IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 10, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 10, 2002, at Stoney Creek Inn & Conference Center, 5291 NW 84th Street, Johnston, 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 at 8:30 AM, and requested a motion regarding the agenda. Commissioner Hassenfritz moved to approve the agenda as presented. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Sealock moved to the approval of the minutes from the November 15, 2002 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, Administrator of IRGC, for announcements. Mr. Ketterer stated there would be no Commission meeting in February; the March meeting will be held at this same location, and the April meeting will be held at Lakeside Casino in Osceola.

Chair Sealock moved to the final adoption of Rule 491-5.5(99D), and called on Mr. Ketterer for comments. Mr. Ketterer stated that the Iowa Freedom of Information Council (IFIC) petitioned the Commission for this rule, and was before the Commission for final adoption. The rule was started through the Administrative Rules process with a Public Hearing. The Commission received written comments from the three pari-mutuel licensees setting forth concerns regarding some format-related aspects of the proposed rule. These concerns were presented at the Administrative Rules Review Committee (AARC) meeting in December. Following a discussion, the AARC encouraged Commission staff to seek language that would allow a compromise. Commission staff incorporated the track licensees' language into the rule as set out on the back of the agenda, which amounted to deleting some of the language in the proposed rule. The amended language was sent to the IFIC to advise them of the proposed changes and ask for their input at this meeting or the rule would be considered for final adoption in the form presented to them. The IFIC elected to send written comments, agreeing with all of the changes except one. The IFIC requested that the following language be added back at the end of both sections of the proposed rule: "...and aggregates should be presented in descending order of magnitude." Mr. Ketterer stated the language has been added back to the rule, noting that the Dubuque Greyhound Park & Casino (DGP&C) was the only licensee to comment on that particular wording. He asked Bruce Wentworth, General Manager of DGP&C, if he had any comments. Mr. Ketterer stated that unless there were specific issues, he would recommend approval of the rule with the above language reinserted.

Mr. Wentworth stated that their concerns dealt with the sort process, but felt it could be accomplished with current technology. He stated it was his understanding that if an individual wanted the information in a different format other than "descending order of magnitude", they would have to do it themselves. Mr. Ketterer concurred.

Mr. Ketterer advised that the pari-mutuel licenses were not concerned about disclosing the purse amount, but were concerned by the language that would have required them to list the makeup of every legal entity. This language was removed, and the IFIC did not offer any objections.

Hearing no further discussion regarding the final adoption of the rule, Chair Sealock requested a motion. Commissioner Mahaffey moved to final adopt the amendment to rule 491-5.5 (99D), including in subparagraphs A and B, the phrase "and aggregates should be presented in descending order of magnitude". Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-01)

Chair Sealock moved to the contract approval portion of the agenda, and called on Lakeside Casino. Joe Massa, General Manager, presented a contract with Shuffle Master for a lease agreement on Ace Shufflers, Let It Ride and Three Card Poker.

Hearing no comments regarding the contract, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by Lakeside. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-02)

Chair Sealock called on Isle of Capri Bettendorf (ICB). Mike Hirsch, General Manager, presented the following contracts for Commission approval:

- Prestige Games – Sale of 17 Slot Machines
- Dynasty Games – Sale of 47 Slot Machines

Hearing no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by ICB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-03)

Chair Sealock moved to the contracts submitted by Harveys Iowa Management Company/Harrah's. Pete Weien, General Manger, presented the following contracts for Commission approval:

- American Hotel Register – Linen for Hotel Rooms
- Aramark – Laundry and Uniform Services
- C Rallo Contracting – Purchase of New Buffet Equipment
- D & D Communications – Two-Way Radio Frequency and Equipment
- NAI Progress West (V & R Joint Venture) – Lease of Warehouse

- NFM Builder Sales – New Sealy Mattress Sets for Hotel Rooms
- PA Braunger Food Service – Food & Beverage Products
- Young Electric Sign Co. – Brand Conversion of Exterior Signage for Harveys to Harrah's (Increase of $349,419 to contract previously approved)

Chair Sealock commented on Harrah's contract with PA Braunger out of Sioux City, noting that the Council Bluffs facilities have been questioned in the past regarding food purchases in Nebraska.

Chair Sealock asked if C Rallo had an Iowa presence. Mr. Weien stated the company has an Iowa address (PO Box) and employees that work within the state, but the company headquarters are located in St. Louis, Missouri. Commissioner Hansen stated that supporting documentation also indicates the company has an Iowa Tax ID number. Mr. Weien was advised that the company might qualify as an Iowa vendor, as defined by the Commission.

Hearing no further comments regarding the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Harrah's. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-04)

Chair Sealock called on Peninsula Gaming Company. Dustin Manternach, Director of Finance, presented the following contracts for Commission approval:

- Bally Gaming – New Slot Tracking System, Licensing Fees, Service Agreement
- IGT – New Player Tracking System/Software & Maintenance Agreement
- Robert C. Nordgren – Settlement of Contest Claim

Commissioner Mahaffey noted that Lorraine May, legal counsel for Peninsula, in a letter dated January 8, 2002, asked the Commission to authorize an amendment to the Operator's Agreement as it specifically states that there is to be no payment of any kind to Robert C. Nordgren, as well as others. Ms. May stated that the correct interpretation is that the Operator's Agreement prohibits any payments to Mr. Nordgren without the Commission's approval. Commissioner Mahaffey stated that he was referring to Section 3.8 of the Operator's Agreement. Ms. May indicated that was the correct section, but also referred Commissioner Mahaffey to Section 18.4.

Commissioner Mahaffey asked Ms. May why Section 3.8 was included in the Operating Agreement since it specifically precludes payments to certain individuals, including Mr. Nordgren. Ms. May stated that the Commission had concerns with payments to Mr. Nordgren, as he was an acquaintance of Mr. Alfredo, who was determined to be unsuitable for licensure in Iowa. The inclusion of this section in the Operating Agreement would allow the Commission to monitor any payments and determine if the payments were correct and appropriate.

Commissioner Mahaffey noted that Section 18.4 of the Operating Agreement states that said document shall not be amended without prior approval of the Commission. It is his understanding that this contract approval is being submitted due to pending litigation, and is a carryover from Cambridge, which operated the Dubuque Diamond Jo prior to Peninsula. Ms. May indicated that was correct, and that the services were rendered prior to Peninsula taking over.

Chair Sealock stated that her understanding of the situation was that payment would not be an admission of wrongdoing, but would allow Peninsula to settle a nuisance claim that has been ongoing. Ms. May indicated that by approving the request, Peninsula would settle the claim with no further expense, no admission of liability, no responsibility for further payments, and at a substantially reduced amount.

Commissioner Mahaffey asked the value of the original contract. Ms. May stated that it was $250,000, plus attorney fees and interest, bringing it close to $300,000. Peninsula is requesting approval to pay Mr. Nordgren just over half of that amount.

Mr. Ketterer asked Ms. May what type of service Mr. Nordgren was to have provided per the agreement or alleged contract. Ms. May stated that Mr. Nordgren was to provide consulting services. She noted that Mr. Nordgren had been involved with Greater Dubuque Riverboat Entertainment Co. (GDREC) for some time, and was familiar with the location, history of the business, boat, personnel and community. He had also been involved with the reconfiguration of the vessel.

Hearing no further discussion concerning the contracts submitted by DDJ, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by DDJ.

Ms. May requested that the motion specifically state that the Commission was authorizing the amendment of the Operating Agreement so that it is clear that Peninsula has complied with all of the Commission's requirements. Commissioner Hansen agreed.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-05)

Chair Sealock called on Dubuque Racing Association (DRA). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- Operating Engineers Local 758 – Labor Agreement
- Interspace Airport Advertising – Advertising Panel for Cedar Rapids Airport
- AC Coin – Slot Machine Replacements and Parts
- Anchor Coin d/b/a Anchor Games – Slot Machine Replacements & Parts
- Aristocrat, Inc. – Slot Machine Replacements and Parts
- Atronic – Slot Machine Replacements and Parts
- Bally Gaming – Slot Machine Replacements and Parts

- International Gaming Technology – Slot Machine Replacements and Parts
- Konami Gaming, Inc. – Slot Machine Replacements and Parts
- Mikohn Gaming – Slot Machine Replacements and Parts
- WMS Gaming, Inc. – Slot Machine Replacements and Parts

Chair Sealock advised Mr. Wentworth that IGT is considered an Iowa business.

Hearing no further discussion concerning the contracts submitted by DRA, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DRA. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-06)

Chair Sealock called on Bluffs Run Casino (BRC). Mr. Weien, General Manager, presented the following contracts for Commission approval:

- Aramark Uniforms – Laundry & Uniform Services
- Osborne Coinage – New Slot Tokens
- PA Braunger – Food & Beverage Products

Hearing no discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-07)

Chair Sealock asked Mr. Weien to give the Commission an update on changes taking place at the facilities in Council Bluffs. Mr. Weien advised that the conversion to Harrah's system has been completed at both properties; they have replaced approximately 150 slot machines at both facilities; re-carpeted the boat and BRC; rebuilt the cages at both facilities; and changed the uniforms and signage at both properties. He noted that additional changes are planned for this year, indicating that several contracts would be submitted at the March meeting, including renovation of the restaurants. Mr. Weien stated that Harrah's had spent $24 million to date on renovations, with that much more planned for this year.

Chair Sealock called on Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager, advised the Commission that nine contracts had originally been submitted for approval, but requested that the contracts with The Texas Hub and United Tote be removed from consideration at this time. The following contracts were submitted for Commission approval:

- ABC Electric of Des Moines – Various Electrical Construction Projects
- Aristocrat Technologies, Inc. – Potential Purchase of 24 Slot Machines (Replacements)
- National Thoroughbred Racing Association – Track Membership Agreement

- Pratt Audio-Visual Corporation – Potential Purchase of Audio-Video Equipment
- Quantum Imaging – Bulk Printing and Mailing Services
- Scott's TV & Appliance – Potential Purchase of Audio-Video Equipment
- WW Grainger, Inc. – Purchase of Various Housekeeping & Maintenance Supplies

Commissioner Hansen asked how the withdrawal of the contracts with The Texas Hub and United Tote would affect simulcasting. Mr. Farinella stated that United Tote has asked PMR&C to reconfigure some of the equipment and extend their agreement with them, which currently runs through 2002. PMR&C is in the process of working with United Tote to determine what equipment will be needed. He indicated the contract would probably be before the Commission in March. Mr. Farinella stated that the simulcasting signals are processed through a hub. Currently, United Tote maintains personnel on property year-round to provide tote services for the in-bound simulcast signals PMR&C takes all year. As part of the hub, PMR&C has the opportunity to allow those services to be provided from another location, which would then save PMR&C funds without affecting their signal service capabilities.

Commissioner Hansen stated that he hoped these steps would not de-emphasize simulcasting. Mr. Farinella assured him they would not; that it is allowing the companies to operate more efficiently due to technological advances.

Hearing no further discussion concerning PMR&C's contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts submitted by PMR&C, noting that contracts for The Texas Hub and United Tote had been withdrawn. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-08)

Mr. Farinella noted that when PMR&C submitted their license renewal for the live racing season, they submitted post times for the starting of races. As other tracks are starting to commit to what days and time they are going to run, PMR&C has re-evaluated those times and days to allow them to capitalize on their simulcast signal. Mr. Farinella, noting that the 45-day plan for the Thoroughbred meet would not be submitted for approval until the March meeting, requested that PMR&C be allowed to modify their start times as follows: Monday and Tuesday, races continue to start at 4:00 PM; Wednesday, Friday and Saturday, races would start at 6:45 PM.

Mr. Ketterer advised the Commission that when they grant the licenses in September, they are granting racing dates and days. Typically, post times and daily schedules are approved in the 45-day season approvals. Mr. Ketterer stated that he did not feel it was necessary for this to be an agenda item; that it could be handled through Commission staff and incorporated in the season approvals.

Chair Sealock called on Iowa West Racing Association/Harrah's/Iowa Greyhound Association (IWRA/Harrah's/IGA). Ms. May and Tom Murphy, legal counsel for Harrah's and the IGA respectively, requested approval of the parties Agreement with regard to greyhound purse supplements from gambling proceeds, escrow fund distributions, and supplements for special races. Ms. May stated that the Agreement largely mirrors the Arbitration Decision from the previous year. For calendar year 2002, the point values are $100 for regular points and $140 for Iowa-bred points. Purses will be supplemented by 8% of the adjusted gross receipts less gaming taxes. The Iowa Stakes Race will have a $250,000 purse. Additionally, there will be four $75,000 stakes races. The Agreement also contains specific provisions with regard to the Escrow Fund and additional supplements from the fund.

Ms. May pointed out that the agreement authorizes a portion of the Escrow Fund to be utilized for the hiring of Tom Timmons. She advised the Commission that Mr. Timmons has accepted employment with Lakeside Casino. The IGA has selected an individual to fill the Executive Director's position, and Harrah's has taken the position that the IGA has the authority to make that selection and Harrah's will work with that individual.

Chair Sealock expressed her appreciation that the parties were able to come to an agreement and avoid the arbitration process.

There was a brief discussion regarding the fact that the new Executive Director would begin his duties prior to the IGA's new Board of Directors being elected. Bob Hardison, President of the IGA, advised that the Board chose to proceed in this manner as they had four applicants, and all current Directors were able to agree on one applicant. They were concerned that the individual would not be available if the position were not offered until after the general membership meeting. Mr. Hardison stated that the selected individual, Steve Hellyer, has an extensive background in sports promotion, both professional and college, which the IGA feels will be beneficial in the IGA's goal to draw individuals back to the racetrack. Mr. Hellyer has ties to the Des Moines area, and is currently in Oregon.

Mr. Murphy advised the Commission that Mr. Timmons resigned his position approximately two months ago, and that considerable thought was given to the best manner in which to fill the position. He noted that Mr. Timmons had started work on an economic impact study, which is being conducted by an ISU professor. Surveys have been completed and statistics compiled. The report will address how the economics of greyhound racing in Iowa really work. Additionally, drafts of the RFPs for the Escrow Account were sent to staff in August and early September. The RFPs were scheduled to be sent out in late September, but were postponed due to the terrorist attacks as many of the company's lost their offices. The RFPs are out at this time, and responses are due by January 18, 2002.

Hearing no further comments regarding the Agreement between IWRA/Harrah's/IGA, Chair Sealock requested a motion. Commissioner Hansen moved to approve the

Agreement as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-09)

Chair Sealock, noting that the previous discussion had incorporated agenda item No. 7, an update on the IGA's activities, moved to the Hearing for Peninsula Gaming for a violation of Iowa Code Section 99F.9 (Wagering-Age Restriction). Mr. Ketterer advised Chair Sealock that Commission staff and Peninsula had reached a Stipulated Agreement regarding an incident that occurred on August 25, 2001. A minor gained entry to the DDJ when the security officer on duty failed to request identification. The minor proceeded to gamble and consume alcohol during the one and one-half hours he was in the casino. Based on previously established criteria, this incident met all of the criteria to bring this matter before the Commission. Mr. Ketterer stated that the minor was detected when he approached the cashier's window to obtain a cash advance on his credit card. The cashier noted that the individual's ID had been altered, and contacted security. Mr. Ketterer stated that the parties had agreed to the $10,000 administrative penalty, and recommended approval of the Stipulated Agreement.

Hearing no comments from Commissioners or legal counsel for Peninsula, Chair Sealock called for a motion. Commissioner Hassenfritz moved to approve the Stipulated Agreement as presented. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-10)

Chair Sealock called on Mr. Ketterer for Administrative Business. Mr. Ketterer advised the Commission that there are still concerns regarding the budget. There could be further budget cuts in light of the most recent revenue estimates. He noted that the December monthly revenue report indicates that revenues from the riverboats and tracks are up approximately 8% so far this fiscal year compared to the same time frame in the previous fiscal year. Mr. Ketterer pointed out that November and December 2000 were weak for all of the licensees due to the weather and high heating costs. Revenues were up 14% for November 2001 compared to November 2000; and 26% for December 2001 compared to December 2000.

Mr. Ketterer stated that another area staff had looked at, and one which Commissioner Hansen has prepared some information, is the number of Commission meetings. Commissioner Hansen, noting that this meeting would be concluded in just over an hour, pointed out that the length of the meetings has dropped from 4 hours 21 minutes to 2 hours 54 minutes. In his opinion, the number of meetings per year could be reduced, which would save travel time, as well as hotel meeting/sleeping room and meal expenses. Additionally, Commissioner Hansen stated that he felt a reduced number of meetings would enhance meeting attendance, which has dropped from an average of 83.4% in 1999 to 75.4% in 2001. He expressed concern over the fact that all of the Commissioners are present at the meetings only 50% of the time, but feels that if there were fewer meetings it would be easier for Commissioners to commit to attending the meetings even though the meetings might be longer. Commissioner Hansen noted that it is difficult to expect Commission members to set aside a full day for a meeting, when the meetings are

only lasting approximately one hour. He recommended that Commission staff review his suggestions and present a revised meeting schedule for the upcoming fiscal year at the March Commission meeting.

Chair Sealock thanked Commissioner Hansen for his timely suggestion. She noted that another area that could provide cost savings is if all the meetings were held in Des Moines versus traveling to the various facilities. Chair Sealock stated that she feels it is important for the Commission members to travel to the different venues to see the facilities. She pointed out that the business conducted at Commission meetings has changed dramatically, particularly the fact that the Commission is no longer reviewing new license applications, nor is the Commission involved in as much arbitration.

Hearing no comments on Commissioner Hansen's recommendation, Chair Sealock moved to Public Comment. As there were no Public Comments, Chair Sealock called for a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Hansen seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 7, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, March 7, 2002, at Stoney Creek Inn & Conference Center, 5291 NW 94th Street, Johnston, Iowa. Commission members present were Rita Sealock, Chair; W. R. "Bill" Hansen, Vice Chair; and members Diane Hamilton and Mike Mahaffey. Commissioner Hassenfritz was absent.

Chair Sealock called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Hansen stated that he might request to defer Item 7 in the event he has not received information requested from Prairie Meadows. Commissioner Mahaffey moved to approve the agenda. Commissioner Hansen seconded the motion, which carried unanimously.

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

Chair Sealock called on Linda Vanderloo, Director of Racing/Administration for IRGC, for announcements. Ms. Vanderloo introduced Heather Adams, Assistant Attorney General, who was filling in for Jean Davis. She provided the following information concerning upcoming meeting dates and locations:

- April 18, 2002 – Lakeside Casino, Osceola (Submissions due by April 4, 2002)
- May 16, 2002 – Harrah's, Council Bluffs (Submissions due by May 2, 2002)
- June 20, 2002 – Stoney Creek Inn, Johnston (Submission due by June 6, 2002)

Chair Sealock moved to the next agenda item – Rules, Notice of Intended Action, and called on Ms. Vanderloo. Ms. Vanderloo stated that she would address the first four rules, and Terry Hirsch, Director of Riverboat Gambling, will address the final rule. The following rules changes were noticed:

- Amend rule 491-4.2(17A) by changing the definition for "Steward"
- Rescind subrule 4.6(3) and insert the following <u>new</u> rule
- Amend subrule 4.6(4)
- Amend subrule 7.5(2), paragraph "j"
- Amend rule 491-11.5 (99F) by adding <u>new</u> subrule – Gambling games of chance involving prizes awarded to participants through promotional activities at a facility

Ms. Vanderloo advised that the first item changes the steward's position to one that is appointed or approved by the commission as over the last few years, some of the

stewards have been employed through an out-source service and were considered a co-employee. This year they will be "leased" employees, and not technically an employee of the commission. The second item changes the term "steward" from singular to plural. The next two items deal with reference changes.

Mr. Hirsch advised that the last rule is to clarify a technical issue among the operators, the Division of Criminal Investigation and the Attorney General's Office regarding promotions. He noted that industry representatives had not had an opportunity to review the noticed rule; therefore, staff is expecting to receive some comments, resulting in a different version coming before the Commission for final adoption. There will be a public hearing on the noticed rules on April 23, 2002. The licensees were encouraged to submit their comments in written form.

Hearing no further comments concerning the rules presented under Notice of Intended Action, Chair Sealock requested a motion. Commissioner Hansen moved to approve the noticed rules as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-11)

Chair Sealock called on Bluffs Run Casino (BRC). Pete Weien, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase Video Slot Machines & Additional Replacement Slot Machines during 2002; and Hyperlink System Components
- Egads – Purchase and Installation of 2 Rotating Signs, Casino Directional Signage and Refacing an Existing Sign
- Gemaco Playing Card Co. – Purchase of Slot Attendant Systems for IGT and WMS Slot Machines
- Johnny Ray Gomez Show – Entertainment
- Landlock Seafoods Inc. – Fresh and Frozen Seafoods
- Office Depot – Office Supplies
- Osborne Coinage – Purchase IDX (High Security) Coin Acceptors
- Sigma Game Inc. – Lease and Purchase Slot Machines (Replacements)

Chair Sealock, noting that there were several contracts with IGT on today's agenda, introduced Cody Hunt, Supervisor of Casino Services for IGT, who is located in the Council Bluffs office. Due to Commission concerns as whether or not IGT could be considered a legitimate Iowa business, she visited the Council Bluffs office, and found that it more than met the requirements. Chair Sealock advised that IGT has four offices in Iowa – the main office in Council Bluffs with 14 employees; Dubuque with 2 employees; Quad Cities with 4 employees; and the Des Moines office with one employee. She reminded the licensees that IGT could be counted as an Iowa vendor on their Transaction Request Approval forms.

