noted that suspended licensees have sometimes manipulated the suspension dates in the court system. The proposed rule would not affect any judicial order. Rules regarding conflict of interest have also been added for the stewards. The final item sets forth the qualifications for a practicing veterinarian to be licensed at the track. Mr. Ketterer recommended that the rules be approved as submitted.

Hearing no discussion concerning the rules, Chair Hansen requested a motion. Commissioner Sealock moved to approve the rules as submitted under Notice of Intended Action. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-48)

Following a short break, Chair Hansen called on Verne Welch, General Manager of Harveys Casino Hotel. Mr. Welch introduced Gary Loveman, President of Harrah's Entertainment, Inc., whose company has announced the planned purchase of Harveys Casino Resort. Mr. Loveman introduced Charles Atwood, Chief Financial Officer/Sr. Vice President, and Tim Wilmott, President of Harrah's Eastern Division, which will include the Iowa properties. Mr. Loveman provided a brief history of Harrah's and their strategy in purchasing Harveys. Mr. Atwood discussed Harrah's financial strength, and Mr. Wilmott covered the company's philosophy in their operations. A copy of Harrah's presentation to the Commission is attached and incorporated in its entirety by this reference.

Chair Hansen, referring to a Chicago Tribune study on mergers, noted that seven out of ten companies lag in performance of their peer groups in terms of payoff. Mr. Loveman advised that Harrah's has been through three major acquisitions in building their company, two of which have been complete successes. There were some issues with the other due to competitive pressures in that particular company's jurisdiction. He indicated that the transition should be smooth as the two Iowa businesses are very similar to facilities they currently operate, and many of the same values and systems are in place.

Commissioner Sealock asked Mr. Loveman to elaborate on Harrah's decision to not attach their name to the Bluffs Run Casino (BRC) facility. She wondered if that was an indication that Harrah's might sell the facility.

Mr. Loveman advised that Harrah's has no intention of selling BRC. He stated that Harvey's Iowa properties have the greatest growth potential of the properties Harrah's will be acquiring. Mr. Loveman noted that Harrah's does not have any experience operating a facility involved in the racing/gaming industry, and they want to make sure that if the Harrah's name is on the facility that it will meet their expectations and standards. If Harrah's feels the patrons' experience at BRC will be consistent with other Harrah's properties with regard to service, then they will add their name to the facility.

Commissioner Sealock advised Mr. Loveman that she expected Harrah's to make sure that the BRC facility met Harrah's standards, and that their name would be on the facility.

Commissioner Mahaffey asked Mr. Loveman what Harrah's would do differently with regard to the BRC facility.

Mr. Loveman stated that Harrah's is aware that they need to better understand the greyhound racing industry, what purpose it serves for the community, and that they are properly maintained. He stated that he is not aware of any reason why Harrah's should not be able to bring the BRC facility up to their standards, but that Harrah's does have some learning to do with regard to that facility.

Mr. Ketterer noted that Harrah's is involved with some management agreements with several tribal casinos. He asked Mr. Loveman if Harrah's has had any discussions, or has any intent, of entering into management agreements with the two Native American casinos that are north of the Council Bluffs area.

Mr. Loveman called on Pete Weien, Vice President of Development, to address this issue. Mr. Weien stated that Harrah's considers their involvement in the Native American gaming business as an opportunity to expand their distribution into areas where they can't operate and own their own facilities. He indicated there would be no need to work with the Native American casinos in Iowa due to their purchase of the Harveys and BRC facilities.

Mr. Ketterer stated that the information was important for the Commissioners as he felt there could be a conflict of interest in terms of the State's goals in that the Native American tribes are sovereign entities and are not subject to state taxes.

Hearing no further questions regarding Harrah's, Chair Hansen moved to the contract approval portion of the agenda. Chair Hansen called on Catfish Bend Casinos (CBC). Mr. Ketterer advised Chair Hansen that Dan Kehl, General Manager of CBC, was unable to make the meeting. He noted CBC had one contract with Doran and Ward for the printing and mailing of Players' Club Calendars, Flyers, etc. on the agenda.

Hearing no questions concerning CBC's contract, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the contract as submitted by CBC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-49)

Chair Hansen called on the Belle of Sioux City (BSC). Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for March 2001 (RP)
- Midwest Casino Supply – Replace 420 Slot Stools
- Cash Systems, Inc. – Cash Advance Service Provider
- Mikhon Corporation – 3-Year Caribbean Stud Lease

Commissioner Sealock asked about the contract with Cash Systems, Inc., which provides cash advance services. She wondered if there was a company in Iowa that could provide the same services. Mr. Wessels stated there were none that he was aware of.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BSC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-50)

Chair Hansen called on Mississippi Belle II (MB II). Mr. Ketterer advised that Ken Bonnet, General Manager of the MB II, was not able to attend the meeting. He presented a contract with IGT for the replacement of three slot machines.

Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve MB II's contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-51)

Chair Hansen called on Rhythm City. Mark Lohman, General Manager, advised the Commission that the facility is still closed, but hope to reopen on Saturday or Sunday. Mr. Lohman presented the following contracts for Commission approval:

- AON Risk Services – Risk Services – General Insurance
- IGT – Purchase 59 Slot Machines (Replacements)

- IGT – Lease 5 Additional Wheel of Fortune Slot Machines
- Venture Systemsource, Inc. – Casino Management System Installation
- WG Block – Fill Sand & Bags

Chair Hansen questioned the contract with AON Risk Services for insurance. Mr. Lohman stated that it was his understanding this is a corporate-wide policy for Isle of Capri. He will determine if there is any possibility that it can be placed with an Iowa vendor in the future.

Chair Hansen stated there was discussion the previous evening that the Iowa law requiring the use of Iowa vendors does not make any exceptions for out-of-state operators. It is becoming more of an issue. Commissioner Sealock stated that she would like to see more information on these contracts if the companies are going to be using the out-of-state vendors.

Commissioner Sealock asked if the five additional Wheel of Fortune machines leased from IGT were replacements. Mr. Lohman indicated they were replacements at this time, but that Rhythm City has not reached the maximum number of gaming positions authorized by the Commission.

Mr. Lohman advised the Commission that the President of WG Block is on the board of Riverboat Development Authority.

Hearing no further questions concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-52)

Chair Hansen called on Ameristar Casino. Anthony Taeubel, General Manager, welcomed the Commission to the facility. He noted Ameristar had spent approximately $35 million upgrading the facility. Mr. Taeubel presented the following contracts for Commission approval:

- The Printer Inc. – Printing Marketing Collateral
- Tim O'Neill Chevrolet, Inc. – 12 New Vehicles for Promotions & Company Use
- Lamar Outdoor Advertising Company – Outdoor Advertising Billboards
- Schottel, Inc. – Rudder Propeller/Transom Mount

Hearing no discussion concerning the contracts, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-53)

Chair Hansen called on Harveys. Grant Gubbrud, Director of Finance, presented the following contracts for Commission approval:

- Corporate 3 Design – Printing of Promotional Materials
- Hall, Estill, Hardwick, Golden & Nelson – Legal Fees
- Show Productions, Inc. – AV Services, Including Hanging Speaker System

Commissioner Sealock stated that she didn't see any explanation attached to the contracts as to why an out-of-state vendor was used for printing or legal fees. Mr. Gubbrud advised that all three contracts were for specialized services.

Chair Hansen requested that Harveys used the standardized Request for Transaction Approval form utilized by the other licensees. Hearing no further discussion concerning the contracts, he requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Harveys. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-54)

Chair Hansen called on Isle of Capri Bettendorf (IOCB). Michael Hirsch, Director of Finance, presented the following contracts for Commission approval:

- John Keady's GM Superstore – Purchase of Company Vehicles
- Mel Foster Co. Properties, Inc. – Lease Office Space for Joint Employment Center

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by IOCB. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-55)

Chair Hansen called on Dubuque Greyhound Park & Casino (DGP&C). Brian Southwood, Assistant General Manager, presented a contract with IKON Office Solutions for a copy machine lease for Commission approval.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-56)

Chair Hansen called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, Director of Operations, presented the following contracts for Commission approval:

- Atlantic City Coin & Slot – Potential Lease of 6 Green Men Slots
- Atlantic City Coin & Slot – Potential Lease of 6 Power Slotto Slot Machines
- Trident Network Services – Uplink for Simulcasting PMR&C's Live Racing across USA. (Previously submitted & approved for Spector Entertainment Group)
- Two Rivers Broadcasting – Radio Advertising on 5 Stations Owned by 1 Company

- Williams Gaming Inc. – Potential Lease of 4 Money Grab Slot Machines

Commissioner Sealock asked if the machine requests were additional machines or replacements. Mr. Palmer indicated the machines were replacements.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-57)

Following a short break, Chair Hansen called on Argosy Gaming Company regarding their request to obtain the necessary financing to purchase the Empress Casino Joliet Corporation. Dale Black, Chief Financial Officer for Argosy, stated that Argosy plans to finance the purchase by pursuing an increase in their revolving line of credit, a new term loan facility, and a subordinated note offering. Mr. Black noted that the Iowa property, BSC, would be used as collateral. He indicated that Argosy plans to spend approximately $100 million to upgrade and expand the Joliet facility. Mr. Black stated that Argosy is well positioned for this transaction, and will still have one of the stronger balance sheets of its peers in the gaming industry.

Chair Hansen asked about changes in Argosy's stock price. Mr. Black stated that after purchasing Lawrenceburg in 1998, the stock was trading at 1 7/8. Two weeks ago it was trading at 28.

Mr. Ketterer, referring to Mr. Black's statement that Argosy intended to spend $100 million to upgrade the Joliet facility, asked about their plans for Sioux City. Mr. Ketterer indicated that he feels the BSC is still under-performing despite double-digit growth.

Mr. Black stated that Argosy is trying to work with the city and do what they want. Sioux City leaders are still trying to determine where they want the boat located. One of the sites under consideration is involved in litigation at this time. He indicated that Argosy does not feel it would be prudent to make a significant outlay of cash at this time. Mr. Black noted that the BSC is one-fifth the size of Argosy's next largest property.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve Argosy's request to obtain the necessary financing to purchase the Empress Casino Joliet. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-58)

Chair Hansen called on the Greyhound Racing in Iowa Association (GRIA). Bob Lorber, President, advised the Commission that this group had been formed to improve the promotion and perception of greyhound racing in Iowa. He stated that the group had hired William "Kip" Keefer, former General Manager of Wichita Greyhound Park, to help them reach their goals. Mr. Keefer developed the "Greyhound Night of Stars"

concept for the American Greyhound Operators. At this time, he turned the microphone over to Mr. Keefer.

Mr. Keefer stated that he feels Iowa has great potential in the greyhound racing industry as there are several factors already in place: the resources; the accomplished, progressive people; the facilities; the quality of racing; and greyhounds. He stated that he had a positive conversation with BRC representatives regarding new equipment, track surfaces, and other issues.

Mr. Keefer stated that greyhound racing in Iowa and across the nation needs remodeling, but that everything necessary to do so is already in place here. He indicated that he has the necessary background and experience to help the GRIA achieve its goals.

Chair Hansen stated that greyhound racing is at a critical crossroads, more so in Iowa when it is coupled with the national downturn in racing. He asked Mr. Keefer what his level of optimism was for the future of greyhound racing.

Mr. Keefer stated that the greyhound racing industry is its own enemy. He indicated that during the industry's boom years, it did a poor job of preparing the next generation of fans for the advent of the new era of operations. Mr. Keefer stated that race programs remain virtually unchanged from 50 years ago. He noted individuals are entering the greyhound industry that are attempting to bring current technology to greyhound racing; therefore allowing the sport to be reinvented and reintroduced to the country.

Commissioner Mahaffey asked how the new association would work with the present organization. He wondered if GRIA would compete or compliment the other organization or create a division within the industry. Mr. Keefer stated that he felt the division was already in place. He stated that he has many associates involved in the existing organization, and hopes that he can help all the parties involved to communicate and unite them. He complimented the IGA on bringing the greyhound racing industry this far in Iowa, but noted the individuals who hired him have some differing views as to where the industry should go in the future and that this avenue is the best way to take the industry to the next level.

Chair Hansen called on Mr. Ketterer to present the next agenda item - the approval of the State Auditor's invoice for performing an audit of the Iowa Greyhound Association/Iowa West Racing Association (IGA/IWRA) escrow account. Mr. Ketterer advised the Commissioners that a copy of the Auditor's invoice in the amount of $12,348.13 was in their packets, and was being presented for approval to be paid out of the income from escrow account.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the payment of the State Auditor's invoice in the amount of $12,348.13 from the IGA/IWRA escrow account. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-59)

Chair Hansen moved to the Administrative Business before the Commission, and called on Mr. Ketterer regarding the proposed Commission meeting dates for Fiscal Year (FY) 2002. Mr. Ketterer stated that the proposed date of Thursday, August 16 needed to be changed to Tuesday, August 21 due to conflicts. The meeting will be held in Sioux City as planned.

Hearing no further discussion concerning the proposed meeting dates, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the FY 2002 Commission meeting dates as amended. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-60)

Chair Hansen called on Mr. Ketterer to address the next item under Administrative Business – Access to FBI National Records. He advised the Commission members that the Department of Public Safety (DPS) received a letter from the Federal Bureau of Investigation (FBI) indicating that after reviewing statutory language in Iowa that it lacked the required specificity that fingerprints are to be screened by a national entity (FBI). Without that specificity, the FBI interprets the statute that fingerprints are only to be screened by local law enforcement agencies. Under that interpretation, it will be necessary to change the statutory language under 99D, 99F, and 99E, which covers the lottery. The language change must be completed by May 2002. The Attorney General's Office, DPS, and FBI are in communication to ensure that the proposed language will meet the FBI's requirements. The agreed upon language will be presented to the legislative leadership so that it can be passed early in the session next year.

Chair Hansen called on Mr. Ketterer to provide an update on the status of the arbitration process for IGA/IWRA. Mr. Ketterer noted that the Commission requested the Arbitration Decision be delivered to the Commission's Des Moines office by May 1st at the March Commission meeting, which didn't happen. The parties did meet on Monday, May 14th in Council Bluffs. Mr. Ketterer stated that he expected a Decision would be submitted for approval at the June Commission meeting.

Chair Hansen moved to the final item under Administrative Business – Long Range Planning. He stated that he has always felt that it is crucial to engage in some kind of long range planning. Chair Hansen stated that he did not have any revolutionary concepts in mind, nor was he being critical of current processes. He stated that a subcommittee consisting of Commissioners Sealock, Hamilton, and he had had some preliminary discussions. Chair Hansen advised the Commissioners their packets contained a list of the five general areas the subcommittee would be reviewing. He indicated there would be a meeting on Wednesday, June 21 to allow the group to take testimony from Mr. Ketterer, and hear comments from staff. There will also be time allotted to the licensees to make comments.

There were no requests to address the Commission under Public Comment.

Following a short break, Chair Hansen moved to the final agenda item – a Hearing on the State's Motion to Dismiss, and possibly an appeal of a Decision issued by an Administrative Law Judge requested by Robert Partridge, Trainer, and Robert Rodgers, Owner. Mr. Ketterer advised the Commission that the issue before them was due to a hearing on a Request for Review filed by Mr. Partridge and Mr. Rodgers, which was heard by the Board of Stewards at PRM&C. The Board of Stewards' Decision was appealed, and ultimately upheld by the Administrative Law Judge (ALJ). Mr. Rodgers elected to appeal the ALJ's Decision. Mr. Ketterer stated the first issue the Commission needed to address was the State's Motion to Dismiss. He noted that Mr. Rodgers was in attendance. Mr. Ketterer advised the Commission members that all pertinent information was in their meeting packets. He turned the floor over to Jean Davis, Assistant Attorney General for the Commission.

Ms. Davis stated that she filed a Motion to Dismiss, but noted that she was also prepared to argue the merits of the case if the Commission elected to do so. Ms. Davis provided the following background information: In November 2000, the Stewards at PMR&C issued a Ruling, which affected the outcome a race held on September 16th in the Altoona Derby. One of the horses entered in the race tested positive for lasix. In accordance with their authority, the Stewards determined the drug was a prohibited substance for that particular horse, and that the trainer should be sanctioned, and the purse redistributed. Ms. Davis noted that the race in question is more complex than a single race as the Altoona Derby had multiple races in order to complete the Derby. The races on September 16th were qualifying races, with the final race to be held on September 29th. When the drug test results were received indicating a positive for lasix, the trainer exercised his right to a split sample. The split sample was forwarded to a different laboratory for testing. While the Stewards were waiting for the results of the testing on the split sample, they entered into an Agreement with the trainer, Mr. Partridge, that the horse, which had qualified for the final race on September 29th, would be permitted to race, and would be permitted to enter as a coupled entry with another horse owned and trained by the same individuals; there would be no pari-mutuel wagering on that particular entry, and that there would be a purse redistribution if the split sample came back positive for lasix. The split sample came back positive for lasix, and on November 1, 2000, the Stewards issued a Ruling implementing the previously arranged agreement for the Altoona Derby and the horse that tested positive for lasix. Ms. Davis stated that as a result of the Stewards' Ruling, the trainer was fined $500 and the purse was redistributed. The trainer filed a timely appeal. She noted that the Commission's Administrative Rules require that appeals from determinations made by the Board of Stewards must be filed within 72 hours. Under the Commission's Administrative Rules for contested case hearings, an ALJ or the Commission may hear appeals from Stewards' determinations. In this case, the ALJ held a full, contested case evidentiary hearing in accordance with most of the provisions of Iowa Code Chapter 17A and the Commissions' Administrative Rules contained in Chapter 4. The ALJ issued a Proposed Decision, which was issued in accordance with the Chapter 4 rules. Ms. Davis noted that the Proposed Decision issued by an ALJ could trigger a review of the matter by the Commission. The Commission's Administrative Rules are very specific as to

requirements for filing a timely Motion for Appeal and point of contact once an appeal has been filed.

Ms. Davis read a portion of IAC 491-4.43, subparagraph 1 which states that an adversely affected party may perfect an appeal within ten days from the adverse ruling. In order to be assured that parties are fully apprised of the manner in which to perfect that appeal, the Commission promulgated a rule which sets out the steps that must be followed in order to affect a timely appeal. Additionally, the Commission promulgated Administrative Rule (4.3(1)) that sets out the methods by which the time for perfecting an appeal shall be computed. Under that rule, the first day of issuance is not counted, but ten consecutive days after that day are counted. If the tenth day falls on a Saturday or Sunday, the individual is permitted to file the appeal on the following Monday. Ms. Davis noted that the computation of time for filing an appeal is not atypical as a method of computing time for other administrative bodies, but for filing of other types of jurisdictional-type actions.

The Commission has also promulgated a rule saying that all documents to be filed with the Commission must be filed at the Commission's offices, and that no papers are to be considered filed until received. The Commission's Administrative Rules govern any appeal of a Proposed Decision in any case heard by an ALJ involving IRGC matters. Ms. Davis stated that in the case before the Commission, the ALJ issued his Decision on March 28, 2001, making the appeal due on April 9, 2001. She stated the appeal was received in the Commission's office on April 10, 2001. Ms. Davis noted that the Commission might wonder why one day would make a difference. She stated that in filing her Motion to Dismiss she was not trying to minimize the effort put forth in preparing the appeal by a pro se person. Ms. Davis pointed out that her Findings indicate that Mr. Rodgers was represented by legal counsel at the Administrative Hearing, but does not have counsel on the Administrative Appeal.

Ms. Davis stated that the issue before the Commission is whether they have jurisdiction to hear the appeal. Ms. Davis stated that if the Commission does not have the jurisdiction to hear the appeal, the time frame in which the appeal was filed would have no bearing as the Proposed Findings of Fact and Conclusions of Law set forth in the ALJ's Decision would become final. The time frames are a well-established legal doctrine. She noted that an individual would not have the ability to appeal the Commission's determination to the District Court in an untimely manner. Ms. Davis stated that the District Court would not be able to entertain a late filing, even if it was only one day late.

Ms. Davis stated that the Administrative Rules exist as a matter of public policy so that administrative actions can have a degree of finality attached to them. She noted that all tribunals have different sets of Administrative Rules for the processing of appeals. She stated that the Commission's 10-day time frame for the filing of an appeal by an individual of an ALJ's Decision is not atypical if a search of other state agency rules was conducted with regard to the filing of an appeal – some are longer while others are shorter. Ms. Davis also noted that the Commission has Administrative Rules that pertain

to the filing of appeals from Stewards' Decisions, Gaming Board Decisions, and Occupational Licensing Decisions – all having a shorter period of time in which an appeal can be filed, but which must be followed.

Ms. Davis stated that Mr. Rodgers has cited the Rules of Civil Procedure in his appeal. The Rules of Civil Procedure set forth certain types of guidance for the filing of appeals that may be governed by those rules. She advised the Commission that even though Mr. Rodgers brought those rules forward as an analogy, the rules are irrelevant and do not apply to the Commission. Ms. Davis stated that administrative tribunals are vested with rulemaking authority to establish the procedures under which those tribunals will operate, which the Commission has exercised by establishing procedures that are to be followed in the cases that come before the Commission. She stated that the State filed the Motion to Dismiss because the State is of the opinion that the Commission lacks the jurisdiction to hear the appeal. Ms. Davis requested that the Commission grant the State's Motion to Dismiss.

At this time, Chair Hansen called on Mr. Rodgers for his comments regarding the State's Motion to Dismiss.

Mr. Rodgers distributed copies of Rule 107 of the Rules of Civil Procedure and a timeline. Chair Hansen asked if those were the rules the Commission was operating under. Mr. Rodgers indicated they were the basis for his appeal. Rule 107 of the Rules of Civil Procedure provide for additional time to file an appeal if the service was by mail. They allow the Court the discretion of giving additional time for a response or motion to be filed after the expiration of the specified time when failure to timely file was the result of excusable neglect. The rule further states that three days shall be added to the prescribed period if the papers are served on the party by mail. Mr. Rodgers stated that all documents have been served on Mr. Partridge and himself by mail. He pointed out that the Decision of the ALJ was dated March 28, 2001, but that he personally did not receive a copy of the Decision until Saturday, March 31st. He noted that he did receive a call from Rick Olson, his former legal counsel, on March 29th, who read portions of the Decision to him. Mr. Rodgers stated that he advised Mr. Olson he would read the Decision and decide whether or not to pursue further action. He attempted to contact Mr. Olson on Tuesday, April 3rd, but was advised that Mr. Olson would be out of the office all week and would return on Monday, April 9th. On that date, Mr. Rodgers called Mr. Olson's office and was advised that he was out of the office. Mr. Rodgers finally made contact with Mr. Olson at 4:00 PM that day, at which time Mr. Olson advised him that he did not want to pursue the Motion to Review. Following a lengthy discussion, Mr. Olson did agree to have his office prepare the cover sheet providing Mr. Rodgers would prepare the document setting forth his reasons for requesting the review and fax it to his office. Mr. Rodgers stated that Mr. Olson assured him that a postmark on the due date of April 9th was adequate. Mr. Rodgers stated that he did prepare the document setting forth his reasons for seeking the review, and faxed it to Mr. Olson's law office where his assistant attached the cover sheet and then mailed. The documents were received in the Commission's office on April 10, 2001. Mr. Rodgers stated that if he had known Mr.

Olson was going to be unavailable, he would have insisted on speaking with him prior to April 9th to insure that Mr. Olson understood his position. Mr. Rodgers stated that the prior explanation does give the Commission the discretion to hear his Request for Review. He further stated that since the Decision was served by mail, three days should be added to the time frame for the filing of an appeal, making April 10th the final date on which an appeal could be filed. He contends that the Request for Review was timely filed under "a" and "b" of Rule 107, Rules of Civil Procedure. Mr. Rodgers asked that the Commission deny the State's Motion to Dismiss and allow his Request for Review to be heard. He stated that he feels strongly that Mr. Olson's office should have hand-delivered his Request for Review, but did not as it was after 5:00 PM before the document was completed, and Mr. Olson's assistant was under the impression that it would be considered to be received in a timely manner.

Chair Hansen asked Ms. Davis if she had any additional comments. Ms. Davis reiterated that the Iowa Rules of Civil Procedure are not applicable to the Commission's proceedings and are not binding on the Commission.

Commissioner Mahaffey asked if Mr. Partridge timely filed his appeal. Ms. Davis stated that the initial appeal requesting a hearing before an ALJ was timely filed. The appeal had to be filed within 72 hours of November 1st. She noted that Mr. Rodgers was not a signatory to the original appeal, but the triggering of the initial appeal was sufficient to preserve his right to appeal.

Commissioner Mahaffey asked if Mr. Partridge was still involved in the proceedings. Ms. Davis stated that he is not. She pointed out that the parties have conceded the $500 fine, and that is not an issue before the Commission. Commissioner Mahaffey stated that it was his understanding that Mr. Partridge is no longer involved in the proceedings. Ms. Davis indicated that was correct.

Mr. Rodgers stated that the issue is the redistribution of the purse.

Mr. Ketterer asked if it would be appropriate to take the Motion to Dismiss under advisement, and allow Mr. Rodgers and Ms. Davis to present their comments and arguments on the Request for Review, which would allow the Commission to rule at a later time on both the Motion to Dismiss and, if necessary, Request for Review.

Commissioner Mahaffey stated that the Commission is acting in the capacity of Judge and jury, but felt the Commission could allow the parties to present their comments and arguments on the Request for Review.

Chair Hansen asked if the Commission was establishing an undesirable precedence by allowing the parties to present their case regarding the Request for Review. Mr. Ketterer stated that he was not suggesting that a decision on the Motion to Dismiss be stayed, but that if the Commission later determined that the Motion to Dismiss should be upheld, then the arguments presented for the Request for Review would become moot as the

Commission would have granted the Motion to Dismiss. He indicated that he was suggesting the Commission take the Motion to Dismiss under advisement at this time, and proceed with the Request for Review rather than have the parties return at a later date to present those arguments.

Commission members elected to take the Motion to Dismiss under advisement, and hear the arguments regarding the Request for Review. Ms. Davis stated that under normal circumstances the Appellant would present their case first, but she would defer to the Commission's preference. Chair Hansen indicated the Appellant, Mr. Rodgers, could proceed. He asked if Mr. Rodgers could present his arguments in five minutes. Mr. Rodgers indicated that he could.

Mr. Rodgers stated it was his understanding that the Commission members had all of the information before them regarding this case. Chair Hansen indicated that was correct. Mr. Rodgers stated that Ms. Davis failed to point out one important fact – that he and his trainer had two horses in the Altoona Derby trials on September 16th. He indicated the horses are siblings. One horse, Fast Streakin Bully is a lasix horse, while Solid Gold Bullion is not a lasix horse. Mr. Rodgers stated the horses were not entered in the same race, but were in the barn at the same time. He clarified that the drug test results from the races on September 16th were not returned to the PMR&C Stewards until September 27th. By that time, both horses had been qualified for the finals of the Altoona Derby, and the draw had taken place on Wednesday, September 27th, prior to the Stewards having any knowledge of any problems with lasix. Mr. Rodgers stressed that lasix is a permitted substance if it is administered to the correct horse. He noted that the ALJ had pointed out that lasix is not a performance enhancing drug.

Mr. Rodgers stated that the ALJ, Judge Priester, had reached the right conclusion; that the right ruling by the IRGC Stewards would have been to fine the trainer, Robert Partridge, and not redistribute the purse won by Solid Gold Bullion. He indicated that the reason Judge Priester overruled that conclusion was because he found that the trainer had agreed to the taking of the purse of Solid Gold Bullion should the split sample come back positive. Mr. Rodgers stated there is no written documentation to substantiate the agreement, but went on to state that by starting Solid Gold Bullion in the Altoona Derby on September 29th the trainer apparently agreed to the taking of the purse. Mr. Rodgers pointed out that the Stewards' Ruling, Exhibit A, was issued on September 29th, which was also the day of the Altoona Derby finals. He stated that since the Ruling was issued late in the day, Mr. Partridge did not have any way to respond except to race the horse. Timing issues also would have made it nearly impossible to obtain a court injunction so that Solid Gold Bullion could have run without being encumbered by the Stewards' Ruling. Mr. Rodgers stated that their only options were to either run the horse or scratch the horse and then go to court for the winner's share of the purse since they were denied the right to participate, although the second option is not a logical way to proceed. Mr. Rodgers stated that if the IRGC Stewards made the correct ruling per Judge Priester's Decision, there would have been no appeal. He stated that he and Mr. Partridge would have responded in the same manner as Dick Clark and the first two Darin Wolcott cases

in September 1999, which was to pay the fine set out by IRGC and receive the purse money. They would not have spent the money to have the split samples tested, and there would have been no reason for the Stewards' Administrative Ruling indicating that the purse would be taken away if the split samples were positive. Mr. Rodgers stated that the correct ruling by Judge Priester was that the trainer be fined and the horse goes forward. He further stated that the IRGC Stewards placed Mr. Partridge in an impossible situation with no good options by issuing the Administrative Ruling, and eventually lead to today's hearing. Mr. Rodgers stated that he would not be before the Commission today if the Stewards had issued the correct ruling according to Judge Priester. He indicated that what happened in the test barn on the day of the trials will never be proved absolutely. He stated that what transpired was a total accident as Mr. Partridge would never intentionally give lasix to Solid Gold Bullion and not Fast Streakin Bully. He indicated that if there was a mix-up at the test barn or testing laboratory, it was a mistake on those individual's part; there was no intent to do wrong on the part of anyone. Mr. Rodgers reiterated that Solid Gold Bullion's performance was not enhanced by the lasix. Mr. Rodgers stated that he filed the Request for Review to give the Commission members the opportunity to correct a wrong. He indicated that he has been hurt immensely as an owner and breeder by what has transpired. Mr. Rodgers stated that he strongly disagreed with Judge Priester's Ruling that Trainer Partridge agreed to the Steward's Ruling simply because he ran Solid Gold Bullion in the Altoona Derby final. He requested that the Commission overrule the last part of Judge Priester's Decision and allow the purse earned by Solid Gold Bullion to be paid to him.

Ms. Davis started her presentation by emphasizing that Judge Priester's legal conclusion is that the Board of Stewards' determination should be affirmed, and further states that the trainer, Robert Partridge, should be assessed an administrative penalty and the purse redistributed. She further noted that there is no challenge in this case that the Stewards' had the authority to issue such an order based on the facts and circumstances, which may differ from case to case. Noting that Mr. Rodgers had made reference to rulings issued to Dick Clark and Darin Wolcott, Ms. Davis stated that Ralph D'Amico, Chief Steward, had testified to the differences in the cases during the hearing. She reminded the Commissioners that their determination should be confined to the evidence actually presented at the hearing, nor is there a request before them to expand the record. The record is the information presented before Judge Priester. Ms. Davis stated that during the hearing Mr. D'Amico testified that the trainer agreed to the method by which those entries would occur on September 29th. She further noted that is the only testimony from a first hand witness to that event as Mr. Partridge did not testify and Mr. Rodgers was not present. She indicated there was a written memorandum from the Stewards setting forth the agreement. It is her opinion that Judge Priester placed an appropriate weight on the agreement when making his decision. Ms. Davis stated that Mr. Rodgers had two horses entered – one tested positive for lasix but was not approved to receive lasix. The other horse, Fast Streakin Bully, which is approved to receive lasix, did not receive it. Ms. Davis stated there was an error in the administration of the medication, for which the trainer is responsible. When the sample came back positive, thus causing a problem for the race to be held on September 29th, the Stewards offered the trainer a right to a split

sample, but the condition of that was that the purse would be redistributed if the split sample came back with the same result, which it did.

Ms. Davis stated that it was not necessary for the Commission to get into a scientific discussion on the efficacy of the administration of lasix. She further indicated there is no need to have a discussion as to whether lasix is performance enhancing as the General Assembly has addressed the issue. Iowa Code Chapter 99D defines "drugging" as any foreign substance, but will not include lasix if it is properly administered, which it was not in this case. Solid Gold Bullion was not supposed to receive lasix; therefore, there was a foreign substance in his system when he ran. The same chapter further states that the practice of drugging a horse prior to a race corrupts the integrity, misleads the public, has the potential for serious injury to the animal and has a potentially cruel and inhumane effect on the animal. Ms. Davis noted that Judge Priester did spend some time discussing the efficacy of lasix administration, and whether or not it is performance enhancing, but feels that it is not dispositive of the case because Iowa Code Chapter 99D addresses the issue.

Ms. Davis indicated some Commission members might be wondering why the trainer is held accountable. She stated that under Iowa's system, which is also common in other jurisdictions, the trainer is responsible for all medications that are administered. The trainer also acts on behalf of the owner in terms of making entries and scratches, determining the care and exercise of the horse, and other determinations discussed during the course of the hearing. Ms. Davis stated that Mr. Partridge had authority to enter into the agreement he entered into, and entered into the agreement with the full understanding that the purse would be redistributed.

Ms. Davis stated that she could be sympathetic to Mr. Rodgers' situation where a purse has been redistributed as it affects his livelihood. She also pointed out that Mr. Rodgers could have benefited by the Stewards' decision to allow the horse to race on September 29th. She noted that Mr. D'Amico testified to the benefits of having a horse run in a Class A event, the prestige of having an entry in that event, as well as qualifying for the event, and how it affects the long-term viability of the horse and the financial viability of that particular breeding. Ms. Davis stated that the purse redistribution should be affirmed.

Commissioner Hamilton asked if the horses ran in the trials on the same day or one day apart. Ms. Davis stated that both horses ran in the trials on September 16th. Mr. Rodgers advised that the horses ran in back-to-back races, not the same race, but that both horses were in the test barn at the same time. Ms. Davis concurred with Mr. Rodgers' statements. She further noted that both horses were allowed to run in the final race on September 29th.

Commissioner Mahaffey asked if the horse would have been allowed to run in the race if the trainer had not agreed to the agreement. Ms. Davis stated that the Stewards would have had the authority to disallow the horse to race based on the positive lasix test result. The situation was complicated by the fact that the owner and trainer had exercised their

right to have a split sample submitted for testing, which is part of the rules for the Altoona Derby.

Commissioner Mahaffey noted that Judge Priester referred to a similar case in June 1997 where the Stewards fined the owner, Dick Clark, $200 for the unauthorized presence of lasix and did not order the purse money to be redistributed. He asked if there were circumstances to distinguish that particular case from Mr. Rodgers' case.

Ms. Davis stated that Steward D'Amico testified on that particular issue at the hearing. She noted that the Clark case did involve lasix, but did not involve a derby or same type of race. Ms. Davis stated that Steward D'Amico testified that he did not agree with the ruling in the Clark Case; that he felt the purse should have been redistributed. She further noted that he testified as to the effects on the betting public when lasix is incorrectly administered; that the race program would not have indicated that Solid Gold Bullion was racing with lasix. Commissioner Mahaffey asked if that information could have made a difference to the bettors. Ms. Davis indicated that it could have; but that the bigger impact was the fact that the program indicated Fast Streakin' Bully was racing with lasix, but didn't get it.

Ms. Davis stated that when the Commission looks at past determinations by previous Boards of Stewards, the determinations are not binding on the Commission unless all of the facts are exactly the same. She further stated that Mr. D'Amico discussed other ways in which the Stewards would evaluate similar circumstances. Ms. Davis indicated that the issue before the Commission today is to determine if the Stewards acted appropriately, or did they act arbitrarily. She noted that Judge Priester concluded the Stewards did not act arbitrarily.

Commissioner Mahaffey stated that the case comes down to a question of the issues; and noted that under Iowa law, the trainer is the agent for the owner and is capable and held responsible for making decisions that have to do with all racing matters. Ms. Davis stated these issues were never raised in the Dick Clark ruling.

Mr. Rodgers requested permission to address the Commission on some of the issues raised by Ms. Davis. Chair Hansen granted the request.

Mr. Rodgers stated that it was his opinion that the two cases quoted in the hearing, the Clark case, was very similar to his case except for the fact that he had two horses involved; and that what happened to them was totally an accident, which he feels has been adequately established. He also feels it is important to understand that the situation involving Mr. Wolcott was much more serious because lasix is a permitted substance if it is administered to the correct horse, whereas Boldenone and testosterone are forbidden and are considered performance enhancing. Mr. Rodgers stated that Mr. D'Amico signed the Wolcott Ruling and agreed to Mr. Walcott receiving the purse money and being fined $200 for the first offense. Additionally, split samples were not sent for testing as Mr. Walcott paid the $200 fine. He indicated the that same circumstances occurred in the

Dick Clark Ruling in 1997 for a lasix violation. Mr. Rodgers stated that Mr. Clark was fined $200, no split samples were sent for testing.

Commissioner Hamilton asked if the races in those situations were the same type of race as involved in this situation.

Mr. Rodgers stated that any steward who has attended Stewards' schooling, they are taught there are a number of issues that are not reviewed when issuing rulings or ruling on the outcome of a race. Those issues are who is riding the horse, who the horse is, the owner, the trainer, or the type of race. He emphasized that those issues should not play any part in how the ruling is issued. Mr. Rodgers stated that the Stewards have set a precedent in four previous rulings.

Mr. Ketterer advised Mr. Rodgers that it appears the Stewards made a ruling based upon the race and samples that were taken on September 16th. He asked Mr. Rodgers if he had been paid the purse that Solid Gold Bullion won for the race in which he received lasix. Mr. Rodgers indicated that he had not; that the purses were being held for the trials and the final race. Mr. Ketterer stated it was his understanding that the Stewards made their decision based upon the fact that the trainer would either scratch the horse from the race, or the horse would be allowed to run if split samples were sent off for testing, and that if the split samples confirmed the previous test results, the purse would be redistributed. If the split samples came back positive for lasix, they would have validated the Stewards' decision to scratch the horse from the finals. However, as the Stewards were unable to get the results of the split sample back in time; they decided to allow the horse to run in the final race without any pari-mutuel betting being allowed on the entry, and the agreement that any purse earned by Solid Gold Bullion on September 29th would be redistributed.

Mr. Rodgers stated that Mr. Ketterer's comments were basically correct.

Commissioner Mahaffey asked Mr. Ketterer what would have occurred if there had not been an agreement with the trainer. Mr. Ketterer stated that he could not state for sure what would have occurred, but felt the reason the Stewards took the action they did was because if they scratched Solid Gold Bullion from the Derby final based on the original test results from the trial run, and then received the split sample results indicating the original test result was incorrect, the Stewards would not have had a way to restore the purse as there would not have been any way to determine how well the horse would have run in the final. Mr. Ketterer stated that the agreement was similar to a restraining order in that it allowed the horse to participate in the Derby final, but with the understanding that if the split samples confirmed the original test results from the ISU lab, that the horse would not be eligible for the purse. Mr. Ketterer asked Ms. Davis and Mr. Rodgers if that was their understanding of the agreement between Mr. Partridge, the trainer, and the Stewards.

Mr. Rodgers stated his contention is that if the Stewards had ruled consistently based on previous Rulings, this Ruling would never have happened. He indicated that if the Stewards had issued a letter fining Mr. Partridge $200 based on the fact that Fast Streakin Bully did not receive lasix and $500 because Solid Gold Bullion did receive lasix this issue would not have been appealed, nor be before the Commission now.

Mr. Ketterer advised Mr. Rodgers that Mr. D'Amico was a steward in the previous rulings, but that the other two stewards were different. He stated that the purpose of the hearing before the Commission was to determine if the Administrative Law Judge's Decision was correct, not the Stewards.

Commissioner Mahaffey asked Mr. Rodgers if he was asserting that his trainer, Mr. Partridge, did not have the authority to enter into the agreement. Mr. Rodgers stated that the only way Mr. Partridge consented to the agreement was by running the horse in the Derby final, which he contended was basically what Judge Priester stated. He stated that Mr. Partridge would testify to that as well. Commissioner Mahaffey stated that his understanding of Mr. Rodgers' statement was not a question of whether Mr. Partridge had the authority to enter into the agreement, but that he did not enter into the agreement. Mr. Rodgers reiterated that Mr. Partridge did not enter into the agreement; that the only way he agreed with the agreement was by entering, and running, Solid Gold Bullion in the Derby final.

Mr. Ketterer read the following statement from Page 6 of Judge Priester's Decision: "Appellant Partridge agreed that Solid Gold Bullion would forfeit all purse monies if the split urine sample came back positive fore Lasix."

Ms. Davis indicated that statement was based on first-hand testimony given by Mr. D'Amico; and was not disputed in the record. She noted that Mr. Partridge did not testify at the hearing, and was not present by phone.

Commissioner Mahaffey indicated it was his understanding that the ALJ found as part of his factual conclusions that there was a legal agreement. Ms. Davis indicated that was correct. She stated that the record supports Mr. D'Amico's testimony because it contains a written memorandum that summarizes the agreement (Exhibit A). Mr. Rodgers stated that Exhibit A did not say anything about an agreement between Partridge and D'Amico.

Commissioner Sealock stated that she was becoming uncomfortable with the situation. She indicated that what they were hearing was different from what was before them. She noted that the Commission is not able to hear all of the testimony, and that comments are being attributed to the Administrative Law Judge.

Commissioner Mahaffey stated that Mr. Rodgers has a right to present his case as does the Attorney General; however, the Commission would need to review the record as presented to the ALJ. He noted that if they go beyond that in this hearing, they are going outside the scope of their jurisdiction.

Mr. Rodgers stated that he still feels that if Stewards, Ralph D'Amico, Dick Garrison and Gerald Hobby, had made the correct ruling consistent with prior rulings, this issue would not be before the Commission, he would not have spent $500 to send off the split sample, the $700 of administrative fines would have been paid, and the horse would have run in the Derby final with no action with regard to the purse, which is very consistent with the Stewards' actions with regard to other people in the same kind of situation. Mr. Rodgers stated that it is his contention that the Stewards' Ruling in this situation is not consistent and is not fair. He asked the Commission to correct the wrong.

Ms. Davis closed her arguments with an analogy as to what circumstances should trigger a purse redistribution, as presented by Mr. D'Amico during testimony before the ALJ. In Mr. D'Amico's opinion, the purse should be redistributed any time there is a foreign substance in the racing animal. This would serve as a deterrent against future violations. The analogy: If you don't take the proceeds from a bank robbery away; the individual would be willing to pay a fine or do the time if they were able to keep the proceeds from the bank robbery.

Mr. Rodgers pointed out that may be what Mr. D'Amico says, but that he has not been consistent in his application of that rule. He stated that he has not done that in the past and questioned why he should start now.

Chair Hansen stated that the Commission has gone as far as they can. He asked the Commission members if they wanted to take the matter under advisement, or address it.

Commissioner Sealock moved to dismiss the appeal.

Commissioner Mahaffey stated that he was not going to second the motion, and offered the following explanation. He stated that Ms. Davis was correct in filing the Motion to Dismiss, but feels there is some equity in Mr. Rodgers' statements. He further stated that he did not feel the case should be decided on a Motion to Dismiss.

Commissioner Sealock's motion died for lack of a second.

Chair Hansen stated that he concurred with Commissioner Sealock's position. He noted there are other legal remedies that Mr. Rodgers could pursue. Chair Hansen stated he is concerned about preserving the Commission's rules and does not want to make decisions that are contrary to them. He called for any other motions.

Mr. Ketterer asked if it would be appropriate to have a motion denying the Motion to Dismiss in order to have some disposition of the Motion. Chair Hansen noted that was one option. Mr. Ketterer stated that the Motion to Dismiss had been disposed of due to the fact that Commissioner Sealock's motion did not receive a second; therefore, the Commission could proceed with the review.

Commissioner Mahaffey stated that the Commission needed to determine whether they wanted to take the matter under advisement or make a ruling at this time. He opted for making a decision at this time.

Commissioner Sealock moved to affirm Judge Priester's Decision. Chair Hansen called for a second. There was none.

Chair Hansen stated that in his opinion, the only other motion is a motion to deny the State's Motion.

Commissioner Hamilton asked what would happen if Commissioner Sealock's motion were to pass. Mr. Ketterer indicated that would be the end of it for the Commission, but Mr. Rodgers would have the ability to appeal the Commission's decision to District Court.

At this time, Commissioner Hamilton seconded the motion to affirm Judge Priester's Decision. Hearing no further discussion, Chair Hansen requested a roll call vote. The vote was 4-0. (See Order No. 01-61)

Chair Hansen stated that Mr. Rodgers has the opportunity to take the matter to the District Court. He stated, without prejudice to the merits, that District Court is where he feels the case belongs.

As there was no further business before the Commission, Chair Hansen requested a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING & GAMING COMMISSION
# MINUTES
# JUNE 21, 2001

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 21, 2001, at the Sheraton Four Points Hotel, 4800 Merle Hay Road, Des Moines, Iowa. Commission members present were: W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Commissioner Diane Hamilton was absent.

Chair Hansen called the meeting to order at 8:00 AM and requested a motion to go into Executive Session. Commissioner Mahaffey moved to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation (DCI). Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-62)

Following the conclusion of the Executive Session and a short break, Chair Hansen reconvened the open session of the meeting and advised those in attendance that there were three changes to the agenda. Chair Hansen amended the agenda to reflect the noticed Executive Session, a presentation by Prairie Meadows Racetrack & Casino (PMR&C) on a proposed season change and to delete the President and non-profit organizations under the review of the licensees' financial audits. Commissioner Hassenfritz moved to approve the agenda as amended. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-63)

Chair Hansen requested a motion to approve the minutes from the May 17, 2001 Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-64)

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer informed the Commission that Karyl Jones and Karlyn Dalsing had been named Leader of the Year and Employee of the Year respectively for the Department of Inspections & Appeals. Mr. Ketterer stated that the dates and locations for upcoming Commission meetings would be as follows:

- July Commission Meeting – July 19, Des Moines – Sheraton Four Points, Merle Hay Road (Submissions due by July 5, 2001)
- August Commission Meeting – August 21, Sioux City – Sioux City Convention Center (Submissions due by August 7, 2001)
- September Commission Meeting – September 20, Des Moines (Submissions due by September 6, 2001)

Chair Hansen called on Mr. Ketterer regarding the rules before the Commission under Notice of Intended Action. Mr. Ketterer noted that the only change to Administrative Rule 491-1.2 was to add a subrule setting out the Commission's procedure for reconsidering previous actions.

Chair Hansen advised that provisions for reconsidering previous motions under Roberts Rules are extremely cumbersome and complex. He stated that other boards on which he has served had established their own rules of consideration so that it was clear as to how the board would function in those situations. He explained that this rule is simply spelling out the Commission's procedure for Motions to Reconsider.

Hearing no further discussion concerning the rules before the Commission under Notice of Intended Action, Chair Hansen requested a motion. Commissioner Sealock moved to approve the rules as submitted under Notice of Intended Action. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-65)

Chair Hansen called on Mr. Ketterer to address the Admission Fee Schedule for Fiscal Year 2002. Mr. Ketterer stated that Iowa Code Chapter 99F requires the Commission to collect admission fees from the boats. The Code further states that the amount to be collected shall be the Commission's appropriation less credit applied for fees paid (annual license renewal fees, occupational licensing fees) plus 80% of the DCI agents and Gaming Officers' salaries and up to $125,000 in additional costs. Mr. Ketterer stated that each riverboat would begin paying $8,667 in admission fees on July 5, 2001.

Hearing no discussion concerning the Admission Fee schedule, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the Admission Fee Schedule for 2002. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-66)

Chair Hansen moved to the Contract Approval portion of the agenda and called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Eye in the Sky for photo finish services for greyhound racing.

Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by DGP&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-67)

Chair Hansen called on PMR&C. Bob Farinella, General Manager, presented the following contracts for Commission approval:

- IGT – Potential Lease of 11 Slot Games (Replacements)
- Shufflemaster – Potential Lease of 8 Slot Games (Replacements)
- Williams Gaming Inc. – Potential Lease of 4 Slot Games (Replacements)
- Phillip C. McGraw – Sponsorship of Speaker for KCCI Television's

Women Expo 2001

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-68)

Chair Hansen moved to PMR&C's request to make changes to the mixed meet, which will begin on July 21, 2001 and conclude on October 6, 2001. Mr. Farinella stated that when PMR&C established their race days and times at the beginning of the year, they had reviewed the simulcast market and on-track market. They decided to race on Sunday to encourage local race fans to come to the track and participate in the live race meet, even though there was not much opportunity to simulcast their signal. During the thoroughbred meet, PMR&C's observation has been that local participation on Sunday has not increased to the levels hoped for; therefore, during the upcoming mixed meet PMR&C would like to race on Tuesday versus Sunday. Additionally, they have reviewed the take out percentages offered by other racetracks. Mr. Farinella noted that approximately four years ago PMR&C experimented with lowering their take out percentages on win-place-show bets with the hope that it would encourage increased wagering. That did not happen at the time, and they increased their percentages the following year. Mr. Farinella stated there has been change in the industry toward lowering the take out percentages on two and three horse wagers. PMR&C will lower their two-horse race take out percentage to 19%; and the three-horse races to 22%. The take out percentage for the Pick 4, which will be a special wager at PMR&C, will be at 12% to attract some wagering activity.

Chair Hansen stated that he had expressed concern previously over the loss of sizeable simulcast income as it would require an extreme increase in on-track income. He noted that some management members continue to be overly concerned about the difference in margin between 20% on track and 2 or 2½% simulcast.

Chair Hansen called for any further comments or questions concerning the change in race days for the mixed meet at PMR&C. Mr. Ketterer stated that since the simulcast market is the largest part of the wagering, it is very important to make the simulcast market aware of the impending change in race days. Mr. Farinella stated they would be working with the Daily Racing Form and other trade publications in order to maximize exposure regarding the change in race days.

Hearing no further comments or questions regarding the requested change in race days and takeout percentages, Chair Hansen requested a motion. Commissioner Sealock moved to approve PMR&C's request to change race days and takeout percentages for the mixed meet. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-69)

Chair Hansen called on Catfish Bend Casinos (CBC). Dan Kehl, General Manager, presented the following contracts for Commission approval:

- Directions for Design, Inc. – Development of Design for Casino Remodeling; Draperies and Wall Coverings
- Walker Boat Yard, Inc. – Drydocking Services for Vessel

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by CBC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-70)

Chair Hansen called on Mississippi Belle II (MB II). Ken Bonnet, General Manager, presented a contract with Walker Boat Yard for dry dock services that will lift the vessel out of the water for a hull inspection.

Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by MB II. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-71)

Chair Hansen moved to the contracts submitted by the Isle of Capri Marquette (IOCM). Barron Fuller, Director of Operations, presented the following contracts for Commission approval:

- Anchor Gaming (Leasing) – Lease of 4 Slot Machines (Replacements)
- Aristocrat – Purchase of 20 Slot Machines (Replacements)
- Bally Gaming, Inc. – Purchase of 11 Slot Machines (Replacements)
- First Health – Employee Health Benefits
- International Game Technology (IGT) – Lease of 9 Slot Machines (Replacements)
- International Game Technology (IGT) – Lease of 5 WAP Slot Machines (Replacements)
- Mikohn Gaming – Lease of 12 Slot Machines (Replacements)
- Williams Gaming Inc. – Lease of 6 Slot Machines (Replacements)
- Williams Gaming Inc – Purchase of 35 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by IOCM. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-72)

Chair Hansen called on Belle of Sioux City (BSC). John Pavone, General Manager, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for April 2001 (RP)
- Expanets – New Telephone System
- IGT – 3 Wide Area Progressive Slot Machines (Replacements)
- Wellmark – Employee Health Care Plan, formally an Intercompany charge with Argosy Gaming

Chair Hansen asked for an explanation of the inter-company charges. Mr. Pavone stated that Argosy has moved its health insurance from General American to Wellmark. The insurance is bid by Argosy and then they are billed for the costs. Mr. Pavone further stated that Expanets is a telephone company located in Sioux City, and the contract with IGT is to replace existing machines.

Hearing no further questions regarding the BSC contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by BSC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-73)

Mr. Pavone introduced Kim Kreber, formerly with Miss Marquette. He stated that Ms. Kreber has joined Argosy Gaming Co. in Sioux City to serve in a Management Development role for the next several years. He also introduced Craig Robinson, who will serve as the Executive Director of Internal Audit for Argosy. Mr. Pavone advised the Commission that this would be his last official Commission meeting for Argosy in Iowa. Argosy has offered him the opportunity to transfer to their Baton Rouge facility.

Chair Hansen called on Harveys Casino Hotel (Harveys). Grant Gubbrud, Director of Finance, presented the following contracts for Commission approval:

- Blue Velvet Productions – Holiday Concert
- ColorFX – Printing Services – Action Magazine

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Harveys. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-74)

Chair Hansen moved to the contracts submitted by Dubuque Diamond Jo (DDJ). Natalie Schramm, Assistant General Manger, presented the following contracts for Commission approval:

- Barbour, Griffith & Rogers, Inc. – Consulting (RP)
- Gaming Hospitality Solutions – Custom Software
- J & A Printing – Printing/Advertising

Chair Hansen asked about the consulting contracts with Barbour, Griffith & Rogers, Inc. Ms. Schramm stated the firm would be providing governmental relation services with regard to the upcoming elections in Wisconsin.

Hearing no further discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DDJ. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-75)

Chair Hansen called on Ameristar Casino. Tony Taeubel, General Manager, presented the following contracts for Commission approval:

- WMS Gaming – Amended Participation Agreement (2 Replacements)
- WMS Gaming – Amended Participation Agreement (4 Replacements)
- Casino Data Systems – Purchase/Participation Agreement for Bonus Wheel Slot Games (10 Slot Replacements)
- AC Coin and Slot Service Company – New Participation Agreement for Video Slotto Games (4 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Jeopardy Games (5 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Wheel of Fortune Games (8 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Price is Right (6 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Addams Family (4 Slot Replacements)
- Mikohn Gaming – New Participation Agreement for Video Ripleys Believe It or Not Games (10 Slot Replacements)
- Mikohn Gaming – New Participation Agreement for Video Battleship Games (6 Slot Replacements)
- Mikohn Gaming – New Participation Agreement for Video Yahtzee (3 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Austin Powers (4 Slot Replacements)
- International Game Technology – New Participation Agreement for Video Austin Powers (2 Slot Replacements)
- Konami Gaming Inc. – New Participation Agreement for Video Reel Slot Machines (10 Slot Replacements)
- Anchor Gaming – New Participation Agreement for Video Flip Flop Slot Games (8 Slot Replacements)
- Anchor Gaming – New Participation Agreement for Video I Dream of Jeannie Slot Machines (3 Slot Replacements)
- Anchor Gaming - New Participation Agreement for Video Wheel of Fortune Slot Machines (8 Slot Replacements)

- Mainelli Mechanical Contractors – Repairs to Sanitary Sewer Lift Station Rehabilitation (Contract & 3 Change Orders)
- Shuffle Master – New Participation Agreement for Video Lets Make a Deal Slot Machines (10 Slot Replacements)

Commissioner Sealock asked why the contract for IGT indicated it was an out-of-state vendor when they have an office in Council Bluffs.

Mr. Taeubel stated that the Council Bluffs office was for the wide area progressive slots, and the above contracts are not a part of that system. He indicated there was some confusion as to how this contract should have been processed – in state versus out-of-state vendor.

Chair Hansen stated that he is concerned that Iowa statute requires the licensees to pursue the purchase of Iowa goods and services. In the last several months, the Commission has seen a movement away from that due in large part to out-of-state corporate mandated corporate purchases. He stated that the statute does not provide an exception to the purchase of Iowa goods and services. Chair Hansen stated that four years ago when the Commission established a subcommittee pertaining to this issue, the licensee were purchasing 37% of their goods and services from Iowa vendors. That figure has increased to 53%. Fourteen percent of purchases are for equipment not available in Iowa, leaving 32% of additional purchases being made outside Iowa. Chair Hansen stated the Commission intends to readdress this issue by appointing a subcommittee of two commissioners and two licensees in an attempt to further increase the percentage of Iowa purchases.

Mr. Taeubel stated that Ameristar fully supports the Commission's stance. He noted that he spearheaded the Iowa Vendor Fair three years ago. He further noted that the event has grown in size every year.

Hearing no further discussion regarding Ameristar's contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-76)

Chair Hansen called on Joe Massa, General Manager of Lakeside Casino, who presented the following contracts for Commission approval:

- Pingel & Temple, P.C. – Legal Counsel
- Clifton Gunderson Solutions – Accounting & Payroll Processing Software
- Clifton Gunderson Solutions – Public Audit & Computer Consulting Service
- Reinhart Food Service – Food Supplies for Kitchen
- Anchor Games – Video Wheel of Fortune Lease Renewal Participation Agreement

Hearing no discussion concerning Lakeside's contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-77)

Chair Hansen called on Isle of Capri Bettendorf (IOCB). Mike Hirsch, Senior Director of Finance, presented the following contracts for Commission approval:

- Farner Bocken – Cigarettes, Candy and Hotel Amenities
- The Lamar Companies – Outdoor Advertising
- Travel and Transport – Air Travel

Commissioner Hassenfritz asked about the contract with Travel and Transport for air travel. Mr. Hirsch stated that IOCB recently hosted the United Way Celebrity Golf Tournament. Part of the incentive to draw the celebrities was round trip airfare, with a couple of years to redeem the travel.

Hearing no further questions concerning IOCB's contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve IOCB's contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-78)

Chair Hansen called on Mark Lohman, General Manager of Rhythm City Casino (RCC), who presented the following contracts for Commission approval:

- Blackhawk Fleet – Spar Pole Installation (RP)
- Blackhawk Fleet – Fleeting for M/V President (RP)
- Heritage Landscape – Repair Damaged Landscape Due to Flood
- Matthews Office Equipment – Office Supplies (Transaction Increase)
- Rosenfield Dentino, Inc. – Direct Marketing Service Agreement
- Torrey Communications – Billboard Advertising

Hearing no discussion concerning the contracts for RCC, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by RCC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-79)

Chair Hansen called on Iowa West Racing Association/Harrah's Entertainment, Inc. (IWRA/Harrah's) regarding the purchase of Harveys Casino Resorts. Tony Payne, Executive Director of IWRA, advised the Commission that the IWRA Board endorses the Harrah's application. He noted that the Board has had the opportunity to meet with Harrah's corporate staff on numerous occasions, and have received feedback on various issues, including how Harrah's would operate Bluffs Run Casino (BRC) compared to Colony Capital, what the relationship would be, and the operating standards for the riverboat and the racetrack. The IWRA board also asked about Harrah's philosophy about

merchandising and "romancing" the product within the market, the plans for keeping the facilities in the highest state of readiness, and how active Harrah's would be in the community. Mr. Payne stated the IWRA Board is comfortable with Harrah's, and noted that if there is a way to enhance the performance of Colony Capital and Harveys, they feel Harrah's has the ability to do so.