Hearing no questions concerning BRC's contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve BRC's contracts as submitted.

Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-12)

Chair Sealock moved to the second agenda item under BRC – a joint request by BRC and the Iowa Greyhound Association to amend the Purse Supplement Agreement with regard to stakes races. The Agreement as approved by the Commission calls for four $75,000 Stakes Races. The parties have reached an agreement to change the number of stakes races to five with a $60,000 purse.

Hearing no discussion concerning the requested change to the Purse Supplement Agreement, Chair Sealock requested a motion. Commissioner Hansen moved to approve the amended Purse Supplement Agreement. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-13)

Chair Sealock called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented DGP&C's 45-day plan for the upcoming race meet and the following contracts:

- International Association of Machinists – Labor Agreement
- VSR Lock, Inc. – Slot Machine Bases

Mr. Wentworth advised that Brian Carpenter, Director of Racing, was available to answer any questions concerning the 45-day plan.

Hearing no questions concerning the 45-day plan, Chair Sealock requested a motion, noting that staff recommended approval of DGP&C's seasonal approval request as submitted with the completion of all appropriate DCI backgrounds. Commissioner Mahaffey so moved. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-14)

Mr. Wentworth asked about the approval of the contracts. As there were no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-15)

Chair Sealock called on Prairie Meadows Racetrack & Casino. Derron Heldt, Director of Racing, presented the 45-day season approval requests for the upcoming Thoroughbred and Thoroughbred/Quarter Horse race meets. He advised the Commission of the following with regard to the Thoroughbred meet:

- Department Heads – All department heads are listed
- Racing Officials - All positions filled at this time and biographies on those individuals are included
- Minimum Purse – All categories covered, condition book has been distributed to horsemen

- Purse Supplements for Iowa Breds – 25% to restricted purses and 35% to open races
- Schedule and Wagering Format – The Thoroughbred meet starts on Friday, April 26th and concludes on Saturday, July 6th. Racing will occur on Monday, Tuesday, Wednesday, Friday and Saturday. Post times will be at 4:00 PM on Monday and Tuesday; and at 6:45 PM on Wednesday, Friday and Saturday.

Mr. Heldt stated that a full system check would be held on April 24th at 7:00 PM.

Commissioner Hansen asked if the change in start times would have an impact on the simulcasting revenue. Mr. Heldt indicated that the 6:45 start time on Wednesdays would have an impact going forward. He noted that PMR&C faces substantial competition at the 4:00 post time as several racetracks race Wednesday through Sunday. PMR&C feels the later post time on Wednesday would provide them with an opportunity to gain entry to additional markets. Mr. Heldt stated that the simulcast director is visiting various outlets around the country in attempt to make some sales in areas they have not been in in the past, or by increasing the number of dates other facilities are taking their signal.

Commissioner Mahaffey noted that PMR&C provided some demographic information a year ago on individuals that liked horse racing, and their plan to increase interest in the sport. He asked if they had made progress in increasing interest in horse racing and simulcast races from other facilities. Mr. Heldt advised that many of the tracks currently racing are experiencing a decrease in handle and attendance. He noted that PMR&C's focus during the first meet in 2001 was on-track attendance and handle; but reverted to off-track during the subsequent meets and dropped racing on Sundays due to a lack of interest. Mr. Heldt noted that Oaklawn Park, which is currently racing, is showing an increase of 4% on-track handle and 30% off-track.

Commissioner Hansen asked about the attendance at the standardbred meet. Mr. Heldt advised that the attendance was very low, and handle was down as well. Commissioner Hansen stated that it was his recollection that it cost PMR&C approximately $1.5 million to hold the harness meet. Mr. Heldt concurred that it is very costly to remove the track surface and then replace it at the end of the harness meet. He noted that PMR&C pays out $600,000 in purses and another $750,000 for the county fair and state fair races. Commissioner Hamilton questioned whether it was cost effective to hold the harness meet. Mr. Heldt responded that the horse industry includes the thoroughbreds, quarter horses and standardbreds.

Mr. Heldt presented the following information with regard to the Thoroughbred/Quarter Horse Meet:

- Race Officials – There are some positions that have not been filled. When positions are filled, he will forward the information to the Des Moines office.
- Minimum Purses – They are estimated on the thoroughbred side, as there is no thoroughbred racing secretary on staff. The purses will be set once that

individual comes on board. The minimum purses are set on the quarter horse side. Classes for the various categories have been assigned.

- Purse Supplements for Iowa Breds – They remain the same as the first meet for the thoroughbreds. For the quarter horses, the supplements will be 50%

Commissioner Mahaffey asked what positive impact PMR&C expects to see a year from now due to these changes. Mr. Heldt stated that going forward PMR&C has to take a hard look at their program as it relates to all breeds. In his opinion, the seasons will be different, possibly having just one meeting versus three separate meets.

- Schedule and Wagering Format – The mixed meet will run from Monday, July 15th through Saturday, September 28th. Races will be held on Monday, Tuesday, Friday and Saturday. Post time for Monday/Tuesday will be 4:00 PM, and 6:45 on Friday/Saturday. There will be 10 races – 6 Thoroughbreds and 4 Quarter Horse. The wagering format will remain the same as the first meet.

Mr. Heldt covered the following items, which are relevant to both meets:

- Equipment – PMR&C has provided information on the Totalizator, photo finish, time and starting gate equipment.
- Security Plan – Same as last year, except that the backside is being secured on April 1st, and licensed personnel will be required to show their badges to gain admittance on April 16th, approximately one week earlier than in previous years.
- Performance Bond – Attached.
- Certification – Letter from Bob Farinella, General Manager, to Mr. Ketterer certifying that all contracts and financial documents have been submitted for approval.
- Contracts – All contracts pertinent to the 2002 racing season have been submitted. None require approve at this time. Copies provided for informational purposes only.
- Changes in Approval Request – Request acknowledged.
- Other Information – A copy of their 2001 Marketing Plan.

Mr. Heldt also presented the following contracts for Commission approval:

- Anchor Games – Potential Lease of 4 American Bandstand Slot Machines (Replacements)
- Anchor Games – Potential Lease of 6 Barcrest Slot Conversion Kits (Replacements)
- Bally Gaming – Potential Lease of 8 Slot Machines (Replacements)
- Bally Gaming – Potential Purchase of 8 Slot Machines (Replacements)
- Diebold Incorporated – Maintenance and Parts for Mosler Cash Handling Equipment
- Foam Fabrication, Inc. – Purchase of Horse Racing Starting Gate
- IGT – Potential Lease of 4 Slot Machines (Replacements)

- IGT – Iowa- Potential Purchase of 16 Slot Machines (Replacements)
- IGT – Iowa – Potential Purchase of 14 Upright Slot Machines and 5 Game King Bar Top Slot Machines (Replacements)
- Iowa Des Moines Supply Inc. – Housekeeping and Food & Beverage Supplies
- Roberts Communications Network Inc. – Provider of Simulcast Communication Relay Services
- ShuffleMaster – Potential Lease of 2 Slot Machines (Replacements)
- United Tote – Proposed New 5-Year Agreement for Simulcasting and Live Racing Totalizer System

Commissioner Hansen noted that over the past year the Commission has dealt with seasons seven different times – racetrack licenses are renewed in September; racetrack enclosure gambling licenses in October, riverboat licenses in March, and financial reports are reviewed in April. He voiced his opinion that the Commission should combine as many of these processes as possible. He feels there should be a financial relevance to the renewal of the license, and that the Commission should reassess the information the licensees are requested to submit. Commissioner Hansen stated that the Commission should spend more time monitoring issues relating to the efficacy of the licensees' operations.

Commissioner Hansen stated there are approximately 20 bills in the Legislature, and five pertain directly with PMR&C. He noted that some of the criticisms are justified, while others are not. Commissioner Hansen stated that PMR&C should look at the relevancy of the purse levels and the economic viability of the operation. He provided the following information regarding purse and net profit levels for the following years:

YEAR	PURSE LEVEL	NET PROFIT
1996	$ 4.3 Million	$ 1 Million +
1998	12.5 Million	18 Million
2000	16.9 Million	1.1 Million
2002	18.4 Million	-15 Million

Commissioner Hansen noted that a large percentage of the deficit is attributable to the write off of depreciation. He noted that a member of RACI had once made the comment that purses should be keyed to the economic viability of the operation. He noted that when the Commission approved the Purse Agreement in 1997, all of the pertinent numbers were on the increase; however, now everything has changed. In his opinion, RACI needs to take a serious look at the purse levels, because in the public's eye and opinion, it is not appropriate to continue increasing the purses when profit is declining. Commissioner Hansen stated that some of the leaders in the industry are faced with the task of reigning in some horse owners who have a different agenda than they have.

Chair Sealock called on Ms. Vanderloo to provide advance notice of some proposed changes. Ms. Vanderloo stated that the process has started in light of the fact that the Commission had the 45-day season approvals before them for PMR&C's first and second meets instead of just the first meet. She noted that the Commission hopes to approve the pari-mutuel and racetrack enclosure gambling licenses at the same time in the coming year.

Hearing no further discussion concerning the 45-day season approvals for the Thoroughbred and Thoroughbred/Quarter Horse Meets at PMR&C, Chair Sealock called for a motion. Commissioner Hansen moved to approve the 45-day plans for the Thoroughbred and Thoroughbred/Quarter Horse meets contingent upon the following staff recommendations:

- 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.
- Prior notification of any schedule changes: race days, post times, or the number of races.

Chair Sealock clarified that the motion included the contracts as submitted by PMR&C. Commissioner Hansen indicated that the motion did include the contracts. Ms. Vanderloo asked if the motion also included PMR&C's request to change the post times for the Mixed Meet. Chair Sealock stated that the motion encompassed all agenda items pertaining to PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-16)

Chair Sealock moved to Administrative Business, and called on Ms. Vanderloo. Ms. Vanderloo provided public notice that requests for the Horse Racing Promotion Fund were due in the Commission's Des Moines office by 4:30 PM on March 22, 2002. Additionally, those groups who received the funds for the previous fiscal year are to provide an accounting of how those funds were used by March 22, 2002. She advised that there is $4,737.77 available for distribution for FY 2002.

Chair Sealock moved to the Proposed Meeting Dates for FY 2003. Ms. Vanderloo stated, that based on a request from Commission members, Mr. Ketterer prepared three different schedules – six, seven and eight meetings. She noted this is a discussion-only item.

Chair Sealock advised the licensees that every meeting except two on the proposed schedules would be in Des Moines. Those meetings are scheduled for Bettendorf and Council Bluffs. She stated that the Commission has held telephonic meetings in the past for emergency situations. Chair Sealock expressed her preference to move to eight meetings to see how that works. She complimented the Iowa Gaming Association on the hiring of their Executive Director, which has made the Commissioners' jobs much easier.

Commissioner Hansen noted that the length of the Commission meetings has dropped from in excess of four hours to just under three hours. Each Commission meeting involves seven staff members, including DCI personnel and the Attorney General representative, which are taken away from their work. Commissioner Hansen indicated his preference for six meetings. He reiterated his continued concern over the declining attendance of Commission members, noting that it is difficult for some members to leave their professional businesses for an overnight trip, particularly when the meetings have been so short. Commissioner Hansen reiterated the fact that the Commission does have the ability to hold electronic meetings, and suggested that the Commission further clarify the interpretation of vendor contracts. He suggested the Commission allow up to 60 days for the licensees to submit increases in previously approved contract amounts. Additionally, Commissioner Hansen stated that if an emergency contract situation came up, the contract could be faxed to all five members, who would then have five days to object. He indicated that contract approvals appear to be the reason behind the argument for more frequent meetings, but feels there are ways to accommodate those concerns.

Hearing no further comments concerning the proposed FY03 meeting dates, Chair Sealock advised those in attendance that action might be taken at the April meeting.

Chair Sealock moved to the final item under Administrative Business – a review of the 2002 Year-to-Date Economic Impact Reports for all of the licensees. Chair Sealock called on Commissioner Hansen for comments.

Commissioner Hansen stated that one of the most significant issues is the impact of the gaming industry on the State of Iowa. He noted that in 1994, the state received $8.4 million, but has received $214 million in the current fiscal year. Gaming taxes are the fifth largest funding source for the State. Additionally, the industry also pays local and county taxes, has contributed $62 million to various charitable organizations, has a payroll of $213 million, and spends $131 million on supplies. Over 57% of those supplies are purchased from Iowa vendors.

Commissioner Mahaffey expressed concern about the negative impact of the gaming industry on the state, noting that there are individuals who have problems with gambling. He pointed out that state government benefits from the revenue it receives, but continues to pull funding from the Gambling Treatment Program for other purposes. Commissioner Mahaffey stated that Iowa has been a leader in terms of regulating the gaming industry, but should also be a leader in finding solutions for those individuals affected by compulsive gambling. Noting that the industry pays for the Gambling Treatment Program via a tax, Commissioner Mahaffey voiced the opinion that he wished there was some way the Commission could make sure the tax was used for the purpose for which it was intended.

Commissioner Hansen concurred with Commissioner Mahaffey's comments. He noted that the program is only getting about 50% of the dedicated fund. Commissioner Hansen stated that he feels there is a structural problem in that the Gambling Treatment Program

is housed in the Department of Public Health, making the fund an easy target when funds are needed to fund the substance abuse program. Commissioner Hansen questioned how the legislators could establish a dedicated tax and then turn around and use the funds for other areas other than what it was intended. He noted that the Iowa Gaming Association has made an effort to change the structure of the Gambling Treatment Program. He pointed out that he has suggested a number of times that the Gambling Treatment Program should be moved to an independent department; thereby making it more difficult for the legislators to pull funding from the program.

Chair Sealock concurred with Commissioner Hansen's comments. She stated that the Commission is caught in the middle because the monthly revenue reports show how much money the licensees are paying into the fund even though we are aware that the funds are not being used for the intended purpose. Chair Sealock noted that the issue has been mentioned in the Commission's legislative report for the past several years as well.

Wes Ehrecke, Executive Director of the Iowa Gaming Association, stated that the gaming industry in Iowa would like to have a premier gambling treatment program, and that restoring the funding is an ongoing priority for the association. He noted that the gaming industry pays approximately $2.8 million to the fund each year. Mr. Ehrecke stated that between the Commission's efforts, the industry's efforts and the treatment providers, many more legislators are aware of the problem than last year. He indicated that the legislators have been receiving approximately five letters on a weekly basis to keep this issue in front of them. Mr. Ehrecke stated that one of the stumbling blocks is the fact that one key legislator feels that substance abuse is a greater problem than gambling addiction. If the legislators follow last year's path and pull $2 million from the Gambling Treatment Program, the program will be left with $1.2 million. He stated that the current recommendation is $1.6 each for substance abuse and the gambling treatment program. Mr. Ehrecke stated there is some interest in moving the program out of the Public Health Department.

Mr. Ehrecke took a moment to recognize the benefits of the industry to the state – 10,000 jobs, Iowa first program, and charitable contributions. They are also bringing in tourism dollars.

Ms. Vanderloo asked Mr. Ehrecke if he had brought any of the Truth About Gaming packets to the meeting. Mr. Ehrecke stated that he was having more made up and would get a copy sent to the Commission members. This is a tool kit for the media with regard to the upcoming referendum.

Chair Sealock stated that during a legislative breakfast in Council Bluffs, the question was posed to Representative Brent Siegrist what the legislature would do if the Dubuque Greyhound Park & Casino closed. The question made the people of Council Bluffs stop and consider what the economic impact would be on Council Bluffs if the three facilities closed. Chair Sealock noted that none of the legislative representatives had an answer.

At this time, Chair Sealock read the following statement prepared by Jack Ketterer, Administrator of IRGC, regarding the most recent budget cuts enacted by the General Assembly and signed into law by the Governor:

"The passage by the General Assembly and signing by the governor of SF2304 imposes a 1% budget cut and unspecified salary cuts for FY02. An amendment allows agencies to make the unspecified salary cuts through furloughs or other cost reductions. These cuts are in addition to the 4.3% cut last November.

Although some layoffs and other cuts were initiated this winter to partially meet the 4.3% reduction mandate, we were still searching to identify sources for the remainder of the reduction. This legislation makes the challenge more difficult. We will meet the challenge, but it will require revisiting all expenditures and related services for possible cuts.

We have apprised our employees that as we review our latest financial reports and receive direction from the Governor's Office re implementation guidelines, we will keep them informed. To the extent cuts will directly impact services to licensees, we will keep the licensees informed."

Chair Sealock stated that one of the options available was a half-day furlough for all employees each pay period for the remainder of the fiscal year.

Following a short break, Chair Sealock moved to the next agenda item – Excursion Gambling Boat License Renewals. She called on IWRA/Ameristar Casino Council Bluffs. Inc. d/b/a Ameristar Casino. Tony Payne, Executive Director of IWRA, advised the Commission that in 2000/2001 Ameristar made substantial capital improvements to the property. In comparing revenue for the first 63 days of 2002 to 2001, their revenue was up 35.2%, and attendance increased 25.4%. Mr. Payne introduced Troy Stremming, Ameristar Corporate Counsel, and Jane Bell, Government Relations for the Council Bluffs property.

The following contracts were also submitted for Commission approval:

- IGT – 6 Slot Machines on Participation Agreement (Replacements)
- Anchor Games – 8 Slot Machines on Participation Agreement (Replacements)
- Anchor Games – Rental of 8 Barcrest Slot Machines (Replacements)
- WMS Gaming, Inc. – 17 Participation Slot Machines (Replacements)
- AC Coin – Rental of 4 Slot Machines (Replacements)
- Bally Gaming Systems – Rental of 6 "Tower of Millionaire" 7-Style Slot Machines (Replacements)

Chair Sealock called for any comments or questions concerning Ameristar's license renewal. She stated that she concurred with Mr. Payne's comments. She noted that there were concerns that Ameristar might not complete the project as stated when they applied

for the license; and that it is gratifying to see them doing so much more than presented. Chair Sealock commented on the high number of contracts with Iowa vendors considering their proximity to Omaha. Additionally, Ameristar encourages out-of-state vendors to relocate to Iowa. They are also using Iowa vendors to provide services at some of their facilities in other states.

Chair Sealock, noting that there had been a change in management, indicated that Ameristar did not use the correct contract summary sheet.

Commissioner Hansen stated that Ameristar ranked seventh from the top in the percentage of Iowa staff. Mr. Payne stated that 10% of the population of the area lives in Council Bluffs, but 60% of the businesses are in Council Bluffs. Commissioner Hansen noted that it is a legislative mandate that the facilities utilize Iowa residents for their workforce.

Mr. Stremming advised that Ameristar feels they have a strong interim management team at the Council Bluffs facility that is capable of handling the operation until a replacement for Tony Taeubel, General Manager, is found.

Hearing no further comments or questions concerning IWRA/Ameristar's license renewal, Chair Sealock requested a motion. Commissioner Hansen moved to approve the license renewal as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-17)

Mr. Stremming asked about approval of the additional contracts. Chair Sealock called for a motion. Commissioner Mahaffey moved to approve the additional contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-18)

Chair Sealock called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's. Mr. Payne, Executive Director of IWRA, introduced Pete Weien, General Manager of the Council Bluffs property, and Karen Wosnack, Government Relations at the corporate level. He noted that this property has been in the process of changing hands over the last several months. Harrah's spent over $14 million on capital improvements in 2001, and will spend an equal amount in 2002. Using the same 63-day time frame he used for Ameristar, Mr. Payne advised the Commission that gaming revenue has increase 3.3% compared to 2001.

Mr. Weien presented the following contracts for Commission approval:

- Cassidy Industrial Sales – Replacement of PTZ Cameras and CCTV Equipment
- Emanual Construction – Portable Walls for the Convention Center
- Gemaco Playing Card Co. – Purchase of Slot Attendant Systems for IGT and WMS Slot Machines
- Lanoha Nurseries Inc. – Landscaping to External Property

- Osborn Coinage – Purchase IDX (High Security Coin Acceptors)
- Pinnacle Construction Inc. – Renovation of Buffet
- Sigma Gaming Inc. – Lease Sigma Game of Life Slot Machines and purchase of Additional Slot Machines

Chair Sealock stated that she had visited the facility during the renovations. Mr. Weien noted that the conversion of Harveys and Bluffs Run facility to Harrah's operating system was completed in four months. Their previous record for a property was nine months.

Chair Sealock noted that Harrah's application also indicated that the Council Bluffs facility is working with the corporate office to utilize more Iowa vendors for corporate purchases. Mr. Weien advised the Commission that Harrah's is utilizing a company in Waterloo for their 800-reservation system for the entire company.