Lorraine May, legal counsel for Harrah's, stated that they are very excited about the opportunity in Council Bluffs, and the potential of both facilities. She indicated that management team members have already met with various leaders in the community, and representatives of the kennel operators currently at BRC.

Ms. May introduced Pete Weien, Vice President of Development; Tim Wilmott, President of Harrah's Eastern Division; and Dennis Gallagher, Associate General Counsel/Compliance Officer; who were present to answer any questions the Commission may have regarding their application.

Commissioner Hassenfritz stated there was some confusion regarding the actual ownership of the BRC facilities. Ms. May stated the land and buildings are currently owned by a subsidiary of Harveys Casino Resorts and are leased to IWRA in connection with the operation of the facility. She advised that in terms of the operation of BRC, except for a change in the corporate ownership from Harveys to Harrah's, there is no change in the operations chart.

Chair Hansen stated that he had some concerns regarding the consolidation of management by mergers and acquisitions. He noted that Iowa now has nine owners for thirteen properties. Three of these owners control 53% of the properties, which raises the question of a potential monopoly. Chair Hansen stated that future merger acquisitions should be reviewed with that fact in mind, and the company's philosophy regarding purchases should be scrutinized. He noted that during the Commission's briefing they were advised of Harrah's heavy emphasis on centralized direction. Chair Hansen asked that Harrah's representative address how their policy would relate to the Iowa purchasing policy.

Ms. May stated there is nothing in the purchase that further consolidates ownership in Iowa's gaming facilities. She stated that Harrah's is fully committed to compliance with all IRGC rules and regulations. Ms. May noted that Harrah's has a particular product and logo that, in her opinion, has given them a pre-eminent name in the gaming industry. She feels they will be an excellent addition to Iowa's racing and gaming industry. She voiced her opinion that Harrah's entrance into Iowa will provide businesses with an incentive to open branches in Iowa.

Chair Hansen noted that he had read in various industry journals about an $8 million monthly loss that Harrah's was absorbing on the New Orleans' facility. It is his understanding that there have been legislative changes in Louisiana that will reduce the tax on standing facilities as well as rearrange the taxes on riverboat facilities. Chair

Hansen asked that a Harrah's representative address the loss incurred at the New Orleans' facility.

Mr. Weien stated that in March of this year, Harrah's reached an agreement with the State of Louisiana and the City of New Orleans to restructure the tax liability of the land-based casino. The losses Harrah's was incurring were the result of a prior economic model, which set out a $100 million annual tax liability regardless of the revenue of the operation. The current liability is $50 million annually, which Harrah's believes puts them on solid financial ground.

Chair Hansen asked about the substantial stock price changes that are ranging between $11 and $37. Mr. Weien indicated there were a number of issues, and he was not able to fully explain why their stock fluctuates as it does. He noted that earlier this year and in the fourth quarter of 2000, Harrah's had several issues that concerned Wall Street, one of them being New Orleans. This was resolved with the restructuring of the tax liability. The other was their investment in National Airlines based in Las Vegas, which declared bankruptcy. Harrah's was incurring losses due to their interest in the airline, but that issue has also been resolved. Mr. Weien stated that Harrah's has also had a significant increase in cash flow from their operations. He stated that since Harrah's has been able to clear up some of the issues surrounding their operations that was troubling Harrah's, Wall Street now sees a business experiencing sales growth, double digit growth, and improvements to the bottom line. In his opinion, Wall Street is now properly valuing the company, which is reflected in the per share price.

Chair Hansen asked about other write-offs beside the airline. Mr. Weien stated that Harrah's had a smaller write-off for an investment in Zoho, an E-commerce hospitality company. This was not a major issue for Wall Street compared to New Orleans and National Airlines.

Chair Hansen again asked how many write-downs Harrah's has had recently. Mr. Weien stated that the large write-downs were for JCC Holding Company in New Orleans, National Airlines, and Zoho. Chair Hansen asked for the amounts. Mr. Weien indicated that the investment in Zoho was approximately $5 million, and indicated that he did not recall the amount for JCC and National Airlines.

Chair Hansen asked for an explanation of Harrah's low current ratio to assets. Ms. May stated that the entertainment industry has its ups and downs, particularly the casino industry. She advised the Commission that the annual report, located in the application, contains the specific numbers regarding the write-offs, as well as the Form 10K. She noted that over the past few months, the price of Harrah's stock has continued to increase even as the market as a whole has been experiencing a downturn. Harrah's stock has been rated as "investment grade" and is one of only three gaming companies in the United States to achieve that rating.

Ms. May pointed out that Harrah's has a line-of-credit sufficient to allow them to complete the purchase of Harveys without securing additional financing, lending credence to the company's management, and the investors' comfort level with current management to run the company.

Mr. Wilmott stated that another issue positively affecting the price of their stock is the positive performance at their Rio facility in Las Vegas.

Mr. Weien advised that the write-off for National Airlines was approximately $40 million, including investment in stock made by Harrah's and Rio when Rio was an independent company, and subsequent losses through letters of guarantee that Harrah's had posted. For the write-off regarding JCC, for the fourth quarter of 2000, Harrah reported reserves of approximately $220 million.

Chair Hansen stated that the DCI's report revealed a number of "6A" violations. Mr. Gallagher advised that Regulation 6A is Nevada's version of Title 31 for reportable transactions, although it is not identical to the federal rule. The Nevada rule has one notable exception, which prohibits cash for cash transactions in excess of $3,000. Mr. Gallagher stated that over the past ten years Harrah's has been cited for four alleged violations of Regulation 6A. Three of the four citations involved undercover operations by the Nevada regulators, and were attributable to errors in judgment occurring on the front line. The most recent violation occurred at the Rio Hotel when Harrah's conducted a third-party audit of their Regulation 6A training and compliance at that property. The audit was conducted by Arthur Anderson and was shared with Nevada gaming regulators. The report indicated that Harrah's system and training exceeded the requirements established by gaming regulations.

Chair Hansen asked about the stability of the existing management in Council Bluffs. Mr. Wilmott stated that it was difficult to address that question at this time. Current employees will be evaluating Harrah's as a potential employer, and Harrah's will be evaluating the current employees in order to determine their ability to work within Harrah's operating system.

Commissioner Sealock asked about Harrah's commitment on displaying their ownership of BRC. Mr. Wilmott stated that Harrah's has not decided if they will change the name of BRC to incorporate the Harrah's name. He stated that Harrah's understands that the clientele and operations at BRC are different than those at the riverboat, and would like to have a better understanding of the two facilities within the community prior to making that decision. Mr. Wilmott stated that Harrah's is cognizant of the fact that BRC needs capital in order to remain economically robust, and that the general overall facility needs some improvements to improve the operation. He noted that Harrah's has a lot to learn about the greyhound racing industry in Iowa, but believe they can bring new ideas to the table.

Chair Hansen called for any further questions. Mr. Ketterer noted that a recent press release indicated that Harrah's and Harveys have been requested to provide additional documents to the Federal Trade Commission (FTC) elaborating on the proposed merger. He asked if the request would affect the proposed July closing date for this transaction.

Mr. Gallagher advised that representatives from Harrah's and Harveys met with FTC representatives last week. FTC officials indicated that both companies would be receiving revised, narrower request for documents. Based on the meeting, Mr. Gallagher stated that both companies feel they can provide the requested information and documents in a relatively short period of time. The FTC officials indicated that once the requested information is received, they should be able to make their decision within ten days. Mr. Gallagher stated that if everyone adheres to the proposed schedule, Harrah's still hopes to close the transaction in late July.

Mr. Ketterer stated that he assumed the FTC's concern was the Nevada properties. Mr. Gallagher indicated that was correct. Mr. Ketterer further stated that he assumed one of the Nevada properties would be sold if necessary in order to resolve any concerns. Mr. Gallagher stated that Harrah's would look at the entire transaction.

Commissioner Hassenfritz asked about the status of senior level management at Harveys. Mr. Wilmott stated that Harrah's could not take any action until the transaction closes, and they are still in the process of assessing the situation. He indicated that Harrah's would like to see Mr. Welch continue with the operation in some capacity.

Hearing no further comments or questions concerning IWRA/Harrah's license application, Chair Hansen requested a motion. Commissioner Sealock moved to approve IWRA/Harrah's application effective at the close of the sale, and contingent upon the satisfactory conclusion of the DCI's investigation and resolution of FTC issues. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-80)

Following a short break, Chair Hansen moved to the review of the licensee's financial audits. He asked that each licensee provide a quick overview of their audit based on the memo previously sent to them. At this time, he called on Ameristar.

Mr. Taeubel advised the Commission that from 1999 to 2000, Ameristar was able to achieve an 11% increase in revenue, mostly attributable to keeping the slot floor up-to-date, the third deck addition, which included an additional 350 slot machines. Operating expenses were kept to an increase of 10.7%. EBITDA increased 12.7% as a result of that process. Ameristar had a large increase in buildings, land and improvements – increased from $93 million to $108 million.

Hearing no questions concerning Ameristar's financial report, Chair Hansen called on BSC. Brian Wessels, Director of Finance, stated that revenues for 2000 increased 24% over 1999 revenues, mainly due to upgraded slot products and a new customer courtesy

program implemented throughout 2000. Net income increased 65%. Property, plant and equipment increased $680,000.

Chair Hansen called on CBC. Mr. Kehl advised the Commission that revenues were flat for 2000, expenses were in line with 1999, and that net income was relatively stable with1999. He noted that members' equity did increase $1.8 million. Buildings, plant and equipment have not had a substantial increase as they are a multi-port operation.

Chair Hansen noted that CBC's net income was down from 1999. Mr. Kehl advised that 1999's net revenue gain of $690,000 related to the barge fire. If that line item were removed from the net revenue for 1999, it would have been approximately $300,000.

Commissioner Sealock asked if CBC's operation was back to normal. Mr. Kehl indicated that it was after closing for three days because of flooding in May. He indicated CBC put 2,000 ton of rock on the road leading into the facility in an attempt to stay open.

Chair Hansen called on Peninsula Gaming Company. Cameron Dickson, Director of Finance, advised that revenues were up 1.3% from 1999 to 2000; gross revenues were up 2%; and property, plant and equipment increased slightly due to a $1 million remodeling project.

Chair Hansen noted that the 1999 figures were for a partial year. Mr. Dickson stated that the numbers he used were consolidated figures.

Hearing no further comments, Chair Hansen called on Harveys. Mr. Gubbrud stated that Harveys had a 3% increase in revenues for 2000, and were able to carry a significant amount of that to the bottom line.

As there were no questions concerning Harveys' report, Chair Hansen called on Southern Iowa Gaming (SIG). Mr. Massa advised the Commission that SIG experienced a substantial increase in revenue over 1999; net equity increased; and property, plant and equipment had a slight increase over 1999.

Mr. Ketterer asked Mr. Massa how the first six months of 2000 compared to the first six months of 1999. Mr. Massa stated that the first six months would not be as high as the last six months due to initial opening costs. He indicated that SIG has experienced month-to-month increases. Mr. Massa advised that they have completed 45 cruises.

Chair Hansen called on MB II. Mr. Bonnet stated that gaming revenue was down about one-half percent compared to 1999. He noted that during the latter part of 2000, MB II implemented a new marketing program, and has experienced a 6.5% increase in gaming revenue. Net income is within $400,000 of the 1999 figure. Mr. Bonnet stated that most of the distributions that were taken were taken to reduce debt load, which is held personally rather than at the company level. It is the intent of management to have the bank debt paid off by the end of 2002.

Hearing no questions regarding the MB II's report, Chair Hansen called on IWRA. Teresa Yockey, Director of Finance, stated that BRC experienced a 6% increase in gross revenues, and a 3% increase in net profits due to an increase of 252 slot machines.

Mr. Welch stated that BRC developed a new slot section, and refurbished the steak house and coffee shop for approximately $6 million. An additional $2 million was spent on new carpeting, ceiling tile, painting, and upgrading the heating and air conditioning systems. He noted that Harveys' had developed some plans with regard to BRC in the past, and stated that he felt they would be following up on those with the transition to Harrah's.

Mr. Payne advised the Commission that IWRA's revenues were up 6%, while expenses were down approximately 60%, or $700,000, due to the sale of the property and buildings to Harveys, meaning IWRA no longer pays rent to the Southwest Iowa Foundation. On the balance sheet, IWRA was able to move some cash into an indemnity account, which could be invested. This transaction increased IWRA's other revenue by approximately $400,000. Earnings increased from $6.5 million to $8.159 million.

Chair Hansen called on Dubuque Racing Association, Ltd., license holder for Dubuque Greyhound Park. Roger Hoeger, Assistant General Manager/Controller, stated that gross revenue was up approximately 6.5% and net revenues were up approximately 5.76%. He noted that net profit decreased considerably due to increased gaming taxes. At this time, DRA is paying approximately $640,000 per year. Mr. Hoeger indicated that DRA was able to increase their distributions. He noted there weren't many additional increases to buildings, land and improvements. Furniture and fixtures increased approximately $800,000

Chair Hansen asked about the impact of the escalating gaming tax on DRA's operation. Mr. Hoeger stated that at some point DRA would have to determine what they want to do. DRA is the co-licensee for the DDJ, which includes a financial arrangement. He stated that if the gaming tax continues to increase, the market matures, and expenses increase, DRA will have to decide whether to continue operating as they currently are or becoming more of a passive recipient of income from the DDJ. Mr. Hoeger stated that DRA has made promises to the community and the non-profit, and would like to continue the cash flow back to the community and charitable organizations.

Commissioner Sealock commented on the substantial decrease in net profit from 1999 to 2000. Mr. Hoeger stated the decrease was partially due to an increase in distributions, but the majority was due to the escalating gaming tax, which affects DRA's financial viability, and their ability to keep new slot products on the gaming floor. DRA's distribution formula calls for 50% of the bottom line to go to the city, 25% to charities and 25% is retained by DRA for purchasing slot machines, making improvements to the facility, improvements to the kennel compound, etc.

Chair Hansen stated that as he reviewed the summary sheet provided, noting the modest increase in expenditures and distributions, he does not see a lot of breathing room. Mr. Hoeger concurred with Chair Hansen's statement. He noted that the DRA Board and management are concerned about the issue, and will continue to address the Legislature regarding the gaming tax issue until a resolution is reached. Mr. Hoeger pointed out that the track provides a number of jobs, which are important within the community, and should be important to the state. He reiterated that at some point in the future, DRA would have to review their options. At this time, Mr. Wentworth addressed the Commission. He directed them to the second page of the handout (copy attached), which shows where the money is going at DRA. He pointed out that in 1997 the State of Iowa collected $5.6 million from DRA, $6.8 million in 1998, approximately $8.6 million in 1999 and over $9.7 million in 2000.

Hearing no further questions or comments regarding DRA's financial report, Chair Hansen called on Racing Association of Central Iowa (RACI). Ron Morden, Chief Financial Officer for PMR&C, advised that net revenue dropped by 8.9%, and expenses increased by 8.4%. He noted that RACI did make charitable contributions totaling between $18 and $19 million, and completed a $26 million addition to the facility. Mr. Morden attributed the change in net revenues to the construction project and increased competition.

Chair Hansen, noting the $13 million drop in revenue between 1999 and 2000, asked Mr. Morden what he anticipated revenue would be for 2001. Mr. Morden stated that revenues are about equal to 2000, and expenses are increasing due to the escalating gaming tax. He stated that the additional 2% translates into an additional $3 million to be paid to the State each year.

Chair Hansen noted the sizeable increase in equity from 1999 to 2000. Mr. Morden stated that the difference is about $18 million. He stated that $13 million is attributable to the decrease in net revenues, and expenses increased approximately $5 million. Mr. Morden stated that a large part of the increase in expenses was due to depreciation. Since PMR&C leases the facility from Polk County, when they put money into the facility, they are required to write it off over the period of the lease, meaning that the $26 million addition has to be written off by the end of 2002.

Chair Hansen noted that charitables had been cut by $1 million, while purses had increased over $2 million. Mr. Morden stated some of the decrease in charitables could be attributed to the timing of the payments, as some were not paid until the beginning of 2001. He advised that purses were paid in accordance with the contracts negotiated with the horsemens' associations.

Chair Hansen asked when the purse agreements would be renegotiated. Mr. Morden stated the current contracts run through 2002.

Commissioner Sealock noted that it was difficult to compare PMR&C's operation to the other licensees because they make payments to Polk County off the top. Mr. Morden stated that RACI pays Polk County $1 million per month for rent, and then Polk County also receives a net receipts distribution.

Hearing no further questions or comments concerning RACI's financial audit, Chair Hansen move to the next agenda item: IWRA/Iowa Greyhound Association (IGA). The first issue to be addressed under this agenda item was the approval of the Arbitration Decision.

Lyle Ditmars, legal counsel for IWRA, stated that they were pleased to be in receipt of the Decision as it is difficult to do budgeting and planning without numbers, and because the arbitrators established a cap on all future purse supplements. This will help both sides in making decisions when they enter negotiations next year. This will also come into play as the Commission undertakes the task of developing a long-term plan for the use of the escrow fund. Mr. Ditmars stated that the cap percentage (8%) established by the Arbitration Decision is not in everyone's best interests, and is, in fact, counterproductive. He stated that IWRA is pleased that funds continue to be available for work by Iowa breeders to expand their numbers, and decrease the long-term dependence upon the casino supplements. He urged all parties to use the escrow funds wisely for the benefit of the entire industry. IWRA is also pleased that steps have been taken to hire an individual to promote the entire industry

Mr. Ditmars stated that in spite of the incentives, the number of Iowa breeders has remained constant over the last several years. The Iowa-bred money has not been spread out over a number of breeders as originally hoped for. Twenty families have received the majority of the money for Iowa-bred dogs. Mr. Ditmars stated that the breeders have become dependent on the subsidies, and the use of percentages has taken some of the greyhound breeders out of greyhound racing. He further stated that IWRA accepts the present situation, and embraces the opportunity to work with the Commission and those individuals who share their vision of a nationally prominent self-supporting facility.

Bob Lorber, representing the Greyhound Racing in Iowa Association (GRIA), advised the Commission that the GRIA would be submitting an application to receive the Greyhound Promotion Fund. He stated GRIA supports the Arbitration Decision, but asked that the Commission consider changing a portion of the language. Mr. Lorber pointed out that the Arbitration Decision calls for the hiring of a consultant, and specifically names one individual. He stated that GRIA has hired their own consultant, and asked that the Commission eliminate the reference to a specific consultant. He indicated that the arbitrators may not have known there would be a second application for the promotion fund; thereby denying GRIA the opportunity to submit their consultant's qualifications to the arbitration panel. Mr. Lorber stated that if the IGA is awarded the Greyhound Promotion Fund there is no problem; however, if the GRIA is awarded the fund, and are obligated to abide by the Arbitration Decision to hire IGA's consultant, then

there would be two consultants' salaries coming out of the Escrow Fund, which he does not feel was what the arbitration panel wanted.

Mr. Ketterer advised Mr. Lorber that the Arbitration Decision before the Commission is for calendar year 2001. The hiring of the consultant would be from the date the Commission approved the Arbitration Decision until December 31, 2001. The selection of the Greyhound Promotion Fund is for calendar year 2002. Mr. Ketterer stated that if there were a consultant for 2002, that individual would be hired from January 1, 2002 through December 31, 2002.

Mr. Lorber stated that GRIA understood the above circumstances, but is concerned that $145,000 could be taken from the Escrow Account for consultant's fees over a six-month period instead of a year if GRIA is awarded the Greyhound Promotion Fund and the wording in the Arbitration Decision is not amended.

Mr. Ketterer stated that when the Commission acts on the Arbitration Decision, they would determine the starting date for payment of the consultant's fee on an annual basis.

Chair Hansen stated that his review of the Arbitration Decision sets forth a specific annualized salary; therefore, only $35,000 would be available for the balance of the year.

Jerry Crawford, legal counsel for the Iowa Greyhound Association (IGA), reiterated the Arbitration Decision is for 2001, not 2002. Further, it is clearly understood that the salary expenditure is on an annualized basis. He also asked permission to address another issue under this agenda topic – IGA's request to withdraw funds from the Escrow Account to compensate their consultant for this year. Mr. Crawford requested that should the Commission approve the Arbitration Decision, and the withdrawal of funds to implement the Arbitration Decision, that the Commission delegate the responsibility of establishing the necessary requirements to staff for the actual transfer of funds to insure payment of the consultant. He indicated one way was to transfer the funds from the Escrow Account to the IGA Bookkeeper's Account. Mr. Crawford stated that regardless of the process selected, it is IGA's proposal that they make regular requests to IRGC staff to transfer funds, as incurred, from the Escrow Account, to a separate account maintained by IGA's bookkeeper for payment of their consultant's salary and/or expenses.

Chair Hansen asked why the expenses were not annualized along with the salary. Mr. Crawford stated that it should be on an annual basis as well.

Commissioner Hassenfritz stated that the figure allowed for expenses was a cap. Chair Hansen concurred, but indicated there was nothing to prevent the consultant from spending the amount allowed within two months. Mr. Crawford stated that was one of IGA's reasons for IRGC staff to approve the transactions prior to their occurring as well as the procedure for the transfers to take place.

Commissioner Sealock asked who wrote the Arbitration Decision. Mr. Ketterer advised her that all three arbitrators had signed off on the Decision, but staff had no way of knowing which member had written the Decision. Commissioner Sealock indicated she was asking the question because of the paragraph which states:

> "It is of concern to the panel that neither party has taken affirmative action to alleviate this dependency, although both parties give "lip service" to the same. Handle continues to plummet, while casino profits continue to rise. Though obvious that both parties should share a common interest in increasing on-track handle, on-track attendance, simulcast handle, as well as broadening their fan base, the parties remain adversaries. These common goals will never be reached without a coordinated effort between track and trainer."

Commissioner Sealock stated that the above paragraph reflects her feelings with regard to the situation at BRC, between IWRA and IGA. Noting that the arbitration panel had been hired to perform a service for the Commission, Commissioner Sealock moved to approve the Arbitration Decision as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-81)

Chair Hansen moved to IGA's request for Commission approval to withdraw funds from the Escrow Account to cover their share of the arbitration panel's fees and expenses. He asked Mr. Ketterer if this has been past practice. Mr. Ketterer answered in the negative. Chair Hansen called upon Mr. Crawford to further address the issue.

Mr. Crawford stated that it was a mistake on his part in not submitting similar requests in the past. He indicated there has been a significant escalation in costs. He noted that in 1997, IGA's half of the fees and expenses for one arbitrator were $953, in 1998, one-half of another arbitrator's statement was $725. To date this year, IGA has only received one invoice from one of the arbitrators, and it is in excess of $7,000. Mr. Crawford indicated that he did not have any idea what the fees would be for the other arbitrators.

Mr. Crawford further stated that the IGA, as the recipient of the Greyhound Promotion Fund, does not have operating revenues in excess of $100 million, and a profit of $25 million. He stated that the IGA's members are farmers, dog owners, breeders, and kennel operators who pay the IGA's share of these expenses out of their own pockets. Mr. Crawford stated that he feels it is fair that IGA's share of the expenses are paid out of the escrow account earnings as the account was established to promote the greyhound industry. He noted that it is not necessary for IWRA members to pay their share of the arbitrators' expenses out of their own pockets.

Mr. Crawford stated that IGA was very proud of the Arbitration Decision. He noted that a Commission member had expressed concern that if this request were approved, it would be viewed as an incentive to continue fighting in the future. Mr. Crawford stated that would not be the case. He indicated the Decision was very close to what the IGA offered; but was not close to what the IWRA put forth.

Additionally, Mr. Crawford brought up the IGA's relationship with DRA, where the parties have never gone to arbitration as an indication of IGA's ability to agree with agreeable people.

Mr. Crawford stated that he has had conversations with Lorraine May, legal counsel for Harrah's, and has set up an appointment to meet with Mr. Wilmott shortly after the closing of Harrah's/Harveys transaction to take a new look at greyhound racing and how it should be conducted in the western half of the state. He pointed out that greyhound racing does not operate in the black anywhere in the world when it has to compete, even geographically, let alone in the same building, with slot machines. One of the topics will be the sale of the simulcast signal, one of Mr. Timmons' strengths in his previous position at PMR&C.

Commissioner Sealock, noting the significant increase in Arbitrator David Blair's fees from 1999 to 2000 and no indication in the final Decision that the costs should be paid from the Escrow Account, asked if consideration had been given to the thought that he might be trying to send a message. Mr. Crawford stated he could not speak as to any message that Mr. Blair was trying to send, but noted that all three arbitrators sent a message by awarding IGA almost what they asked for to begin with.

Mr. Crawford stated that the escrow account was established to supplement purses in the future, and for promoting and developing the industry. He noted that in May the Commission approved the withdrawal of $12,000 to cover the cost of the audit of the escrow account by the State Auditor. He suggested that this expense, which he hopes IGA's half will be less than $12,000, will do at least as much, if not more for the greyhound industry through good solid purses.

Chair Hansen asked how the arbitration expenses have been paid in the past. Mr. Crawford stated that the fees were paid out of contributions made by members of the IGA through the 2% check-off, which is utilized at the facilities on a voluntary participation basis.

There was another brief discussion regarding arbitration fees from previous years. Mr. Crawford stated that IGA has never paid $2500 for IGA's half of any one person. Chair Hansen asked if anyone had any idea why the fees had increased significantly this year. Mr. Crawford clarified that his reason for making the request was not to be critical of what was or was not charged, but to help the Commission understand the extent to which this expense has grown over the previous years. He reiterated that he probably should have been requesting that these fees be paid from the escrow account earnings from the beginning, but had failed to do so.

Jason Haines, a greyhound breeder and racer in eastern Iowa, past president of the IGA, and a member of GRIA, stated that GRIA members feel strongly that the escrow account should be used for purses and the interest and growth portion of the account should be used for promotional and growth purposes of the greyhound racing industry in Iowa.

Mr. Haines further stated that the escrow account audit conducted by the State Auditor's Office was very important to show everyone just where the escrow account stood. He indicated that GRIA members felt that the interest and growth portion of the interest account should not be used to pay for the day-to-day operations or expenses of the IGA.

Mr. Ditmars stated that IWRA concurred with Mr. Haines' statements. He noted that part of the problem with the escrow account is the continued call for the development of a long-range plan. Every Arbitration Decision for the last several years has called for the development of such a plan. Mr. Ditmars indicated this issue was not brought up during the most recent arbitration. With regard to expenditures from the account, Mr. Ditmars advised that the 1997 Arbitration Decision states that interest may not be used to pay operating expenses of the IGA itself, and all expenditures of interest are subject to the approval of the IRGC. He feels the arbitration expenses are part of the operating expenses of the IGA, and therefore not eligible to be paid from the account.

Mr. Ditmars stated that nothing could promote racing more than purses. He noted that IWRA/BRC had raised purses on a regular basis for several years. He pointed out that despite the increase in purses, interest in racing at BRC has continued to decrease. At this juncture, IWRA/BRC feel that to continue taking that approach is inappropriate, as it does not bring about increased interest in the sport. Mr. Ditmars stated that IWRA/BRC is encouraged about the Commission's commitment to develop a long-term plan for the use of the escrow account.

Mr. Ditmars advised the Commission that the IGA's demands at the arbitration proceedings were less than their bottom line demands to IWRA prior to entering arbitration, and did not include a number of extraneous items made previously of IWRA.

Commissioner Hassenfritz expressed his opinion that this matter does not belong before the Commission. As he has done previously, he questioned why the IGA does not have a paid executive director to handle the myriad tasks of running the non-profit organization. He noted that this individual could also serve as a marketing director.

Mr. Crawford noted that Commissioner Hassenfritz had provided a list of his concerns to the IGA at the time the auditor's report was approved by the Commission. He advised that each of those concerns was addressed during the discussion/interview process prior to the time Mr. Timmons was hired. He stated that Mr. Timmons has an extensive background in working with non-profits, financial issues involving non-profits, and has the ability to do many of the items outlined by Commissioner Hassenfritz along with the current bookkeeper. Mr. Crawford further noted that it is not unusual for boards and commissions to use consulting services to provide assistant to non-profit organizations as opposed to full-time employees.

Commissioner Mahaffey, noting that the Decision states that handle has continued to plummet at BRC while expenses continue to rise, asked if the same situation was occurring in Dubuque. He also wondered why Dubuque and IGA are able to negotiate an

agreement while BRC and IGA cannot, and if there are any lessons that could be applied to Council Bluffs. Commissioner Mahaffey stated that everyone is becoming weary of dealing with this issue.

Commissioner Sealock asked that Mr. Wentworth address the above questions.

Mr. Wentworth stated DGP&C's pari-mutuel handle is off from last years' by approximately 14%. Commissioner Mahaffey noted that declining handle was an issue for DGP&C. Mr. Wentworth concurred and noted that the legislation allowing slots at racetracks was to help them survive, and help an agricultural-based industry for greyhounds and horses. He stated that he did not know the secret of DGP&C and IGA being able to reach an agreement of the purse supplements each year without going to arbitration. He indicated both sides realize the owners and breeders are their partners. Mr. Wentworth stated that even though handle continues its downward trend, purses are about $500,000 more last year then they were in 1990-1991 when purses were slightly over $2 million with a handle of approximately $67 million.

Bob Hardison, Vice President of IGA, stated that he feels Mr. Timmons will help the organization reach their goals. He indicated that he was a member before there was greyhound racing in Iowa, and that in most years there were no funds available to pay a director. He expressed his hope that there will be major improvements in their relationship with the racetrack at this time next year.

Chair Hansen reminded everyone that the issue before the Commission was IGA's request to withdraw funds from the escrow account to cover their share of the arbitration fees. Commissioner Hassenfritz called for the question.

Commissioner Hassenfritz moved to deny IGA's request to withdraw funds from the escrow account to pay their share of the arbitration fees. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-82)

Chair Hansen moved to the next issue under the IWRA/IGA agenda item – IGA's request for approval to withdraw funds from the escrow account to compensate consultant. He noted that there has already been clarification that the salary and expense amounts are to be prorated on an annual basis. Chair Hansen called for any further discussion concerning this issue.

Hearing no further discussion or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve IGA's request to withdraw funds from the escrow account to compensate a consultant. Commissioner Mahaffey seconded the motion, which carried unanimously.

Mr. Ditmars requested that IWRA be kept advised and be part of the process (i.e. be made aware of requests for payment).

Chair Hansen pointed out that this request would be through December 31, 2001. Mr. Ketterer advised Chair Hansen that the effective date of the approval should be the date of the arbitration decision (May 18, 2001). Chair Hansen stated that the above motion would include the dates just mentioned. Hearing no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 01-83)

Following a short break, Chair Hansen moved to the next agenda item – a hearing for the BSC regarding the violation of Iowa Code Section 99F.9 for a minor gaining access to the casino. He called on Mr. Ketterer to address the issue.

Before addressing the BSC hearing, Mr. Ketterer advised the Commission that there was a correction to the admission fee schedule. He asked that the Commission, by motion, amend the weekly admission fee amount from $8,667 to $8,294. Commissioner Hassenfritz so moved. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-84)

Mr. Ketterer stated that the parties had agreed on a Stipulated Agreement. He stated that on February 10, 2001, an underage female was found on the BSC, and met the previously established criteria for underage gambling incidents. The individual was on the boat for approximately one hour, did gamble on the slot machines, and security did not check her ID when she passed through the turnstiles. The penalty for this violation is $10,000, which is consistent with previous actions of this Commission.

Mr. Pavone stated that BSC has always been proud of their record relating to underage gamblers. He advised the Commission that BSC has taken action against the employee, and have implemented retraining on this issue. Mr. Pavone pointed out that the individual believed 18 was the legal age for gambling as the tribal casino to the south allows 18 year olds to gamble. He stated that the number of underage patrons the BSC is turning away has tripled in the last year and a half, two times as many as there were three years ago. He commended the BSC employees for their track record in this area, noting they have had only a couple of violations with approximately 6.6 million visitors.

Mr. Ketterer stated that Mr. Pavone raised a good point about 18 year olds being allowed to gamble at the Native American casinos, noting that the Des Moines office has also received calls from out-of-state individuals seeking the location of the Native American casinos, and which ones allow 18 year olds to gamble.

Chair Hansen stated that it was very unfortunate that the Commission has no regulatory power over the Native American casinos, particularly in a state that has privately operated, as well as publicly owned, casino gambling. He noted that Mr. Pavone had raised a valid point.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve the Stipulated Agreement between IRGC & BSC as recommended by

staff. She recommended that Mr. Ketterer suggest to the Governor that the age issue be included in future compact negotiations.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-85)

Chair Hansen moved to Administrative Business, and advised that RFPs for the Greyhound Promotion Fund are due in the Commission office by July 10, 2001.

Chair Hansen moved to the Economic Enhancement Comparison of the 1980s to the 1990s. The areas covered are charitable contributions, facility improvements, salaries, and supplies. He advised that there was a handout (Economic Enhancement Comparisons) available for review. (Copy attached) The casinos had total input to Iowa's economy of approximately $3.2 billion in enhancements over the last decade. They have paid an additional $1 million in taxes, totaling approximately $4.2 billion going into Iowa's economy. Chair Hansen stated that the gaming industry has become a major part of Iowa's economy.

With regard to long-range planning, Chair Hansen stated that a first draft, sort of a critical analysis of some of the Commission's activities, was reviewed at the subcommittee meeting on Wednesday. He indicated work on the report would continue. Chair Hansen stated that the subcommittee would be seeking written input from staff, industry and former Commission members. He advised that another subcommittee of two Commission members and two industry members appointed by the Iowa Gaming Association would be established to work on the matter of compliance with vendor supplies.

Chair Hansen called on Mr. Ketterer to present a review of the Commission's audit by the State Auditor's Office. Mr. Ketterer advised there was one citation in the audit concerning the division of duties with regard to asset management.

Chair Hansen moved to Public Comment, and called on Wes Ehrecke, Executive Director of the Iowa Gaming Association, for comments regarding the recent legislative session. Mr. Ehrecke stated that new contracts have been awarded to the treatment providers, and the 1-800 helpline. He advised that a new agency has been selected to provide this service. He stated that Margaret Van Ginkel, the new helpline coordinator, is associated with the ISU Extension, which currently operates a teen hotline.

Mr. Ehrecke advised the Commission that the gaming industry and the lottery have paid in approximately $3.6 million to fund the Gambling Treatment Program, the 1-800 Bets Off helpline, advertising and treatment providers. The programs ended up with $1.6 million at the conclusion of the last legislative session. Of the funds paid in, $1.6 million was paid to the substance abuse program, and $400,000 to the Veteran's Homes. This transfer of funds equals approximately $30,000 in cuts to the individual treatment providers on top of what they have had in the past. These cuts could mean a reduction in

the amount of time the services are available, and possible layoffs. Mr. Ehrecke stated that the Iowa Gaming Association would again push for the restoration of funds to the Iowa Gambling Treatment Program. He will keep the Commission advised.

Mr. Ehrecke stated that the Iowa Gaming Association would be holding their Responsible Gaming Week August 6-10, and would provide further details at the July Commission meeting.

Chair Hansen called for any further business to come before the Commission. Hearing none, Chair Hansen requested a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING & GAMING COMMISSION
# MINUTES
# JULY 19, 2001

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 19, 2001, at the Sheraton Four Points Hotel, 4800 Merle Hay Road, Des Moines, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

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

Chair Hansen requested a motion regarding the minutes from the June 21, 2001 Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced Jeff Rethmeier and Richard Woodsmall, Stewards at Bluffs Run Casino (BRC). He also introduced Karlyn Dalsing, recipient of the Employee of the Year for the Department of Inspections and Appeals.

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

- August Commission Meeting – August 21, Sioux City, Sioux City Convention Center (Submissions due by August 7, 2001)
- September Commission Meting – September 20, Des Moines, Sheraton Four Points, Merle Hay Road (Submissions due by September 6, 2001) (Small Block of rooms)
- October Commission Meeting – October 18, Dubuque, Dubuque Greyhound Park & Casino (Submissions due by October 4, 2001)

Mr. Ketterer reminded those in attendance that the meeting in Sioux City would be held on a Tuesday rather than the usual third Thursday.

Chair Hansen made reference to an editorial in the Des Moines Register by John Blackhawk, Chair of the Winnebago Tribe, in response to the Commission's discussion regarding the age limit problem. He read a letter in to the record, which will be sent to Mr. Blackhawk inviting him to address the Commission at the Sioux City Commission meeting. A copy of the letter is attached hereto and incorporated in its entirety by this reference.

Chair Hansen called on Mr. Ketterer to address the rules before the Commission under Notice of Intended Action. Mr. Ketterer stated that the first rule, an amendment of

subrule 6.5(1), paragraph "n", deals with the falsification of an application. He noted that the Gaming Representatives and Stewards receive numerous applications that are falsified with respect to arrest and conviction records, which are handled in a variety of disciplines depending upon the nature of the arrest or conviction. A conviction for a felony or drug offense requires that the license be denied. In most instances, there is a small fine levied for the falsification. In other instances, a license may be suspended for a number of days. The ability to suspend a license was not included in the rule, so this amendment would provide the Gaming Representatives or Stewards with that option.

The second item, rescinding and reserving subrule 9.4(5), paragraph "m", was a request from Prairie Meadows Racetrack & Casino (PMR&C) with respect to harness racing. The United States Trotting Association (USTA) keeps most of their registrations on an electronic basis as opposed to having the foal certificates in the Racing Secretary's office. For purposes of claiming, this rule was placing an undue burden on the Racing Secretary's office at PMR&C, and the USTA has rescinded this rule. Mr. Ketterer noted that most of IRGC's rules regarding harness racing closely follow the USTA's rules.

Mr. Ketterer recommended approval of both rule changes under Notice of Intended Action.

Hearing no discussion concerning the rule changes presented under Notice of Intended Action, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the Notice of Intended Action as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-86)

Chair Hansen provided the following guidelines for the Iowa Greyhound Association (IGA) and Greyhound Racing in Iowa Association, Inc. (GRIA), who are vying for the Greyhound Promotion Fund: Both parties will have ten minutes to make their presentation to the Commission, followed by questions from the Commission members. Prior to voting, Commission members will make a statement as to their read of the situation. Chair Hansen noted that Commission members had received ample material from the parties, and have had more than a week to review it.

At this time, Chair Hansen moved to the contract approval portion of the agenda, and called on BRC. Verne Welch, General Manager, presented a contract with Bally Gaming Systems to convert to Harrah's SDS System. This is Harrah's player tracking system, and has a 12-week lead-time. He advised that Harrah's has relocated their central reservation system to Waterloo, Iowa. This system handles 3 million calls per year. Harrah's spent $7.3 million to upgrade the facility, and hired 150 employees.

Commissioner Sealock asked if it was appropriate to approve contracts submitted by Harrah's since the Commission had only granted a conditional license. Mr. Ketterer stated that the approval would be based upon the closing of the sale, and that the condition could be included in the motion.

Commissioner Sealock moved to approve the contract as submitted by Harveys/Harrah's, conditioned upon the closure of the sale of Harveys to Harrah's. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-87)

Commissioner Sealock asked what would happen to Harveys in Council Bluffs if the sale to Harrah's was not approved. Mr. Welch stated that operations would continue.

Chair Hansen called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- IGT – Lease 6 Slot Machines (Replacements)
- IGT – Purchase 38 Slot Machines (Replacements)
- The Friedman Group – Group Insurance Renewal Rates

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DGP&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-88)

Chair Hansen called on PMR&C. Bob Farinella, General Manager, presented the following contracts for Commission approval:

- KCCI Television – Advertising Expense (Increase)
- WHO TV/Radio – Advertising Expense (Increase)

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-89)

Chair Hansen called on Dubuque Diamond Jo (DDJ). Dustin Manternach, Director of Finance, presented a contract with IGT for slot machine parts, conversions, lease games, and replacement machines.

As there was no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by DDJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-90)

Chair Hansen called on Mississippi Belle II (MB II). Ken Bonnet, General Manager, presented the following contracts for Commission approval:

- Williams Gaming – Purchase 6 Nickel Upright Video Slot Machines (Replacements)

- Deloitte and Touche LLP – Tax Planning Services, ESOP Analysis & Planning Services
- IGT – Exchange 1 State-wide Nickel Progressive Machine with a Adams Family Nickel State-wide Progressive Machine (Replacement)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by the MB II. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-91)

Chair Hansen called on Harveys. Mr. Welch presented the following contracts for Commission approval:

- Bally Gaming System – SDS Slot System
- Nextel Partners, Inc. – Casino Communications Systems

Mr. Welch advised that the first contract was for the purchase of Harrah's player tracking system to be installed at Harveys. The second contract is Harvey's contract.

Hearing no further discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton move to approve the contracts as submitted by Harveys/Harrah's. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-92)

Chair Hansen called on Belle of Sioux City (BSC). Brian Wessels, Director of Finance, presented a contract with Argosy Gaming Company for Intercompany charges for May 2001.

Hearing no discussion concerning the contract, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the contract as submitted by BSC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-93)

Chair Hansen asked Mr. Wessels if the new general manager was present. Mr. Wessels introduced Jesus Aviles. Mr. Aviles has over 20 years of management experience in the gaming industry, and formerly served as the Vice President and General Manager of the President Casino on the Admiral in St. Louis, Missouri.

Chair Hansen moved to the Isle of Capri Bettendorf (ICB). Curt Beason, legal counsel, advised the Commission that all of the Isle of Capri managers were in training. He presented the following contracts for the ICB:

- Kuhlman Design Group – Design Fees (Increase)
- AC Coin – Slot Chairs and Other Casino Supplies (Increase)
- Work Fitness Center – Drug and Alcohol Testing

Hearing no discussion concerning the ICB contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by ICB. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-94)

Chair Hansen called on Isle of Capri Marquette (ICM). Michael Ehrlich, Director of Casino Operations, presented the following contracts for Commission approval:

- IGT – Purchase of 35 Slot Machines (Replacements)
- Shuffle Master – Lease 8 Participation Slot Machines (Replacements)
- Isle of Capri Boonville – Transfer 23 Table Games and 67 Slot Machines (RP)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by ICM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-95)

Chair Hansen called on Rhythm City. Curt Beason, legal counsel, presented the following contracts for Commission approval:

- AC Coin – Lease 6 Gaming Devices (Replacements)
- Aristocrat Technologies, Inc. – Purchase 21 Gaming Devices (Replacements)
- Aristocrat Technologies, Inc. – Purchase 28 Gaming Devices (Replacements)
- Data Business Equipment – Currency Counters & Maintenance (RP)
- First Health – Health Care
- Innovative Gaming, Inc. – Purchase of 9 Nickel Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase of 61 Conversion Kits and 57 Denom Kits to Update Old Equipment

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Rhythm City. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-96)

Commissioner Hamilton asked Mr. Beason about the water level in Davenport. Mr. Beason advised that the water is back down to cruising level, but the boat has been experiencing problems with the Z-drive. He stated Davenport did experience a second crest about two weeks ago. He indicated the area has not received much rain lately.

Chair Hansen called on Lakeside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Mark Twain Casino – Sale of Used and Excess Gaming & Other Equipment (RP)

- IGT – Purchase of Slot Supplies and Equipment

Hearing no discussion, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-97)

Following a short break, Chair Hansen moved to the next agenda item – Approval of Recipient of Greyhound Promotion Fund as Authorized by Iowa Code 99D.12(2)c. Chair Hansen reiterated his earlier statement that each applicant would have ten minutes to make their presentation, followed by questions from Commission members. He called on GRIA to make their presentation.

Kip Keefer, Executive Director of GRIA, stated that GRIA felt their plan would be the first step in reinvigorating and re-introducing the greyhound racing industry to the State of Iowa. In GRIA's opinion, the resources are in place to help greyhound racing reach a much higher level of success and performance.

Mr. Keefer noted that GRIA is a new organization, but from the standpoint of experience in the industry and background with the national and local levels, GRIA is a very experienced group. He noted that BRC would have a new management company shortly, which he feels will be beneficial for all concerned.

Mr. Keefer touched on the following points of GRIA's application:

- Section 1 deals with communication with the racetracks and plans for mutual cooperation. Mr. Keefer stated that he has had a strong personal relationship with many of the principals involved at both Iowa tracks prior to this experience taking place. He feels he has had some substantive discussions, and is pleased with the responses received at the tracks, and their desire to make changes and have the resources available. This section also contains information on Mr. Keefer's history and projects in which he is currently involved.

  Additionally, Iowa West Racing Association (IWRA) set out seven points with regard to the escrow fund. He feels IWRA and GRIA have a significant amount of common ground, allowing them to establish an effective long term plan for purses and the escrow account.

- The second section of the application deals with the education of the public, which is a two-fold process. Mr. Keefer pointed out that the public has a general perception that the sport of greyhound racing is cruel, and the animals are abused. He stated that he has actively participated with national groups to educate the public and make them aware that the greyhounds are very pampered athletes. The other area that needs to be updated is the manner in which information is disseminated, noting that there have been very few changes in the process over

the last 70 years. Mr. Keefer stressed that it is time to make it fun and easier for people to participate in greyhound racing.

- Marketing is the next section. He included samples of marketing approaches he has used in other markets. Mr. Keefer noted that in order to market a product, it is necessary to have a product to market. It is his opinion that the entire industry has done a haphazard job marketing the sport recently.

- The next section deals with research. Mr. Keefer stated that he feels he has done 21 years of research and is ready to implement the various processes that he has learned.

- The final section of the application asks the applicant to set out other methods they would utilize the fund in order to create quality growth within the industry. Mr. Keefer stated the two major areas set forth are simulcasting and make some of the proceeds from the principal of the escrow fund work at BRC with the Iowa Cup project, which is explained in detail in the application. (Copy available for viewing in the Commission's Des Moines office.)

In conclusion, Mr. Keefer noted that change is always looked upon warily, but that it is necessary sometimes. The GRIA believes that time has come for the greyhound racing industry. Mr. Keefer stated that the participants in the industry are divided at this time, but need to unify. He indicated that unity would come with success. Mr. Keefer stated that, in his opinion, his skills and experience match what needs to take place in Iowa to help the greyhound industry move forward.

At this time, Tom Timmons, Executive Director and Promotions Consultant for IGA, advised the Commission that in addition to himself, Bob Hardison, Vice President of IGA, and Bob Rider, a member of the IGA, would be speaking. He also introduced David Ungs, President of the IGA.

Mr. Timmons stated IGA feels they should be awarded the Greyhound Promotion Fund for the following reasons:

1) Statistics: There are 16 kennels at BRC and 14 at DGP&C. In written responses from DGP&C, 11 responded to the correspondence, with 10 supporting the IGA. In Council Bluffs, 12 of the 16 responded, with 10 supporting the IGA. Mr. Timmons indicated the IGA also has many more paid memberships than the GRIA.

2) Simulcasting: Mr. Timmons indicated this is his strong suit; that is what he did at PMR&C and helped to build their simulcast system to its current status. Mr. Timmons stated that he is a big believer that if the off-track handle is built, the on-track handle will also increase. Additionally, it is his opinion that there are larger bettors already at the track placing bets on other tracks; and by building the pools, some of those bettors will

shift their money to the local pools; thereby increasing wagers on-track as well as off-track.

3) Open lines of communication with management: Mr. Timmons stated that IGA has a very good working relationship with DGP&C, but feels there could be more harmony and a better working relationship with BRC. He indicated that he worked with various groups in his position at PMR&C, and feels he has a good idea of how to proceed.

4) Promotional Ideas: One of the ideas is a Festival of Racing, which PMR&C has utilized for the past three or four years. This event is used to attract other events to the facility (flea market, golf tournament, concerts, or a sale of Iowa greyhounds, etc).

At this time, Mr. Timmons called on Mr. Hardison, who has been an IGA member for 24 years. Mr. Hardison stated that IGA had been in existence for 40 years, and that he would not have accomplished as much as he had in the industry without IGA's support. Mr. Hardison further stated that IGA represents the interests of the owners, breeders, and kennel operators; and the organization takes the position of the majority of the members.

Mr. Hardison stated that promotion of the greyhound industry under IGA leadership is very evident. Individual registrations have almost doubled since 1996, while the litter registrations have gone from 250 in 1999 to 342 in 2000. He stated that as a kennel owner/breeder he could dispel the myth that only a few people benefit from the greyhound industry. Mr. Hardison stated that he races dogs for over 30 different owners, so if there are 30 different kennels at the racetracks, they are representing hundreds of owners.

Mr. Hardison pointed out that IGA took the advice of the Commission when they hired Mr. Timmons, and are excited to have him on board as Executive Director and Promotional Consultant. Mr. Hardison stated that Mr. Timmons would help IGA work with the tracks to market the sport, and help manage IGA at the same time. He noted that Mr. Timmons does have experience with the racing and gaming industry in Iowa, as well as the non-profit organizations. Mr. Hardison stated that IGA feels Mr. Timmons will help IGA continue their partnership with DGP&C, and create that kind of relationship with Harrah's. He asked for the Commission's support of IGA's application for the Greyhound Promotion Fund. Mr. Hardison introduced Bob Rider.

Mr. Rider informed the Commission that he has been racing greyhounds since the mid-1960's, long before there was a racing commission or pari-mutuel gambling in Iowa. He noted that he has been a member of the IGA since 1967. Mr. Rider stated that he wanted the IGA to be the recipient of the Greyhound Promotion Fund as they are the most experienced and best group, and represent a majority of the greyhound industry. He indicated that the recent book promotion for Down Under Jones by Robert Scott McKinnon at BRC sponsored by the IGA was one of the best things to happen promoting the sport in years. He feels many people, who didn't know about greyhound racing, saw the book. The book also dispels some of the myths put forward by various animal groups.

He reiterated his request that IGA be selected as the recipient of the fund.

At this time, Chair Hansen opened the floor for questions of Mr. Keefer and Mr. Timmons from the Commissioners.

Commissioner Sealock asked Mr. Keefer how he planned to perform his duties of Executive Director for GRIA in Iowa, and from where. Mr. Keefer stated the location is yet to be determined based on the Commission's decision; however, if GRIA does receive the Greyhound Promotion Fund, he would spend significant time in the state initially, and ultimately relocate to the state. He indicated that he would have an office in Iowa. Mr. Keefer stated that as Executive Director of GRIA he would need to be seen, and there are numerous other opportunities that could only be taken advantage of by being in the state.

Commissioner Sealock noted that IGA's application did not indicate that Mr. Timmons was going to be anything other than a promotions director; but now he is indicating that he will also serve as Executive Director. She asked Mr. Timmons if that meant he would have oversight and management of the escrow fund that has been lacking to this point. Mr. Timmons stated that IGA had voted him in as their Executive Director. He feels IGA has heard, and taken to heart, the Commission's comments at previous Commission meetings on this topic. Mr. Timmons stated that he feels control of the escrow fund actually lies with the Commission, as they have the final say in how escrow funds are spent. Commissioner Sealock indicated she was looking for oversight, not control. Mr. Timmons stated that matter should be discussed at an IGA meeting, but that would be his recommendation.

Commissioner Hassenfritz asked both representatives if they would set out regulations or by-laws as far as frequency of meetings, and assign members of the Board of Directors to specific committees, etc.

Mr. Keefer advised Commissioner Hassenfritz that GRIA's By-laws state that the Board of Directors will hold quarterly meetings, and they will be assigned to committees that will benefit from their specific skills. He would follow directives given by the Board of Directors and report back to them on a regular basis. Mr. Keefer noted that the organizers of GRIA have been financing organization from their own funds, and their participation will be vital to the success of the organization.

Mr. Timmons stated that his vision of the role of Executive Director for IGA is much like the Executive Director for the Commission, helping in matters that are discussed at board meetings, and helping to set the agenda. He noted that IGA currently holds monthly telephonic meetings and an annual meeting at which the Board of Directors are elected.

Commissioner Hassenfritz stated that his opinion of an Executive Director and their duties are defined in the statutes under which the two organizations are incorporated. He feels the Executive Director is a hired director, works at the pleasure of the Board, and represents the Board in day-to-day operations. Commissioner Hassenfritz stated that he

felt a strong Executive Director, who has the full support of a Board that understands his responsibilities, could erase most of the misunderstandings and problems.
Commissioner Hamilton asked Mr. Keefer what would happen to GRIA if the organization were not awarded the Greyhound Promotion Fund. Mr. Keefer stated they have not had extensive discussions, but feels the group would stay in operation. He pointed out that it would be unrealistic to expect the group to be funded by private individuals for any major impact; but feels the individuals are committed to the project and that the organization would remain active. Mr. Keefer stated the individuals would offer their assistance to IGA. It is not GRIA's goal to create divisiveness, but to enhance greyhound racing in Iowa. He feels the Board of Directors will do whatever is necessary to keep GRIA going.

Mr. Timmons stated that he has not been a party to any discussions along those lines, nor does he feel that issue has been discussed. He noted the organization has been in existence for at least 20 years. He stated that the Board has approved his employment through the end of this calendar year.

Commissioner Mahaffey asked Mr. Keefer to define the following terms with regard to membership and the number of individuals in each group: active members, associate members, and committed parties should GRIA receive the Greyhound Promotion Fund. Mr. Keefer stated that he did not have an exact count for each category, and that Bob Lorber, GRIA's President, had compiled most of the membership information. He provided the following definitions for the various membership groups:

- Active members – Refers to those members that are the principal architects of GRIA
- Associate members – Individuals who have indicated they would support the organization should GRIA receive the promotion fund
- Committed parties – Similar to the second group. These individuals have expressed a willingness to be involved in GRIA if they receive the fund.

Mr. Lorber advised the Commission that GRIA's existence in its present form is predicated on the Commission's decision regarding the promotion fund. He stated that IGA's Board minutes indicate that any IGA member who joined the GRIA would be subject to expulsion. Therefore, rather than put these members at jeopardy from being excluded, the GRIA has established the three levels of membership. Mr. Lorber stated that GRIA Board members have discussed what would happen to the organization if they were not successful in their application for the greyhound promotion fund. He noted that it is 12 months before they can submit a new application for the fund, nor do they want their members expelled from the IGA.

Mr. Hardison advised the Commission that some of the previous information is incorrect. He stated that IGA's minutes would reflect that expulsion was discussed at a Board meeting, but no position has been taken on that issue. The discussion was confined to the issue of an individual being involved in a group that was directly competing against the

IGA. At this time, IGA has not discussed, nor do they plan to expel anyone from the organization.

Commissioner Mahaffey asked if Mr. Hardison was stating there is nothing in the IGA's minutes with regard to expelling members of IGA. Mr. Hardison stated that the question of expelling members was raised at a Board meeting, but no official action was taken to expel members, nor did they take a position on the matter. The Board's discussion centered on the fact that if there is a competing group for the greyhound promotion fund, it is difficult to view those individuals as a part of the IGA, and were wondering where they would go with that issue. Mr. Hardison reiterated that no plans have been made to expel anyone.

Commissioner Hassenfritz stated that the issue before the Commission is not the kind of business the Commission prefers to deal with. He noted that both organizations are funded by their members; and regardless of which group receives the fund; he would like to see a higher level of professionalism, cooperation and reaching out. Commissioner Hassenfritz expressed his hope that there would be no blacklisting, and that all animosity between the groups would disappear at the conclusion of these proceedings. He pointed out that the purpose of both organizations is to grow and enhance the greyhound industry. He indicated that he would be extremely disappointed if there is any hint of retribution.

Commissioner Hassenfritz noted the applications contain listings of the officers and Board of Directors for the organizations, but wondered if GRIA had retained legal counsel and an accounting firm. Mr. Lorber advised that GRIA had retained both legal representation and an accounting firm.

As there were no further questions for the representatives of GRIA or IGA, Chair Hansen asked the Commission members to summarize their opinion of the presentations.

Commissioner Hassenfritz stated that he feels there have been many unintentional oversights, and that the goal of this process should be that the organizations become more cohesive and professional. He urged the groups to spend less time on conflict, and spend more time involving the members and following its charter. Commissioner Hassenfritz stated that in his discussion with some of IGA's members, they don't know what is going on in the organization. He stated that the Executive Director of the successful group would have an educational job on their hands. He indicated that the Executive Director of both organizations were qualified for the position, and feels the greyhound industry will come out ahead regardless of which group receives the greyhound promotion fund.

Commissioner Sealock stated that she has been working with the IGA since 1989, and it is composed of hardworking, mostly Iowa, individuals. She stated that she admires what they do and what has been said at this meeting; however, the statistics don't support their statements. Commissioner Sealock pointed out that since 1989 she has seen greyhound racing enter a steep decline. She noted that Waterloo Greyhound Park was on its last leg when she joined the Commission in 1989 and that closing the facility was painful and

difficult. She stated that Waterloo lost its license due to financial viability, and indicated that the remaining two greyhound tracks are somewhat in the same position. They are hanging on, but only because of the slot machines, not from revenues generated by greyhound racing.

Commissioner Sealock stated that the Arbitration Decisions for IWRA and IGA that have come before the Commission for at least the last five years have called for a long-range plan to be established for the distribution of the escrow fund, and noted that the request has been ignored. Additionally, three years ago the panel recommended that a professor from Arizona State University be hired at a minimal cost to study greyhound racing in Iowa, and possibly breathe new life into the industry. The IGA opposed this recommendation.

Commissioner Sealock stated that as she reviewed the two applications, both contained exciting ideas, but noted that GRIA's application contained plans for instituting their ideas. She noted that GRIA's Executive Director has 21 years of experience in the greyhound industry, has an established network and contacts and doesn't have to learn about the industry. Commissioner Sealock pointed out that IGA's application states that Mr. Timmons has been hired to serve as a Promotions Director, not as an Executive Director. She stated that she felt the promotions area was the area in which Mr. Timmons has the least experience. She indicated that if he was going to serve as both Promotions Director and Executive Director, the later area is his area of experience. Commissioner Sealock indicated that Mr. Timmons also has the ability to oversee the escrow fund, but questioned whether he would actually be given the opportunity to do so.