Commissioner Hamilton asked for clarification regarding the contract with Harrah's Entertainment, Inc. included in the license renewal. Mr. Weien stated that Harrah's has an extensive corporate staff in Memphis and Las Vegas, and each property is allocated a percentage of the cost of those employees as they provide support services to the various Harrah's properties.

Hearing no further comments or questions concerning IWRA/Harrah's license renewal or additional contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the license renewal of IWRA/Harveys Iowa Management Co. Inc. d/b/a Harrah's and the additional contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-19)

Chair Sealock moved to the next license renewal – Scott County Regional Authority (SCRA)/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (IOCB). Mike Hirsch, General Manager, introduced Lenny Stone and Patsy Ramacitti, President and Vice President respectively, of SCRA. Mr. Hirsch stated that IOCB generated $99 million in adjusted gross receipts. This generated taxes and contributions to charities as follows: City of Bettendorf - $2.1 million; SCRA - $4+ million; Scott County – approximately $500,000; Gamblers Assistance Fund – approximately $300,000, and the State of Iowa received in excess of $18.2 million.

At this time, Ms Ramacitti provided the Commission with an update on SCRA's activities over the past year. A copy of their annual report was distributed to Commission members, which sets out the community grants for 2001. She stated that SCRA has had a major turnover on their Allocation Committee with four new board members. SCRA will be hosting a special orientation session for all 13 new members to the organization to explain the grant procedures and review SCRA policies. All board members are volunteers, with one part-time contract employee who maintains the grant payment database. Ms. Ramacitti noted that since the inception of gaming in Scott County, SCRA has distributed over $22 million in grants. She stated that SCRA distributes 99% of their

revenues each year. Ms. Ramacitti stated that SCRA has a very good working relationship with Mr. Hirsch and Isle of Capri.

Ms. Ramacitti stated that she very happy the Commission would hold one of its meeting in Bettendorf in the upcoming year as it is the centennial for the City of Bettendorf.

Chair Sealock noted that in 1991, when gaming started in Scott County, the SCRA distributed $69,562, and that amount has increased every year. In 2001, the grants totaled $4,363,852.

Chair Sealock called for any comments or questions concerning the license renewal application of SCRA/IOCB, LC d/b/a IOCB. Commissioner Hansen moved to approve the renewal application as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-20)

Chair Sealock called on Riverboat Development Authority (RDA)/IOC Davenport, Inc. d/b/a Rhythm City Casino. Mary Ellen Chamberlin, President of RDA, and Nancy Donovan, General Manager, were present to answer any questions concerning the license renewal application. Ms. Chamberlin noted that it had been a busy year in Davenport with the transition from The President to IOC and the flooding in the spring. She stated that a majority of RDA's assistance this year has been with the Vision Iowa project, and in providing funding for many of the components of the riverfront project. She advised that RDA has established a new web page, which contains their grant application, a listing of all projects funded by RDA, as well as other information.

Ms. Donovan stated that the first anniversary of the Rhythm City Casino is approaching. The revenues are starting to show the growth at the facility that was expected with the capital improvements made last year.

As there were no comments or questions concerning the license renewal application of RDA/IOC Davenport, Inc. d/b/a Rhythm City Casino, Chair Sealock called for a motion. Commissioner Hansen moved to approve the license renewal application as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-21)

Chair Sealock called on Clarke County Development Corporation (CCDC)/Southern Iowa Gaming Company (SIG) d/b/a Lakeside Casino Resort. Joe Massa, General Manager, introduced Bill Grace, Owner; Larry Seckington, Legal Counsel; Tom Timmons, Assistant General Manager; Madeline Adams, Executive Director of CCDC, and Dr. Fred Wood, President of CCDC. Mr. Massa requested approval of the license renewal application and the following contracts:

- Gemaco Playing Card – Purchase Playing Cards
- Grace Entertainment, Inc. – Dental Insurance Plan for Employees
- IGT – Purchase 42 Slot Machines Replacing 42 Gaming Positions

- IGT - Lease 8 Slot Machines Replacing 8 Gaming Positions

Commissioner Hamilton asked about the Lakeside Casino Resort Community Activities Fund, which has a maximum grant of $500. She wondered if the maximum grant amount had been increased. Mr. Massa stated that this fund is separate from their other grant program funding through CCDC. The purpose of this fund is to assist organizations located in the counties served by CCDC, which primarily serve youth, senior citizens and disadvantaged individuals.

Commissioner Mahaffey noted that SIG has submitted a request to remove five blackjack tables and one crap table, replacing them with 50 slot machines. He wondered what prompted the request, and how it was determined that each blackjack table is the equivalent of 7 gaming positions, and 15 positions for the crap table equals 50 gaming positions. Mr. Massa stated that the request was submitted as they are experiencing more of a demand for slot machines than table games. Commissioner Hansen advised Commissioner Mahaffey that there are seven seats at a poker table. Mr. Massa indicated that is the standard in the gaming industry.

Hearing no further comments or questions concerning the license renewal application of CCDC/SIG d/b/a Lakeside Casino Resort, Chair Sealock requested a motion. Commissioner Hansen moved to approve the license renewal application and contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-22)

Chair Sealock moved to the next agenda item – the license renewal of Dubuque Racing Association (DRA)/Peninsula Gaming Company, LLC d/b/a Dubuque Diamond Jo (DDJ). Mr. Wentworth, General Manager of DRA, advised that DRA has been involved in riverboat gaming since its inception in 1991. He introduced Natalie Schramm, Assistant General Manager of DDJ, who requested approval of the license renewal.

Hearing no comments or questions concerning the license renewal of DRA/Peninsula Gaming Company, LLC d/b/a DDJ, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the license renewal as submitted. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-23)

Chair Sealock called on Missouri River Historical Development/Belle of Sioux City, L.P. d/b/a Belle of Sioux City. Jesus Aviles, General Manager, requested approval of the license renewal application and the following contracts:

- Argosy Gaming – Intercompany Charges for October 2001 (RP)
- Argosy Gaming – Intercompany Charges for November 2001 (RP)
- Argosy Gaming – Intercompany Charges for December 2001 (RP)
- EWR & Associates – Architectural Design Work for New Barge

Mr. Aviles distributed new plans for the facility in preparation for the upcoming referendum. The $6-8 million project includes a new concrete landing with stairs and a ramp up to the existing sidewalk, a new service gangway, and a renovated mooring facility, which will house all administrative offices, and a bar and grill restaurant. Current management offices are located approximately 1½ miles from the boat.

Commissioner Hansen noted that the shear barge would remain in place, while the existing restaurant barge and associated gangway are to be removed. He wondered what was going to happen with the shear barge. Mr. Aviles indicated that barge would provide the boat with protection from ice during the winters, and the restaurant barge will be sold.

Commissioner Hansen asked if the facility would have a restaurant. Mr. Aviles indicted that there would be a restaurant which will be accessed via the lighthouse.

Hearing no further discussion concerning the MRHD/BSC, LP d/b/a BSC license renewal application or contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the license renewal application and contracts as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-24)

Chair Sealock called on Upper Mississippi Gaming Corp./Isle of Capri Marquette, Inc. d/b/a Isle of Capri Marquette (IOCM). Kim Hardy, General Manager, requested approval of the license renewal application and a contract with IGT for the lease of four replacement slot machines.

Commissioner Hamilton noted that the problem gaming training for employees included the spouses of IOCM employees.

Chair Sealock commented on the fact that IOCM sent guests to a hotel in Prairie du Chien. Mr. Hardy stated that he is hopeful the problem will be resolved in 2004 with the construction of a 60-100-room hotel.

Hearing no further comments regarding the license renewal application of Upper Mississippi Gaming Corp./IOCM, Inc. d/b/a IOCM, Chair Sealock requested a motion. Commissioner Hansen moved to approve the license renewal application and contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-25)

Chair Sealock called on Southeast Iowa Regional Riverboat Commission (SIRRC)/Catfish Bend Casinos, L.C. d/b/a Catfish Bend Casino (CBC). Dan Kehl, General Manager, introduced Bob Winkler, Assistant General Manager, and Dr. Larry Smith, President of SIRRC. Dr. Smith noted that CBC operation is unique as it serves two ports, three communities, and encompasses two counties. He noted that he also serves as chairman of Fort Madison's SIRRC chapter, which has utilized their share of the discretionary income to retire $2.2 million of riverfront improvement bonds. Those

bonds have now been retired. The SIRRC board has been expanded to nine members and is now in the process of developing the structure for a community betterment grant program.

Mr. Kehl presented the following contracts for Commission approval:

- Frank Baxter General Contractor – Construction of third deck buffet and remodel of dining room
- Konami Gaming, Inc. – Purchase 8 Slot Machines (Replacements)

Mr. Kehl advised that the tape distributed to the Commission members was a copy of a documentary filmed last fall on the "Top Ten Gaming Hot Spots" in the world, and CBC was one of them. He also stated that he had submitted a written request last week to change CBC's cruising schedule. The Mormon Temple being constructed in Nauvoo, IL will be completed this spring, and it is anticipated that it will draw 5,000 visitors a day. CBC is requesting the change in their cruising schedule to accommodate the tourists. Mr. Kehl stated that he has already booked two dinner cruises of 35.

Commissioner Hansen noted that 81% of CBC's staff were Iowans, and they purchased 85% of their goods and services from Iowa vendors. He further stated that 98% of Lakeside's employees were Iowa residents.

Hearing no additional comments or questions concerning the license renewal application or additional contracts for SIRRC/CBC, LC d/b/a CBC, Chair Sealock requested a motion. Commissioner Hansen moved to approve the license renewal application and contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-26)

Chair Sealock moved to the last license renewal – Clinton County Gaming Association, LTD (CCGA)/Mississippi Belle II Employees Ownership Co. d/b/a Mississippi Belle II (MBII). Ken Bonnet, President, stated that during the first quarter following the name change, staff meetings have been held to explain what the employee stock ownership means to them. Current estimates are that twenty cents for every dollar the employee earns will be contributed to their retirement program. Mr. Bonnet submitted a contract with Northern Iowa Diesel for repairs and engine work for 2001.

With regard to CCGA, Mr. Bonnet advised the Commission that 2001 marks the first time CCGA has received in excess of $1 million from the company. To put that figure in perspective, Mr. Bonnet noted that United Way's project in Clinton is approximately $500,000 per year. Clinton is in the process of seeking Vision Iowa funds for improvements to the baseball stadium, downtown area, and possibly building a marina.

As there were no questions or comments concerning the license renewal application of CCGA/Mississippi Belle II Employees Ownership Co. d/b/a MBII, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the license renewal

application and contract as submitted. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-27)

Chair Sealock noted that she had a question concerning the various contracts submitted for approval with Anchor Gaming. She asked Mr. Hunt if Anchor Gaming was owned by IGT. Mr. Hunt answered in the affirmative. In the future, the licensees should classify contracts with Anchor Gaming as an Iowa contract/vendor.

As there was no Public Comment, Chair Sealock called for a motion to adjourn. Commissioner Hansen so moved, with Commissioner Mahaffey seconding the motion.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 18, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 18, 2002 at Lakeside Casino Resort, Osceola, Iowa. Commission members present were Rita Sealock, Chair; W. R. "Bill" Hansen, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Commissioner Diane Hamilton was absent.

Chair Sealock called the meeting to order at 8:30, and acknowledged Bill Grace, President of Southern Iowa Gaming Company, who welcomed the Commission to Osceola. He thanked Chair Sealock and Vice Chair Hansen for their help and patience in getting the facility up and running, and their dedicated service to the State of Iowa.

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

Chair Sealock moved to the approval of the minutes from the March 7, 2002 Commission meeting. Commissioner Hassenfritz 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 a presentation. Mr. Ketterer stated that this would be the last Commission meeting for Chair Sealock and Commissioner Hansen. He noted that Commissioner Hansen would be honored at this meeting while Chair Sealock would be invited to attend the May meeting in Council Bluffs. Mr. Ketterer noted that Commissioner Hansen was instrumental in getting Osceola to submit a third riverboat application to the Commission after being rejected twice. Recently, he has sought to have the funding for the Gamblers Treatment Program restored. Mr. Ketterer stated that Commissioner Hansen's legacy would be the contributions he has made toward creating an awareness of the economic impact of the gaming industry to the State of Iowa, and always urging the licensees to utilize Iowa vendors. Mr. Ketterer pointed out that Commissioner Hansen was always well prepared for the meetings, and was in control of the meetings during his tenure as Chair. Mr. Ketterer presented Commissioner Hansen with a plaque with his gavel commemorating his years on the Commission.

Following Mr. Ketterer's comments, Verne Welch, President of the Iowa Gaming Association (Association), and the other Commission members gave remarks regarding Commissioner Hansen's service to the State of Iowa, and the Commission.

Commissioner Hansen stated that he hardly recognized himself in the previous comments. He noted that it had been an interesting tenure, indicating that Rita and he had witnessed the Commission massacre in 1999. Chair Hansen pointed out that during

the past three years the Commission has experienced a 46+% change in ownership, which more than likely has not been experienced at any other time in the history of the Commission. Commissioner Hansen stated that his public service career would come to a close on April 30, 2002. He stated that his philosophy regarding public service was based on a statement made by his father: "Public service is the rent you pay to live in a free and democratic society." Chair Hansen, noting that public service can be tough, referred to three items in "Ten Rules for Living":

- The good you do today will be forgotten tomorrow; do good anyway.
- Honesty and frankness makes you vulnerable; be honest and frank anyway.
- Give the world the best you have, and you will get kicked in the teeth; give the world the best you have anyway.

Commissioner Hansen concluded his remarks by stating that he had enjoyed the challenge of this Commission, as well as his other public service in which he was engaged in over the years. He stated that his greatest pride is that he is leaving public service with his integrity in tact.

Chair Sealock took a moment to share a couple of memories from her tenure. She referred to a newspaper article from December 8, 1997 regarding Prairie Meadows Racetrack & Casino (PMR&C) and Osceola titled "Prairie Meadows Ready for Hurdle Jumping". At that time, the Commission denied a $38 million renovation to the facility, but granted Osceola's riverboat license application. Tom Timmons, former Vice President at PMR&C and current Assistant General Manager at Lakeside, made the comment that he had never minded competition, and would do whatever was necessary.

Chair Sealock moved to announcements. Mr. Ketterer introduced Commission employees Linda Ballard and Hal May, who are domiciled at Lakeside Casino. He noted that the next meeting would be held on May 16th in Council Bluffs. The proposed meeting schedule for the next fiscal year will be discussed at that time. The June meeting will be held at the Stoney Creek Inn in Johnston on the 20th.

Chair Sealock called on Isle of Capri Casinos, Inc. (IOC) regarding their request for approval of an amended and restated credit agreement. Curt Beason, legal counsel, stated that this issue was before the Commission as the Iowa licensees will be guarantors of the debt. This credit agreement allows IOC to reduce their debt from $650 million to $500 million, and saves IOC approximately 80 basis points over their previous financing arrangement. Mr. Beason stated the terms remained pretty much the same as before except for the addition of Wells Fargo as one of the lenders. All other lenders remain the same.

Hearing no comments or questions concerning the Amended and Restated Credit Agreement, Chair Sealock requested a motion. Commissioner Hansen moved to approve the Amended and Restated Credit Agreement as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-28)

Chair Sealock moved to the Contract Approval portion of the agenda, and called on Peninsula Gaming Company (PGC). Natalie Schramm, Assistant General Manager of Dubuque Diamond Jo (DDJ), presented a contract with Wellmark Blue Cross Blue Shield of Iowa for employee health insurance.

Hearing no comments or questions concerning the contract, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by PGC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-29)

Chair Sealock called on Ameristar Casino. Jane Bell, Government Regulations for the Council Bluffs property, presented a contract with Namco Cybertainment, Inc. for 20-25 amusement devices and related equipment.

Chair Sealock, hearing no comments or questions, called for a motion. Commissioner Hansen moved to approve the contact as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-30)

Chair Sealock called on Rhythm City. Nancy Donovan, General Manager, presented a contract with Spin, Inc. for the sale of 416 slot machines, which have been in storage for a number of years.

As there were no comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by Rhythm City. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-31)

Chair Sealock called on the Isle of Capri Bettendorf (IOCB). Jean Hanson, Senior Director of Finance, presented a contract with Universal Gaming Resources for the sale of 10 slot machines to the IOC property in Blackhawk, Colorado.

Hearing no comments or questions, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by IOCB. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-32)

Chair Sealock moved to the contracts submitted by Catfish Bend Casino (CBC). Dan Kehl, General Manager, introduced Joe Massa, who will be assuming the General Manager duties at CBC. Mr. Kehl presented the following contracts for Commission approval:

- Employee Benefit Systems – Third Party Administrator for Health Care Insurance
- Kehl Management, Inc. – Management Consultation Services of Dan Kehl and Ken Bonnet; Provide Assistance with Referendum, Negotiation of New Contract with Non-Profit and Negotiation of Lease Agreements (RP)

Mr. Kehl stated that he would still be very much involved in the operation of the CBC. Chair Sealock noted that Commissioner Hansen could rest assured that there would still be an Iowa presence in the ownership.

Chair Sealock called for a motion in the absence of any comments or questions regarding the contracts. Commissioner Hansen moved to approve the contracts as submitted by CBC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-33)

Chair Sealock called on Kim Hardy, General Manager of IOC Marquette (IOCM). Mr. Hardy presented the following contracts for Commission approval:

- Anchor Gaming – Lease of 3 Slot Machines (Replacements)
- International Game Technology – Purchase of 2 Slot Machines & Royalties (Replacements)
- Isle of Capri-Lake Charles, LA – Transfer of Poker Tables & Related Equipment
- Shuffle Master – Lease of 3 Slot Machines (Replacements)

Hearing no comments or questions concerning the contracts, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by IOCM. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 02-34)

Chair Sealock moved to the contracts submitted by Harrah's. Pete Weien, General Manager, presented the following contracts for Commission approval:

- Moore North America – Purchase of Standardized Forms
- Paragon Decision Resources – Relocation Cost for Management
- Tracy Locke Partnership – Advertising and Marketing Services
- York International – Purchase, Installation & Maintenance of 2 Variable Speed Drives for Existing Cooling System

Commissioner Hansen asked for clarification on the contract with Paragon Decision Resources, noting that between this contract and one submitted under Bluffs Run Casino (BRC), Paragon would be receiving $1 million. Mr. Weien advised the Commission that Paragon handles the relocation of all Harrah's management personnel and their families. If necessary, the company will purchase the existing home and absorb the loss if the home is sold for a loss. The average cost to relocate an employee within the company is approximately $60,000. To date, about thirteen employees have been transferred.

Commissioner Hansen asked about the contract with Tracy Locke Partnership for advertising and marketing. Mr. Weien stated that Harrah's has a national contract with the company to coordinate all advertising in all media, including Iowa businesses.

Hearing no further questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Harrah's. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-35)

Chair Sealock called on Lakeside Casino. Tom Timmons, Assistant General Manager, presented the following contracts for Commission approval:

- Pingel & Temple – Legal Counsel
- Modern Management, Inc. – Consulting Service
- Clarke Electric Cooperative – Wireless Communication System (RP)

Commissioner Hansen asked why Lakeside was utilizing an out-of-state consultant. Mr. Timmons stated that this is the same company that was originally utilized to assist with the passage of the referendum to allow gambling in Clarke County.

As there were no further comments or questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Lakeside Casino. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-36)

Chair Sealock called on Bluffs Run Casino (BRC). Mr. Weien, General Manager, presented the following contracts for Commission approval:

- Bressman – Exterior Painting
- Moore North America – Purchase Standardized Forms
- Paragon Decision Resources – Relocation Cost for Management
- Tracy Locke Partnership – Media Support Services, Including Print, TV, Radio and Outdoor
- Waldinger – Purchase of HVAC Equipment

Hearing no comments concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by BRC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-37)

Chair Sealock moved to the contracts submitted by Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Tricor Insurance for the renewal of the business insurance.

As there were no comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by DGP&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-38)

Chair Sealock called on Bob Farinella, General Manger of Prairie Meadows Racetrack & Casino (PMR&C). Mr. Farinella presented the following contracts for Commission approval:

- Atronic Americas, LLC – Potential Purchase of 8 Slot Machines (Replacements)
- Copy Systems Inc. – 3-Year Maintenance Agreement-Toshiba Copiers
- KDSM Television – Television Advertising
- Konami Gaming, Inc. – Potential Purchase of 10 Slot Machines (Replacements)
- IA Division-HBPA, Inc. and IA Quarter Horse Racing Ent., Inc. – Potential New 3-Year Agreement for Horse Purses
- Polk County, Iowa – Potential New 5-Year Facility Lease
- Promoware – Purchase of Promotional Items for Marketing
- SCA Insurance Specialists – Promotional Games for Marketing Dept.
- The Printer Inc. – Printing Services
- WHO Radio – Radio Advertising
- Zena's Gifts and Decorating – Items on Consignment through Gift Shop (Iowa Products) and Additional Purchases (Increase)

The contracts with the Iowa Division of the Horseman's Benevolent and Protective Association and Iowa Quarter Horse Racing Enterprise, Inc. and Polk County were withdrawn from consideration.