Commissioner Sealock also questioned IGA's statement that they were eager to work with the general manager's at both greyhound facilities as a team in order to help the greyhound industry reach its potential.

Commissioner Hamilton stated that both organizations' applications contained excellent ideas. She indicated that she felt either group could work with the general managers, and the greyhound owners, breeders, and kennel operators; but that it would be better if the relationship were more harmonious between all parties.

Commissioner Mahaffey stated that he was less worried about increasing harmony. He stated that the question before the Commission is who should get the promotion fund, and expressed his opinion that there should be a compelling reason to not award the fund to the IGA. Commissioner Mahaffey indicated that both groups made excellent presentations, but that it appears the IGA has the majority of support of the people that know the dogs best, which is an important factor in his decision as to which group should receive the fund. He closed his comments with this quote from Benjamin Franklin: "Gentlemen, we should all hang together or we shall surely hang separately."

Chair Hansen stated that his criteria in determining who should receive the fund were simple. He noted that as he reviewed the material and listened to the presentations, he

established the following criteria: 1) Needs to be a full-time director providing more direction to the program; 2) Helpful if the director has greyhound experience; 3) Would like to see a circumstance minimizing the bickering and confrontational environment; and 4) looked at the opportunity for new, strong, innovative marketing approach in light of the declining market situation.

At this time, Chair Hansen requested a motion regarding the recipient of the Greyhound Promotion Fund. Commissioner Mahaffey moved that IGA be named as the recipient of the Greyhound Promotion Fund. Commissioner Hassenfritz seconded the motion.

Commissioner Hassenfritz stated that he would like to see a portion of the Board of Directors of GRIA incorporated into the Board of IGA to enhance harmony.

Hearing no further discussion concerning the motion, Chair Hansen requested a roll call vote. The motion carried on a 3-2 vote, Chair Hansen and Commissioner Sealock voting nay. (See Order No. 01-98)

Chair Hansen reiterated that it is the Commission's hope that both organizations can come together and work cooperatively for the good of the greyhound industry.

Following a short break, Chair Hansen called on Racing Association of Central Iowa/PMR&C. Derron Heldt, Director of Racing, presented PMR&C's request for the season approvals regarding the upcoming harness meet, which will commence on October 15, 2001 and conclude on November 17, 2001 with 20 days of racing. He advised the Commission that all racing official positions have been filled except for the Association Steward and Starter. Mr. Heldt stated that PMR&C would forward the names and resumes of the selected individuals to the Commission office when the positions are filled.

Commissioner Mahaffey asked if all issues concerning the schedule had been resolved with the harness group. Mr. Heldt answered in the affirmative.

Chair Hansen noted that the purses for the harness meet range from $1,800 to $5,500. He asked what the total purse money involved for this meet. Mr. Heldt advised that it was $600,000 over a 20-day period. Chair Hansen asked if PMR&C was still making a contribution to the Iowa Harness Horsemen's Association for fairs and associations, and if so, the amount. Mr. Heldt answered in the affirmative, with the amount being $750,000. Chair Hansen asked for the attendance and handle from the harness meet in 2000. Mr. Heldt stated that for the 6-day meet in 1999, handle averaged $25,000 on track. Last year, the on-track handle was approximately $12,000 over a 20-day period.

Mr. Ketterer asked about the off-track handle. Mr. Heldt indicated it was also approximately $12,000. Mr. Ketterer asked Mr. Heldt if PMR&C would be sending their simulcast signal to additional outlets this year. Mr. Heldt stated PMR&C would be happy to just get back into the same markets as last year, but it is their intent to get into more

outlets. He advised that PMR&C's focus at this time is the mixed thoroughbred/quarter horse meet. Mr. Ketterer asked if the $750,000 PMR&C is paying to the Iowa Harness Horsemen's Association is strictly for purses, or if it is also used for other purposes. Mr. Heldt stated that to his knowledge it was all used for purses.

Chair Hansen pointed out that PMR&C has an outlay of $1.3 million in connection with the harness meet, while handle for the meet has declined by 50%. On top of that, PMR&C experienced a $13 million drop in revenue, cut their charitable contributions by $1 million, and is faced with an escalating gaming tax obligation to the State. He wondered where these situations would leave PMR&C. Mr. Heldt stated that PMR&C is currently reviewing their business plan, purse structure, and obligations for the next year. They are reviewing the number of race days, the amount of money being given away, etc.

Chair Hansen stated that because of the economic hardships, he felt a total review of operations should be undertaken. Mr. Heldt stated that hopefully PMR&C would have some answers for the Commission at the August meeting.

Hearing no further questions concerning the season approvals for PMR&C's harness meet, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the harness meet as submitted by PMR&C. Commissioner Hamilton seconded the motion, provided it included staff's recommendations, which were as follows:

- The immediate written notification of any change in racing official positions.
- The completion of necessary DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.

Commissioner Mahaffey agreed to the amendment. The motion carried unanimously. (See Order No. 01-99)

Chair Hansen moved to the next agenda item – a hearing concerning BRC for a violation of Iowa Code Section 99F.9 (Wagering – Age Restriction). Mr. Ketterer stated that IWRA and IRGC had entered into a Stipulated Agreement. He informed the Commissioners that on February 24, 2001, a 19-year old individual gained access to the casino on two separate occasions, once in the morning and again later in the day. Security did not ask the individual for identification on either occasion. Guidelines previously established by the Commission brought this infraction to the Commission-review level. Mr. Ketterer recommended approval of the Stipulated Agreement, which calls for an administrative penalty of $10,000.

Mr. Ketterer stated that this was an unfortunate situation as BRC went to considerable time and expense to redo the front entrance, putting in a revolving door, guard station, and cameras to check IDs. He indicated that he feels BRC's system is sufficient. He noted that IRGC staff at BRC feels the guards have recently been retrained in this area and that future occurrences will not occur.

Commissioner Mahaffey expressed concern about the fact the Commission has been seeing an increase in the number of Stipulated Agreements pertaining to underage gambling problems. He wondered what the Commission's position would be with regard to repeated violations, and whether the fine increases beyond $10,000. Mr. Ketterer indicated that the fine does increase, and noted that the situation has occurred in the past. He stated that if two occurrences happened within a year, the fine would remain at $10,000; but would increase to $15,000 for the third violation, and $20,000 for the fourth violation. He advised that there are certain criteria that have to be met before an underage violation reaches the Commission. The criteria are:

- The guard does not request any ID; however if the ID is checked, altered or belongs to another individual, the violation does not come before the Commission.
- If the person is found in the casino within 30 minutes by other staff/employees, the situation does not come before the Commission;
- If the individual does not gamble or consume alcohol, the violation does not come before the Commission.

In those situations that don't come before the Commission, the violations are handled by the Gaming Board, which can assess fines of $1,000 or less or suspend an occupational license. Mr. Ketterer stated that the Commission needed to look at the overall picture. In his opinion, for the number of people passing through the facilities, the number of violations doesn't necessarily reflect on how the facility is being operated or managed. He noted that the facilities check thousands of IDs each month. He stated that the Commission should have a consistent manner in handling these situations as they have a statutory mandate.

Mr. Welch advised that one of the security guards involved was new. Security is supposed to check the ID of any individual who looks younger than 30. Mr. Welch informed the Commission that both security guards involved were terminated. He noted this is a severe violation of IRGC rules, but the minor receives a $100 fine and walks away. He indicated that Harveys has considered suing the minor to recoup the costs associated with the underage gambling violation.

Commissioner Hassenfritz suggested tying the laws regarding underage drinking to the underage gambling statutes. He feels the requirements would be strict enough to curb the problem. Commissioner Hassenfritz asked if the Legislature had been approached for assistance with this issue.

Chair Hansen advised that the Commission's legislative proposal to the Governor included a suggestion that an underage gambler's driver's license be suspended. He noted that the issue came up during the legislative subsection of the strategic planning subcommittee meeting the previous day. In a previous meeting of the subcommittee, it was learned that there are interstate compacts, which would require other states to honor actions taken against an individual's driver's license in Iowa.

Commissioner Hassenfritz stated that the consequences for an underage individual caught drinking are a fine, required attendance at meetings and probation. In his opinion, revocation of the driver's license places a hardship on the parents.

Mr. Welch stated that one of the objectives of the Iowa Gaming Association for 2002 is to work on the minor issue.

Hearing no further discussion concerning the Stipulated Agreement, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the Stipulated Agreement between BRC and IRGC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-100)

Chair Hansen called on Wes Ehrecke, Executive Director of the Iowa Gaming Association, who advised the Commission that the licensees would be participating in Iowa's Responsible Gaming Education Week August 6-10. The purpose of this week is to provide a heightened awareness of the importance of responsible gaming for employees and the public in a social setting. He noted there has been a substantial amount of research over the last year, which speaks to the issue of getting better facts and acquiring a better understanding of the issues by the public and media.

Mr. Ehrecke stated information would also be available on the gambling treatment and trespass programs. He noted that all of Iowa's facilities participate in the trespass program, and have information posted concerning the gambling treatment program. Mr. Ehrecke touched briefly on the concerns raised by Internet gambling.

Commissioner Hassenfritz asked Mr. Ehrecke if there have been any further studies done defining "problem gamblers", which would provide scientific data versus general data. He stated that he is not aware of any published criteria used to determine whether an individual has a gambling problem versus someone who has a substance abuse issue or other risk-taking activities. Mr. Ehrecke stated there are several studies ongoing at this time that are being funded by the National Center for Responsible Gaming. Several universities and organizations are conducting the studies.

Chair Hansen moved to the election of the chair and vice-chair of the Commission for fiscal year 2002.

Commissioner Hassenfritz nominated Rita Sealock to serve as Chair. Commissioner Mahaffey seconded the motion. Hearing no further nominations, Chair Hansen cast a unanimous ballot for Commissioner Sealock to serve as Chair for fiscal year 2002. As there were no objections, Chair Hansen called for the vote. The motion carried unanimously, Commissioner Sealock abstaining. (See Order No. 01-101)

Chair Sealock noted that past Chair Hansen has willingly committed time and energy to the Commission, and that she has enjoyed working with him.

Commissioner Hansen thanked his fellow Commissioners for their support during his tenure as Chair. He expressed his pride in the fact that the Commission has upheld the integrity of racing and gaming in Iowa.

Chair Sealock called for nominations for the position of vice chair. Commissioner Hamilton nominated Commissioner Hansen as vice-chair for the upcoming year. Commissioner Mahaffey seconded the motion.

Hearing no further nominations, Chair Sealock entered a unanimous ballot for Commissioner Hansen to serve as vice chair. As there were no objections, she called for the vote. The motion carried unanimously, Commissioner Hansen abstaining. (See Order No. 01-102)

Chair Sealock moved to Administrative Business. Mr. Ketterer asked Commissioner Hansen if he wanted to discuss the subcommittee meetings that took place on Wednesday.

Commissioner Hansen advised that two subcommittee meetings were held on Wednesday, which were extensive and instructive. The first on vendor compliance, composed of representatives from the Iowa Gaming Association and Commissioner Hamilton and himself, reviewed what had transpired in 1997 on this topic. Future meetings will be held.

Secondly, a meeting of the long-range planning subcommittee was held. The committee is reaching the point where a draft report could be written, which will be subject to review by selected previous Commission members, members of the horse and greyhound associations, and staff.

Chair Sealock advised that the same committees would continue.

As there was no Public Comment, Chair Sealock adjourned the meeting.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# AUGUST 21, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Tuesday, August 21, 2001 at the Sioux City Convention Center, 801 Fourth Street, Sioux City, Iowa. Commission members present were: Rita Sealock, Chair; W. R. "Bill" Hansen, Vice Chair; and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Sealock called the meeting to order and requested a motion to go into Executive Session. Commissioner Mahaffey moved to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation. Commissioner Hassenfritz seconded the motion, which carried unanimously. (Iowa Code Section 21.5(g) was noticed on the agenda.)

Following Executive Session, Chair Sealock called on Missouri River Historical Development (MRHD). Ron French, a member of MRHD, introduced Marty Dougherty, Mayor of Sioux City, who welcomed the Commission to Sioux City. Mayor Dougherty stated that the City has a good working relationship with MRDH and the Belle of Sioux City (BSC). He indicated that many projects have benefited by receiving funding from MRHD. He pointed out that the majority of the funds received by Sioux City have been utilized to construct the Prairie Creek Project, a flood control project. Mayor Dougherty stated that Sioux City recently received $21 million from the Vision Iowa Program for the Rivers Edge Project, which will encompass several projects. One of the projects is a Lewis and Clark Interpretive Center, and another is a 10,000-seat event center.

Mr. French introduced George Boykin, Chairman of the Woodbury County Supervisors, who also expressed the County's appreciation for the benefits received from the BSC and MRHD. He noted that MRHD had contributed approximately $2 million to Woodbury County.

Jack Ketterer, Administrator, noted that for the last three or four years the Commission has been asking the previous general manager, John Pavone, about Argosy's plan to bring in a larger vessel, larger barge, larger parking facility and increased revenues. He asked about the status of these projects.

Mr. French indicated that MRHD would like to see the above projects come to fruition, and would do everything within their power to make that happen. He indicated that he couldn't speak for the riverboat, but felt they might have some plans once everyone gets past the referendum next November.

Jesus Aviles, General Manager of BSC, also welcomed the Commission to Sioux City. He stated that Argosy is committed to growth in the communities it serves, and does have plans for the BSC. Argosy would like to move the boat to a more accessible location

with additional parking; however, the main focus at this time is the referendum that will be held in November 2002.

Mr. French introduced MRHD board members in attendance. He stated that since 1993 MRHD has collected in excess of $6 million in revenue, with $2 million being given back to the residents of Woodbury County in the forms of grants or special projects. He noted that MRHD broke ground for a Lewis & Clark Interpretive Center, a $3.5-$4 million facility, which is adjacent to the Missouri River. The project is part of Sioux City's Rivers Edge project. The attraction should open in late summer of 2002. Mr. French indicated this would be the only Lewis & Clark Interpretive Center in Iowa as far as MRHD knows. At this time, Mr. French introduced Alan Hansen, Executive Director of the Lewis & Clark project.

Mr. Hansen stated that the facility is finally above ground, and when it is completed, will be an asset to Woodbury County and the entire state. It is anticipated that 25 million individuals will travel the Lewis & Clark trail between now and 2006. The interpretive displays are currently being prepared. Mr. Hansen explained that an interpretive center does not contain any artifacts of historical significance; items on display are replicas of items. The purpose of an interpretive center is to develop a desire to learn more about a subject without telling the whole story. This center will tell the Lewis & Clark story from Council Bluffs, Iowa, to Yankton, South Dakota. The displays are not located behind glass, and will be one of the most interactive interpretive centers on the Lewis & Clark trail. The center will be utilized as an educational center by teachers in Woodbury County as well as the surrounding areas in South Dakota and Nebraska. Mr. Hansen stated that several teachers have been brought together to develop a curriculum, which can be used to teach math, science, English, and other languages. He had architectural drawings of the finished center.

Chair Sealock called for a motion to approve the agenda. Commissioner Hansen so moved. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Sealock called for a motion to approve the minutes from the July 21, 2001 Commission meeting, and the minutes from the Long Range Planning Subcommittee meetings from June 20 and July 18, 2001. Commissioner Hansen moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Sealock called on Mr. Ketterer for announcements. Mr. Ketterer introduced IRGC employees Pam Oliver and Jim Rossiter, Licensing Assistant and Gaming Representative, respectively, at BSC.

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

- September Commission Meeting – September 20, Des Moines, **Comfort Suites*** (Submissions due by September 6, 2001)
- October Commission Meeting – October 18, Dubuque, Dubuque Greyhound Park & Casino (Submissions due by October 4, 2001)
- November Commission Meeting – November 15, Des Moines, Location to be Determined (Submissions due by November 1, 2001

Mr. Ketterer pointed out that the location of the September meeting had been changed to the Comfort Suites located on Hickman Avenue.

Chair Sealock called on Mr. Ketterer for an explanation of the Rules presented for final adoption. Mr. Ketterer stated that they deal with the following areas:

- The Commission's website and advance notice of the meetings and the procedure to be followed when making a Motion for Reconsideration
- Allows the Commission or the Commission's designee the authority to determine how the original order or sanction is to be implemented once a stay has been vacated
- Provides that an incomplete application shall not be processed
- A veterinarian seeking a license from the Commission shall disclose all disciplinary actions taken against any licenses to practice veterinary science.

Mr. Ketterer recommended approval. Hearing no discussion, Chair Sealock requested a motion. Commissioner Hansen moved to final adopt the rules as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-103.)

Chair Sealock moved to the contract approval portion of the agenda, and called on Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager of PMR&C, presented a contract with Anchor Games for the potential lease of nine Flip-Flop Slot Games, which would replace existing games.

As there was no discussion, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contract as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-104)

Chair Sealock called on Bluffs Run Casino. Pete Weien, General Manager at BRC, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase of 10 Slot Machines (Replacements)
- Atronic Americas, LLC – Purchase of 29 Slot Machines (Replacements) and Spare Parts Kits
- Dell Computer Corporation – Estimated Person Computer, Laptop and Service Purchases for Current Year

- International Game Technology (IGT) – Purchase of 132 Slot Machines (Replacements)
- International Game Technology (IGT) – Purchase of 8 Slot Machines (Replacements)
- International Game Technology (IGT) – Purchase of 5 Slot Machines (Replacements)
- Konami Gaming, Inc. – Purchase of 18 Slot Machines (Replacements) and Slot Stands
- Mikohn Gaming Corporation – Estimated Annual Lease Payments for 25 Slot Machines (Replacements)
- Timeworks, Inc. – Conversion & Installation of New Networked Time Clocks
- WMS Gaming, Inc. – Purchase of 39 Slot Machines (Replacements)

Chair Sealock asked about the Dell Computer contract, which indicates it is a sole source contract. Mr. Weien advised that Harrah's has a national contract with Dell, which allows them to purchase computers directly from the factory. At this time, Harrah's is planning to purchase 50 computers each for BRC and Harveys at a cost of $1,200 each.

Chair Sealock also asked about the contract with Timeworks, Inc. with regard to the conversion and installation of new networked time clocks. Mr. Weien explained that Harrah's has a national contract with Timeworks, and they are the sole source of the product and technology.

Commissioner Hassenfritz advised Mr. Weien there are other companies, although none in Iowa that do produce this type of product.

Chair Sealock called for any further discussion concerning BRC's contracts. Hearing none, she requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-105)

Chair Sealock called on Isle of Capri Marquette (ICM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Aristocrat – Increase of $50,000 to previously approved Vendor Transaction for Slot Machine Parts and Conversions. New Transaction Value: $210,000.00
- King Food Service, Inc. – Increase of $75,000 to previous approved Vendor Transaction for Food Supplies. New Transaction Value: $150,000.00
- Konami Gaming, Inc. – Proposed Purchase of 6 Slot Machines (Replacements)
- WMS Gaming, Inc. Proposed Purchase of 8 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by ICM.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-106)

Chair Sealock moved to the contracts submitted by Isle of Capri Bettendorf (ICB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase of Slot Machines and Parts
- Design Studio – Advertising
- Forms 1 – Forms
- Howard Press & Associates – Computer Equipment
- Systran Financial Services/Innovative Game – Purchase of 6 Slot Machines
- TMI – Employee Training
- Venture System Source – Gaming Software Programs and Related Computer Equipment
- WMS Gaming, Inc. – Slot Machine Purchase and Lease Fees
- Prestige Games – Sale of 131 Slot Machines

Hearing no discussion concerning ICB's contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by ICB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-107)

Chair Sealock called on Dubuque Diamond Jo (DDJ). Natalie Schramm, Assistant General Manager, presented a contract with Deloitte & Touche, LLP for an increase in accounting fees.

Hearing no discussion concerning DDJ's contract, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by DDJ. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-108)

Chair Sealock called on Harrah's. Mr. Weien, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase of 30 Slot Machines (Replacements)
- Atronic Americas, LLC – Purchase of 22 Slot Machines (Replacements) and Spare Parts
- Bright Ideas – Property Signage
- Dell Computer Corporation – Estimated Person Computer, Laptop and Server Purchases for Current Year
- International Game Technology – Purchase of 14 Slot Machines (Replacements)

- International Game Technology – Purchase of 162 Slot Machines. (94 Machines will be added to the Casino Floor, 68 Machines will be Replacements)
- International Game Technology – Estimated Annual Lease Payments for 5 Slot Machines (Replacements)
- Konami Gaming, Inc. – Purchase of 21 Slot Machines (Replacements)
- Mikohn Gaming – Estimated Annual Lease Payments for 9 Slot Machines (Replacements)
- Pro-Dive, Inc. – Dive Team Dredging
- The Osborne Coinage Co. – Harrah's Tokens for Slot Machines
- Timeworks, Inc. – Conversion & Installation of New Networked Time Clocks
- Unisource – Paper Products
- WMS Gaming, Inc. – Estimated Annual Lease Payments for 8 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase of 65 Slot Machines (Replacements)

Chair Sealock questioned why the contract with Bright Ideas was being submitted as a sole source. Verne Welch advised that they are the only local company large enough to handle the signage for the property.

Chair Sealock stated that she did not find any bids with regard to the Dell Computer Corporation contract. Mr. Weien reiterated his earlier statement regarding Harrah's national contract with Dell Computer, which allows them to purchase computers at a reasonable price. He indicated bids were not sought.

Commissioner Hansen reminded Mr. Weien that at the time Harrah's submitted their license application, he advised the Chairman of the Board for Harrah's of Iowa's law requiring the use of Iowa products whenever possible. He also noted that the Commission was becoming alarmed about the number of out-of-state purchases being submitted on the basis of a corporate purchasing policy. Commissioner Hansen stated that Harrah's Chairman assured the Commission that Harrah's would give every consideration to Iowa purchases, but the contracts before the Commission today give the opposite picture.

Mr. Weien stated that in light of the Harrah's national contract with Dell, he didn't feel there was much that could be done. He indicated that he has been made aware of Harrah's intent to purchase as many products as possible from Iowa vendors.

Commissioner Hansen stated that the policy requiring the use of Iowa vendors when possible is not a license for Iowa vendors to steal; they have to be competitive. The Commission is interpreting the Legislature's intent to mean that licensees' should give every consideration possible to Iowa vendors.

Chair Sealock commented on the bids received for the dredging contract. She also asked why Iowa bids were not taken for the Unisource contract. Mr. Welch stated that bids were sought from Kimberly-Clark, Ward James, Burton Pacific, and Don Larson. Mr. Welch stated that Mr. Larson was unable to maintain the levels and price of the supplies needed.

Mr. Ketterer asked about Hawkeye Foods. Mr. Welch explained that Hawkeye Foods was one of the bidders.

Chair Sealock asked Mr. Weien and Mr. Welch to list the bids received on the transaction summary sheet as it makes it easier for the Commissioners to review the contracts.

Hearing no further discussion regarding Harrah's contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Harrah's. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-109)

Chair Sealock called on Rhythm City Casino. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Acme Sign Co., Inc. – New Property Signage (Transaction Increase)
- Aristocrat Technologies – Purchase 49 Slot Machines (Replacements)
- Bally Gaming – Purchase 18 Slot Machines (Replacements)
- Command Business Systems – Copier Machine Purchase & Lease Agreement
- Competitive Distributors – Promotional Goods
- International Game Technology (IGT) – Lease 12 Slot Machines (Replacements)
- International Game Technology (IGT) - Purchase 16 Slot Machines (Replacements)
- Konami Gaming, Inc. – Purchase 8 Slot Machines (Replacements)
- Premier Distributing – Cigarettes, Candy & Sundries for Resale
- Shuffle Master Gaming – Lease 10 Slot Machines (Replacements)
- Software Spectrum – Microsoft Office Upgrade & Novell Software
- Uniforms to You – Uniform Design & Production
- Work Fitness Center – Drug Testing & Workman's Compensation Healthcare Provider

Chair Sealock asked Mr. Lohman if he heard Commissioner Hansen's remarks regarding national purchases, noting that was the reason provided for out-of-state vendors on Software Spectrum and Uniforms to You.

Commissioner Hansen reiterated that it is a Legislative mandate, not a Commission policy, that the facilities use Iowa vendors whenever possible; that the Commission is just trying to enforce the Legislature's intent.

Mr. Lohman stated that the general managers at all three properties operated by Isle of Capri in Iowa are diligent in relaying the Commission's message regarding Iowa purchases to the corporate purchasing personnel. The general managers are receiving some bid information allowing them to seek Iowa bids. Mr. Lohman indicated that Isle of Capri is also seeking Iowa vendors that can be used company-wide. He noted that the Bettendorf facility had located an Iowa company that manufactures and refurbishes slot chairs that is now being used company-wide to refurbish slot chairs.

Commissioner Mahaffey noted that the contract with Uniforms to You was for $300,000, and indicated that the company was chosen by Isle of Capri, Inc. to design and manufacture casino uniforms used throughout Isle of Capri properties. He asked if any Iowa companies were even given an opportunity to bid on providing the uniforms.

Mr. Lohman stated that with regard to the Rhythm City property, since Uniforms to You was already an established vendor for Isle of Capri, and they were attempting to open the property in March, Rhythm City paid a premium to the company in order to meet the deadline for the uniforms. He advised the Commission that the company-wide contract is out for renegotiation at this time, and was not sure whether it would remain with Uniforms to You. Mr. Lohman indicated that the three Iowa general managers have had discussions with corporate purchasing personnel on having Iowa vendors bid.

Hearing no further discussion concerning Rhythm City's contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve Rhythm City's contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-110)

Chair Sealock called on BSC. Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for June 2001 (RP)
- WMS Gaming, Inc. – Lease 2 Slot Machines (Replacements)

Hearing no discussion, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BSC. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-111)

Chair Sealock called on Catfish Bend Casino (CBC). Dan Kehl, General Manager, presented the following contracts for Commission approval:

- Chick's Upholstering – Material & Labor to Re-upholster Casino Chairs and Stools
- The Great Midwest Seafood Co. – Purchase of Food Product (Transaction Increase)
- Word of Mouth Entertainment – Booking Agent for Entertainers

Hearing no discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by CBC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-112)

Chair Sealock moved to the contract submitted by Mississippi Belle II (MB II). Mr. Kehl presented a contract for Cottingham and Butler as their insurance carrier.

Hearing no discussion regarding the contract, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contract as submitted by MB II. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-113)

Chair Sealock called on Lakeside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Magnum Gaming, Inc. – License Agreement "Bet the Set 21" (Replacement of Existing Games)
- Grimes Asphalt and Paving – Parking Lot Repair
- Aristocrat Technologies, Inc. – Acquisition of 10 New Slot Machines (Replacements)

Mr. Massa withdrew the contract with Magnum Gaming, Inc.

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside Casino. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-114)

Mr. Massa informed the Commission that Lakeside Casino had completed the required 100 cruises as of August 17, 2001.

Chair Sealock called on Ameristar Casino. Tony Taeubel, General Manager, presented the following contracts for Commission approval:

- International Game Technology (IGT) – EZ Pay Software and Equipment for Slot Machines
- JCM American – Bill Validator/Acceptor Units

Mr. Taeubel stated that the contract with JCM American is for a computer chip that will allow two-way acceptance of bills versus one-way.

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Ameristar.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-115)

Chair Sealock asked Mr. Taeubel about construction on Ameristar's property. Mr. Taeubel advised that there are currently no construction projects taking place.

Following a short break, Chair Sealock called on John Blackhawk, Chair of the Winnebago Tribe of Nebraska, who was invited to attend the meeting to discuss the media coverage and recent situation with an underage gambler at BSC. He indicated several of his statements did not get published. He introduced Mr. Bass and Mr. Hubbell, Vice Chair and Tribe General Counsel respectively.

Mr. Blackhawk stated that originally the Winnebago Tribe was blamed for the individual gaining access to the BSC. He noted that the tribe does not have any authority over the BSC. Mr. Blackhawk stated that he had spoken with Mr. Aviles, and there are some things they hope to do together. He referred to a statement that implied the Winnavegas Casino was to blame as they have different rules and regulations. Mr. Blackhawk stated that Winnavegas cards every individual that looks 30 years old or younger. Additionally, Mr. Blackhawk pointed out that approximately one million or more individuals visit the boat each year, and that having only one individual violate the rule is a pretty impressive record. He indicated that if the fact that 18-year olds are allowed in the Winnavegas Casino is an issue, an invitation has been extended to Governor Vilsack and any state agencies that may be concerned to meet and discuss the issue. Mr. Blackhawk noted that a meeting took place about a year ago to discuss a possible change in the gambling age limit at Winnavegas, however, as a sovereign nation; they have the right to set the age limit where they choose.

Chair Sealock thanked Mr. Blackhawk for coming to the meeting; and noted that when the Commission first started meeting, Native American representatives attended most of the meetings. She noted that the Commission and the Native Americans are in the same business and that it would be beneficial to everyone if a cooperative agreement could be reached. Chair Sealock pointed out that when the Native American casinos first opened, the Commission regulated them, and recalled a couple of early violations that were corrected within 24 hours. She stated that the oversight ended when the question of who was paying for the regulation came up as the Commission did not want to collect from the other casinos and have them paying for regulation of the Native American casinos. She pointed out that differing rules on the gambling age and the proximity of Winnavegas and Casinomaha to BSC can create some difficulties.