Hearing no comments or questions 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. 02-39)

Chair Sealock moved to the review of the licensees' financial audits, and called on Ameristar Casino. Ms. Bell and Art Hill, Director of Finance, were available to answer any questions. Mr. Hill stated that Ameristar Casino Council Bluffs (ACCB) had a solid financial performance in 2001 and increased EBITDA by over $6 million from the prior year. Mr. Hill stated that Ameristar had made some major improvements to the property that had a positive effect for the property. He further stated that ACCB is pleased with the results of the additional investment and the financial performance in 2001 benefits the customers, community, and shareholders alike.

Mr. Ketterer noted that Ameristar was being rewarded for their efforts following a bad year previously due to the weather and construction at the property. Mr. Hill stated that Craig Nielsen, President of Ameristar Casino, Inc., had a vision with regard to the Iowa property and current operations validate that vision and the benefits of operating in Iowa.

Commissioner Hansen asked about the stockholder debt reduction from $7 million to $2.9 million. He wondered if that was because the debt had been pushed off to the parent

company. Mr. Hill explained that the Council Bluffs facility was originally capitalized with $1 million in stock and approximately $100 million in intercompany debt. For the first five years of the operation, the property lost money, even though there was cash flow during that time frame. Interest, depreciation, and other below the line expenses resulted in net losses as they exceeded the original $1 million of capitalization. Each year, in which a loss incurred, shareholder debt was increased, reaching an accumulated deficit of $7.2 million as of 12/31/2000. Last year, Ameristar Council Bluffs had net income in excess of $4 million, which was used to lower the stockholder debt to $3.9 million.

Hearing no further questions concerning Ameristar's audit, Chair Sealock requested a motion. Commissioner Hansen moved to approve Ameristar's audit as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-40)

Chair Sealock called on Belle of Sioux City. Jesus Aviles, General Manager, was available to answer any questions. Commissioner Hansen noted that several of the audits, including this one, showed a significant concentration of costs and expenses while providing a limited exposure of the costs.

Hearing no further comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the audit for BSC as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-41)

Chair Sealock called on Mr. Kehl of CBC. He noted that gaming revenue was down $1 million from the previous year, most of which could be attributed to the fact that the boat was closed for approximately five days due to flooding and the dry dock inspection. Additionally, one deck of the boat was closed during the month of June. Admissions were 631,000 in 2000 and 603,000 in 2001. Net income was $7.7 million in 2000 versus $7.4 million in 2001. Mr. Kehl stated that CBC is seeing an impact from the new casino in La Grange, Missouri.

Commissioner Hansen stated that he used CBC's audit as an example regarding a detailed listing of expenses on page eleven. Commissioner Hansen moved to approve CBC's financial audit as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-42)

Chair Sealock called on Peninsula Gaming Company. Dustin Manternach, Director of Finance, advised the Commission that casino revenues increased to $2.2 million, or 5% more than last year. The bottom line showed a 46% increase in net income.

Commissioner Hansen asked about the preferred member distributions shown on page 3 of the audit. Mr. Manternach stated the amounts shown reflect interest paid on preferred member interests. Peninsula paid $7 million last year, and paid down an additional $3 million this year.

As there were no further comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the audit of Peninsula Gaming Company as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-43)

Chair Sealock called on Harveys Iowa Management Company (Harrah's). Mr. Weien stated that casino revenues were flat last year compared to the prior year, partially due to construction and the conversion from Harveys to Harrah's. The operating income for the period 12/31/01 increased by $2 million. Mr. Weien noted that Harrah's invested approximately $14 million in the property last year, and plans on spending approximately the same amount this year.

Chair Sealock commended Harrah's for proceeding with capital improvements at the riverboat and greyhound track in spite of the upcoming referendum.

Mr. Ketterer stated that Harrah's could take some comfort in seeing the return realized by Ameristar on their capital improvements.

Commissioner Mahaffey asked about the proposed gambling legislation in Nebraska. Chair Sealock stated that it had been defeated at this point, but the new mayor in Omaha is pro-gambling. She indicated that the attitude in Council Bluffs is one of watchfulness. Ms. Bell of Ameristar concurred with the assessment. Chair Sealock spoke of some of the history surrounding Aksarben in Omaha and the pride Nebraska took in the track. She stated that she could not understand Polk County's attitude toward PMR&C.

As there were no further comments concerning Harveys Iowa Management Company's (Harrah's) audit, Chair Sealock requested a motion. Commissioner Hansen moved to approve the audit as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-44)

Chair Sealock moved to Southern Iowa Gaming's (SIG) financial audit. Bruce Schmitter, Director of Operations, introduced Kevin Preston, who will serve as the new general manager at Lakeside Casino Resort effective April 22nd. Mr. Preston started his career in the gaming industry with Harrah's and comes to Lakeside from the casino operation in La Grange, Missouri, in which Bill Grace, President of SIG, has an interest. Mr. Schmitter indicated he would answer any questions concerning the audit.

Hearing no further comments or questions concerning SIG's financial audit, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve SIG's financial audit as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-45)

Chair Sealock called on Ken Bonnet, Mississippi Belle II Employees Ownership Co. Mr. Bonnet explained that there are two audits before the Commission – for the Mississippi Belle II, which ceased operations in November, and an audit for the new company for the

balance of the year. He noted that gaming revenue increased $2.1 million from the previous year. EBITDA increased approximately $500,000 or 6%. Excluding the extraordinary items related to the conversion, net income increased approximately $200,000 over last year.

Hearing no further comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the audits of Mississippi Belle II and Mississippi Belle II Employees Ownership Co. as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-46)

Chair Sealock called on BRC. Mr. Weien stated that casino revenue increased from $120.5 million to $123.4, or an increase of 2.4%, despite considerable disruption during the conversion and remodeling. Pari-mutuel handle declined by 10.4% and on-track handle declined from $10 million to $8.7 million; however, simulcast handle increased from $3.7 to $4.2 million. Harrah's spent $11 million upgrading BRC last year, and intends to spend a like amount this year.

Commissioner Hansen stated that when there is a change in ownership, the financial audit provides the Commission with a less than candid review when it only shows one year. He is cognizant of the fact that one year is all that exists, but suggested the Commission contemplate having the new licensee show the figures from the previous operator, which is not currently required.

As there were no further comments, Chair Sealock called for a motion. Commissioner Hansen moved to approve BRC's financial audit as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-47)

Chair Sealock moved to Dubuque Racing Association's financial audit. Roger Hoeger, Assistant General Manager/Controller, advised the Commission that net revenues were down approximately ½% due to the increased gaming taxes. Total expenses were down approximately $800,000, or 3.65%. Net profit was up approximately $638,000. Mr. Hoeger stated the percentage was distorted by a significant increase in depreciation and amortization, along with distributions. He indicated that DRA added approximately $850,000 of furniture, fixtures, and equipment (slot machines, etc.). Current liabilities decreased by approximately $1 million.

Commissioner Hansen stated that page 15 of DRA's audit was another good example of showing expenses (29/30) as opposed to those only showing seven or eight. He reiterated that this is an issue for the Commission to address.

Commissioner Hassenfritz stated that all of the audits were performed in accordance with accepted accounting practices. Referring to page 4 of DRA's audit, he noted that while the listing of expenses is not totally comprehensive, it does give the Commission a better understanding of the various expenses. He suggested that other auditors utilize a similar

format in the future in order to provide the Commission with a better feel of the expenses incurred at the facilities.

Hearing no further questions or comments, Chair Sealock requested a motion. Commissioner Hansen moved to approve DRA's audit as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-48)

Chair Sealock moved to the financial audit for the Racing Association of Central Iowa (RACI). Ron Morden, Vice President of Finance, was present to answer any questions. Chair Sealock noted that an examination of records indicate that RACI took a sizeable addition to leasehold improvements which was depreciated over one year which created a loss on the financial statement.

Mr. Morden stated that utilizing Generally Accepted Accounting Principles, the $26 million addition to the property would normally be amortized over a number of years; however, since the lease with Polk County expires at the end of 2002, it had to be amortized over a 24-month period. He noted that doesn't reflect economic reality, but does meet GAAP standards.

Hearing no further comments relating to RACI's financial audit, Chair Sealock requested a motion. Commissioner Hansen moved to approve RACI's audit as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-49)

Following a short break, Chair Sealock moved to the next agenda item – Approval of Distribution of Horse Racing Promotion Fund. Linda Vanderloo, Director of Racing/Administration for IRGC, advised that public notice was given at the March meeting, and that written notices were also sent to those parties that have received distributions from the fund in the past. Entities receiving a portion of the fund last year were also to submit an accounting of how those funds were utilized. Ms. Vanderloo advised the Commissioners that all of the information she had received was in front of them. She further noted that the Quarter Horse Association was the only group to submit a request for the Horse Racing Promotion Fund and to submit an accounting of how the funds from the previous year were utilized.

Chair Sealock noted that the youth program sponsored by the Iowa Quarter Horse Association is ranked second in the country, and encourages youth to become involved in the industry by providing hands-on experience.

As there were no further comments or questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the distribution of the Horse Racing Promotion Fund to the Iowa Quarter Horse Racing Association. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-50)

Chair Sealock moved to the next agenda item – Settlement Agreement and Consent Order RE: Belle of Sioux City LP. Mr. Ketterer advised the Commission that the Settlement Agreement and Consent Order concerns two violations that occurred at the BSC involving liquor violations. Historically, the Commission has deferred to the Department of Alcoholic Beverages (DAB), which then solicits the Commission's input in determining any disciplinary action that is a result of violations of liquor laws or Commission rules. The document before the Commission is the result of negotiations between the Attorney General's Office, the DAB, and the BSC. One violation occurred a little over a year ago when an individual was served alcohol past the limit of intoxication and fell from the top deck. The individual later died from the injuries. The second violation involves the refilling of liquor bottles when the location of a bar was changed. Mr. Ketterer stated that all parties have agreed to the document before the Commission. He noted that Mr. Aviles and Jean Davis, Assistant Attorney General for IRGC, were available to answer any questions.

Chair Sealock commented on the seriousness of the situation, and noted that the Agreement and Consent Order calls for a 20-day suspension of BSC's liquor license and a $60,000 fine. She noted that Mr. Aviles was not the General Manager of the property when the violations occurred. Chair Sealock advised Mr. Aviles that if anything of this nature were to occur again, the gaming license could be in question.

As there were no further comments or questions concerning the Settlement Agreement and Consent Order, Chair Sealock requested a motion. Commissioner Hansen moved to approve the Settlement Agreement and Consent Order with the admonishment that another violation could result in action against the gaming license. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 02-51)

Chair Sealock moved to Administrative Business, and advised those in attendance that the Commission would not be electing an interim Chair and Vice Chair since there were only two members present who would be serving on the new Commission. She called on Commissioner Hansen to present his final report regarding the Long Range Planning Subcommittee, which included Chair Sealock and Commissioner Hamilton. He noted that the subcommittee held several meetings that included participation from the industry. Another subcommittee dealt with the purchasing policies of the licensees. Subcommittee Chair Hansen stated that this report would deal with the first two phases of a five phase process; that it would be up to the new Commission to deal with the remaining phases consisting of what IRGC would look like in the future; target dates for the changes; and the strategy to carry out the recommendations. A copy of the report is attached and incorporated in its entirety by this reference.

Subcommittee Chair Hansen stated that the document contains historical information on gaming in Iowa, and includes information gathered by a staff member of the Legislative Fiscal Bureau. This information provides a succinct review of the different key pieces of legislation starting in 1972, making future gambling legislation possible. Subcommittee

Chair Hansen noted that the report contains a chart showing the various changes in ownership at the various properties that have taken place.

Subcommittee Chair Hansen stated that the report contains eight recommendations, and he will touch on four: financial statements, license renewal process, legislation, and meeting reduction. The report also touches on ownership demographics, establishment of a database in the Commission office, attendance at national meetings, and purchasing policies.

- Financial Audits – The Commission's review of the licensees' financial audits is a perfunctory act, due in part to the fact that the statutory purpose and expectations are unclear. Subcommittee Chair Hansen stated that he feels the same way about the license renewals. He noted that over the past year, the Commission dealt with season approvals several different times, and license renewals three separate times. He noted that staff is working on developing a different process. Subcommittee Chair Hansen stated there are several contradictions within the Commission's statutes and rules regarding financial statements. He indicated that the Commission should scrutinize the financials in a more meaningful manner.

- Legislative Agenda – Subcommittee Chair Hansen pointed out that from 1986-2000, the Legislature diverted $2.7 million from the fund for other purposes; however, during the last two years, the Legislature has diverted $3.9 million, or 1½ times the amount diverted during the first 15 years. He stated that he feels it is untruthful and unethical to collect a tax designated for a specific purpose and then spend it elsewhere.

- Purse Levels – Subcommittee Chair Hansen stated that some of his comments would reflect his personal opinion. He stated that it is irrational for the Legislature to establish purse levels, likening it to the Legislature establishing telephone or electric rates. Subcommittee Chair Hansen pointed out that the Commission could only set minimum purse levels, not maximum. He reiterated a comment from the last Commission meeting indicating that RACI needs to be more realistic in establishing purse levels, and should be indexed as a percentage of net profits or tax revenues. Failure to tie purses to the profits does not provide the general public with any security in a business analysis, and generates criticism. Subcommittee Chair Hansen stated that RACI's handle is ranked 14th out of 17 in the Midwest racing arena, but their purse level is the 6th highest. He pointed out that purse levels have increased from $2.7 million in 1995 to $18.6 million in 2001; but during the same period of time, net revenue went from $5 million, peaked at $8.5 million two years later, and has decreased steadily since that time. Subcommittee Chair Hansen stated that track net revenue has dropped from a positive $700,000 in1995 to a $15.7 deficit this year. He indicated his support for indexing the purse levels, and further indicated that Scott Pope,

President of the Iowa Thoroughbred Breeders and Owners Association, had voiced that group's support of the idea.

Subcommittee Chair Hansen stated that Legislature should back away from legislation mandating purse levels. He indicated that the war of words needs to end; that the various groups need to put their animosity for each other aside. Failing to do so, could cause the golden goose to die.

Subcommittee Chair Hansen stated that he hoped this report would be beneficial to future Commissions, providing a starting point to go forward.

Chair Sealock moved to Public Comment. As there was none, she called for a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Hansen seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 16, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, May 16, 2002 at Harrah's, 1 Harrah's Boulevard, Council Bluffs, Iowa. Commission members present were: Mike Mahaffey, Diane Hamilton and Jim Hassenfritz. Commissioner Steve Chapman was absent. A fifth member has not been appointed.

Commissioner Mahaffey called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Hamilton moved to approve the agenda, which was seconded by Commissioner Hassenfritz. Jack Ketterer, Administrator of IRGC, advised Commissioner Mahaffey of the following changes to the agenda:

- Item 9 (E2) Harrah's – Contract w/Global Cash Access is withdrawn
- Item 9 (E5) Harrah's – Contract with Midwest Game Supply is withdrawn.
- Item 9 (E8) Harrah's – License Agreement – Add Harvey's Iowa Management Company, Inc.
- Item 9 (I2) Bluffs Run – Contract with Global Cash Access is withdrawn.
- Item 9 (J2) Prairie Meadows – Contract with Iowa Division of HBPA Inc./Iowa Quarter Horse Racing Enterprise, Inc. – 3 –Year Agreement for Purses is withdrawn.

Commissioners Hamilton and Hassenfritz had no objection to amending their motions to include the amendments to the agenda. Commissioner Mahaffey called for a vote to approve the amended agenda. The motion to approve the amended agenda carried unanimously.

Commissioner Mahaffey moved to the election of the interim chair and vice chair. He noted that the Commission would elect a new Chair and Vice Chair in July; that the individuals elected today are serving in an interim capacity. Commissioner Hassenfritz nominated Mike Mahaffey as Chair and Diane Hamilton as Vice Chair. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-52)

Chair Mahaffey called on Mayor Tom Hanafan to welcome the Commission to Council Bluffs. Mayor Hanafan introduced Joe Lehan, Vice President of Iowa West Racing Association (IWRA), the non-profit licensee for the three facilities in Council Bluffs. Mayor Hanafan commented on Council Bluffs's history. He noted that the gaming facilities have paid millions of dollars in taxes and provide numerous jobs.

Chair Mahaffey moved to the next agenda item – approval of the minutes from the April 18th Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Mahaffey called on Mr. Ketterer for announcements. Mr. Ketterer advised that the June meeting would be held at Stoney Creek Inn in Johnston on June 20th. He noted that meeting dates for Fiscal Year 2003 would be discussed later in the agenda. Mr. Ketterer introduced IRGC employees domiciled in Council Bluffs. He recognized Rita Kearney, Executive Secretary at Harrah's Council Bluffs, who received the "Community Volunteer of the Year" award for Harrah's entire organization.

Mr. Ketterer noted that the Commission had recognized former Vice Chair Bill Hansen for his years of service to the Commission at the April meeting, and would be recognizing former Chair Rita Sealock for her 13 years of service to the Commission at this time. Mr. Ketterer stated that Ms. Sealock was first appointed to the Commission in 1989 by then Governor Terry Branstad. She has served with 14 different Commission members during her tenure. Mr. Ketterer stated that Ms. Sealock refused to compromise the integrity of the Commission regardless of the issue or individuals involved. Ms. Sealock saw the Commission through the implementation of the Excursion Gambling Boat bill in 1989; writing of Administrative Rules; submission of the first excursion boat applications; the granting of the first excursion boat licenses; and the first boats beginning operations. Over the years, there were crises with the financial condition of the non-profit racing licensees due to the explosion of casino gambling. In 1994, legislation was passed removing the betting/loss limits for excursion boat operators and allowing slot machines at the racetracks. As a result, additional license applications were submitted. During this time frame, many issues came before the Commission, but through it all, Ms. Sealock was steadfast in her commitment to the integrity of the Commission. Mr. Ketterer noted that Ms. Sealock served as Vice Chair of the Commission from July 1994 to March 1996, and again from March 1999 to July 2001. She served as Chair from April 1996 to July 1998, and July 2001 to April 2002.

Mr. Ketterer described Ms. Sealock as a "refined lady with a soft voice", but stated that no one should underestimate the size or strength of her character. He stated that he appreciated her insistence that issues be directed to the staff first, with the expectation that staff would formulate the issues and direct those requiring Commission action to the members. Mr. Ketterer stated that Ms. Sealock was a loyal friend, supportive and appreciative of staff.

Mr. Ketterer stated that the Commission had selected two items to recognize Ms. Sealock's service to the Commission – a plaque, complete with the gavel she used as Chair, which stated " In Recognition of Service as Member and Chair of the Iowa Racing and Gaming Commission – November 1989 – April 2002. The second item, from the entire Commission staff, was an oak tree to be planted in a public location in Council Bluffs of Ms. Sealock's choosing. Mr. Ketterer stated that an oak tree was selected for two reasons: It is the state tree of Iowa, and its strength and longevity. The community

will benefit from the oak tree for a number of years. Mr. Ketterer stated that even though Ms. Sealock is no longer serving on the Commission, the Commission and the State of Iowa would continue to benefit from her contribution and leadership for years to come.

Ms. Sealock stated that serving on the Commission has been a thrill despite all the time and work required. She indicated that she did not feel it would be quite as stressful in the future as most of the licensees have been operating in Iowa for some time and are aware of what is required of them. Ms. Sealock stated that Iowa has kept the "crème de la crème" of the industry.

Ms. Sealock stated that everything the Commission has accomplished, and all that has happened in Iowa, has to do with the stability of the Commission's staff. She noted that she was proud of the fact that she was part of the process of bringing Mr. Ketterer back to Iowa. Ms. Sealock commented on the partnerships the Commission has with the Attorney General's Office and the Division of Criminal Investigation, which also have been instrumental in helping to maintain the integrity of racing and gaming in Iowa. She pointed out that the legislation allowing gaming in the state passed by one vote. Ms. Sealock stated that then Governor Branstad advised her that the integrity of the industry was very important as half of the state did not want gaming while half plus one did. Former Governor Branstad stated that he wanted gaming "to be done in such a manner that it would not infringe upon the lives of the people who do not want gaming, but that it be the best it can be for those who do want gaming." Ms. Sealock stated that she feels that goal has been accomplished.

Verne Welch, representing the Iowa Gaming Association, presented Ms. Sealock with a crystal vase with the inscription " Rita Sealock – Iowa Racing and Gaming Commission – 1989 – 2002, Presented for your dedicated commitment and service to serving in a leadership role on the Commission, fairly regulating the gaming industry, compassionately advocating for the highest level of integrity and standard of the license holders. Given on behalf of the 13 members of the Iowa Gaming Association. Verne Welch, President." He also presented Ms. Sealock with 13 red roses, one for every year she served on the Commission.

At this time, Chair Mahaffey called on Commission members for their remarks. Commissioner Hassenfritz relayed a memory concerning his first Commission meeting in Ames in 1999 and meeting Ms. Sealock. He commented on her ability to make individuals feel comfortable immediately, and that she made his transition on the Commission much easier.