Commissioner Hansen stated that there was no debate regarding the age limit at Winnavegas. He pointed out that Argosy made a statement that since the Winnavegas Casino had lowered their age limit for gambling, BSC has had three times as many problems with underage individuals attempting to gain access at BSC. Additionally, he made the comment that problems are bound to occur when there are three casinos going by their own rules and thirteen other casinos subject to Legislative and Commission rules.

Commissioner Hansen stated that the casinos in northwest Iowa are really in a four-state area, Nebraska, Iowa, Minnesota, and South Dakota, and not everyone is cognizant of the various rules and regulations. He indicated the issue being discussed at the hearing for the underage violation at BSC was customer confusion. Commissioner Hansen stated that he had just learned from Mr. Blackhawk's statements and editorial that the compact with the Winnebago Tribe negotiated by former Governor Branstad did not require them to follow Iowa law with regard to age limits or alcohol consumption. Mr. Blackhawk indicated that was correct. He further stated that the compacts negotiated vary widely from state to state. Commissioner Hansen stated that he had heard there were discussions with the Native American casinos with regard to age restrictions during the negotiations, but an impasse occurred when one casino was willing to accept the age limitations but two were not. Mr. Blackhawk indicated he was not aware of those discussions. Commissioner Hansen asked former commissioner Lorraine May to address this issue.

Ms. May stated there were discussions at the time the compacts were negotiated regarding age limits. The goal was to try to have a unified age limit at all casinos in the state. She stated the discussions did fall apart, but could not remember the specifics as the negotiations were handled by the Governor's Office.

Mr. Blackhawk asked Mr. Hubbell about this issue, as he was involved in the negotiations of the most recent compact. Mr. Hubbell indicated that he did not have any discussions with anyone with regard to age limitations. He stated the current compact, as previous compacts were, is silent with regard to the age at which individuals may gamble at a Native American casino. Chair Sealock asked if they had lowered the age limit at the time of the negotiations. Mr. Hubbell indicated they had not. He further stated some discussions were held about a year ago with regard to age limitations, but the tribe has heard nothing further from the Governor's Office.

Mr. Hubbell stated that the Native American casinos do pay a monitoring fee to the Department of Inspections & Appeals (DIA) in the amount of $30,000, which increases each year. Chair Sealock pointed out that DIA would be responsible for ensuring the casinos are complying with the compacts. Mr. Hubbell stated that the primary responsibility for regulating tribal casinos lies with the federal government and tribes. He stated that the tribe has a significant budget for regulatory affairs, including minimal internal control standards, which are as strong as any state controls. Mr. Hubbell stated the tribe pays in excess of $300,000 to the Gaming Commission for internal controls, and the National Indian Gaming Commission (NIGC) receives approximately $8 million for federal regulatory oversight. In the areas where the tribe has regulatory authority, and has NIGC audits, the tribe has consistently been 100% compliant with all the control parameters, which are at least as stringent as the state.

Commissioner Hansen stated that he was glad to hear there had been some discussion with regard to age. In his opinion, the Commission should advise the Governor's Office that there is a problem due to the various age limits for gambling at facilities within the

State. He also asked Mr. Blackhawk if the Winnebago tribe was aware of a recent Arizona court case, which stated that the Legislature, not the Governor, has the authority to negotiate the compacts. The ruling further enjoined the Governor from conducting any further negotiations. Mr. Blackhawk stated the authority to negotiate compacts varies from state to state. Commissioner Hansen pointed out that the ruling could have an impact on other states. He stated that he was not advocating that the authority to negotiate compacts be removed from the Governor's Office. Commissioner Hansen reiterated his earlier statement that the Governor's Office should be made aware of the problems occurring due to the inconsistencies in the age limitations for gambling. He asked about the expiration date of the current compacts.

Mr. Blackhawk stated that the compacts contain a cut off date for bringing up issues, otherwise there is an automatic renewal. Jean Davis, Assistant Attorney General to the Commission, stated that she thought the compacts were negotiated for an eight-year term during the last negotiations. Mr. Blackhawk stated that he sees the age issue as an opportunity for the Native American and state-regulated casinos to work together. He indicated the Tribal Council lowered the age, after lengthy considerations for the benefit of the tribe's members and the "Siouxland" community.

Commissioner Hansen reiterated his earlier comment that two sets of rules create confusion, which is what the Commission was trying to get across during the underage gaming hearing for BSC. He expressed his hope that this issue would be a topic of discussion during future compact negotiations.

Chair Sealock moved to Administrative Business. She stated that the committees established previously would continue to meet, but membership would change somewhat. Commissioner Hansen will continue to chair both committees. The Legislative Sub-Committee will now consist of Mike Mahaffey and Diane Hamilton. The Purchasing Sub-Committee will now consist of Chair Sealock and Commissioner Hassenfritz. Both subcommittee meetings will be open to the public as there will be a quorum of Commission members.

Mr. Ketterer advised that as part of the Iowa Excellence Program initiated by the Governor's Office, Commission staff has developed some short surveys that will be distributed to different groups, one of which will be sent to the licensed facilities. These surveys will be distributed over the next month during his site visits. The completed surveys are to be returned to Wes Ehrecke, Executive Director of the Iowa Gaming Association.

Commissioner Sealock stated that Mr. Ehrecke had provided Commission members with a copy of the proposed agenda for the Global Gaming Expo to be held in Las Vegas in early October. She pointed out that Mr. Ehrecke is a panel member, as are representatives for Harrah's and Ameristar. Mr. Ketterer stated that Terry Hirsch, Director of Riverboat Gambling, will be attending, and that Commissioner Mahaffey would be checking his calendar to see if he can attend.

Chair Sealock stated that Mr. Ehrecke had left a video "Understanding the Odds of Responsible Gaming", that is to be passed around to the Commission members. She will forward the video once she has viewed it.

Chair Sealock moved to Public Comments. As there were none, Chair Sealock called for a motion to adjourn the meeting. Commissioner Hassenfritz so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# SEPTEMBER 20, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, September 20, 2001, at Comfort Suites at Living History Farms, 11167 Hickman Road, Urbandale, Iowa. Commission members present were Rita Sealock, Chair; Bill Hansen, Vice Chair, and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Sealock called the meeting to order at 8:00 AM and requested a motion to approve the agenda. Commissioner Hamilton moved to approve the agenda as presented. Commissioner Mahaffey seconded the motion, which passed unanimously.

Chair Sealock requested a motion to go into Executive Session. Commissioner Mahaffey moved to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(g). Commissioner Hassenfritz seconded the motion, which carried unanimously.

Following the conclusion of the Executive Session and a brief break, Chair Sealock called for a motion regarding the minutes from the August 21, 2001 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously.

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

- October Commission Meeting – October 18, Dubuque, Dubuque Greyhound Park & Casino (Submissions due by October 4, 2001)
- November Commission Meeting – November 15, Des Moines
- December – NO MEETING

He advised that a location has not been selected for the November meeting.

Chair Sealock called on Mr. Ketterer to address the rules before the Commission for final adoption. Mr. Ketterer advised that the proposed rule changes are minor. The first item, amending 6.5(1), paragraph "n", allows the gaming representatives and stewards to issue a short suspension in addition to, or in lieu of, a fine in the event an applicant falsifies their license application. The second rule change before the Commission rescinds and reserves subrule 9.4(5), paragraph "m", which pertained to harness racing, and required papers to be in the Racing Office. Mr. Ketterer explained this requirement is typical of other racing breeds, but the United States Trotting Association has provided electronic access to the information on the foal's papers, and has removed this requirement from its rules. Mr. Ketterer recommended approval of the rules as presented.

Commissioner Hansen moved to approve the rules before the Commission for final adoption. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-116)

Chair Sealock moved to the Contract Approval portion of the agenda, and called on Harveys Iowa Management Company. Peter Weien, General Manager, presented the following contracts for Commission approval:

- Alan's Carpet Care – Install & Prep Work for Casino Carpet Installation
- Avaya – Telephone Switch Equipment Upgrade
- Bolton & Hay – 1438 Gasser Gaming Chairs
- Inter-American Data – Programming & Professional Services
- Inter-American Data – Application & Operating Software Support
- Mail Marketing – Coupon & Mailer Printing and Posting
- Midwest Coatings – Sealcoat & Stripe Parking Lots
- Nevada P.M.I. – Automatic Coin Redemption Machines
- Nebraska Furniture Mart Builders – Ulster Custom Carpet for Casino

Mr. Weien advised that the change to Harrah's would take place in mid-December.

Chair Sealock noted that the contract summary sheet showed they had made a concerted effort to use Iowa companies.

Hearing no further discussion regarding Harveys' contracts, Chair Sealock requested a motion. Commissioner Hassenfritz move to approve the contracts as submitted by Harveys. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-117)

Chair Sealock called on Lakeside Casino. Joe Massa, General Manager, presented a related party contract with Clarke County Development for a contribution to fund the Lakeside Casino Resort Community Activities Fund.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-118)

Chair Sealock advised Mr. Massa that she appreciated receiving the letter he had written concerning the recent newspaper articles, and asked if he wanted to comment. Mr. Massa stated that the situation was misunderstood, and that no employee had been disciplined, nor would they be, for wearing a patriotic emblem on their work uniform.

Chair Sealock called on Peninsula Gaming. Natalie Schramm, Assistant General Manager, presented the following contracts for Commission approval:

- Bennett Brothers – Promotional Purchases

- Geisler Brothers Co. – Heating/Air Conditioning Repairs/Parts
- Radio Dubuque, Inc. – Advertising
- Self-Insured Services, Inc. – Employee Health Insurance Claims
- Weber Paper Company – Paper and Cleaning Supplies

Commissioner Hansen asked about the contract with Bennett Brothers. Ms. Schramm advised that Bennett Brothers provides the gifts that patrons redeem through the Players Club.

Hearing no further discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Peninsula Gaming. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-119)

Chair Sealock called on the Belle of Sioux City (BSC). Kim Kreber, Director of Management Development, presented a contract with Argosy Gaming for the inter-company charges for July 2001.

Hearing no discussion regarding the contract, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-120)

Chair Sealock called on Ameristar Casino. Tony Taeubel, General Manager, presented the following contracts for Commission approval:

- Shuffle Master – Lease 6 Let's Make A Deal Slot Machines (Replacements)
- WMS Gaming – Participation Agreement for 6 Puzzle Pay Slot Machines (Replacements)
- International Game Technology – Participation Agreement for 6 $25,000 Pyramid Slot Machines (Replacements)
- International Game Technology – Participation Agreement for 6 Price is Right Slot Machines (Replacements)
- International Game Technology – Participation Agreement for 6 Regis' Cash Club Slot Machines (Replacements)

Mr. Ketterer pointed out that the contract summary sheet lists WMS as an Iowa vendor. He noted the company does not have an Iowa office.

Hearing no further discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Ameristar. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-121)

Chair Sealock called on Isle of Capri Marquette (IOCM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Slot Machine Parts and Conversions
- Cummins Allison Corporation – Coin Wrappers, Jet Sorters and Spare Parts
- Four Star Entertainment – Headliner Entertainment
- Global Payments/NDC Check Service – Check Guarantee
- International Game Technologies (IGT) – Lease of 4 Participation Slot Machines (Replacements)
- L.A. Slot Machine Company, Inc. – Proposed Sale of 62 Slot Machines (Used)

Chair Sealock pointed out that the on the summary sheet the contract with Cummins Allison is shown as a sole source, but the actual contract shows them as an Iowa vendor. Mr. Hardy stated that he would have to do some checking, as he did not know the answer to the question.

Hearing no further discussion, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCM. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-122)

Chair Sealock called on Isle of Capri Bettendorf (IOCB). Mike Hirsch, General Manager, presented the following contracts for Commission approval:

- AON Risk Services – Property & Marine Insurance (Transaction Increase)
- Greenwood Cleaning Systems – Cleaning Supplies and Equipment (Transaction Increase)
- Harker's Distribution – Meat Distributor (Transaction Increase)
- JCM American Corporation – Bill Validators (Transaction Increase)
- Premier Linen – Linen Service

Commissioner Hansen questioned the need to use an out-of-state vendor for the insurance and cleaning supplies. Mr. Hirsch stated that he had checked with the corporate office on this issue and was advised that the insurance covered multiple states. Additionally, he was advised that no Iowa vendor was able to provide the property and casualty insurance throughout the entire corporation. Mr. Hirsch stated that Isle of Capri had checked with Prudential and other large Iowa insurance companies, but that they did not offer the required casualty part of the insurance. Chair Sealock advised that it would be helpful if IOCB would indicate on their contract forms if they have contacted Iowa vendors.

Hearing no further comments concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by IOCB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-123)

Chair Sealock called on Rhythm City Casino. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- American Foodservice Equipment Sales, Inc. – Food & Beverage Equipment Supplier
- AON Risk Services – Risk Services – General Insurance
- AT&T – Cable & Long Distance Service
- AVAYA Inc. – Phone Equipment & Maintenance
- Anchor Company (VLC) – Purchase 17 Coin-Free Slots (Replacements)
- Chesapeake Advertising – Advertising Services
- Iowa Workforce Development – State Unemployment Taxes
- King Food Service – Food Products
- Quality Walls Inc. – Exterior Painting of Porte Cochere
- Qwest – Local Phone Service Provider
- Reinhart Food Service Inc. – Food Products
- Taylor & Dean – Chair Purchases, Recovering & Conversions

Ms. Donovan advised the Commission that Taylor & Dean, an Iowa vendor, is being used at all thirteen Isle of Capri facilities.

Commissioner Hansen expressed his appreciation for IOC's effort, but questioned the advertising and painting contracts, $500,000 and $200,000 respectively. Ms. Donovan noted that the painting contract is with a Rock Island, Illinois company, which is part of the Quad City area. With regard to the Chesapeake Advertising contract, all IOC properties use this firm in order to maintain a standard and consistency in their advertising, but local printing companies do the actual work. Commissioner Hansen encouraged Ms. Donovan to advise corporate that there are firms in Iowa capable of providing the same service. Ms. Donovan assured Commissioner Hansen that all three properties are working very hard to get corporate to utilize more Iowa vendors.

Hearing no further comments regarding the contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-124)

Chair Sealock moved to the review of the licensees' financial audits, and called on IOCB. Commissioner Hansen noted that between the three IOC properties, there was a collective corporate loss of approximately $12 million, collective assets of $307 million, and liabilities have a negative balance of $319 million. He asked if these figures are washed out at the corporate level.

Mr. Hirsch explained that IOCB's EBITDA was approximately $14 million for the 14-month period ending April 29, 2001; however when IOC acquired the Lady Luck properties they pushed much of the debt down to the individual properties. The Bettendorf property took on $132 million in debt. During the acquisition process, approximately $50 million of "Good Will" was added to the balance sheet, which was

amortized last year as a non-cash entry, which reduces income but does not affect cash. The same principle applies to the interest expense. Mr. Hirsch stated that a new accounting standard was recently approved with regard to "Good Will"; companies will no longer be required to amortize it. In the future, net income should show up in the financial audit. Mr. Hirsch reiterated that the facility operators are more concerned with the EBITDA level, and feels that is the figure the Commission should focus on in determining the financial viability of an operation.

Commissioner Hansen asked if the property would continue to show losses in the future. Mr. Hirsch stated that he felt the Bettendorf IOC property would show an income going forward for the following reasons: 1) will no longer be amortizing the "Good Will"; and 2) the balance sheet contains some extraordinary items. He noted that when IOC acquired Lady Luck Bettendorf (LLB), the property had a $16 million hotel loan, and the property had to write off the difference between the principal and the amount actually paid. Additionally, LLB amortized permanent assets over a seven-year period of time versus IOC's standard of three years.

Chair Sealock requested a motion to accept IOCB's financial statement. Commissioner Hansen moved to accept IOCB's financial statement as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-125)

Chair Sealock moved to the financial audit of IOCM. Mr. Hardy was present to answer any questions. Commissioner Hassenfritz questioned the fact that 100,000 shares of stock had been issued with no value. Mr. Hardy stated that to his knowledge, it was not necessary to establish a value.

Hearing no further questions concerning IOCM's financial audit, Chair Sealock requested a motion. Commissioner Hassenfritz moved to accept IOCM's financial audit. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-126)

Chair Sealock moved to the financial audit of Rhythm City. Ms. Donovan was present to answer any questions. She noted that Rhythm City had an operating loss as well; that they are in the same situation as IOCB, just a shorter period of time.

As there were no questions concerning Rhythm City's financial audit, Chair Sealock requested a motion. Commissioner Hamilton moved to accept Rhythm City's financial audit as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See order No. 01-127)

Chair Sealock moved to the Application for Renewal of License and Approval of Live and Simulcast Racing Dates for 2002, and called Dubuque Racing Association (DRA). Bruce Wentworth, General Manager, stated the 2002 license renewal application requests racing dates from April 27, 2002 through October 27, 2002 with six performances per

week at Dubuque Greyhound Park & Casino (DGP&C). They are also requesting to continue year-round simulcasting.

As there were no questions concerning DRA's racing license renewal application, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve DRA's racing license renewal application and request for live and simulcasting race dates. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-128)

Commissioner Hansen noted that track revenues decreased from 4.8% to 4.3%, as well as sustaining a loss of $500,000 on the track. Additionally, state taxes have increased from $8.2 million to $9.4 million. Mr. Wentworth pointed out that taxes would increase another 2% beginning in 2002, taking another $800,000 - $1 million in state taxes.

Chair Hansen, noting DRA's negative posture, asked Mr. Wentworth how long DRA could endure the escalating tax increase without impairing the long-range stature of the operation. Mr. Wentworth stated the real impact is not to the viability of the business, but to the viability of their purpose, which is to lessen the burden of local government and charitable organizations. Additionally, there will be less money to provide upkeep on the facility. Mr. Wentworth noted that DGP&C has had five years of market increases; but noted that at this point, attendance is 1% below last year, indicating that the market is leveling off.

Mr. Wentworth advised the Commission that during its regular meeting on Tuesday, September 18th, the DRA board voted to approve sending $25,000 to the United Way September 11 Fund.

At this time, Mr. Wentworth presented the following contracts for Commission approval:

- Medical Associates – Health Insurance (Revised)
- Sysco of Iowa – Food Purchases (Revised)
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Brandl – Promotional Items

As there were no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by DGP& C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-129)

Chair Sealock called on Iowa West Racing Association (IWRA). Tony Payne, Executive Director, submitted IWRA's request for live racing dates at Bluffs Run Casino (BRC)

from January 1, 2002 through December 31, 2002, and year-round simulcasting. Mr. Payne provided statistics comparing 1999/2000 and 2000/2001 race meets.

Chair Sealock noted that a recent article in The Des Moines Register stated that IWRA's board members received pay for serving on the board; however, the license application states that board members receive no remuneration for serving on the board. Mr. Payne stated the question asked of Jerry Mathiason, Assistant Executive Director, related to expenses and salaries. Mr. Mathiason explained that salaries were not public information. Mr. Payne stressed the IWRA board members do not receive compensation, nor have they ever received compensation for serving on the board. Additionally, the article stated that expenses were $1.2 million; however, expenses were only $519,000. Of that figure, $223,000 went for excise taxes, $180,000 for salaries, and between $53,000 - $57,000 for professional fees.

Chair Sealock stated that she has had several individuals ask her why BRC starts their races at 4:00 PM, which prevents working individuals from getting to the track for the start of the races. Mr. Payne asked Rory DeSantiago, Director of Racing at BRC, to address the question. Mr. DeSantiago stated that he has also had that question asked of him. He stated that BRC starts their races at 4:00 PM because of the export simulcast handle. He pointed out that not many racetracks race at 4:00 PM, which allows them to fill a "down" time for a number of tracks. Mr. DeSantiago stated that on the days BRC races at 4:00 PM, they are able to send their signal to 13-14 different simulcast outlets; however, on Friday and Saturday when the races start at 7:15 PM, the number of outlets drops to five outlets.

Hearing no further comments or questions concerning IWRA's license renewal application, Chair Sealock requested a motion. Commissioner Hansen moved to approve IWRA's license renewal application and live and simulcast racing dates. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-130)

At this time Pete Weien, General Manager of BRC, presented the following contracts for Commission approval:

- Alan's Carpet Care – Replacement of Carpet
- Bates Roofing – Replace Main Building Roof
- Nebraska Furniture Mart – Ulster Custom Axminster Carpet
- Nevada P.M.I. – Three Automatic Coin Redemption Machines
- Parking Area Maintenance – Parking Lot Repair
- TDN Money Systems – Two TDN Bill Breaker Machines

Mr. Weien explained that BRC had solicited three bids for the parking lot repair – two Iowa vendors and one from Nebraska. The Nebraska company provided the lowest bid.

Chair Sealock noted that the Transaction Summary Sheet lists an Omaha, Nebraska address for TDN Money Systems, but that the actual contract shows a Pennsylvania

address. Mr. Weien stated that TDN's headquarters are located in Pennsylvania, but the product is actually coming from a vendor in Omaha, Nebraska.

Chair Sealock thanked Mr. Weien for providing additional information regarding the out-of-state purchases. Hearing no further questions regarding BRC's contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve BRC's contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-131)

Chair Sealock moved to the license renewal application of Racing Association of Central Iowa (RACI) for live and simulcast race dates at Prairie Meadows Racetrack & Casino. Bob Farinella, General Manager, stated that RACI is again requesting three meets:

- Thoroughbred Meet from April 26, 2002 – July 6, 2002, 5 performances per week
- Mixed Thoroughbred/Quarter Horse Meet – July 15, 2002 – September 28, 2002, 4 performances per week
- Harness Meet – October 14, 2002 – November 9, 2002, 4 performances per week

Chair Sealock noted that RACI is the only licensee to provide information on their board members.

Commissioner Hansen noted that last October he questioned PMR&C's decision to sacrifice simulcast revenue, stating that PMR&C would need an increase of approximately 42% in on track handle to offset the loss of simulcast revenue. He indicated that PMR&C was attempting to remedy part of the situation. Commissioner Hansen stated that he was troubled by the fact that the spring meet was down 18%, almost $9.1 million, on track handle was down 8%; and at this time, the summer meet is down approximately 4%.

Commissioner Hansen stated that purses at PMR&C have grown from $2.7 million to $18.6 million from 1995 to the present time; however, track revenue peaked in 1999 and has declined since that time. Gross profits have shrunk from approximately $2.2 million in 1995 to a negative $8.3 million in 2000. Casino gross profits dropped by $12.5 million in 2000. Commissioner Hansen stated that two issues troubled him: 1) the length of the season has not changed; and 2) that PMR&C continues to ignore the cost of the harness race meet. According to his figures, PMR&C pays out approximately $1.3 million in purses and $250,000 for changing the track surface to accommodate harness racing, and then changing it back again. It is his understanding that handle declined approximately 50% during the harness meet last year.

In reviewing PMR&C's history, Commissioner Hansen discovered that in 1994 PMR&C requested that the Legislature change the number of required racing days from 90 to 60 as in their words "The long season is killing us." He pointed out that PMR&C is requesting approval to race 118 days next year at a time when PMR&C is facing several difficult problems, and revenues are going in a negative direction. Commissioner Hansen asked

Mr. Farinella to provide an update as to where discussions are on reducing the number of race days and consolidating the race meets.

Mr. Farinella stated that RACI is currently in negotiations with Polk County and the Thoroughbred and Quarter Horse Associations regarding rental of the facilities and the number of racing dates in the future as the current contracts expire at the end of 2002. He stated that RACI is very cognizant of the direction of revenues. Mr. Farinella stated that PMR&C made a conscious effort to get local patrons to the track this spring, knowing that simulcast revenues would suffer somewhat; however, they were less than satisfied with the results and made some changes going into the Mixed Meet. Going forward into the future, the number of racing dates, racing program and the extent of the program will all come into play in RACI's negotiations with Polk County, maintaining the revenue stream for the charitable organizations, and their ability to optimize the revenues available in order to maintain the live racing program. Mr. Farinella stated that RACI would like to have the arrangements with Polk County and the horsemen's groups completed in a reasonable period of time. Additionally, the tax increase to 32% next year will put additional constraints on the amount of funds available to RACI to meet all of its obligations.

Commissioner Hansen asked how much the 2% tax increase would affect RACI's bottom line. Mr. Farinella advised that every 2% increase takes approximately $3 million off the bottom line.

Commissioner Mahaffey pointed out that there are political realities involved in some of the decisions. Additionally, he noted that the support for gambling in Iowa includes some alliances that would not normally support gambling. Mr. Farinella stated that all groups are aware of the realities, and are sharing information. He noted that at this time, everyone wants to take the current situation and build a program that makes sense for Polk County, the horsemen, community and PMR&C.

Chair Sealock asked about PMR&C's start time of 4:00 PM. Mr. Farinella stated that on the days PMR&C starts racing early, it is to get them into the simulcast market. He noted that PMR&C is faced with the same dilemma as everyone else: Do you race early to get into the simulcast market, or start late and hope that local patrons will come to watch the races and place bets. PMR&C is continuing to monitor the situation.

Hearing no further discussion concerning RACI's license renewal application, Chair Sealock requested a motion. Commissioner Hansen moved to approve RACI's license renewal application and live and simulcasting dates. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-132)

At this time, Mr. Farinella presented the following contracts for Commission approval:

- Air Filter Sales & Service, Inc. – Supply & Installation of Air Filters in HVAC System

- Des Moines Register – Advertising
- International Game Technology – Potential Lease of 5 Pyramid Slot Games (Replacements)
- Konami Gaming, Inc. – Potential Lease of 12 Various Name Slot Machines (Replacements)
- McAninich Corporation – Track Maintenance
- Reinhart Food Service – Food Purchases

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by PMR&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-133)

Following a short break, Chair Sealock called on Scott Pope, President of the Iowa Thoroughbred Breeders and Owners Association (ITBOA). Mr. Pope stated that his purpose in addressing the Commission was to bring them up-to-date on some of the facts and figures pertaining to the ITBOA. He noted that when he addressed the Commission two years ago, the ITBOA was just beginning to see the effects of slot machines at PMR&C on the horse industry. The two-year olds were just going to the track at that time, and the breeders were using the purse money to invest in more and higher quality broodmares. Additionally, new stallions from Kentucky and other long time racing states were coming to Iowa to set up shop, all of which helped to turn the horse industry around in Iowa.

Mr. Pope directed the Commissioner's attention to notebook he distributed, which contained statistical information for 2000/2001. A copy of the report is available at the Commission's office in Des Moines. He advised that the first section contains a report from The Jockey Club pertaining to the trends in the United States thoroughbred foal crop. Iowa ranks 14$^{th}$ nationally in the number of registered thoroughbred foals, and has shown a net increase of 116% since 1990, making Iowa #3 in growth nationally. Mr. Pope noted Indiana is ranked 15$^{th}$, with a 400% growth since 1990; however, there was no live thoroughbred racing in Indiana in the early 1990's. The growth is attributed to the opening of Hoosier Park in the late 1990's and state-mandated supplemented purses from the riverboat casinos. Many states that have been involved in thoroughbred industry longer than Iowa, are showing a decline in the number of thoroughbred foals being born.

There is also a report from The Jockey Club pertaining to the distribution of active stallions and mares bred by those stallions in each state over the last three years. The states are ranked based on the number of active stallions standing in any given state in 2000. The report shows a slight decline in the number of stallions standing in Iowa, but the average number of mares bred to those stallions has remained constant. Mr. Pope stated that while Iowa is just below the national average of 14.3 mares per stallion, there are only five states that exceed that figure. Mr. Pope further indicated that the quality of the stallions standing in Iowa has shown a marked increase since he last addressed the Commission. A number of stallions from Kentucky and other long-time racing states

have been brought into Iowa over the past couple of years, and the owners are seeing a marked increase in their business. He noted that many stallion owners are reporting an increase in their business from surrounding states, thereby creating an import/export market for Iowa stallions, another benefit of the increased purses. Mr. Pope stated that three or four new stallions have been added to Iowa's roster for 2001 that have covered a substantial number of mares this year, and are not included in this report.

Mr. Pope moved to the next tab of his report, which contains information compiled by the Iowa Department of Agriculture, which is responsible for overseeing the inspection, verification, and registration of Iowa-bred thoroughbreds, as well as maintaining a database of broodmares who are registered with the Iowa program. He advised that the number of live foals registered each year has flattened out at approximately 600 per year, due in part to the limited number of racing days in Iowa. Additionally, it takes between two and three years before a foal is ready to go to the racetrack, indicating there are a substantial number of horses that have yet to see the racetrack. Mr. Pope pointed out that the number of mares registered with the Iowa-bred program continues to increase, and reached 3,235 this year. Mares brought into Iowa must be registered with the Department of Agriculture prior to producing an Iowa-registered foal. Mr. Pope attributed the continuing increase to the number of Iowa owners and breeders adding to their broodmare band and new people coming into the state to take advantage of the Iowa-bred program. He noted that 3,235 registered mares seems high, but pointed out that once a mare is registered with the state, she is in the program for life and the registration is not removed even if the mare dies, or is moved to another state.