Commissioner Hamilton stated that she appreciated the history Ms. Sealock had stored in her "little petite head", and her willingness to share it with the newer members. She also recalled a Commission meeting where Ms. Sealock spent several minutes tactfully "chewing out" a licensee for their failure to follow through on some land-based development.

Chair Mahaffey stated that it is highly unlikely future Commission members will experience as many challenges or tenure as Ms. Sealock. Chair Mahaffey recalled how gracious Ms. Sealock had been throughout the time he has served on the Commission with her. He wished her well, and thanked her for her service to the State of Iowa.

Chair Mahaffey moved to the next agenda item – Rules submitted under Notice of Intended Action. Mr. Ketterer advised that the rules are attached to the agenda. Items 1-14 change Code references, Item 15 incorporates a reporting change of expenditures in the licensee's annual financial audits filed with the Commission, Items 16-18 address the requirements for a veterinarian assistant to be in the presence of a veterinarian, Item 19 allows progressive jackpot links to be of different denominations, but have an equal probability of winning based on the total amount wagered. Mr. Ketterer recommended approval of the rules submitted for Notice of Intended Action.

Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the rules for Notice of Intended Action as submitted.

Commissioner Hassenfritz, clarifying Item 15 regarding the expenditures to be set out in the licensees' financial audits, stated that the requested change was an attempt to provide the Commission with a better idea of expenditures, and was something that could be accomplished by the licensees meeting with their accountants. It was not his intent to make it so ironclad.

Chair Mahaffey requested any further comments. Hearing none, he noted there was a motion on the floor, and requested a second. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-53)

Chair Mahaffey moved to the following rules, which were submitted for Final Adopt:

- Amend rule 491-4.2(17A) by changing the definition for "Steward"
- Rescind subrule 4.6(3) and insert the following new rule
- Amend subrule 4.6(4)
- Amend subrule 7.5(2), paragraph "j"
- Amend rule 491-11.5 (99F) by adding new subrule – Gambling games of chance involving prizes awarded to participants through promotional activities at a facility

Mr. Ketterer noted that these rules had been previously submitted under Notice of Intended Action. Chair Mahaffey called for a motion. Commissioner Hassenfritz moved to approve the rules submitted for Final Adopt. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-54)

Chair Mahaffey moved to Administrative Business for a discussion of meeting dates for the upcoming fiscal year. He noted there were three proposals before the Commission – eight, seven, or six meetings, as opposed to the current ten meetings per year. Chair

Mahaffey requested input from Commissioners Hamilton and Hassenfritz. Commissioner Hassenfritz stated that he was inclined to vote for the eight meetings, noting that it would be easier to decrease the number of meetings than increase should it be necessary to do so. Commissioner Hamilton concurred with Commissioner Hassenfritz, and moved to adopt the eight-meeting schedule for Fiscal Year 2003. Commissioner Hassenfritz seconded the motion.

Mr. Ketterer noted that Commissioner Chapman has a conflict with the September meeting date. He indicated there could be further changes based on the schedule of the fifth member, but that the proposed meeting dates are the framework the Commission would be utilizing.

Hearing no further discussion concerning the meeting dates for FY 2003, Chair Mahaffey called for the vote on the motion. The motion carried unanimously. (See Order No. 02-55)

Chair Mahaffey moved to the next agenda item – approval of an invoice from Shull & Co. for an audit of the IWRA/Iowa Greyhound Association (IGA) escrow account to be paid from escrow account income. He noted that the invoice was in the amount of $2,400.00.

Hearing no discussion concerning the agenda item, Chair Mahaffey called for a motion. Commissioner Hamilton moved to approve the invoice submitted by Shull & Co., P.C. for an audit of the IWRA/IGA escrow account, with payment to be made from escrow account income. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-56)

Following a short break, Chair Mahaffey advised those in attendance that there would be a reception for Ms. Sealock at Beverlee's, located on the 12th floor of the facility, following the Commission meeting.

Chair Mahaffey moved to the Contract Approval portion of the agenda, and called on Rhythm City Casino. Nancy Donovan, General Manager, stated that she appreciated all of Ms. Sealock's support over the years. She submitted the following contracts for Commission approval:

- North American Video – Surveillance Products and Service
- Total Communications – Purchase of Radios
- General Asphalt – Asphalt Repairs and Resurface

Commissioner Hassenfritz asked about the availability of Iowa vendors to provide the surveillance equipment. Ms. Donovan indicated there were none that were able to provide the level of service required. Some of the VCRs and other necessary equipment are coming from Iowa vendors.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Rhythm City Casino. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-57)

Chair Mahaffey called on Lakeside Casino. Kevin Preston, General Manager, and Tom Timmons, Assistant General Manager, presented the following contracts for Commission approval:

- IGT – Conversions/Repair Parts
- Blue Cross/Blue Shield of Kansas City – Employee Insurance

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside Casino. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-58)

Chair Mahaffey called on Isle of Capri Bettendorf (IOCB). Jean Hanson, Senior Director of Finance, presented the following contracts for Commission approval:

- The Next Thing, Inc. – Billing Services for Marketing Vendor
- Altorfer Machinery Company – Repair and Maintenance to Machinery and Equipment

As there were no comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCB. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-59)

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

- Charles Vrana & Son Construction Co. – Renovation of Existing Basement Area into a Coin-Operated Game Room (Arcade)
- Style Painting Inc. – Paint All Unpainted Areas of Parking Garage at ACCB
- Lanoha Nurseries Inc. – Landscaping and Sprinkler System at Entrance to ACCB
- International Game Technology – EZ Pay Parts and Related Equipment for up to 250 Existing Slot Machines
- Mikohn Gaming – Denomination Sign Toppers for Slot Machines
- International Game Technology – 32 Slant Top and Bar Top Slot Machines for Installation in Lower Level of Casino (Replacements)
- Bally Gaming Systems – 55 Slot Machines on a Lease w/Option to Purchase Plan @ 90 days (Replacements)

- Mid America Recreation and Convention Center – Three Year Commitment for Stadium Suites and Related Services
- Hawkins Construction – Conversion of Existing Atrium to VIP Players Lounge
- WMS Gaming Inc. – 6 Pac Man Upright Slot machines (Replacements)
- Shuffle Master – 9 Honeymooners Slot Machines (Replacements)

Hearing no discussion concerning Ameristar's contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar Casino. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-60)

Chair Mahaffey called on Harrah's. Pete Weien, General Manager, presented the following contracts for Commission approval:

- Avaya Communication – New Telephone Switch
- Hnedak Bobo Group – Design & Professional Services for Conversion of Harveys to Harrah's
- Mail Marketing – Direct Mail Services
- Papillion Sanitation – Waste Removal Services
- HMJ Inc., Tobacco Hut – Purchase of Tobacco Products
- License Agreement between Harrah's Las Vegas, Inc., Harvey's BR Management Company, Inc. and Harveys Iowa Management Company, Inc.
- Ground Lease between Harrah's Operating Company, Inc. and Harveys Iowa Management Company, Inc.

Mr. Ketterer asked Mr. Weien to provide a brief summary regarding the license agreement. Mr. Weien stated that Harrah's is a licensed trademark name, and all Harrah's properties are charged a license fee for utilizing the Harrah's name. He stated that is done for financial purposes. It is considered an intercompany charge.

Hearing no further comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-61)

Chair Mahaffey called on Dubuque Diamond Jo. Natalie Schramm, Assistant General Manager, presented the following contracts for Commission approval:

- Casino Data Systems – Upgrade to Current Slot System; Hardware, Support & Service
- Premium Solutions – Promotional Purchases for Patrons & Employees
- Old Evangeline Downs – Management Service/Agreement with PGC

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Dubuque Diamond Jo. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-62)

Chair Mahaffey called on Mississippi Belle II (MBII). Mr. Ketterer stated that no representative was in attendance, and presented a contract with Wellmark Blue Cross Blue Shield of Iowa as the healthcare provider on behalf of MBII. He noted MBII is changing from a self-insured program.

As there was no discussion concerning the contract, Commissioner Hamilton moved to approve the contract as submitted by MBII. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-63)

Chair Mahaffey called on Belle of Sioux City. Jesus Aviles, General Manager, introduced Brenda Bauer, Regional Corporate Vice President for Argosy. Ms. Aviles presented the following contracts for Commission approval:

- Kuhlman Design Group – Electrical Design for New Office Barge
- Brown Construction – Potential General Contractor for Barge Construction Project
- Chris Hansen Construction Co Inc. – Potential General Contractor for Barge Construction Project
- Holtze Construction Company – Potential General Contractor for Barge Construction Project
- Klinger Companies Inc. – Potential General Contractor for Barge Construction Project

Mr. Aviles advised the Commission that although four contracts for a general contractor were submitted, Argosy hopes to select the general contractor by the end of the week and begin construction by June 1.

As there was no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-64)

Chair Mahaffey called on Bluffs Run Casino (BRC). Mr. Weien, General Manager, presented the following contracts for Commission approval:

- Craig Walter – Lobbying Representation
- Mail Marketing – Direct Mail Services
- Roberts Communication Network, Inc. – Simulcast Uplink Fees
- HMJ Inc., Tobacco Hut – Purchase of Tobacco Products

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-65)

Chair Mahaffey called on Prairie Meadows Racetrack & Casino (PMR&C). Ron Morden, Chief Financial Officer, presented the following contracts for Commission approval:

- Great Midwest Seafood – Seafood Purchases
- Midwest Casino Supply – Conversion Kits, Repair Parts and Supplies for Slot Games
- Walsh Door & Hardware Company – Construction Material Purchases

As there was no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-66)

Mr. Ketterer advised that the state is still facing budgetary issues for the current fiscal year, as well as fiscal year 2003. He stated that there is no way to determine how much the Commission will be impacted at this time. He indicated that the Commission would keep everyone apprised of the situation.

As there was no Public Comment, Chair Mahaffey requested a motion to adjourn the meeting. Commissioner Hassenfritz so moved, with Commissioner Hamilton providing the second. The motion carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 20, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 20, 2002 at Stoney Creek Inn & Conference Center, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Mike Mahaffey, Chair; Diane Hamilton, Vice Chair; and members Steve Chapman, Kate Cutler and Jim Hassenfritz.

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

At this time, Chair Mahaffey introduced Steve Chapman and Kate Cutler, the newest members of the Commission. Commissioner Chapman stated that he was raised in Bettendorf. He came to Des Moines to attend college, and stayed. He advised that he became involved in the racing industry by way of being appointed to the Board of the Racing Association of Iowa (RACI) in 2000 to represent the Des Moines Development Corporation. Commissioner Chapman stated that he had no knowledge of the industry prior to being appointed to the Board, and studied the industry as closely as he could as it is providing tremendous economic benefits to the state.

Commissioner Cutler stated that she lives in Honey Creek, but is a Council Bluffs native. She taught school in Sioux City and Council Bluffs prior to entering law school at Creighton University, obtaining her law degree in 1981. After obtaining her law degree, she worked for the Pottawattamie County Attorney for five years, and then moved to Mutual of Omaha where she did mostly regulatory work. Commissioner Cutler is currently General Counsel for a family-held corporation in Omaha for the past four years. She stated that she has no racing or gaming background, but since she resides in southwest Iowa, she is very aware of the positive impact gaming has had on the Council Bluffs community and state as a whole.

Chair Mahaffey moved to the approval of the minutes from the May 16, 2002 Commission meeting. Hearing no discussion concerning the minutes, Chair Mahaffey requested a motion. Commissioner Hassenfritz moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Mahaffey called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer noted the upcoming Commission meetings:

- July Commission Meeting – July 18, 2002 – Stoney Creek Inn, Johnston
  (Submissions due by July 3, 2002)

- September Commission Meeting – September 10, 2002 – Stoney Creek Inn, Johnston (Submissions due by August 26, 2002)
- October Commission Meeting – October 17, 2002 – Isle of Capri Bettendorf, Bettendorf (Submissions due by October 3, 2002)

He noted that the Commission, by Code requirement, would be electing the Chair and Vice Chair for FY 03 at the July meeting. Mr. Ketterer pointed out that the September meeting would be on a Tuesday, versus the normal Thursday. The meeting is also being held one week earlier than normal due to the G2E conference in Las Vegas, which many gaming industry personnel attend. At the October meeting, the Commission will be taking up the renewal of the racetrack and racetrack enclosure licenses. Mr. Ketterer also stated that Chair Mahaffey would be appearing on Iowa Press on the last Sunday of July.

Chair Mahaffey moved to the next agenda item – Admission Fee Schedule for Riverboats for FY 03. Mr. Ketterer provided the following background regarding admission fees: He stated that the admission fees do not have anything to do with admissions, noting that the Legislature has not changed the title of the Code section addressing this issue although there have been numerous changes in terms of how the fees are calculated. The Code requires the Commission to take the amount that is appropriated to IRGC by the Legislature, and add that to the costs of the DCI for law enforcement at the riverboats. This year, the Legislature changed the DCI costs from 80% of agents' salaries and some of the expenses to 100% of the agents' salaries and all of the expenses. Due to the budget issues and special Legislative sessions, IRGC did not receive the DCI numbers as early as usual. Proposed admission fees were sent to everyone for their review last week. Mr. Ketterer explained that he had received a telephone call the previous evening indicating that IRGC had been given an incorrect figure for the DCI costs. A staff member retrieved the correct figure and recalculated the admission fees early today. The new admission fee, which is higher than last year due to legislation, will be $11,056 per week.

Mr. Ketterer stated that he had received some questions about the identical allocation of costs to each boat. He advised that the DCI assigns four gaming enforcement officers and two agents to each boat. From the Commission's standpoint, there is a licensing assistant and gaming representative assigned to each boat. He believes some of the confusion is caused by the fact that this assessment is called an admission fee when it has absolutely nothing to do with the number of admissions.

Hearing no further comments or questions concerning the proposed admission fee schedule for FY 03, Chair Mahaffey requested a motion. Commissioner Hassenfritz moved to approve the Admission Fee Schedule for FY 03 as presented. Commissioner Chapman seconded the motion, which carried unanimously. (See Order No. 02-67)

Chair Mahaffey moved to the Contract Approval portion of the agenda, and called on Lakeside Casino. Larry Seckington, Legal Counsel, presented the following contracts for Commission approval:

- Clifton Gunderson LLP – Public Audit and Computer Consulting
- Anchor Games – Slot Machine Lease Agreement (Replacements)
- Osceola Park & Recreation – Donation for Ball Park (RP)

Commissioner Mahaffey asked about the donation to Osceola Park & Recreation for a ballpark. Mr. Seckington stated that the current fields were located on leased property for which the owner had found other uses, necessitating that other property be located. The board decided to locate sufficient property to hold a series of ball fields, as well as soccer fields. Lakeside has committed a donation of $50,000 to help achieve that goal.

Hearing no further discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-68)

Mr. Seckington, noting the Commission's emphasis on utilizing Iowa vendors, advised the Commission that Southern Iowa Gaming, with four additional properties in Missouri, has decided to change all of its insurance business to Holmes Murphy located in Des Moines.

Chair Mahaffey called on Dubuque Diamond Jo (DDJ). Natalie Schramm, Assistant General Manager, presented a contract with Kane, Norby and Reddick, P.C. for legal fees.

Commissioner Chapman stated that from his review, the contract appears to be a blanket amount. Ms. Schramm stated that DDJ did not anticipated reaching the $50,000 limit but have, which is why the contract is being submitted now rather than with the license renewal.

Hearing no additional discussion concerning the contract, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-69)

Chair Mahaffey called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented a contract with Midwest Game Supply for the purchase of ten replacement slot machines.

Hearing no discussion regarding the contract, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contract as submitted by CBC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-70)

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

- Anchor Gaming (Leasing) – Lease 3 Slot Machines (Replacements)
- International Game Technology – IGT – Lease 3 Slot Machines (Replacements)
- International Game Technology (IGT) – Purchase 17 Slot Machines (Replacements)
- McGregor Woodworks – Remodeling of the Pavilion
- Venture System Source – Purchase New AS400 Computer System
- Williams Gaming, Inc. – Lease 3 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCM. Commissioner Chapman seconded the motion, which carried unanimously (See Order No. 02-71)

Chair Mahaffey moved to the contracts submitted by Ameristar Casino. Jane Bell, Government Relations for Ameristar Council Bluffs, and Troy Stremming, Vice President of Legal and Government Affairs for Ameristar Casinos, Inc., presented the following contracts for Commission approval:

- Sigma Games – 8 Specially Themed Slot Machines on Rental w/Option to Purchase (Replacements)
- International Game Technology (IGT) – EZ Pay Parts and Related Equipment for up to 300 Existing Slot Machines
- International Game Technology (IGT) – Daily Rental for 6 Harley Davidson Slot Machines (Replacements)
- Charles Vrana & Son Construction Co. – Build Out and Renovation Work on Candy Shop in Hotel Pavilion
- Charles Vrana & Son Construction Co. – Build Out of a Casino Cabaret Area

There were several comments concerning the Harley Davidson slot machines. Ms. Bell noted that they are one of the new machines on the market, and it is just a matter of keeping the casino floor updated.

Mr. Ketterer asked Ms. Bell to address the current improvements taking place at Ameristar. Ms. Bell stated that Ameristar is adding a candy shop in the hotel pavilion, a new VIP Players Club, and a cabaret on the casino floor.

Hearing no further comments concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-72)

Chair Mahaffey called on Pete Weien, General Manager of Harrah's, who presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase of 56 Slot Machines (Replacements)
- JCM American Corporation – New Bill Acceptor Cash Boxes
- Midwest Game Supply – Sale of 233 Slot Machines
- Nebraska Furniture Mart – Operating Fixture, Furniture & Equipment Purchases
- Office Depot – Office Supplies
- The Printer, Inc. – Printing of Direct Mail Materials
- Red the Uniform Tailor – New Uniforms
- Worldwide Gaming, Inc. – Sale of 94 Slot Machines

Commissioner Chapman asked for an explanation of the contract for direct mail materials. Mr. Weien stated that The Printer, Inc. actually produces and mails the direct mailings generated by Harrah's. Commissioner Chapman asked if the mailings were directed at frequent customers. Mr. Weien indicated there are various components to Harrah's marketing program – loyalty, special events and promotions are also sent out.

Hearing no further comments or questions regarding the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-73)

Chair Mahaffey called on Nancy Donovan, General Manager of Rhythm City Casino, who presented the following contracts for Commission approval:

- AC Coin & Slot Service Co. Inc. – Lease of 6 Bewitched Games (Replacements)
- Dell Marketing L.P. – Computers and Related Equipment
- River City Ford Truck Sales – Vehicle Purchases and Maintenance
- Tri-City Electric – Electrical Wiring, Components and Service
- TREMCO/Weatherproofing Technologies – Roof Replacement on the Guest Services Center

Hearing no comments regarding the contracts, Chair Mahaffey requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Rhythm City Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-74)

Chair Mahaffey called on the Belle of Sioux City (BSC). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- International Game Technology (IGT) – 28 Slot Machines (Replacements)
- Stiles Communication, Inc. – Wiring for New Office Barge

Commissioner Hassenfritz asked if the office barge was a different facility than the riverboat. Mr. Aviles stated that it was, and that Stiles Communication had performed

the initial work on the BSC. The majority of the work involves data lines. When the office barge is completed, all personnel at the Pierce Street location (approximately 70 people) will be moved to the barge.

Hearing no further comments concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BSC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 02-75)

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

- International Game Technology (IGT) – Purchase 6 Slot Machines (Replacements)
- Shuffle Master – Sale/Lease of 3 Slot Machines (Replacements)
- Citizens for the Betterment of Clinton County – Political Action Committee to help Support Passage of the Riverboat Gambling Referendum

Chair Mahaffey asked for an explanation of the contract with Citizens for the Betterment of Clinton County – Political Action Committee (PAC) to help support passage of the riverboat gambling referendum. From reviewing the materials in his meeting packet, he stated it is his understanding that MBII is loaning money to the PAC, with the loan eventually being forgiven. Mr. Bonnet indicated that interpretation was correct. Chair Mahaffey asked why the loan was being forgiven, and the significance in the manner in which it was being handled. Mr. Bonnet stated that this process was being used because of reporting requirements. Mr. Bonnet requested that Curt Beason, legal counsel, help him address further questions concerning this contract.

Mr. Beason stated that some of the PACs are getting established at this time even though the ballot issue has not been scheduled. In order to get set up, the PAC is required to establish a bank account, which requires funding. The PACs intend to solicit funds from the general communities, and seek support. As they do not know how much backing they will receive from the communities, some of the PACs have asked the operators to make a loan to the PAC in order to get set up. Based on the amount of support received from the community, a portion of the original donation will be written off, with the rest being a donation to the cause. The loan is not tax deductible.

Chair Mahaffey asked if the riverboats could establish a PAC on their own. Mr. Beason indicated they could, but that it was not necessary as the riverboats can utilize their general fund for contributions as long as they make the necessary disclosures. He stated that if a corporation spends more than $750 on the referendum, every corporation is required to file their own financial disclosure with the County Auditor. Chair Mahaffey indicated his interpretation of Mr. Beason's comments was that even though the riverboats could establish their own PAC, there was really no need as they have the

ability to assist the PACs that have already been established. Mr. Beason stated his interpretation was correct.

Commissioner Chapman, noting that all contracts and expenditures are approved by the Commission, stated his belief that this expenditure would be different than any previously reviewed in the past. His question was whether this option was open to land-based casinos, and if there is any restriction on the amount of money that can be loaned to the PAC. Commissioner Chapman stated that all of the facilities would love to be able to invest in this cause, as it is a good cause.

Mr. Beason stated that under Iowa law, corporations are allowed to make contributions, with no restrictions on the amount contributed – just be sure to make the necessary disclosures. Thomas Flynn, legal counsel for RACI, stated that there are different requirements based on the structure of the organization. He stated that 501(c)(3) corporations cannot make political contributions; therefore, RACI and Dubuque Racing Association are not able to make contributions to a PAC. Mr. Flynn stated that most of the non-profit organizations have a for-profit management company that enables them to make contributions to a PAC.

Commissioner Hassenfritz pointed out that MB II did not create the PAC committee, which is a local group, and therefore, MB II has the ability to make the loan/contribution according to this understanding of the situation. Mr. Beason indicated that was correct. He stated that on the riverboat side, the qualified sponsoring organizations, which are also non-profit entities, cannot make political contributions either.

Chair Mahaffey questioned the use of the term "loan" when it appears that the MB II does not expect to get repaid. Mr. Beason reiterated that the amount of community support would eventually determine how much money is eventually donated and how much is forgiven. Chair Mahaffey stated that MB II is contributing what they feel the overall budget for the PAC will be, and that the PAC will seek other contributions. Mr. Beason stated that Chair Mahaffey's statement was correct, and characterized the loan as a "backstop" agreement, with the final "donation" being reported to the correct agencies and the Commission. Mr. Bonnet stated that the fund would be used to pay for billboards, etc., not political candidates.

Hearing no further comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by MB II. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-76)

Chair Mahaffey called on Bluffs Run Casino (BRC). Mr. Weien presented the following contracts for Commission approval:

- AC Coin & Slot Service Co. Inc. – Purchase and Lease of 20 Slot Machines (Replacements)

- Bally Gaming Systems – Purchase of 12 Slot Machines (Replacements)
- Digital Impression – Printed Materials
- International Game Technology (IGT) – Purchase or Lease of 8 Slot Machines (Replacements)
- JCM American Corporation – Purchase of New Bill Acceptor Cash Boxes for the Slot Machines
- Nebraska Furniture Mart – Miscellaneous Fixture, Furniture & Equipment Purchases
- The Printer, Inc. – Printing for Direct Mail Materials
- Bates Roofing – Roof Repair Services

Hearing no comments concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-77)

Chair Mahaffey moved to the next agenda item – RACI/Prairie Meadows Racetrack & Casino's (PMR&C) request for season approval for the harness meet. Bob Farinella and Derron Heldt, General Manager and Director of Racing respectively, were present to answer any questions.

As there were no questions concerning the season approvals submitted for the harness meet, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the season approvals for the harness meet, including the following staff recommendations:

- 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.

Commission Cutler seconded the motion, which carried unanimously. (See Order No. 02-78)

Chair Mahaffey moved to the following contracts submitted by RACI:

- Atlantic City Coin & Slot Service – Potential Lease of 6 Slot Machines (Replacements)
- Century Systems – Computer-Related Products and Services
- International Game Technology (IGT) – Potential Lease of 8 Slot Machines (Replacements)
- Polk County, IA – New 8-Year Facility Lease

Commissioner Hassenfritz asked why slot machine costs are significantly higher under a potential lease rather than an outright purchase.

Mr. Farinella, after confirming the question was regarding the Harley Davidson contract, stated that the amount was the standard lease rate. He stated that the industry has seen a transition over the last several years as manufacturers look for ways to derive more revenue from their equipment. As a result, the manufacturers have developed a leasing system. Specialty games are leased to the casinos. The lease allows the casino to have a game removed without further financial ramifications, usually within 30 days, if the game is not producing revenue for the casino. However, it is much more expensive to lease a machine versus an outright purchase. Mr. Farinella stated that annual lease fees may be in the $22,000-$25,000 per game per year for popular games, while a straight purchase of a similar machine could be $15,000. He stated that when RACI is preparing their budget, a larger amount is allocated to cover lease payments. Mr. Farinella stated that the rates the facilities pay for the machines are based on their confidential negotiations with the manufacturer.

Chair Mahaffey called for any other questions concerning contracts other than the lease with Polk County. Hearing none, Chair Mahaffey moved to the contract between RACI and Polk County for the lease of the racetrack facilities and called on Mr. Ketterer to provide some history.

Mr. Ketterer stated that when the current agreement was written, there was an Order to Show Cause that was issued by the Commission for various reasons. A proposed agreement was reached just prior to the hearing; however, a majority of the Commission elected to go forward with the hearing, and then held lengthy deliberations. As a result, a Stipulation was proposed to be included as part of the current agreement. The pertinent paragraph of the Stipulation states that a majority of the Commission members, at that time, wanted to see an effort on RACI's part to fund charities in a bigger way in proportion to the money paid to Polk County. In addition to the $60 million paid to Polk County in rent over the length of the agreement, approximately an additional $15 million of net receipts per year, or $75 million over the length of the agreement, was also going to Polk County. The remainder of the net receipts was to be given to charities. The Stipulation required that RACI utilize due diligence to achieve contributions to charity in the amount of 50% of the amount contributed to Polk County - $37.5 million over the length of the contract – provided the funds were available. Mr. Ketterer stated the Stipulation creates a potential conflict with one of the paragraphs contained in the proposed agreement, which states: "If Tenant is successful in its pending appeal pertaining to gaming taxes, which results in a lump sum recovery for Tenant, Tenant shall pay Landlord fifty percent (50%) of such recovery. ..." The question at this time is if there will be a refund, and if so, how much it will be. The Supreme Court remanded that question to the Iowa District Court. Mr. Ketterer further stated that should RACI receive a refund of taxes in a sufficient amount, the first priority would be to comply with the current agreement meaning that Polk County would receive $15 million. From a review of RACI's audit, it appears between $16-$17 million has been given to charity in the first four years of the current five year agreement, leaving a gap of $21 million to go to charity if the funds were available.

Hearing no questions for Mr. Ketterer, Chair Mahaffey called on Mr. Farinella, who addressed the business and economic scenarios leading to the resolution of the Show Cause Hearing. He noted that at the time, RACI was the only gaming entity in central Iowa, and they felt there would be sufficient revenues to allow them to comply with the Stipulation. However, another gaming license was granted in central Iowa, which overrode the availability of revenues, meaning that RACI will give $19-$20 million to charity over the five-year life of the current agreement with Polk County. Mr. Farinella stated that the funds given to Polk County are also considered a charitable contribution, noting that those funds are being set aside to fund the Events Center, Science Center and other projects.

Chair Mahaffey asked Mr. Farinella if he equated funds for the Event Center with other charities RACI would normally contribute to. Mr. Farinella stated that from the standpoint of the law, funds utilized to reduce the costs of government are included in the list of charitable contributions.

Chair Mahaffey called on Mr. Flynn, who addressed the "50%" issue set forth in the paragraph regarding the gaming tax lawsuit. He stated that under a true landlord/tenant position, this would be an abnormal position, further noting that anything over and above normal rent would be questionable. Mr. Flynn noted that RACI was organized as a 501(c)(4) entity meaning their primary purpose is to promote the general welfare and good of the community, as well as a racetrack, and additionally, a casino. He stated that when Polk County proposed this provision, discussions were held as to what would be done with the funds. RACI felt the 50% proposal, if it were given to the County, would be compliant with their charter and laws under which they are regulated, and would also be appropriate as a corporate citizen of Polk County, and as a statewide corporate citizen. Mr. Flynn stated that RACI has always made an attempt to balance the various interests. He further noted that he could not provide enough caveats in regard to the recovery as this matter could go back to the Supreme Court for a rehearing and did not want to invade the Court's province as what could occur in a rehearing. Should the ruling stand, it goes to the District Court, and he does not want the Court to feel RACI is spending money that has not yet been awarded.

Mr. Flynn stated that the balance of the proposed Lease Agreement follows the existing lease except that the rental fee has been increased, with $4.4 million of net receipts for the first five years to go to Polk County for the Events Center.

Chair Mahaffey asked Mr. Flynn if he had any comments regarding the Stipulation signed by Mr. Ketterer and him in 1997. Mr. Flynn stated the Stipulation correctly reflected the concerns the Commission at that time had about the relationship between Polk County and RACI. Polk County's thought was that it had put the taxpayers at risk when they took out the bonds when PMR&C was first developed as a racetrack, and were at further risk when PMR&C took bankruptcy. He stated that when the Legislature approved slot machines at the racetracks, that provided an income that allowed all indebtedness against Polk County and the bonds to be retired. Since the debt has been

retired, RACI has paid approximately $275 - $280 million to Polk County. Mr. Flynn noted there are individuals who question how much a landlord should receive, that Polk County has more than been compensated. On the other hand, Polk County and the taxpayers point out they were the ones at risk and since PMR&C is a quasi-public entity in Polk County, with some social and economic detriments associated with the facility, they feel they should be rewarded. Still others question how much should be paid to the horsemen, who point out that if it weren't for them, there wouldn't be slots at the tracks. Mr. Flynn further pointed out that state law requires purses to be supplemented from casino revenues. Mr. Flynn pointed out that PMR&C is caught in the middle, trying to satisfy all parties involved.

Mr. Flynn stated that the Commission, at the time of the hearing, alleged that Polk County had too much control and influence over PMR&C. At that time, all of the profits went to Polk County. As a result of the hearing and Stipulation, the current Lease was created, and modified the monetary benefits to Polk County. He further stated that the signed Stipulation was an agreement made between the parties, and RACI continues to stand by the Stipulation even though they have not been able to fulfill it due to the rising games taxes and new competition.

Mr. Ketterer thanked Mr. Flynn for his characterization of the history between the Commission, PMR&C and Polk County. He stated that at the time the Commission originally approved the Operating Agreement giving certain controls to Polk County, which was unprecedented for the Commission in terms of giving control to someone other than the licensee, those controls were required by the Bond Trustee to protect the bondholders and ensure that the bonds would be paid. He noted that Iowa Code requires that first payments from net receipts were to be used to retire debt from the racetrack facilities. After the debt was retired, the majority of the Commission felt that Polk County was still exercising too much control, requiring approval of RACI's budget and the amount of purses, and that the situation should be corrected by entering into a new Operating Agreement. Prior to the hearing, Polk County and RACI did enter into a new Operating Agreement; however, the Commission proceeded with the hearing and deliberations. In the end, the proposed Operating Agreement agreed to by Polk County and RACI prior to the hearing was adopted by the Commission, with the Stipulation being about the only modification. Mr. Ketterer stated that at the time the Stipulation was entered into, Mr. Farinella indicated that RACI had very little chance of reaching the $37.5 million set out to be given to charitable organizations, which is why the term "due diligence" was added to the Stipulation. Mr. Ketterer stated that he did not feel Chair Mahaffey was attempting to put RACI on the spot for not achieving the $37.5 million. He stated that he did not feel there was much issue with the proposed lease agreement other than the paragraph concerning the gaming tax lawsuit that potentially conflicts with the Stipulation previously signed.

Chair Mahaffey stated that the Commission still has some concerns about RACI's charitable contributions to organizations other than Polk County, noting that those contributions have been stagnant, if not less, than in previous years at times.

Commissioner Hamilton asked if there would be any funds left, providing RACI receives a refund, to make the improvements the Commission would like to see RACI make to the property. Chair Mahaffey referred to Paragraph 8(a) of the proposed Lease Agreement, which states: " As Is Condition: Tenant takes said premises "as is" in their present condition, without any commitment or obligation of Landlord to make any repairs, maintenance or improvements therein." He voiced concern regarding this particular provision.

Mr. Flynn noted that there are leases in place allowing the tenant to make improvements if they desire at their cost, as long as such improvements benefit the landlord upon expiration of the lease. He stated that in this situation, the facility is RACI's project; however, Polk County has to approve any improvements over $100,000. Mr. Flynn noted that Polk County does have some concerns, and the proposed lease is drafted around those concerns. One of those concerns is that PMR&C might spend money on improving the facility or increasing purses that would jeopardize their ability to make their payments to the County. Mr. Flynn pointed out that if RACI elects to increase the purses above what has been proposed to the horsemen, then Polk County would also receive an increase, which just underscores how the relationship between Polk County and RACI is different than most relationships. He noted that the history surrounding this facility is unique.

Mr. Farinella, with regard to Commissioner Hamilton's question, stated that in 1997 RACI presented a master plan to the Commission, which envisioned a number of projects already completed by RACI. Additionally, the master plan included a major wing mirroring the south wing that would contain a multi-purpose banquet/entertainment facility, buffet, restaurant, and a sports bar to bring the facility up to a competitive level with the rest of the industry. Mr. Farinella stated that over the last several years, due to the rising gaming taxes and other economic factors, RACI has not been able to complete the master plan. He noted that if the tax rate had continued to rise, it would have been impossible for RACI to make any significant capital investments to the facility. Mr. Farinella stated that RACI's business plan under the 36% tax rate would have included the ability to maintain the facility in first class condition – changing the carpet, fix the roof, maintain the air conditioning/heating, replacing kitchen equipment, upgrade slot machines, etc., but there would have been no ability to continue to implement the master plan. Mr. Farinella stated that under the equalization of the tax rate, RACI would be able to pursue the completion of the master plan, but have not taken any steps in that direction so far. Many projects would require approval by the RACI Board.

Chair Mahaffey asked if the improvements would include the improvements to the pari-mutuel side of the operation as well. Mr. Farinella stated that the horse-related improvements that are considered economically feasible would be completed.

Commissioner Chapman congratulated RACI and Polk County for being pro-active in moving a contract forward that meets the needs of all parties, and doing so prior to the November referendum.

Commissioner Hassenfritz offered his congratulations as well. He asked for clarification regarding the $275-$280 million figure, whether that is in excess of the debt repayment to Polk County or the total amount paid to Polk County. Mr. Flynn stated that approximately $180 million would have been net receipts and the balance would have been rent. He clarified his answer as follows: When the gaming legislation passed, and prior to entering into an agreement, RACI agreed to repay Polk County every dollar they had invested, which came to $90 million.

Commissioner Cutler asked how the money would be distributed differently under the current agreement versus the new agreement before the Commission for approval. Mr. Flynn stated that under the existing lease there is no provision covering this situation. Under the current agreement, RACI pays Polk County $12 million rent plus the first $16 million of net receipts, beyond that there is no commitment to the County. Commissioner Cutler asked about the commitment to the charitable organizations. Mr. Flynn pointed out that as a non-profit organization RACI would have the ability to determine what capital improvements needed to be made or establish a reserve account to make those improvements in the future. The balance of the money would either be distributed or determine if there was a way to distribute it over a period of time without jeopardizing RACI's tax-exempt status. Mr. Flynn stated that the primary beneficiary would be Polk County and charitable organizations, even though RACI would have no obligation to Polk County. Commissioner Cutler stated that her understanding was that the proposed lease is simply setting forth what percentage Polk County would receive should RACI recover any funds as a result of the gaming tax lawsuit. Mr. Flynn answered in the affirmative.

Ms. Davis stated that she had two points to make with regard to the Stipulation:

- The Stipulation was executed at a time when the escalating tax was a known factor.
- The Stipulation was a resolution in a contested case, meaning that it is technically binding on the licensee, nor has the Stipulation been rescinded.

Mr. Flynn stated that RACI would not take any legal issue with Ms. Davis' comments.

Chair Mahaffey noted that RACI had four contracts before the Commission for approval, three of no particular magnitude, and the fourth being the lease between RACI and Polk County. He asked if the Commission was comfortable approving the lease at this time, or if they would prefer to defer it for a month to see what might develop.

Commissioner Hassenfritz stated that the only variable in the lease is the gaming tax lawsuit. He wondered what the advantage would be to waiting.

Hearing no further comments concerning RACI's contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve all four of RACI's contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried on a 4-1 vote,

Chair Mahaffey voting nay, indicating that he would have liked more time to understand the complexity of the issue. (See Order No. 02-79)

Chair Mahaffey called on Mr. Ketterer for Administrative Business. Mr. Ketterer stated that those entities interested in applying for the Dog Racing Promotion Fund for fiscal year 2003 should submit their applications to the Commission's Des Moines office by July 10, 2002. He noted that since the IGA received the funds last year, they are required to submit an accounting of how the funds were utilized. Mr. Ketterer stated that the information was available on the Commission's website.

Mr. Ketterer advised that the Commission would be combining the renewal of the racetrack enclosure gaming license with racetrack license renewal and granting of racing dates. These will be considered at the October meeting.

With regard to the fiscal year 2003 budget, Mr. Ketterer stated that further cuts were made as a result of the last special Legislative session. He noted that the Commission was not spared. He stated that the Commission's budget was cut to equal a half-day per month furlough for each employee. Mr. Ketterer pointed out that the pari-mutuel side of the budget is mostly comprised of salaries for stewards, veterinarians, and drug testing expenses. He stated that he is strongly opposed to holding races without any of the above components present as there would be no way to safeguard the integrity of the races for the betting public. All interested parties will be kept apprised.

The last topic under Administrative Business was a discussion of the recent Supreme Court Decision stating that racetrack enclosure casinos could not be taxed at a higher rate than riverboat casinos. He called on Ms. Davis and Mr. Flynn to provide a status report. Ms. Davis stated that the Supreme Court reversed the decision of the District Court, determining that the escalating tax was unconstitutional and striking the sentence in 99F that contained the escalating tax on racetrack enclosure casinos. She further stated that tax collections at those facilities affected by the Supreme Court Decision were adjusted effective as of the date of the ruling. Ms. Davis advised that the State is still reviewing the Decision and looking at their options.

Chair Mahaffey asked Ms. Davis about the application process for rehearing and what the State would be required to show from a legal standpoint in order to prevail in a rehearing. Ms. Davis stated that an Application for Rehearing must be filed within 14 days under Supreme Court Rules unless the Court expands the time for filing. There are also specific rules addressing the content of the application for rehearing and the length of the petition to be filed. Ms. Davis stated that she did not want to invade the province of the Supreme Court or the District Court, but indicated that a rehearing is sought whenever a decision has gone contrary to some body of law or US Supreme Court Decisions on particular points of law in equal protection cases, especially tax cases.

Chair Mahaffey called on Mr. Flynn for his comments. He stated that Ms. Davis had done a good job of portraying the next steps in this matter.

Commissioner Hamilton asked for an estimate of the length of time before a final decision is reached. Ms. Davis stated the answer would depend on whether or not the State seeks a rehearing, the outcome of any rehearing, review of options, etc. She indicated that she did not have an answer.

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

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 18, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, July 18, 2002 at Stoney Creek Inn & Conference Center, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Mike Mahaffey, Chair; Diane Hamilton, Vice Chair and members Steve Chapman and Kate Cutler. Commissioner Jim Hassenfritz was absent.

Chair Mahaffey called the meeting to order at 8:30 and requested a motion regarding the agenda. Commissioner Hamilton moved to approve the agenda as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Mahaffey moved to the election of the Chair and Vice Chair of the Commission for Fiscal Year 2003. Commissioner Chapman nominated Mike Mahaffey and Diane Hamilton to continue serving the Commission as Chair and Vice Chair respectively for the upcoming fiscal year. Hearing no further nominations, Chair Mahaffey called for a motion. Commissioner Chapman moved to approve the nominations. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-80)

Chair Hansen moved to the approval of the minutes from the June 20, 2002 Commission meeting. Commissioner Cutler moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Mahaffey called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information concerning upcoming meetings:

- September Commission Meeting – September 10, 2002 – Stoney Creek Inn, Johnston (Submissions due by August 26, 2002)
- October Commission Meeting – October 17, 2002 – Isle of Capri Bettendorf, Bettendorf (Submissions due by October 3, 2002)
- November Commission Meeting – November 21, 2002 – Stoney Creek Inn, Johnston (Submissions due by November 7, 2002)
- No December Meeting

Mr. Ketterer noted there would be no August meeting due to the reduction in the number of meetings, and that the September meeting would be held on Tuesday, September 10th. He noted that the January meeting was scheduled for either the 9th or the 16th. Mr. Ketterer stated that the meeting would be held on the 16th due to the American Gaming Summit.

Chair Mahaffey called on Mr. Ketterer to address the rule before the Commission under Notice of Intended Action. Mr. Ketterer stated that the rule is intended to clarify the Commission's rule on approving contracts, and could decrease the number of contracts that need to be approved by the Commission by increasing the threshold amount from

$50,000 to $100,000. He noted that subparagraph 5.4(8)(3) should read, "... amount by the greater of $100,000 or 25 percent", not 125 percent of a previously approved contract. Mr. Ketterer stated that the rule, if approved, would proceed through the rulemaking process, come back before the Commission in October, and be effective sometime in the middle of December.