Mr. Pope moved to the next tab, which contains information compiled from a survey of Iowa breeders, owners, and trainers who race at PMR&C. The survey was conducted by the PMR&C Racing Department and was presented to the RACI Board last month. The purpose of the survey was to provide RACI's board members with a better understanding of the financial investment made by breeders and the risk assumed by those participating in the racing industry, and was included in this presentation for the same reason. Mr. Pope advised that the estimated cost of raising an Iowa-bred foal from the time of birth to the racetrack is between $15,000 and $25,000 per horse. In studies conducted by The Jockey Club, only 50% of the foals born every year ever make it to the races, and only 50% of those horses ever win a race. Mr. Pope pointed out there are four categories of horse ownership: Iowa owners with Iowa-bred horses; Iowa owners with open company horses (non-Iowa-breds); out-of-state owners with Iowa-breds; and out-of-state owners with open company horses.

Mr. Pope moved to the tab regarding purse distributions, which was compiled by PMR&C's bookkeeper as part of the Freedom of Information Act request for information. This information pertains only to the Thoroughbred Meet for this year, and breaks down where the purse money went. The first page breaks the information down for all races between Iowa owners and Non-Iowa owners in the following categories: open purses; restricted purses; supplement (open); and supplement (restricted). Mr. Pope

stated there has been an increase in the number of Iowa owners who also have non-Iowa breds to create a balance in their stable.

The next page shows that 47.4% of purses went to support the Iowa-bred program, regardless of whether the horse is owned by an Iowan or Non-Iowan. Mr. Pope stated that critics don't feel that allowing non-Iowans to own Iowa-breds is building the industry. Mr. Pope stated that he disagreed with that concept; that it is necessary to get more individuals involved and make the Iowa thoroughbred an export product in order to raise the value of the horses and get more money back into the hands of the breeders. Mr. Pope noted that when the purse controversy first started, he contacted his counterparts in other racing jurisdictions to obtain the same information to see how Iowa compared with the other states. He stated that no other jurisdictions could provide the information, and was informed that his request was the first. Purse distribution is a non-issue in the other racing jurisdictions.

Mr. Pope stated that the next few pages break down the purses paid for stakes races. He noted that Iowa owners would not collect as much in purses in this category, but allowed that Iowa-breds are reaching the point of being able to compete at this level and expects the percentage paid to Iowa owners to increase over the next few years.

Mr. Pope noted that another controversy that has come up is how much of the purse money won by non-Iowans stays in Iowa. He stated that PMR&C conducted a survey of the top ten trainers during the Thoroughbred Meet and determined that approximately $1,633 of purse money is spent per month covering maintenance costs (stable, farrier, and vet). Information is also provided regarding the use of purse revenues by the top ten trainers and trainer expenditures in Iowa. Mr. Pope stated that 83% of every purse dollar paid at PMR&C is paid locally to someone for wages, goods, or services. He indicated that approximately 77.4% of all purse money paid during the Thoroughbred Meet never left Iowa or Polk County.

Mr. Pope directed the Commissioner's attention to a page showing the distribution of thoroughbred purse money by Iowa counties. There are approximately 50 counties listed. He noted that additional counties could possibly be added due to quarter horse and harness race purse distributions.

Mr. Pope moved to the information behind the last tab, which lists the thoroughbred tracks in other racing jurisdictions where Iowa-breds competed in 2000/2001, which brings out-of-state purse money back to Iowa. He stressed the importance of Iowa-breds being good enough to compete and win in those jurisdictions due to the limited number of racing days in Iowa. Mr. Pope provided numerous examples, noting that four Iowa-breds started in various races at Keeneland's fall meet last year, and three of them won, the other came in second. He noted that Iowa-breds are also doing very well against open company races here, and that it was necessary to reduce the Iowa-bred supplement twice because they were winning too many races.

Mr. Pope concluded his remarks by referring to an economic impact study conducted by Iowa State Economist Dan Otto, which shows the horse breeding and racing industry in Iowa adds $252 million a year to the state's economy. He noted that a recent Des Moines Register article stated that the decline in pheasant population would cost the state $40-70 million. Mr. Pope stated that success of the horse industry is a result of hard work, investment, and risk on the part of the owners and breeders, fortified by Iowa lawmakers when they wrote the law allowing slot machines at PMR&C and where and how the money should be allocated, as well as the support of the Commission.

Commissioner Hassenfritz asked why the Freedom of Information Council is requesting this information. Chair Sealock stated that the Commission would have a presentation from the group with regard to the next agenda item. Mr. Pope stated that some individuals feel too much purse money is going to out-of-state owners.

Chair Sealock thanked Mr. Pope for the information. She noted that the jockey who rode Sure Shot Biscuit was from Council Bluffs. Mr. Pope stated that Terry Thompson had moved his base of operations from Kentucky to Johnston, Iowa, and purchased a home. He presented some examples of other major capital investments made by various individuals who have come to Iowa because of the racing program. Mr. Pope stated that he had received a letter from one of the top non-Iowa owners stating that he had won $283,000 in purse money last year, but had spent approximately $360,000 in Iowa.

Mr. Ketterer stated that he concurred with Mr. Pope's comments about the necessity of exporting Iowa's thoroughbred product. He encouraged the industry to maintain the incentive for the Iowa-breds to compete in open company races as opposed to the restricted races as it enhances the value and appeal to potential buyers as it shows the potential ability of the Iowa-bred to compete throughout the year and improve the economic picture for the owner.

Mr. Pope stated that he was paying close attention to Commissioner Hansen's comments to Mr. Farinella about the 2003 meet at PMR&C, and although the industry is cognizant of the fact that there may be a reduction in race dates, all parties need to remember that part of the financial equation is the number of opportunities for the owners to run their horses on an annual basis. Current programs are based on the assumption that owners will have the opportunity to run their horses nine or ten times at PMR&C. If the number of racing opportunities are cut to six or seven, that will have a significant impact on the economic dynamics for the owners. Mr. Pope stated that the ITBOA want PMR&C to succeed on all fronts, and is supportive of the funds going to Polk County for the Iowa Events Center, but feels the horse industry deserves the funds it is receiving; that those monies are necessary to comply with the Legislative mandate to build an ag-based horse industry in the state.

Chair Sealock moved to the Petition for Rulemaking filed by Kathleen Richardson on behalf of the Iowa Freedom of Information Council (Iowa FOI Council). No representative was present to address the Commission.

Commissioner Hassenfritz asked if there were organizations/associations representing the quarter horse and harness racing industry, and if they were asked to compile the same kind of information presented by Mr. Pope. Mr. Ketterer advised that the Commission had not requested the information just presented, but that it was presented in concert with RACI's license renewal request.

Chair Sealock stated that the request by the Iowa FOI Council could possibly impact all of the licensees, not just PMR&C. She advised that the matter could come up at the October Commission meeting.

Mr. Ketterer read the opening paragraph of Iowa FOI Council's request, which stated: "Pursuant to Iowa Code section 17A.7 and to a recommendation from the Administrative Rules Committee of the Iowa Legislature, the Iowa Freedom of Information Council respectfully petitions the Racing and Gaming Commission for the adoption of rules related to the identification of horse owners winning purses at the Prairie Meadows Racetrack and to the ownership of Iowa-bred horses that win those purses."

Mr. Ketterer advised that he and Attorney General Jean Davis were present at the Administrative Rules Review Committee meeting, as was Tom Flynn, legal counsel for PMR&C. He stated that Mr. Flynn was present and had requested an opportunity to address the Commission with regard to the request. Mr. Ketterer indicated it was his understanding that this request stemmed from a request by Gil Cranberg for this information, but was put off by the cost of preparation. Mr. Cranberg was eventually provided with the requested information, which was confirmed in a letter to Mr. Ketterer. Mr. Ketterer suggested that Mr. Flynn be allowed to address the Commission on this issue, absent a representative from the Iowa FOI Council, and that the Commission take the matter under advisement.

Commissioner Mahaffey requested that the minutes reflect that a copy of the agenda was sent to the Iowa FOI Council by Commission staff. Chair Sealock noted that the item was on the agenda at their request.

Mr. Flynn stated that PMR&C's initial problem with the request is that it singled out PMR&C. He stated they are not concerned about the request for the information, and pointed out that the request became a public issue because of the fact that it would consume a considerable amountof employee time compiling the information. The RACI Board had adopted a policy stating that in those cases the charge would be $25.00/hour plus 15 cents per page to cover the employee's time away from their normal duties. Mr. Flynn noted that the Open Records Law allows that a reasonable fee could be charged to individuals seeking information. He pointed out that Mr. Cranberg was not denied the information, but took issue with the fact that he would have to pay for it. Mr. Flynn stated that it is his legal opinion that RACI is not subject to the Open Records Law, but that RACI has adopted a policy indicating that they will operate as if they are. He stated that the information presented by Mr. Pope shows that the purses paid at PMR&C are benefiting the State of Iowa.

Mr. Flynn stated that PMR&C does not have a problem disclosing purse information should the Commission determine that it would like the pari-mutuel licensees to provide this information; and that PMR&C would be compiling this information going forward. He noted that Mr. Cranberg's original request was for Iowa-bred only information broken down by Iowa residents and out-of-state residents, which PMR&C did not have readily available and would require a substantial amount of time to compile. Mr. Flynn stated that RACI/PMR&C would comply with any rule that the Commission may adopt with respect to this request.

Commissioner Mahaffey stated his opinion that even if a representative of Iowa FOI Council had been present, he did not feel the Commission was ready to take any action on this request. Chair Sealock stated that the Commission would take the matter under advisement.

Hearing no further discussion regarding Iowa FOI Council's request, Chair Sealock requested a motion. Commissioner Mahaffey moved to defer any action on this item until the October Commission meeting, and that an agenda for said meeting be sent to the Iowa FOI Council. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-134)

As there was no Administrative Business or Public Comment, Chair Sealock requested a motion to adjourn the meeting. Commissioner Hansen so moved. Commissioner Hassenfritz seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# OCTOBER 18, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 18, 2001, at Dubuque Greyhound Park & Casino (DGP&C), 1855 Greyhound Park Drive, Dubuque, Iowa. Commission members present were Rita Sealock, Chair; Bill Hansen, Vice Chair, and member Diane Hamilton. Commissioners Jim Hassenfritz and Mike Mahaffey were absent.

Chair Sealock called the meeting to order at 9:00 AM, and requested a motion regarding the agenda. Commissioner Hansen moved to approve the agenda as presented. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Sealock called on John Markham, a member of the Dubuque City Council and Dubuque Racing Association (DRA), who welcomed the Commission to Dubuque on behalf of Mayor Terry Duggan. He noted that since 1994, DRA/DGP&C has generated approximately $36 million for Dubuque. Charitable giving has exceeded $10 million and payroll has exceeded $52 million. Mr. Markham briefly discussed the industrial parks that Dubuque has been able to establish due to funds received from DRA/DGP&C. He also mentioned the America's River project, which is being partially supported by funding from Vision Iowa and gaming taxes paid to the city.

Chair Sealock called on Bruce Wentworth, General Manager of DGP&C. Mr. Wentworth introduced Scott Zartman, President of DRA, and had DRA board members in attendance stand. He noted DRA has 21 volunteer board members.

Mr. Zartman welcomed the Commission to Dubuque. He advised the Commission that the video, "Together We Give, Together We Grow", they were about to see is the first public showing of a short piece that will be shown to local organizations over the next year in order to garner support for the upcoming referendum. The video highlights DRA/DGP&C's role in Dubuque, Dubuque County and surrounding areas.

Chair Sealock moved to the approval of the minutes from the September 20, 2001 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Sealock called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced the following staff members domiciled in Dubuque: Gaming Representatives Rhonda Dunbar and Arni Westphal, Licensing Assistants Cheryl Vetch and Cathy Dillon, and Scott Franke, Gaming Representative for the Dubuque Diamond Jo (DDJ).

Mr. Ketterer made the following announcements with regard to upcoming meetings:

- November Commission Meeting – November 15, Best Western Starlite Village, 929 Third St., Des Moines (Submissions due by November 1, 2001)
- December – No Meeting
- January Commission Meeting – January 10, 2002, Stoney Creek Inn, 5291 NW 84th Street, Johnston (Submissions due by December 26, 2001)
- February – No Meeting

Chair Sealock moved to the contract approvals, and called on Isle of Capri Marquette (ICM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- AON Risk Services, Inc. of Massachusetts – Insurance
- Best Western Quiet House – Comp Room Charges from 1/01/01 to end of 2001 License Period
- Williams Gaming, Inc. – Replacement of 6 Previously Leased Machines

Chair Sealock thanked Mr. Hardy for the explanation attached to the contract with Best Western Quiet House.

Hearing no further comments or questions regarding the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by ICM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-135)

Chair Sealock moved to the contracts submitted by Isle of Capri Bettendorf (ICB). Jean Hansen, Director of Finance, presented the following contracts for Commission approval:

- Bettendorf Office Products – Office Supplies
- International Game Technology (IGT) – Purchase of Additional Slot Machines
- Tournament Players Club – Site of the United Way Charity Golf Tournament
- Wolfe Beverage – Beer Distributor
- Work Fitness Center – Pre- and Post-employment Screening

Hearing no comments concerning the contracts as submitted, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts as submitted by ICB. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-136)

Chair Sealock called on Harveys Iowa Management Company (Harveys). Verne Welch, representing Harrah's, presented the following contracts for Commission approval:

- Angelica Life Uniforms – Front of House Uniforms
- Data Business Equipment – TDN Bill Breaker Machines & Equipment
- Electronic Gizmos & Display Systems – New and Re-facing of Current Slot Signage

- Electrosonic Systems – Replacement of Twenty-five 41" Projection Cubes for Videowall
- Harrah's Entertainment, Inc. – Company Allocations (RP)
- Hnedak Bobo Group – Design & Professional Services for Conversion of Harveys to Harrah's
- Mikohn – New and Re-facing of Current Slot Signage
- Pinnacle Construction – Construction Cage Remodel, Total Rewards Center, Gift Shop, Grease Enclosure, & Exterior Electrical
- Shufflemaster – King/Multi-Deck Shufflers Purchase
- Shufflemaster – King/Multi-Deck Shuffler Service Agreement
- VSR Lock Co. – Locks and Bases for Slot Machines on Recurring Purchase
- Wohlerscape, Inc. – Snow Removal from 11/01 thru 4/02
- Young Electric Sign Company – Brand Conversion of Exterior Signage from Harveys to Harrah's

Commissioner Hansen asked Mr. Welch to address the contract with Harrah's for corporate allocations. Mr. Welch stated that the majority of the funds are for fees charged back to each property to cover medical and other benefits.

Commissioner Hansen again expressed his concern that $400,000 was being spent with an out-of-state vendor. He stated that the out-of-state owners seem indifferent to the legislative requirement that a substantial amount of purchases be made in Iowa.

Mr. Welch stated that Harrah's has purchased their insurance corporate-wide, and was able to secure a better price.

Hearing no further comments concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-137)

Chair Sealock called on Peninsula Gaming Company, LLC. Natalie Schramm, Assistant General Manager, presented a contract with Anchor Games for Lease Payments for Slot Machines. Ms. Schramm introduced Ron Pogge of the Hopkins and Huebner Law Firm, who provided the update on Peninsula's Louisiana project.

Hearing no comments regarding the contract, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by Peninsula. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-138)

Mr. Pogge advised the Commission that a subsidiary of Iowa's licensee is in the process of purchasing a 50% interest in the operating company that holds the license for Evangeline Downs Racetrack in Louisiana. Louisiana has a two-step regulatory process:

one before the Louisiana State Racing Commission and another before the Louisiana Control Board. Mr. Pogge stated that the Louisiana Racing Commission has authorized the filing of the application to the Gaming Board, which has been done. It is anticipated that approval will be received in February or March of 2002. The parties anticipate entering into a maximum price contract of $87 million. Construction of the casino is slated to begin in 2002 and will take approximately 12 months. Construction of the new racetrack facility is slated to begin in March of 2003. The new racetrack facility will be approximately 12 miles from the current location.

Commissioner Hansen asked Mr. Pogge if Peninsula would be able to stay current with its obligation to buy out the general and limited partners. Mr. Pogge stated that he had just become aware of a letter sent to the Commission on behalf of the members of the Greater Dubuque Riverboat Entertainment Company (GDREC) by their legal counsel, Doug Gross. Mr. Pogge stated that Peninsula had not made the last payment to the partners as it is based on a formula contained in the contract. It is anticipated that payment will be made in accordance with the contract, although the actual payment has been delayed. He indicated that the Louisiana purchase would have no effect on the formula. Peninsula anticipates complying with the agreement in full, and payment will be made under the terms of the agreement.

Chair Sealock requested that Peninsula inform the Commission when the payment is made. Mr. Pogge indicated they would do so. Chair Sealock noted that Peninsula was late making the payment to GDREC last year as well.

Commissioner Hansen asked what circumstances were preventing Peninsula from making the payment to GDREC at this time. Mr. Pogge turned the question over to Ms. Schramm. Ms. Schramm stated there are covenants contained within the bond investments that restrict interest payments. The formula is tied to Peninsula's EBITA interest ratio. Commissioner Hansen asked why GDREC was stating that the payment was late. Ms. Schramm stated that the payment GDREC was referring to was due on July 15th. Per the agreement, if Peninsula is not within formula, they cannot make the payment. She indicated that GDREC had been provided with the necessary information indicating that payment could not be made.

Chair Sealock questioned when Peninsula intended to make the payment. Ms. Schramm indicated Peninsula would make the payment as soon as they were within the formula. Chair Sealock asked if that would occur prior to the end of the year. Ms. Schramm indicated Peninsula more than likely would not be within formula before the end of the year. Chair Sealock noted that Peninsula was able to make the payment prior to the end of the year last year. Ms. Schramm concurred, and noted that they were able to make the January 15, 2001 payment on time. Chair Sealock asked if Peninsula had another payment due on January 15, 2002. Ms. Schramm answered in the affirmative. Chair Sealock asked if Peninsula was still in compliance with the contractual agreement. Ms. Schramm and Mr. Pogge answered in the affirmative.

Chair Sealock called on Ameristar Casino. Jane Bell, Director of Government Relations in Council Bluffs, presented the following contracts for Commission approval:

- New Horizons Kids Quest – Increase in Child Care Costs (RP)
- Peoples Natural Gas – Increase in Natural Gas Costs
- Omaha World Herald – Increase in Advertising Costs
- Tobacco Hut – Increase in Tobacco Inventory Costs
- The Printer Inc. – Increase in Marketing Material Costs
- Doll Distributing – Increase in Beer Inventory Costs
- Edward Don – Increase in Costs of Restaurant Supplies
- Loffredo Produce – Increase in Costs of Produce Used
- Sioux City Journal – Advertising and Subscription Services
- Des Moines Register – Advertising and Subscription Services
- Krajcir Corp – Promotional and Clothing Items
- Namco Inc. – Arcade Game Participation Agreement
- Millar Elevator Service – Elevator Maintenance and Repair
- Ameripride – Linen Rental and Laundry
- Rex Olson Plantscapes – Indoor Plants and Maintenance
- Absolutely Fresh Seafood – Fresh and Frozen Seafood
- Omaha Steaks Sales Company – Increase in Amount of Steaks Sold
- Larry Laneheart – Comedy Show Performances

Chair Sealock noted that the Commission did not receive copies of the bids associated with the Millar Elevator Service contract. Commissioner Hansen requested that the bids be forwarded to the Commission.

Hearing no further discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-139)

Ms. Bell advised the Commission that Ameristar has completed the required number of cruises for the year. Additionally, she noted that Ameristar is committed to using Iowa vendors and will soon be signing a $19 million contract with Taylor Ball to construct the parking garage at their Kansas City facility.

Chair Sealock called on the Belle of Sioux City (BSC). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for August 2001 (RP)
- IGT – New Slot and Player Tracking System

As there were no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by BSC.

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-140)

Chair Sealock called on Southern Iowa Gaming (SIG). Joe Massa, General Manager, presented a contract with William Morris Agency, Inc. for talent for concerts held at the facility.

Chair Sealock asked why the contract was not with an Iowa company. Mr. Massa stated that a number of the acts Lakeside contracts for are under contract to this particular company. He stated that the contract represents the down payment for the show, and the other half is paid to the entertainer.

As there were no further questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by SIG. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-141)

Following a short break, Chair Sealock called on Mr. Ketterer. Mr. Ketterer stated that everyone is aware of the critical situation with the state budget and the announcements from the Governor's office. At this time, an across-the-board cut of 4.3% has been instituted for FY 2002, which ends June 30, 2002. It is the Governor's intent to call a special session of the Legislature to deal with any additional cuts or, in some cases, restoring revenue. Mr. Ketterer noted that only two-thirds of the fiscal year remains, making it difficult for agencies to find areas in which to cut spending. Mr. Ketterer noted that IRGC has separate budgets for pari-mutuel and gaming. The pari-mutuel budget is comprised of payments for veterinarians, stewards, and licensing assistants at each track to cover the occupational licensing, officiate the races and for the testing done by Iowa State University. Mr. Ketterer pointed out that while Bluffs Run races year-round, Prairie Meadows Racetrack & Casino (PMR&C) and DGP&C are within a month of completing their calendar year seasons and will not race again until the end of April 2002, when there are only two months left in the fiscal year. He indicated that management staff would be meeting next week to determine what alternatives might be available, but one area being considered is reducing the number of racing days even though there are not that many days left in the fiscal year at two of the pari-mutuel facilities. Mr. Ketterer stated that he felt it was appropriate to bring the subject up prior to the Commission acting on the racetrack enclosure gambling licenses and the fact that the Commission approved the renewal of the racetrack licenses at its September meeting. Mr. Ketterer stated that all interested parties would be apprised of any decisions, noting that some decisions would depend on any actions taken by the Legislature during the special session.

Chair Sealock moved to the Racetrack Enclosure Gambling License Renewals, and called on DRA/DGP&C. Mr. Wentworth noted that in addition to the license renewal the following contracts were also be submitted for Commission approval:

- AC Coin and Slot Co. – Lease 4 Slot Machines (Replacements)
- Konami Gaming, Inc. - Purchase 14 Slot Machines (Replacements)

- Int'l Association of Machinists & Aerospace Workers AFL-CIO, Local 1238 – Labor Agreement

Commissioner Hansen, referring to DGP&C's five-year projections submitted with the racetrack license renewal in September, asked if racing created a deficit draw on the combined operations. He also asked how the first nine months of casino operations for 2001 compare with 2000.

Mr. Wentworth asked Roger Hoeger, Comptroller, to address the question. He stated that the greyhound operation does impact the consolidated income statements, which are prepared on a monthly basis. Mr. Hoeger stated DGP&C is very close to budget in terms of what they projected for this year, even with a slight decline in handle. Some of the information provided with the license renewal in September will become part of the budget for the upcoming year. Mr. Hoeger stated that the gaming tax continues to be an issue, and expects net income for this year will be slightly less than last year.

Commissioner Hansen stated that for the current year, DGP&C is projecting a loss of approximately $662,000 up to $925,000, which prompted his question concerning casino profits for the nine-month period. Mr. Hoeger stated that win at DGP&C is up approximately 4.6% from last year for the first nine months of the fiscal year, allowing DGP&C to absorb some of the losses from the pari-mutuel operations. He noted that they had budgeted for some leveling of the business in their most recent projections with regard to win. The losses on the pari-mutuel side does affect DGP&C's distributions, which will be less for the upcoming year than they were last year. Mr. Hoeger noted that DGP&C's reserves are decreasing to the point where it will make it difficult to fund capital improvements; however, capital improvements are funded from the 25% funds retained by the facility and does not impact operations or distributions. He reiterated his earlier statement that win is up approximately 4.6%, but that overall, figures are close to what was budgeted.

Commissioner Hansen asked how the figures compared with last year. Mr. Hoeger stated that he did not have that information with him. He did indicate that net income for this year would be down compared to last year.

Commissioner Hansen advised that he considered this information pertinent and should be requested in the license renewal. He noted that in all three instances it is the casino supporting the pari-mutuel operations, and the question becomes whether or not the casino is doing well enough to absorb the losses from that side of the operation. Mr. Hoeger stated that based on projections, DGP&C has sufficient revenues to continue operations for the next five years, with a potential for some impact on capital improvements. From an operational standpoint, DGP&C is financially viable.

Chair Sealock asked if the capital improvements were along the lines of maintenance, which DGP&C could control. Mr. Wentworth explained that DGP&C prepares a capital improvement project plan every year at this time. He noted that DGP&C has 600 slot

machines, and they plan to replace a certain number every year of the 5-year plan, which takes approximately 80% of the capital improvement funds. Mr. Wentworth reiterated that DGP&C is viable, but the question becomes their ability to compete in the future and provide for those organizations that have come to rely on the grant distributions. He advised that DGP&C distributed $2.5 million last year to charitable organizations, with the requests totaling $8 million.

Commissioner Hansen asked what the additional 2% would mean to DGP&C in terms of dollars. Mr. Wentworth stated that it would equal approximately $36-37 million.

Mr. Ketterer asked Mr. Wentworth if DGP&C was in the second year of a 2-year contract with the Iowa Greyhound Association with regard to purse supplements from casino revenues. Mr. Wentworth answered in the affirmative; that 8¼% of casino revenues go toward greyhound purses. DGP&C has been able to grow the casino revenues, allowing them to maximize distributions to everyone.

Hearing no further discussion concerning the renewal or contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the renewal of the racetrack enclosure gambling license and the contracts as submitted by DRA/DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-142)

Chair Sealock moved to the racetrack enclosure license renewal for Iowa West Racing Association (IWRA), which holds the license for Bluffs Run Casino (BRC). Tony Payne, Executive Director of IWRA, turned the floor over to Mr. Welch, who made the following introductions: Karen Wosnack, Legal Counsel for the Eastern Division of Harrah's; and Shannon Fenster, Compliance Officer.

Mr. Payne provided the following information concerning operations at BRC: win is approximately 1.2% ahead of last year; year-to-date win is at $95.3 million compared to $94.2 million, and should reach $127 million for the year, which will be an increase of between 1.2% and 1.8% ahead of 2000. BRC has paid approximately $27.3 million in taxes, of which $26.7 million was the gaming tax compared to $24.5 million last year. The 2% increment each year at BRC equates to $2.4 million. With regard to capital improvements, BRC will be re-asphalting the parking lot, replacing the carpet throughout the facility, and replacing the existing roof. These improvements will cost between $3-4 million. In addition to the projects just listed, Harrah's will be replacing the player tracking system at BRC to the system used at all of their facilities, and the gaming floor will be updated with new machines. Mr. Payne stated that gaming revenue for the entire Council Bluffs market is running 3.1% ahead of last year – Harveys is up 4.3% and Ameristar is 3.8% ahead of last year. He noted these figures are based on a calendar year, not a state fiscal year. Mr. Payne expressed optimism that the Bluffs market would be at least equal to last year.

Mr. Payne submitted the following contracts for Commission approval:

- Angelica Life Uniforms – Uniforms
- Electronic Gizmos & Display Systems – Purchase New Signs & Re-Face Existing Signs
- Harrah's Entertainment – Company Allocations (RP)
- Hnedak Bobo Group – Design Services for Conversion
- Mikohn – Purchase New Signs & Re-Face Existing Signs
- Oakview Constructions – Remodel Project
- Peters Law Firm – Legal Services (Additional Amount)
- Unisource – Housekeeping & Janitorial Supplies (Additional Amount)

Commissioner Hansen asked Mr. Payne if he was still optimistic about BRC and the Iowa Greyhound Association (IGA) being able to negotiate a purse supplement agreement. Mr. Payne indicated that he was. He asked Mr. Pogge and Tom Murphy, legal counsel for the IGA, to come forward and provide an update. Mr. Murphy indicated the parties are still in negotiations, and advised there is a strong probability that the issue will not go to arbitration.

Chair Sealock advised that the Commission would like to see more specific information with regard to bids received by the facility when awarding contracts.

Commissioner Hamilton asked if all employees were trained to detect intoxicated patrons. Mr. Welch answered in the affirmative, and advised that employees receive training annually.

Hearing no further discussion concerning the license renewal or contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the renewal of the racetrack enclosure gambling license and contracts as submitted by IWRA/BRC. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-143)

Chair Sealock called on the Racing Association of Central Iowa (RACI), license holder for Prairie Meadows Racetrack & Casino (PMR&C). Ron Morden, Chief Financial Officer, was present to answer questions. He also submitted a contract with Nevada-MCI, Inc. for the purchase of two Perconta coin redemption machines.

Commissioner Hansen asked how the casino net profits for the first nine months of 2001 compared to the same period in 2000. Mr. Morden stated that he had not seen the final numbers for the first nine months, but stated PMR&C is seeing less on the bottom line primarily due to the state gaming tax. He indicated the 2% increase per year equates to approximately $2.8 million. At the current gaming tax rate of 30%, RACI will pay the stated approximately $42 million in gaming taxes.

Commissioner Hansen asked Mr. Morden if he could compare August 2001 to August 2000. Mr. Morden stated that the figures were down, but he did not have the exact percentages. Commissioner Hansen asked him to estimate how much PMR&C was

down. Mr. Morden indicated that rather than providing the Commission with incorrect information, he would prefer to provide that at a later date. He indicated that RACI anticipates the net win from the slot machines will be approximately $141 million this year, which is up from last year.