Hearing no discussion concerning the rule submitted under Notice of Intended Action, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the rule submitted under Notice of Intended Action as corrected. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-81)

Chair Mahaffey asked about the rules before the Commission for Final Adopt. Mr. Ketterer stated the Commission had previously approved these rules under Notice of Intended Action. He indicated that the majority of the changes, numbers 1-15, were updated reference changes in the Code; item 16 requires the licensees to provide a more detailed breakdown of expenditures in their annual financial audit; items 17 - 19 pertain to veterinarian assistants employed by practicing veterinarians; requiring that the veterinarian be present if the veterinarian assistant has access to injection devices or injectables; and item 20 allows linked machines to have different denominations displayed on the linked progressive machines.

Chair Mahaffey called for a motion regarding the rules presented for Final Adoption. Commissioner Hamilton moved to Final Adopt the rules as presented to the Commission. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-82)

Chair Mahaffey moved to the Contract Approval portion of the agenda, and called on Ameristar Casino. Mr. Ketterer advised Chair Mahaffey that in addition to presenting the contracts for approval, Jane Bell, Government Relations, wished to discuss a construction emergency at the facility and was seeking preliminary approval pending Commission approval of the final contract. Ms. Bell presented the following contracts for Commission approval:

- Konami Gaming – 12 Slot Machines on a Lease/Purchase Agreement (Replacements)
- Mikohn Gaming – 5 Slot Machines on a Lease/Purchase Agreement (Replacements)
- WMS Gaming- 261 Ticket Print Retro Kits

Ms. Bell advised the Commission that the level of the Missouri River is declining dramatically. Additionally, Ameristar has received notification that there would not be any more releases from the dam; and the Coast Guard has issued a warning with regard to the low water level. Ms. Bell stated that when Ameristar originally built their base, it was built below the river channel level, as the riverboat always has to float even if the river level should get really low. She stated that the Coast Guard has the ability to shut

down the facility if the riverboat is not floating. Ms. Bell stated that Pentzien, Inc. had performed work for them earlier in the spring to open up the mouth of the basin. The company is in the area, and could mobilize yet this week. Ameristar feels that the situation with the water level makes it beneficial to the facility, from an economic standpoint, to take their basin down to the original level to insure that the vessel remains floating. It is anticipated the work will cost $39,800, and with the work performed earlier this spring, the amount paid to Pentzien will exceed $50,000. Ms. Bell asked for approval of the contracts as submitted and the pre-approval of the contract with Pentzien, which would be submitted for Commission approval at the September meeting.

Chair Mahaffey asked if there was precedent for giving pre-approval on a contract. Mr. Ketterer stated that the Commission had granted this type of request in the past. Mr. Ketterer suggested that the Commission approve the agenda items, noting that the additional request was not an agenda item, but give Ameristar verbal permission to proceed subject to the Commission receiving the contract for approval in September.

Chair Mahaffey inquired if any Commission members had concerns with allowing Ameristar to proceed with the work to lower their basin. Hearing none, verbal permission was granted to proceed with the work as described, subject to the Commission receiving the contract for approval at its September meeting.

Hearing no discussion concerning the contracts submitted by Ameristar, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-83)

Chair Mahaffey called on Isle of Capri Bettendorf (IOCB). Mike Hirsch, General Manager, presented the following contracts for Commission approval:

- Comedy Ventures, Inc. – On-Site Comedy Club Lease
- Cambridge Integrated Services Group, Inc. – Third Party Insurance Adjuster
- Ecolab – Provides Dishwashing Machine and Cleaning Supplies
- Total Communications – Radios, Repairs and Batteries

Commissioner Cutler stated that it appeared the contract with Comedy Ventures, Inc. had already been signed by both parties. Mr. Hirsch advised that Item 33 of the contract stated that the lease was subject to the approval of the Commission.

Commissioner Chapman stated that he felt the contract with Cambridge as a third party insurance adjuster was high. Mr. Hirsch stated that it is IOCB's practice to submit contracts on the high side. Commissioner Chapman noted that the contract indicated IOCB only paid Cambridge $13,000 for the previous year. Mr. Hirsch indicated that he was not sure whether IOCB had utilized Cambridge for the entire year, but that he would look into the matter.

Commissioner Cutler questioned whether the contract with ECOLAB was for one dishwashing machine. Mr. Hirsch answered in the negative, indicating that IOCB purchases all of its cleaning supplies from ECOLAB and that the amount is for the entire year. Commissioner Cutler also questioned the contract amount shown on the Total Communications contract. Mr. Hirsch advised that the contract amount is to cover the purchase of many radios, repairs and batteries. Commissioner Cutler inquired as to the purpose of the radios. Mr. Hirsch advised that they were used for communication, security, etc.

Hearing no further questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCB, subject to receiving the information requested by Commissioner Chapman. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-84)

Chair Mahaffey advised Mr. Hirsch that if he was able to obtain the requested information, he could present it to them later in the meeting.

Chair Mahaffey called on Catfish Bend Casinos (CBC). Joe Massa, General Manager, presented a contract with the City of Burlington for an extension of the current lease agreement for the Burlington Riverfront for Commission approval. Commissioner Cutler asked Mr. Massa if it was necessary to hold a public hearing in Burlington in order to renew the lease. Mr. Massa indicated that he did not think it was necessary.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contract as submitted by CBC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-85)

Chair Mahaffey called on Harrah's Casino. Shannon Fenster and Janae Sternberg, Compliance Manager and Financial Manager respectively, presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase of 60 Slot Machines (Replacements) (RP)
- Nogg Chemical & Paper Co. – Chemical and Paper Supplies
- Shuffle Master Gaming – Purchase Software & Hardware Conversion Kits for WMS Games
- Woodsmiths Company – Purchase of Tables for Buffet
- X-treme Laminators – Relamination of Slot Machines

Chair Mahaffey requested a motion concerning Harrah's contracts. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-86)

Chair Mahaffey called on Rhythm City. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – SDS Hardware & License Agreement; Misc. Purchases (Contract Increase)
- Happ Controls – Power Supplies for Slot Machines
- Riddell Roofing, Inc. – Roof Replacement on Guest Services Center
- Sign on Sign Works – Purchase of Signs

Following a brief discussion concerning the contracts with Riddell Roofing and Happ Controls, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Rhythm City. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-87)

Chair Mahaffey moved to the contract submitted by Lakeside Casino. Tom Timmons, Assistant General Manager, presented a contract with Pingel & Temple, PC for legal services.

Hearing no discussion concerning the contract, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contract as submitted by Lakeside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-88)

Chair Mahaffey called on Belle of Sioux City (BSC). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Buller Fixture – Food Service Equipment for New Barge
- Design Plan – Interior Design Work for New Barge

Following a brief discussion regarding the Buller Fixture contract, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BSC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-89)

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

- Midwest Game Supply – Purchase of 6 Used Slot Machines (Replacements)
- Shuffle Master – Sale/Lease of 3 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-90)

Chair Mahaffey called on Dubuque Greyhound Park & Casino. Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- Drew Cook – Kennel Compound Road Rebuilding
- Reinhart Foods – Food Items and Supplies

Commissioner Hamilton noted that the description on the Reinhart Foods contract stated "Kennel compound road rebuilding". Mr. Wentworth will be sending a corrected contract. Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts submitted by DGP&C as corrected. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-91)

Chair Mahaffey called on Bluffs Run Casino (BRC). Ms. Fenster and Ms. Sternberg presented the following contracts for Commission approval:

- Absolutely Fresh Seafood – Food Purchases
- Cash-Wa Distribution – Food & Beverage Purchases
- Shuffle Master Gaming – Purchase of Software & Hardware Conversion Kits for WMS Games
- Verne Welch – Consulting Services

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by BRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-92)

Chair Mahaffey moved to the contracts submitted by Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager, presented the following contracts for Commission approval:

- ABC Electric of Des Moines – Electrical Construction and Maintenance
- Tony Cee Associates – Entertainment Act Booking Agency
- KVI-Marsh – Insurance Coverage Broker
- IGT – Iowa – Renewal Lease for 11 Slot Machines
- IGT – Iowa – Renewal Lease for 9 Slot Machines
- Shuffle Master – Renewal Lease for 6 Slot Machines
- Shuffle Master – Potential Lease for 4 Slot Machines (Replacements)
- Shuffle Master – Potential Lease for 2 Slot Machines (Replacements)
- Taylor Industries Inc. – Miscellaneous Equipment Purchases and Maintenance
- Williams Gaming, Inc. – Potential Lease for 4 Slot Machines (Replacements)
- Williams Gaming, Inc. – Renewal Lease for 4 Slot Machines
- Williams Gaming, Inc. – Renewal Lease for 4 Slot Machines

Commissioner Cutler inquired as to the reason for the increase in insurance costs. Mr. Farinella stated that the increase is in the workers comp area.

Hearing no further discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-93)

Mr. Ketterer complimented PMR&C on the Festival of Racing conducted during the last week of the Thoroughbred meet, which concluded on July 6, 2002. He further noted that PMR&C had some of the most outstanding horses in the country come in to participate, and had good attendance. Mr. Ketterer stated that some Iowa-based horses, including a couple of Iowa-breds, competed very effectively during the Festival. Additionally, Mr. Ketterer noted that two Iowa-whelped greyhounds ran first and second in a $300,000 race at the Woodlands racetrack in Kansas.

Chair Mahaffey moved to the next agenda item – Approval of Recipient for Greyhound Promotion Fund as Authorized by Iowa Code § 99D.12(2) C. Jerry Crawford, legal counsel for the Iowa Greyhound Association (IGA), commenced his presentation by noting that when the Legislature approved adding slot machines to Iowa's racetracks, they did so partially because of their desire to develop an agriculturally based economic opportunity in Iowa for the greyhound and horse industry. He noted that the IGA membership consists of hundreds of Iowa families whose livelihood depends in whole or part on the success of the greyhound racing industry in Iowa. Mr. Crawford provided some background information on Executive Director/Promotions Director Steve Hellyer, whom the IGA hired in 2001. Mr. Crawford, noting that the fund only has $14,000, stated that the amount was not sufficient to undertake any paid or traditional promotional activities.

Chair Mahaffey complimented the IGA on their application.

Mr. Hellyer advised the Commission that the IGA has undertaken an impact study in the last year and found that either directly or indiectly, the greyhound industry would contribute $52 million to Iowa's economy. He noted that more than 800 individuals make their livelihood via involvement in the greyhound racing industry. Mr. Hellyer stated that while greyhound racing is gaming, it is also a sport and provides entertainment; and the IGA is attemping to draw more people to the races by pointing out that they will be able to enjoy the grace and beauty of the greyhounds, as well as place a wager. Mr. Hellyer introduced Bob Rider, who sits on the IGA Board of Directors, and is also a member of the National Greyhound Association Board. Mr. Hellyer also introduced Bob Hardison, President of IGA. Mr. Hardison advised the Commission that membership in the IGA has grown from 237 dues paying members a year ago to 322. He stated that the IGA has worked hard over the past year to unite their group, and several members from Greyhound Racing in Iowa Association have become involved in the IGA in various capacities.

Commissioner Hamilton asked for an explanation as to the process utilized by BRC and DGP&C in determining the amount owed to the fund. Mr. Hellyer stated that the IGA

was going to attempt to resolve the issue internally. He advised Commissioner Hamilton that once a resolution was reached, the IGA would report back to the Commission, but does not have an answer for her at this time.

Mr. Wentworth advised the Commission that the issue is a math question, noting that DGP&C races about half the number of races BRC runs a year, as well as the tracks' interpretation of Iowa Code Section 99D.12 and 99D.22.

Chair Mahaffey asked if there was a representative present from BRC that would like to discuss this issue with the Commission. No one came forward. Mr. Crawford, noting the differences of opinion in the past between BRC and IGA, stated the level of communication and cooperation between the two parties has improved dramatically.

Commissioner Hamilton noted that the Commission had approved an invoice for Shull & Co. at the May meeting at the request of the Iowa West Racing Association/IGA. She inquired if that invoice was for an audit. Mr. Crawford stated that in 2001 the State Auditor performed an audit of the Escrow Account from the beginning that took several weeks to prepare. At that time, the IGA advised the Commission members that they had the ability to get an audit completed faster and less expensively by comparison; however, the Commission elected to proceed with the State Auditor. Mr. Crawford stated that this year, with the prior approval of Commission staff, the IGA retained Shull & Co., which was recommended by a member of the Commission. He indicated that Shull & Co. completed the audit in one-tenth the time and at one-quarter of the cost of the State's audit.

Mr. Ketterer noted that several conditions were attached to the awarding of the fund to the IGA last year. He advised the Commission that the office is receiving regular reports from the investment managers as to the status of the escrow fund. He noted that the IGA meeting minutes have been available on their website. Additionally, the Commission staff is receiving requests for approval prior to any withdrawals being made from the escrow account. Mr. Ketterer stated that IGA had been evaluating the investment managers, and requested a status report.

Mr. Crawford stated that, pursuant to the Commission's request, the IGA had submitted RFPs to eighteen different investment managers. After the submitted proposals were reviewed by an independent consultant, the IGA was advised that rather than making an investment change at this time, it would be better to wait until after the negotiations and/or arbitration process regarding purse supplements for this year were completed as that process could establish some different guidelines for the future use of the escrow account. The reasoning was that if the status quo was maintained, which is how the escrow account is currently being handled, the consultant advised that all of the funds be transferred to one fund manager, with fixed security investments. In the event negotiations with the tracks result in a different direction being taken, then different services were recommended. Mr. Crawford stated that once the Commission has approved the new contracts for purse supplements at BRC and DGP&C, the IGA would

come before the Commission with recommendations concerning the management of the escrow account.

Mr. Crawford noted that concerns had been raised in the past with regard to related parties. He stated that although the parties were not related as defined by the Commission, there were connections between association members and individuals employed by the management companies. He advised that both of those relationships had been terminated. Mr. Crawford indicated the IGA did not have any problems with Commission staff's proposed conditions for the awarding of the promotion fund this year.

Hearing no further comments or questions concerning the IGA's application for the Dog Racing Promotion Fund, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve distribution of the Dog Racing Promotion Fund to the IGA, including the following recommendations set forth by Commission staff:

1. The IGA provide an evaluation of the agreement(s) with, and performance by, the investment manager in an audit by an independent audit company. The audit should cover activity from January 1, 2002 through December 31, 2002 and should be submitted to the Iowa Racing and Gaming Commission by April 1, 2003.
2. The annual audit of the Escrow Account shall be paid from the Escrow Account Fund(s).
3. Investment agreements should be for one-year terms subject to renewal conditions approved by the Commission.
4. Requests for proposals and all other correspondence should include a copy to IRGC and IWRA.
5. IGA shall disclose any potential related parties to the Commission.
6. Investment funds shall not be withdrawn from the account(s) until the Commission has approved contracts or expenses. If events occur which no longer require expenditure of funds, the funds will be immediately returned to the Escrow Account and not deposited in any other account(s).
7. The IGA shall have and maintain written minutes of all meetings and include copies to the IRGC and IWRA.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-94)

Chair Mahaffey moved to the final agenda item – hearings for Harveys Iowa Management Company and Racing Association of Central Iowa (RACI) for violations of Iowa Code Section 99F.9 (Wagering – Age Restriction). He asked Mr. Ketterer to provide the Commission with some background information.

Mr. Ketterer stated that in both instances the Administrator had reached a Stipulated Agreement with the licensees. The incident at Harrah's Casino involved two individuals who were under the age of 21 that were allowed to enter the casino more than once, and

were not asked for identification on either occasion. The minors were in the casino in excess of an hour, and there was evidence provided that they did gamble while in the casino. Mr. Ketterer stated that the circumstances of the situation raised the violation to the level requiring Commission review: the individuals were not asked for identification prior to entering the casino, on the casino floor in excess of 30 minutes, and either gambled or consumed alcohol while in the casino, indicating contact with more than one employee of the facility. Mr. Ketterer stated that in past instances, the Commission has assessed an Administrative penalty of $10,000. He stated he had had conversations with Karen Wosnack, Senior Attorney for Harrah's Eastern Division, and that they were in agreement on the facts presented in the Stipulated Agreement. Mr. Ketterer requested that the Commission approve the Stipulated Agreement.

Commissioner Cutler asked that Ms. Wosnack provide the Commission with information as to what type of disciplinary action was taken against the security officers involved in this situation. Ms. Wosnack stated that she would prepare a letter summarizing all of the events surrounding this situation.

Hearing no further discussion concerning the Stipulated Agreement for Harveys, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the Stipulated Agreement as agreed to by Harveys Iowa Management Company and Mr. Ketterer. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-95)

Chair Mahaffey called on Mr. Ketterer for background information concerning the violation that occurred at PMR&C. Mr. Ketterer stated that an individual, accompanied by two other males, was not asked for identification upon entering the casino. The individual did gamble while in the casino, and was in contact with other casino employees during the approximate three hours he was in the casino. The individual was eventually discovered by a Sheriff's Deputy working on the casino floor for PMR&C. Mr. Ketterer advised that all of the elements were again present in this situation requiring Commission review.

Hearing no further discussion concerning the Stipulated Agreement, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the Stipulated Agreement as agreed to by RACI and Mr. Ketterer. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-96)

Chair Mahaffey moved to Administrative Business. Mr. Ketterer reminded everyone of the prospect that the January meeting would be held on the 16th versus the 9th; and that the October meeting would encompass the renewal of the racing and gaming licenses for the pari-mutuel facilities.

Chair Mahaffey moved to Public Comment. Mr. Hirsch, General Manager of IOCB, addressed the questions raised with regard to the contract with Cambridge. He stated that from January through August 2001, IOCB used a different vendor, Safety Business

Services based in Mississippi. Within that time frame, IOCB spent approximately $112,000 with that company, but had approval from the Commission to spend up to $200,000. From September through December 2001, IOCB utilized Cambridge, an Iowa vendor, and spent $13,000 during that time frame. Mr. Hirsch stated that these figures would indicate that the amount of $100,000 shown on the contract presented today is in line with previous expenditures.

Hearing no further comments under Public Comment, Chair Mahaffey requested a motion to adjourn. Commissioner Cutler moved to adjourn the meeting. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES PREPARED BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 10, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Tuesday, September 10, 2002 at Stoney Creek Inn & Conference Center, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Mike Mahaffey, Chair; Diane Hamilton, Vice Chair and members Steve Chapman and Kate Cutler.

Chair Mahaffey 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 Cutler seconded the motion, which carried unanimously.

Chair Mahaffey called for a motion to move into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(1)g. Commissioner Hamilton so moved. Commissioner Chapman seconded the motion, which carried unanimously.

Following Executive Session, Chair Mahaffey called for a motion regarding the minutes from the July Commission meeting. Commissioner Chapman moved to approve the minutes from the July 18 Commission meeting as printed. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Mahaffey moved to Announcements. He announced that Commissioner Hassenfritz had submitted a letter of resignation to the Governor's Office on September 9, 2002. Mr. Hassenfritz' resignation is effective immediately.

Chair Mahaffey further advised that upcoming Commission meeting dates and locations would be as follows:

- October Commission Meeting – October 17, 2002 – Isle of Capri Bettendorf, Bettendorf (Submissions due by October 3, 2002
- November Commission Meeting – November 21, 2002 – Stoney Creek Inn, Johnston (Submissions due by November 7, 2002)
- No December Meeting

Chair Mahaffey moved to the contract approval portion of the agenda, and called on Bluffs Run Casino (BRC). Pete Weien, General Manager, presented the following contracts for Commission approval:

- Alan's Carpet – Carpet/Tile Installation and Repairs
- ASI Sign Systems – Purchase of Interior Signage
- Bates Roofing – Roof Repairs to the Kennels
- Cummins – Purchase of Jet Sort Machines
- Elman & Co. – Purchase of Printed Materials
- Innovative Gaming Inc. – Purchase of 9 Slot Machines (Replacements)
- Pinnacle Construction – Renovations to the Cashier Areas
- Rotella's Italian Bakery – Purchase of Bread Products
- Screenco – Purchase of Promotional Items
- Superior Coffee & Foods – Purchase of Coffee Products

Commissioner Chapman questioned the contracts with Elman and Screenco. Mr. Weien advised that Harrah's, and Harveys' previously, has utilized Elman for many years, and decided to utilize them at BRC as well. He noted that the company does very good work, and meets the needs of the facility in a timely manner. Commissioner Chapman clarified that the use of this company was more of a preference than the fact that an Iowa vendor was not available. Mr. Weien indicated the selection was based on preference, performance and cost effectiveness. Commissioner Chapman stated that he needed a better understanding of the requirements/guidelines for utilizing an Iowa vendor.

Mr. Ketterer stated that past Commissions have requested evidence that the licensees have attempted to solicit bids from Iowa vendors. If the results show that the Iowa vendor was not the low bidder or could not meet the specifications set forth by the facility, then the Commission has approved the out-of-state vendor.

Commissioner Chapman, noting the number of out-of-state contracts submitted for approval, asked if the Commission should stand down and approve the contracts because of preference, or support Iowa vendors. He stated that it was his understanding the Commission is to support Iowa vendors. Mr. Ketterer stated that his understanding was correct.

Commissioner Cutler asked how often ongoing contracts (i.e. printing) had to be let for bids. Mr. Ketterer stated there is no set time; it depends on the nature of the contract, and whether there are Iowa vendors that are willing to submit a bid on the project and can meet the specifications. If so, the Iowa vendor is to be given the opportunity to bid.

Commissioner Chapman stated that he is aware of a printing company located in Des Moines that already does printing for a number of Iowa casinos. He stated that he did not want to question all of the expenditures to out-of-state companies if there is a valid reason not to do so. Mr. Ketterer advised Commissioner Chapman that Iowa Code specifically states that Iowa vendors are to be given preference, so it has to be a priority for the Commission.

Chair Mahaffey advised Commissioner Chapman that this is an ongoing issue with the licensees. Commissioner Chapman requested that bids be submitted in relation to the

Elman & Co. and Screenco contracts so the Commissioners can review them prior to making a decision. Mr. Ketterer stated that the Commission has the authority to approve certain contracts and request additional information on others if they so desire.

Hearing no further comments or questions, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve all contracts as submitted by BRC except for Elman & Co. and Screenco, and requested that Iowa companies be allowed to submit a bid.

Commissioner Cutler asked if the Elman and Screenco contracts were an extension of a previously approved contract. Mr. Weien stated that BRC is already utilizing both companies, and the contract approvals were submitted as they are approaching the $50,000 threshold. Commissioner Cutler seconded the motion.

Commissioner Cutler asked how the facilities know when a contract should be sent out for bids. Mr. Ketterer advised that there is a provision in the Code that states that preference shall be given to Iowa goods and services; however the Code does not make any distinction between goods and services above or below $50,000. He noted there is an administrative rule that requires the Commission to review contracts that exceed $50,000.

Commissioner Chapman stated that he wanted to make sure of "good intent" on the part of the licensees, knowing that specifications can be written so that a specific company will get the bid. Mr. Ketterer stated that the Request for Transaction Approval form asks if additional bids were obtained for all out-of-state or related party bids, as well as requesting an explanation as to why the low bid or an Iowa vendor was not used.

Commissioner Hamilton requested that the licensees provide a more compelling reason for utilizing an out-of-state vendor other than the fact that the facility/corporate has always used the company.

Commissioner Chapman stated that if the timing is critical on these contracts, it might be possible to receive approval prior to the next Commission meeting providing Commission members receive the requested information. Mr. Weien advised that BRC will have to solicit bids for the printing and promotional items.

Chair Mahaffey called for the vote on the motion concerning BRC's contracts. The motion carried unanimously. (See Order No. 02-97)

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

- Artistic Waste Services, Inc. – Waste Disposal Services for Facility
- Atronic Americas LLC – Purchase of Repair Parts (Increase Value)
- Bally Gaming – Potential Lease of 1 Playboy Slot Machine (Replacement)
- Delta Dental Plan of Iowa – Dental Insurance for Employees

- Gitchi Gaming, Inc. – Replacement Chair Seats with Backs
- IGT–Iowa – Renewal Lease for 5 Pyramid Slot Machines
- On Media – Advertising Expense
- Reynolds & Reynolds, Inc. – Broker for Employee Insurance for Life, Accidental Death/Dismemberment, Short and Long Term Disability
- United Healthcare – Employee Medical Insurance
- Wallace Computer Services – Printing Services and Supplies

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Cutler made a motion to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (02-98)

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

- Mathis, Earnest & Vandeventer – Advertising
- Thoms Proestler Company – Food Items
- Western Money Systems – Slot Ticket Redemption

Commissioner Chapman noted that the Thoms Proestler contract indicated it was an Iowa vendor with an out-of-state address. Mr. Wentworth advised that the company had provided DGP&C with documentation that the State of Iowa does recognize them as an Iowa company. He indicated that this is a small percentage of their overall expenditures for food items.

Commissioner Cutler asked if the company has a physical location in Iowa. Mr. Wentworth stated that he didn't know if there was an actual Iowa location, but the check is sent to an Iowa address and they do have a local sales representative.

As there was no further discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-99)

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

- Pentzien Inc. – Dredge Work In and Around Ameristar II Slip
- Aristocrat Technologies Inc. – Oasis Casino Management System, Including Related Hardware and Software
- Aristocrat Technologies Inc. – 90 Ticket Printer Kits to Upgrade Existing Compatible Slot Machines and 20 Replacement Slot Machines

- Bally Gaming Systems – Daily Rental of 6 Playboy Slot Machines (Replacements)
- AC Coin – Increase the Number of Bewitched Games from 4 to 8 (Replacements)

Ms. Bell advised the Commission that the contract with Pentzien is the one she discussed with them at the July meeting and received approval contingent upon the final contract being submitted at this meeting.

Commissioner Hamilton asked for additional information regarding the Aristocrat contract for the casino management system. Ms. Bell stated that it is a total player tracking system, which will enable Ameristar to provide better customer service, collect better data, and player tracking.

Commissioner Chapman noted that the Aristocrat contract is dated July 10th, but is just now being submitted for approval. Ms. Bell stated that all of Ameristar's contracts contain a clause stating that the contract is subject to the approval of the Iowa Racing and Gaming Commission.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-100)

Chair Mahaffey called on Harrah's. Mr. Weien, General Manager, presented the following contracts for Commission approval:

- AT&T – Telephone Services
- Cummins – Purchase of Two Currency Counting Machines
- Digital Impression – Printed Materials (Increased Amount)
- Newport Uniforms – Purchase of New Beverage Server Uniforms
- Qwest – Telephone Services
- Romeo Entertainment – Local and National Entertainment
- Screenco – Supplier of Promotional Items (Increased Amount)
- SMG – Suite Lease
- SMG – Advertising Agreement
- Western Mailing – Direct Mail Services

Commissioner Hamilton asked if Romeo Entertainment was located in Iowa. Verne Welch, a consultant to Harrah's, advised that the company had moved to Iowa from Omaha. Mr. Weien advised the Commission that the contract with Screenco is a request to increase a contract that has previously been approved by the Commission for Harrah's.

Commissioner Chapman asked about the contract with Western Mailing. Mr. Weien stated that this is for a coupon that will be placed directly in the bill validator slot on the

slot machine. This is the only company they have found with the ability to meet the specification required so that the coupon will work.

As there was no further discussion, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-101)

Chair Mahaffey called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Riverboat Renewal Committee–Lee County – To Fund Referendum Political Action Committee for Lee County
- Riverboat Renewal Committee-Des Moines County – To Fund Referendum Political Action Committee for Des Moines County
- WMS Gaming – Game Conversion and Tokenization Kits for 72 Machines

Chair Mahaffey asked Mr. Massa to provide a brief explanation regarding the two Political Action Committee (PAC) contracts. Mr. Massa stated these are separate organizations that have been established in Lee and Des Moines counties to work for the passage of the upcoming referendum. CBC is funding both PACs as they operate in both counties. He noted the organizations are also soliciting additional funds.

Hearing no further questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by CBC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-102)

Chair Mahaffey called on Mississippi Belle II (MBII). Ken Bonnet, President, submitted the following contracts for Commission approval:

- IGT – Lease 7 Slot Machines (Replacements)
- Lamar Advertising – Renewing Billboard Advertising at Various Locations
- WMS Gaming, Inc. – Lease 6 Slot Machines (Replacements)
- Konami Gaming, Inc. – Possible Purchase of 10 Slot Machines (Replacements)

Commissioner Hamilton pointed out a miscalculation on the Transaction Summary Sheet regarding the total of the out-of-state contracts, noting that the figures are reflected on the quarterly economic reports filed with the Commission.

As there was no further discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MBII. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-103)

Chair Mahaffey called on Lakeside Casino. Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc./CDS – Maintenance Agreements, Conversions, Parts
- Bally Gaming Systems – Lease of 4 Slot Machines (Replacements)
- Grimes Asphalt and Paving Corp. – Repair and Resurface Part of Parking Lot
- IGT/Anchor – Lease of 12 Slot Machines (Renewal)
- IGT/Anchor – Purchase 67 Slot Machines (Replacements); 50 Conversions and Other Supplies and Equipment
- IGT dba Iowa Trust – Lease 13 Slot Machines (Renewal)
- Konami Gaming, Inc. – Purchase of 15 Slot Machines (Replacements)
- Williams Gaming, Inc. – Lease of 12 Slot Machines (4 Replacements/Balance Renewal)
- Williams Gaming, Inc. – Conversions, Parts
- Hospitality Management Systems – Purchase POS System

As there were no comments concerning Lakeside's contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-104)

Chair Mahaffey called on Isle of Capri Casino Bettendorf (IOCB). Mike Hirsch, General Manager, presented the following contracts for Commission approval:

- American Business Forms – Forms and Supplies
- American Hotel Register – Hospitality Supplies
- Atronic Americas, LLC – Purchase of 6 Slot Machines (Replacements)
- Newt Marine Services – Dredging
- North American Video – Surveillance Equipment
- Saga Sports International – Sport Celebrity Agent

Commissioner Chapman asked about the contract with North American Video, noting that Per Mar is located in Bettendorf. Mr. Hirsch indicated Per Mar does not provide services along this line. This contract is for Sony cameras, Toshiba monitors and some televisions. He indicated IOCB did receive a bid from an Iowa vendor; however, it was 6.6% higher than the out-of-state bid. Commissioner Chapman asked who would service the equipment if there were problems. Mr. Hirsch advised that IOCB has a surveillance equipment technician on staff that will be able to take care of minor problems. If the machines break or are non-repairable, a company representative will have to come.

As there were no further questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-105)

Chair Mahaffey called on Rhythm City Casino. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- AC Coin & Slot Service Company – Lease Slot Equipment (Increase)
- Atronic Americas, LLC – Slot Machine Components & Leases (Increase)
- Bally Gaming, Inc. – Transaction Increase
- Corporate Micro Systems – Computer Hardware & Software Parts & Supplies
- International Game Technology (IGT) – Purchase Slot Machines (Replacements) (Increase)
- Konami Gaming, Inc. – Transaction Increase
- Shuffle Master Gaming – Lease Slot Machines, Table Games, and Shuffle Machines

As there were comments or questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Rhythm City Casino. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-106)

Following a short break, the Commission reviewed the financial audits of the Isle of Capri licensees, starting with IOCB. Mr. Hirsch stated that the current audit, for the period ending April 28, 2002, is for a 12-month period compared to a 14-month period for the previous year. He indicated that he would only be covering 2002 data. Mr. Hirsch stated that IOCB had gaming revenue of $98.5 million, helped along by the fact that Rhythm City was closed due to flooding and a mild winter. Net revenues were approximately $95.4 million. The largest operating expense is gaming taxes, which represent 26.1% of gaming revenues, casino operating expenses (payroll, slot machine leases, maintenance, etc) were 16.8% of net revenues, marketing and administrative costs represented 16.7% of net revenues. Operating income for the year was approximately $19.5 million, with a net income of $1.2 million. IOCB spent $3.3 million in 2002 for capital expenditures, the majority for new slot machines and some improvements to the casino.

Mr. Hirsch indicated that IOCB has implemented EZ Pay in the casino on 275 slot machines, which allows the player to utilize a ticket, eliminating the handling of coin, providing more efficiency in operations. This has allowed IOCB to reduce staff through attrition.

Mr. Ketterer asked how Isle of Capri allocates the long-term debt and interest expense to the parent company for each property. Mr. Hirsch stated that when IOC purchased Lady Luck that debt was assigned to the respective properties based on the value of the property. IOC's purchase of Rhythm City was a separate transaction, and that debt was assigned to the Davenport property. He further noted that the parent company holds all of the debt (approximately $1 billion) at an interest rate of 8%. All debt payments are made to the parent company, which then makes the scheduled payments to the bondholders.

Mr. Ketterer asked if the fact that IOC Marquette has more long-term debt than Rhythm City, even though Rhythm City produces more, has to do with the acquisition costs of

that specific property. Mr. Hirsch noted that Lady Luck was in the process of purchasing Marquette when IOC purchased Lady Luck. The purchase price includes the cost of assets plus good will, which until last year had to be amortized under GAAP rules.

Hearing no further questions concerning the financial statement for IOCB, Chair Mahaffey called on IOC Marquette (IOCM). Kim Hardy, General Manager, advised Mr. Ketterer that he was unable to answer his question. He also only covered 2002 figures. In 2002, IOCM had net revenue of $37 million. They deducted $750,00 for an insurance claim from operational expenses as the facility was closed due to flooding.

Mr. Ketterer noted that IOCM had done $1 million the previous week, making that their biggest week ever. Mr. Hardy stated that on either Saturday or Sunday, they took in $3 million in coin. Commissioner Cutler asked Mr. Hardy the reason for the increase. Mr. Hardy stated that IOCM is seven months into an aggressive TV marketing campaign in La Crosse, Wisconsin.

Hearing no further comments or questions for Mr. Hardy, Chair Mahaffey called on Ms. Donovan from Rhythm City. Ms. Donovan stated that she would only review 2002 figures, as the current reporting period covered 52 weeks versus 29 weeks for 2001.

Ms. Donovan stated that Rhythm City had $59 million in casino revenues, noting that revenues were reduced as the facility was closed 20 days during this reporting period due to flooding. (Rhythm City was closed a total of 31 days, with the remainder falling into the next reporting period.) Net revenues were $57 million. Ms. Donovan noted that Rhythm City was able to increase its net revenue from previous years based on the marketing dollars expended. As Rhythm City is a new brand in the market, as well as for IOC, marketing funds were spent getting patrons to differentiate between the tropical and musical themes of the two local IOC properties. Operating income was $4.6 million. Capital improvements totaled approximately $4 million with $2.5 million going to slot machines and signage. Additionally, the facility purchased three shuttles for employee transportation in order to allow them to utilize off-site parking. Funds were also spent on computer upgrades. Ms. Donovan also provided a brief update on the River Renaissance project. A new parking garage, to open in January, will provide an additional 445 parking spaces, which will be closer to the facility than some of their existing satellite parking. The parking garage will eventually be connected to the casino by a sky bridge.

Commissioner Chapman asked if Bettendorf and Davenport prepare their budgets together. Mr. Hirsch advised that corporate looks at them together. Commissioner Chapman asked if the marketing funds are pooled. Mr. Hirsch and Ms. Donovan both answered in the negative. Ms. Donovan advised that each facility has separate reporting elements.

Commissioner Chapman asked about the general feeling of the upcoming referendum. Ms. Donovan stated that she felt that it was good. Preliminary polling has been positive. Davenport One has approached various Chambers to fund the PACs.

Chair Mahaffey moved to the next agenda item – a hearing on an underage gambling violation that occurred at PMR&C, and called on Mr. Ketterer. Mr. Ketterer advised that he and Mr. Farinella had reached agreement on a Stipulated Agreement. The incident involved a 19-year old individual who came down from the fourth floor simulcast area, where minors are allowed with parents, and proceeded to cross over into the casino without being stopped by the security officer. The individual remained in the casino in excess of three hours and did play the slot machines, thus meeting the criteria for bringing the violation before the Commission. Based on previously established guidelines, the administrative penalty is $10,000. Mr. Ketterer recommended approval of the Stipulated Agreement.

Commissioner Hamilton asked Mr. Farinella what is being done differently at the facility to prevent a similar occurrence in the future. Mr. Farinella stated that PMR&C always works very hard to prevent this type of incident. The challenge is to maintain a user-friendly atmosphere without inconveniencing patrons. Mr. Farinella noted that this crossover intersection is the meeting place for the entrance and pari-mutuel players, and a major cross aisle of the casino. The individual was caught when he attempted to cross back to the pari-mutuel facility at the same location. Mr. Farinella advised the Commission that the security guard was busy when the individual crossed over. He noted that the individual wore a baseball cap while playing the slot machines, and that there was only one major interaction between a casino employee (a slot technician) and the individual. The technician is no longer employed at PMR&C.

Mr. Farinella stated that the individual had just arrived from Canterbury, and was going to apply for an IRGC license the following day to work on the backside at PMR&C. The individual had worked at Canterbury, and frequented the casino there, as the legal age to gamble in Minnesota is 19. The individual had two employment identification cards from Minnesota, both showed that he was 19 but had different names. He has been trespassed from the facility.

Mr. Farinella stated that the security officers located in this area are now angled to watch patrons as they go up or down on the escalators.

Mr. Ketterer stated that PMR&C has the most difficult facility to balance the screening of minors and allowing minors to view the races. Mr. Farinella reiterated PMR&C's need to manage the facility for the convenience of the patron, noting there are several areas to enter the live racing area without being checked.

Hearing no further discussion or questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the Stipulated Agreement as presented. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-107)

Chair Mahaffey moved to Administrative Business, and called on Mr. Ketterer. Mr. Ketterer stated that over the last several years the Commission has nominated a

legislative subcommittee. He noted that the staff has identified some areas that are non-controversial as they relate to the Code, but there are concerns over certain outdated areas, and other areas staff would like the Legislature to clarify to provide better direction in how to regulate the industry. He feels the Legislature may be somewhat more receptive to bills during the upcoming session as it will occur after the gaming referendums and elections. Mr. Ketterer noted that if three members are appointed to the subcommittee, all meetings must be noticed and agendas published. That would not be the case if only two members were appointed to the subcommittee.

Last years subcommittee had three members, with meetings held the day prior to the Commission meeting. Those meetings were open to the public, and members of the industry attended and participated.

Commissioner Chapman nominated Chair Mahaffey as a member of the subcommittee. Vice Chair Hamilton volunteered to be the other member.

Mr. Ketterer indicated a preference for two members for the ease of accomplishing some goals by telephone or e-mail between the meetings. Additionally, any actions taken by the subcommittee or staff can be communicated to the other Commission members at the same time. Before any final actions are taken, the matter will be brought before the Commission.

Commissioner Chapman moved that Chair Mahaffey and Vice Chair Hamilton serve on the Legislative Subcommittee. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-108)

Mr. Ketterer noted that the Commission would be considering the renewal applications for the racetrack licensees for their racing licenses as well as the racetrack enclosure license at the October meeting. Chair Mahaffey noted that the applications are due in the Commissions office by October 1. Mr. Ketterer indicated there could be some impact on the licenses due to the Commission's pari-mutuel budget.

With respect to the budget, Mr. Ketterer noted that last year the salaries and other costs, which had previously been allocated 50-50 between riverboat and pari-mutuel, were reallocated to place more of the burden on the riverboat budget, leaving less in the pari-mutuel budget. The mandated 4.3%, 1% and furlough-equivalent salary reductions in FY02 removed an additional $126,000 from the budget. In the current fiscal year, due to the AFSCME contract, the cost of living increases and merit increase for employees, were only partially funded (41%) in the salary bill passed by the Legislature. With the equivalent reduction for half-day furloughs per month for each employee, IRGC still needs to find another $94,000 for the pari-mutuel budget. After removing the Des Moines staff, there are few remaining areas in the pari-mutuel budget: two stewards who officiate the races and enforce the rules, two veterinarians who inspect the animals and collect the samples, which are sent to Iowa State for drug testing. In addition, there are gaming representatives assigned to each racetrack that deal with the casino side of the

operation. Staff has looked at, and submitted, a layoff plan for those positions. These cuts will still leave the Commission with areas to identify for further reductions.

As there were no questions for Mr. Ketterer with regard to the budget, or any Public Comment, Chair Mahaffey requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 17, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 17, 2002 at the Isle of Capri Bettendorf, Bettendorf, Iowa. Commission members present were Mike Mahaffey, Chair; Diane Hamilton, Vice Chair; and members Steve Chapman, Kate Cutler and Joyce Jarding.

Chair Mahaffey called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Hamilton moved to approve the agenda as printed. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Mahaffey called on Scott County Regional Authority (SCRA) and Mayor Ann Hutchinson. Mayor Hutchinson stated that the community is confident the gaming referendum will pass as Bettendorf has experienced tremendous economic growth.

Patsy Ramacitti, Vice President of SCRA, advised they were going to present a brief power point presentation – The Continuation of Gaming in Scott County – which has been presented to a number of community organizations. Mike Hirsch, General Manager of Isle of Capri Bettendorf (IOCB), indicated the numbers presented in the presentation are for both the Rhythm City Casino and IOCB. Since 1991, these two facilities have paid $282,716,360 in state taxes, $8,484,870 to the Gamblers Assistance Program, $10,207,171 to Scott County and in excess of $25 million to Bettendorf and Davenport. At the conclusion of the spring grant awards, the SCRA and RDA have distributed approximately $52 million to charitable organizations. Mr. Hirsch noted that IOCB and Rhythm City employ approximately 1,500 individuals with a payroll of approximately $460 million. The facilities have distributed over $4 million in community distributions above and beyond those made by SCRA and RDA.

At this time, Ms. Ramacitti took over the presentation. She indicated that the non-profit distributions had been made in the following categories: City Grants: $1,357,951; Arts: $3,379,710; Community Development: $8,799,312; Education: $15,513,427; Health & Human Services: $8,927,615; Historic Preservation: $2,062,690; Libraries & Museums: $3,068,522; Parks, Recreation & Sports: $5,748,198; and Public Safety: $3,254,362. Funds have