Commissioner Hansen expressed concern as to how RACI would make it through the year when their profits drop from $19 million to just over $1 million. Mr. Morden stated the bottom line for the organization as a total would show a negative figure because of depreciation and other non-cash items, an example being the $26 million addition completed a year ago. Due to the terms of RACI's lease agreement with Polk County, RACI is required to write off the amount over a two-year period, so the books will show a net loss this year and next. Commissioner Hansen asked how RACI would end up this year compared to last year if that particular item was taken out of the picture. Mr. Morden stated that the bottom line would be less than last year but that the facility would still be financially viable. He indicated RACI is watching the cash situation because of the required distributions to Polk County and the five-year agreement with the horsemen.

Mr. Ketterer advised that PMR&C was withdrawing the contract with Certegy Check Cashing Services, included in the license renewal, from consideration.

Hearing no further questions or comments concerning the license renewal or additional contract, Chair Sealock called for a motion. Commissioner Hansen moved to approve the renewal of the racetrack enclosure gambling license for RACI and the additional contract submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-144)

Chair Sealock moved to the next agenda item – Petition for Rulemaking and Proposed Rule, which was originally filed by the Iowa Freedom of Information Council (IFOIC) in September and deferred until October by the Commission. Brian Cooper, Executive Editor of the Dubuque Telegraph Herald, was present in his capacity as First Vice President of IFOIC, to answer any questions the Commission may have regarding their request. Mr. Cooper noted that the Executive Secretary, Kathleen Richardson, of IFOIC had been in contact with Mr. Ketterer, and that a proposed rule had been brought forward.

Mr. Ketterer stated that all parties had received copies of the correspondence between IFOIC and the Commission. He noted that the Des Moines office had contacted Ms. Richardson after the September Commission meeting, and learned there had been a misunderstanding as to whether or not a representative needed to attend the meeting. The Commission drew up the proposed rule IFOIC petitioned for. The Commission received additional information from Ms. Richardson after the agenda was sent out setting out a request by Gil Cranberg, another IFOIC member, indicating that the requested data should be assembled separately for Iowa residents and non-Iowa resident owners and aggregates should be presented in the descending order of magnitude. Mr. Ketterer advised that the general managers of the racetrack facilities had received a copy of the proposed rule.

Mr. Cooper stated that IFOIC supported the proposed rule as they feel the interest of the Commission and Iowans interested in the success of the pari-mutuel industry and the breeding program are of public interest, and this rule will make the information more accessible to the public.

Chair Sealock stated that the information was available to the Commission and the public all along. She noted that it does become a problem when someone from the public wants to go back a number of years as it does take time to gather the information.

Commissioner Hansen stated that this issue was particularly high profile during the month of August and received extensive coverage in the Des Moines Register, with some issues being inferred. He stated PMR&C has provided the requested information. Commissioner Hansen stated that he supports the rule, and feels it may be a practical solution. Commissioner Hansen stated that he had the following questions for the parties involved:

- PMR&C: What are you trying to hide by not providing the information?
- IFOIC: If you have access to the information, what useful purpose would it serve?

Commissioner Hansen stated it was apparent from IFOIC's original correspondence to the Commission that they did not realize the Commission spends time as a Commission and in public meetings reviewing balance sheets, as well as profit and loss sheets. He noted that the licensees submit this information on an annual basis. In his opinion, he felt the newspaper articles surrounding this situation inferred there was some impropriety occurring at PMR&C. Commissioner Hansen pointed out there are three judges overseeing the races at PMR&C, two appointed by the Commission and one by the track. He stated that he has no concerns about any impropriety at PMR&C.

Mr. Cooper stated that he rarely gets the opportunity to address coverage provided by other media outlets other than the Telegraph Herald, but indicated that he was not aware of any questions about impropriety concerning the conduct of the races, that it had more to do with the disbursement of purse supplements for the Iowa breeding program. The IFOIC is interested in having the information available in a format that is easily understood by anyone reviewing it.

Chair Sealock advised that the Commission did not see a need for the rule as they are already receiving the information. She indicated that she is in favor of the rule.

Mr. Morden stated that PMR&C representatives do not feel the comments printed in the newspaper ever hinted at any impropriety, that they dealt more with the lack of information being supplied. He stated that at no time did PMR&C refuse to supply the information requested by Mr. Cranberg; PMR&C felt the information being requested was not needed by them for their operations. In compliance with a RACI Board policy approved two years ago, PMR&C staff advised Mr. Cranberg that the information could

be assembled for a fee. Mr. Morden stated that RACI/PMR&C has no problem in supplying the information; however, he noted they do have some concerns with the proposed rule. He stated that rather than providing the requested information at the end of every meet, RACI/PMR&C suggested that the information be filed annually with the Commission, which would still meet the public's right to have the information, within 45 days of the end of the meet. Additionally, Mr. Morden noted that the proposed rule indicates that the licensee would have to provide information about the underlying individual owners of each corporation or other business entity. He noted that the Commission already has that information on file. Mr. Morden stated that as long as an entity was licensed by the Commission enabling RACI/PMR&C to make payments to the entity, they would do so. He suggested that it should be sufficient for the facilities to simply show the payee of purse distributions, and if anyone desires additional information on the underlying individuals behind a corporation that the information is available from the Commission.

Chair Sealock noted that all public bodies in Iowa operate under the same philosophy set out by the Attorney General's Office, which states that the information is open to the public, and they may go to the office to review the information if they wish. If the individual wishes to have the business copy information they can take with them, then those businesses are entitled to charge the individual for the preparation of the materials.

Commissioner Hamilton asked if the Commission was going to add the proposed language suggested by Mr. Cranberg. Mr. Hansen stated that he was ambivalent on that, that the issue is a matter of providing additional information to the public.

Chair Sealock stated that she thought the Commission should either approve the proposed rule in the form proposed by the Commission or send it back to the drawing board, but should not attempt to draft the rule during the meeting.

Commissioner Hansen noted that the rule still had to go before the Administrative Rules Committee, and that a public hearing would be held.

Mr. Ketterer suggested that during the next agenda item, Notice of Intended Action regarding the proposed rule, that the Commission incorporate the requested language into the rule and approve the Notice of Intended Action. During the rulemaking process, the rule will be published for three weeks, and a public hearing held at the Des Moines IRGC office for interested parties. Interested parties may attend the meeting to officially record their comments or submit them in writing. There will also be a hearing before the Administrative Rules Review Committee at which time IRGC staff will forward any public comments received from any source. Mr. Ketterer noted that the Commission would have another opportunity to review the rule prior to approving it for final adoption. Chair Sealock moved to the Notice of Intended Action, and requested a motion regarding the proposed rule. Commissioner Hansen moved to adopt the rule, including the amended language as presented in the October 10, 2001 letter from the Iowa Freedom of

Information Council. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-145)

Chair Sealock called on Clinton County Gaming Association, Ltd./Mississippi Belle II (MB II) Employees Ownership Co. for a presentation regarding their license application. Ken Bonnet, General Manager, stated that MB II hopes to form an employee stock ownership plan. He advised that such plans operate like a pension plan or retirement plan but instead of investing in other people's businesses, the employees would invest in the MB II business. A trustee has been selected to represent the employee ownership, who has hired financial and legal advisers, and are currently conducting due diligence just as would be done for anyone acquiring majority ownership in a company. Upon the completion of the due diligence, the sellers will negotiate the purchase price with the trustee. Mr. Bonnet stated that they hope to have agreements in place with regard to the selling of stock, the Trust, and all other aspects of the application when they appear before the Commission in November seeking approval of the application.

Chair Sealock moved to the hearing for PRM&C for a violation of Iowa Code Section 99F.9 with regard to an underage violation. Mr. Ketterer advised that IRGC had entered into a Stipulated Agreement with RACI. An 18-year old entered PMR&C on July 14, 2001. While others in his party were asked to show identification, he was not. The individual went to the fourth floor, eventually went to the crossover area and walked past a different security officer, and again was not asked for identification. The minor was in the casino for approximately an hour. Security tapes show that another security officer walked past the individual and did not request identification. A security officer did finally approach the individual and request identification, which showed that he was 18 years old. Mr. Ketterer stated that RACI has agreed that this incident constitutes a violation of 99F.9(5) and has agreed to an administrative penalty of $10,000. He recommended approval of the agreement.

Hearing no comments concerning the proposed Stipulated Agreement, Chair Sealock requested a motion. Commissioner Hansen moved to approve the Stipulated Agreement between IRGC and RACI as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-146)

Chair Sealock moved to Administrative Business, and called on Commissioner Hansen to present a report concerning the Legislative Subcommittee meeting held on Wednesday. Commissioner Hansen stated that the Commission's Legislative proposals to be presented to Governor Vilsack cover three issues: diversions from the Gambler's Treatment Program, opposition to Internet gambling, and institute a more stringent penalty against perpetrators of the underage gambling violations.

Commissioner Hansen noted that the casinos pay a .3% tax to fund the Gambling Treatment Program; however, over the years the Legislators have diverted money from this fund for unrelated purposes. Over a fifteen-year period from 1986 to Fiscal Year 2000, they took approximately $2.6 million, noting that approximately $3.6 million is

generated for this fund annually. Over the last two years, the Legislature has diverted $3.8 million from the fund, or one and a half times the amount diverted in the first fifteen years. Commissioner Hansen also stated that the Commission feels the Gambling Treatment Program should be restructured under an independent agency so that they are not tempted to continue siphoning funds. Commissioner Hansen recommended that an advisory board be established with the following membership: one member each from the IRGC, Lottery and Iowa Gaming Association, and four members appointed by the Governor.

Commissioner Hansen indicated the Commission opposes Internet gambling for the following reasons:

- No impediment for age restriction
- No mechanism to impede addictive participants
- No program for problem gamblers
- No penalties for improper activity
- Thwarts Iowa's local referendum elections, which sanction gaming activity
- Particular games are not reviewed and approved by a regulatory body
- No tax revenue is collected by local or state government
- No tax is collected by governments on capital improvements since none exists
- It creates unfair competition to established regulated gaming industries

Commissioner Hansen moved to the third area of the Commission's legislative proposals: a more stringent penalty against the perpetrators of underage violations, noting that a minor can gain access to a casino and pay a fine of $75 - $100, while the Commission fines the licensee $10,000 or more. He feels the minors might be more reluctant to risk entering a casino and getting caught if they faced the loss of their drivers' license for six months.

Commissioner Hansen stated that the above report, barring any objections from other Commission members, would be submitted to the Governor next month.

Chair Sealock moved to Public Comments. Bob Rider, representing District 4C of the National Greyhound Association (NGA), stated that he will be representing Iowa, Wisconsin and Missouri. He offered his assistance to the Commission and the greyhound racetracks with the greyhound industry. Mr. Rider advised that since Mr. Timmons had started working for the Iowa Greyhound Association, and new management was in place at BRC, there appears to be less conflict. Additionally, he expressed his appreciation for the way BRC's web site represents the greyhound industry. Mr. Rider indicated that he had not heard any complaints regarding the current meet at DGP&C, which will be concluding in a couple of weeks. He also advised the Commission that he just returned from the NGA's National Meeting, noting that Bob Hardison from Ottumwa, Iowa, who races at BRC and DGP&C, set a new track record.

As there were no further public comments, Chair Sealock called for a motion to adjourn. Commissioner Hansen so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

# IOWA RACING AND GAMING COMMISSION
# MINUTES
# NOVEMBER 15, 2001

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 15, 2001 at the Best Western Starlite Village Hotel, 929 Third Avenue, Des Moines, Iowa. Commission members present were Rita Sealock, Chair; Bill Hansen, Vice Chair; and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Sealock called the meeting to order at 8:30 AM and requested a motion regarding the agenda. Commissioner Hamilton moved to approve the agenda as printed. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Sealock moved to the approval of the minutes from the October 18, 2001 Commission meeting, and the Vendor Compliance and Legislative Subcommittee meetings held on October 17, 2001. Commissioner Hassenfritz moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

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

- December – NO MEETING
- January – Stoney Creek Inn, 5291 NW 84th Street, Johnston, IA, January 10, 2002 (Submissions due by December 24, 2001)
- February – NO MEETING

He noted that the March meeting would be March 7, 2002 in Des Moines.

Chair Sealock moved to the contract approval portion of the agenda, and called on Peninsula Gaming Company, LLC. Natalie Schramm, Assistant General Manager, presented the following contracts for Commission approval:

- Coca-Cola Bottling Company – Non-alcoholic beverage purveyor
- Cummins-Allison Corp. – Purchase New Currency Counter (Transaction Increase)
- Hurley, Burish & Milliken, S.C. – Government Relations Consultations

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Peninsula Gaming. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-147)

Chair Sealock called on Isle of Capri Bettendorf (IOCB). Mike Hirsch, General Manager, presented a contract with Aristocrat Technologies, Inc. for the purchase of slot machines.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contract as submitted by IOCB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-148)

Chair Sealock called on Isle of Capri Marquette (IOCM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- International Game Technology (IGT) – Proposed Purchase of 41 Slot Machines (Replacements)
- L.A. Slot Machine Company, Inc. – Proposed Sale of 50 Used Slot Machines
- Sigma Game – Proposed Purchase of 10 Slot Machines (Replacements)
- Global Payments/NDC Check Services – Check Services (Transaction Increase)
- King Food Service, Inc. – Food Supplies (Transaction Increase)
- Waste Management – Trash Removal (Transaction Increase)

Chair Sealock pointed out that International Game Technology (IGT) is considered an Iowa vendor as they have offices in Iowa. Commissioner Hansen stated that Waste Management would also be considered an Iowa vendor.

Hearing no further discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by IOCM. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-149)

Chair Sealock moved to the contracts submitted by Ameristar Casino. Tony Taeubel, General Manager, presented the following contracts for Commission approval:

- International Game Technology (IGT) – Hardware & Software for EZ Pay Slot Machines and First Year Maintenance
- International Game Technology (IGT) – 8 Wheel of Fortune Slot Machines; 4 Austin Powers Slot Machines and 8 Wheel of Fortune Slot Machines (Replacement)
- Shuffle Master – 8 Three Stooges Slot Machines and 8 Press Your Luck Slot Machines (Replacement)
- Aristocrat Technologies – Lease of Hyperlink Devices and Related Equipment (Replacement)

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Ameristar.

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-150)

Chair Sealock called on Southern Iowa Gaming (SIG). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Holmes Murphy – Property/Casualty and Workman's Comp Insurance for Lakeside Casino
- Coventry Health Care – Medical Insurance for Lakeside Casino Employees
- Massachusetts Mutual Life Insurance Co. – Employee 401K Plan

Hearing no questions or comments concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by SIG. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-151)

Commissioner Hansen commended Mr. Massa on the fact that all of SIG's insurance had been purchased through an Iowa company.

Chair Sealock moved to the contracts submitted by Harveys Iowa Management Company (Harveys). Pete Weien, General Manager, presented the following contracts for Commission approval:

- Comfort Suites – Hotel Rooms for Visiting Slot Technicians
- Ground Works – Installation of Holiday Decorations
- Latham Marketing – Direct Marketing Agency
- Moore North America – Purchase Forms
- Office Depot – Office Supplies
- Omaha Steaks, Inc. – Meat Products
- Paulson Gaming Supplies – Gaming Chips & Supplies
- Superior Coffee & Foods – Purchase Coffee Products
- Tracy Locke Partnership – Advertising-Print, TV, Radio & Outdoor
- V & R Joint Venture – Warehousing & Storage
- Waste Management of NE – Waste Disposal
- Auto Chlor Systems – Housekeeping Supplies
- Clark Creative Advertising – Advertising; Production of Commercials
- Corabaley Howard – DJ Service
- Hall, Estill, Hardwick, Golden & Nelson – Legal Fees
- KGOR – Radio Advertising
- Labor Consultants – Temporary Labor
- Lamar Advertising- Outdoor Display Advertising
- Locher, Cellilli, Pavelka & Dostal – Legal Fees
- Loffredo Fresh Produce Co., Inc. – Fresh Produce
- William J. Mueller – Lobbying Representative
- Nogg Chemical – Housekeeping Supplies

- Otter Tail Energy Services – Natural Gas Provider
- Pegler Sysco – Purchase of Food Service Items
- Pentzien – Dredging Expenses
- Pro Dive – Dive Team for Dredging
- Successories of America – Promotional Materials
- US Postmaster – Postage
- W Design – Multimedia Design
- Young Electric Sign Co. – Exterior Signage

Chair Sealock asked if Shannon Fenster, Harrah's Compliance Officer was present. Mr. Weien indicated she was.

Chair Sealock addressed some discrepancies between the contract summary sheet and information provided on the actual contracts.

Commissioner Hansen noted that 20 out of the 30 contracts were labeled out-of-state, but there was no justification for using an out-of-state vendor attached to the contract. Commissioner Hamilton stated that most of them were increases from previously approved requests, and felt the explanation would have been provided at that time. Commissioner Hansen advised there were some new submissions with out-of-state vendors that did not include the justification for using an out-of-state vendor. He indicated that he was attempting to obtain consistency in the manner in which the licensees complete the contract approval forms. Commissioner Hansen stated that he reviewed their contracts more closely as 80% of them were with out-of-state vendors.

Hearing no further comments regarding the contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Harveys. Commissioner Mahaffey seconded the motion. Commissioner Hansen requested that the motion be amended to include the completion of the contract approval forms that were incomplete. The amendment was acceptable to Commissioners Hassenfritz and Mahaffey. The motion carried unanimously. (See Order No. 01-152)

Chair Sealock called on Belle of Sioux City (BSC). Kim Kreber, Director of Management Development, presented the following contracts for Commission approval:

- International Game Technology (IGT) – Purchase 13 Slot Machines (Replacements)
- Aristocrat – Purchase 10 Slot Machines (Replacements)
- Argosy Gaming Company – Intercompany Charges for September 2001 (RP)
- Casino Data Systems – New Slot and Player Tracking System

Hearing no questions concerning the BSC contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BSC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-153)

Chair Sealock called on Rhythm City Casino. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Acme Sign Co., Inc. – New Property Signage
- Alter Barge Line, Inc. – Movement of M/V President (RP)
- American Hotel Register Co. – Hotel Supplies
- AON Risk Services – Risk Services – General Insurance
- Aristocrat Technologies, Inc. – Slot Components & Parts
- Bally Gaming – Purchase 9 Slot Machines (Replacements)
- Chesapeake Advertising – Advertising Services
- Cummins-Allison Corp. – Jet Sorts & Maintenance
- Design Build Associates – Remodeling & Construction Services
- Hartford Life Insurance – Employee Short Term Disability
- Hockenbergs – Kitchen Equipment & Supplies
- Innovative Gaming, Inc. – Purchase of 5 Slot Machines (Replacements)
- International Game Technology (IGT) – Purchase13 Slot Machines (Replacements)
- International Game Technology (IGT) – Components & Repairs
- Iowa American Water Company – Water Utility Service
- Iowa Trust – Slot Participation Vendor
- Iowa Workforce Development – State Unemployment Taxes
- Kone, Inc. – Elevator Replacement & Service
- The Lamar Companies – Billboard Advertising
- Lane & Waterman – Legal Counsel & Fees
- Lodgenet Entertainment Corp. – In-room Pay-Per-View Movie Service
- Metropolitan Life Insurance Co. – Optional Life Insurance
- Midwest Exhibits Design Group - Printing
- North American Video – Surveillance Video Equipment
- Premier Distributing – Cigarettes, Candy & Sundries for Resale
- Putnam Trust – Parker Building Rent
- Quad City Tech – Automotive Supplies
- Ramsey & Son, Walvaults, Inc. – Slot Parts
- Taylor & Dean – Chair Purchases, Recovering & Conversions
- US Foodservice – Food Products, Equipment & Supplies
- Work Fitness Center – Drug Testing & Workman's Compensation Healthcare Provider
- WMS Gaming, Inc. – Purchase Replacement Slot Machines, Components & Repairs

Commissioner Hansen again encouraged the Isle of Capri properties to utilize Iowa vendors for their advertising and marketing. Ms. Donovan advised that Iowa IOC management would be meeting with corporate management later in the month.

Hearing no further discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Rhythm City. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-154)

Chair Sealock called on Catfish Bend Casinos (CBC). Dan Kehl, General Manager, presented the following contracts for Commission approval:

- Hall Towing, Inc. – Docking Services for Dry Dock Inspection
- Kehl Enterprises, Inc. – Purchase of Tables & Chairs for Barge, as well as Tools and Supplies (RP)
- Midwest Game Supply Co. – Purchase of 12 Video Slot Machines (Replacements)
- Nesper Sign Advertising – Fabrication & Installation of New Sign for Vessel
- Seabury & Smith – Additional Insurance for Workman's Compensation
- WMS Gaming – Lease of 6 Monopoly Slot Machines (Replacements)

Hearing no discussion regarding the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by CBC. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-155)

Chair Sealock called on Prairie Meadows Racetrack & Casino (PMR&C). Kelly Green, Purchasing Manager, presented a contract with Cummins-Allison Corporation for the potential purchase of four Jetsort SSC Coin Redemption Machines and accessories.

Hearing no discussion concerning the contract, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by PMR&C. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-156)

Chair Sealock called on Iowa West Racing Association/Bluffs Run Casino (IWRA/BRC). Pete Weien, General Manager, presented the following contracts for Commission approval:

- American Mail Service – Postage/Direct Mail
- Clark Creative Advertising – Advertising Representation
- Harveys Iowa Management – Company Allocations (RP)
- Johnny Ray Gomez Show – Entertainment (RP)
- Sport View Television Corp. – Video Recording and Broadcasting of Races
- United Tote – Tote Services for Pari-mutuel and Simulcast Wagering
- US Postmaster – Postage
- Craig Walter – Lobbyist

Commissioner Hansen advised that he had the same concerns with these contracts as with Harveys' contracts in that the information concerning the use of an out-of-state vendor was not completed.

Hearing no further discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Bluffs Run Casino. Commissioner Hansen seconded the motion with the provision that the contracts be completed and the information forwarded to the Commission office. Commissioner Hamilton agreed to the amendment to the motion. The motion carried unanimously. (See Order No. 01-157)

Chair Sealock moved to IWRA's request for season approvals for the 2002 racing season at BRC. Rory DeSantiago, Racing Director, was available to answer questions.

Commission Hansen asked if their fiscal performance for the first nine months was ahead or behind last year. Mr. DeSantiago indicated it was behind last year. Commissioner Hansen inquired as to what percentage it was behind. Mr. DeSantiago advised that it was approximately 10% behind last year. He noted that import greyhound simulcast figures are up, but import horse simulcast, live greyhound figures, and export greyhound figures are down from last year.

Commissioner Hansen asked about attendance figures. Mr. DeSantiago stated that he felt attendance was down somewhat, but the facility does not separate out attendance figures between the casino and track.

Chair Sealock asked if the change in the casino entrance was effective in preventing underage individuals from gaining entrance to the casino. Mr. DeSantiago indicated that it was.

Commissioner Hassenfritz asked if any suggestions had been made with regard to the track heater, or changing the grading or maintenance of the track. Mr. DeSantiago stated that BRC has been able to maintain the grade of the track, and till and grade the track on Monday and Thursday. He noted that the heating pipes are located anywhere from 7-9" deep in the track surface.

Hearing no further discussion concerning the request for season approvals, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the season approvals as submitted by BRC for the 2002 race meet. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-158)

Chair Sealock moved to the next agenda item – BRC/Iowa Greyhound Association (IGA). Lorraine May, legal counsel for BRC, advised the Commission that the parties had reached an agreement with regard to purse supplements. She asked that this item be withdrawn from the agenda. Commissioner Hansen stated that approval of a purse

agreement between the parties was not noticed on the agenda; therefore the Commission cannot take any action.

Jerry Crawford, legal counsel for the IGA, commended Harrah's and Ms. May for the spirit they brought to the negotiation table, but noted there are some significant issues that remain due to past history. He noted the parties had made tremendous progress in resolving issues.

Mr. Crawford addressed an issue in the next agenda item; however, Commissioner Hansen reiterated his request that the minutes reflect the request of BRC/IGA to withdraw their request that the Commission appoint a third member to the arbitration panel prior to moving on to the next agenda item. Chair Sealock concurred.

Chair Sealock moved to the IGA's request for approval of expenditures from the Escrow Fund. Tom Timmons, Executive Director, presented the following requests:

- Matt Kingdon at a cost of $700/month for three months as a Simulcast Coordinator
- Central Surveys, Inc. to recruit participants in a survey regarding business characteristics of Iowa's Greyhound business, and summarize and analyze data. Not to exceed $9,500.
- Dan Otto to develop an Economic Impact Study focusing on Greyhound racing in Iowa. Not to exceed $7,500
- Bluffs Run Casino for one-half of the deficit for exporting the signal at Council Bluffs - $68,532.64
- Local Sports Connection – IGA Web Site Redesign for $3,000
- Request for Approval to Withdraw Funds to Compensate Executive Director for January 1, 2002 through December 31, 2002

Mr. Timmons stated that since submitting the above requests he had received the final billing from Central Surveys, Inc. in the amount of $7,850.00. He noted that all of the above are Iowa vendors.

Commissioner Hamilton asked if the expenses for Matt Kingdon as a Simulcast Coordinator were strictly for three months or if they would be ongoing. Mr. Timmons indicated that it is for three months only.

Mr. Crawford advised that both parties, Harrah's and the IGA, have reached an agreement regarding the compensation of the Executive Director, and requested that the Commission approve the request as submitted.

Hearing no further discussion concerning the requested expenditures from the Escrow Fund, Chair Sealock requested a motion to include items 1-6. Commissioner Hansen moved to approve the expenditures from the Escrow Fund as submitted by the IGA.

Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-159)

Chair Sealock called on Clinton County Gaming Association, Ltd./Mississippi Belle II Employees Ownership Co (CCGA/MBII EOC). Ken Bonnet, General Manager of the MB II, was present to answer questions regarding their license application. Mr. Bonnet stated this would be the first gaming entity in Iowa to have ownership participation by several hundred employees.

Commissioner Hansen asked how the management procedure would function following the change. Mr. Bonnet stated the company would have a typical corporate board consisting of Robert Kehl, Jr., Dan Kehl and three outside independent directors selected by majority vote of the shareholders. He advised that Robert Kehl, Jr. and he have signed an on-site management agreement with a management company, which in turn has signed an agreement with the operating company indicating that they will continue to hold the offices of President and Secretary, respectively, going forward.

Commissioner Mahaffey stated that it was his understanding from the previous comments that nothing would change. Mr. Bonnet indicated that was correct, other than the fact that there would be three independent outside directors.

Hearing no further discussion concerning the license application, Chair Sealock requested a motion. Mr. Ketterer stated that the motion should state that the current license would be surrendered at closing, and the new license would be effective through March 31, 2002.

Commissioner Mahaffey moved to approve the license application of CCGA/MBII EOC with the above conditions. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-160)

Following a short break, Chair Sealock moved to Administrative Business, and called on Mr. Ketterer to give an updated report on the Commission's budget. Mr. Ketterer noted that he had advised the Commission earlier that IRGC would be looking at budget cuts in light of Governor Vilsack's recommendation of a 4.3% across-the-board cut effective November 1, 2001. He noted that the Legislature affirmed Governor Vilsack's recommendation during a special session on November 8, 2001. Mr. Ketterer advised that the Commission has taken the following initial steps in order to comply with the required budget cuts:

- Will not fill the vacant Secretary I position in the Des Moines office,
- Will not fill the recently vacated Administrative Assistant position in the Des Moines office,
- All equipment purchases have been placed on hold, and
- Out-of-state travel has been curtailed.

He noted that further cuts would be required, and stated that he would keep everyone informed as to how the Commission meets the challenge going forward for the balance of the fiscal year.

Chair Sealock moved to the second item under Administrative Business, the appointment of the Administrator for the period of May 1, 2002 through April 30, 2006. She stated that State law requires the Commission to either reappoint or choose a new administrator every four years. She noted that the appointment is subject to confirmation by the Senate. Chair Sealock advised that the Commission members had met with Mr. Ketterer in Executive Session the previous evening to discuss this issue. Chair Sealock called for a motion.

Commissioner Hansen gave a brief explanation as to the procedure utilized by the Commissioners in evaluating Mr. Ketterer's job performance. He noted that the final compilation of the individual evaluations was favorable, and the Commission was pleased to name Mr. Ketterer as the Administrator of the Commission for the next four years.

Commissioner Hansen moved, pursuant to Iowa Code Section 99D.6, that Jack P. Ketterer be named the Administrator of the Iowa Racing and Gaming Commission for a term commencing May 1, 2002 through April 30, 2006, that the salary be reflected in the Commission's Order, and that the blanket fidelity bond coverage for an official of the State of Iowa is sufficient subject to additional written confirmation. Commissioner Mahaffey seconded the motion.

Chair Sealock stated that the Commission is fortunate to have an Administrator with Mr. Ketterer's ability and knowledge. She called for the vote on the motion made by Commissioner Hansen. The motion carried unanimously. (See Order No. 01-161)

Mr. Ketterer thanked the Commissioners for their support, and also acknowledged the support provided by staff members.

Chair Sealock moved to Public Comment. As there was none, Chair Sealock called for a motion to adjourn. Commissioner Hassenfritz moved to adjourn. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS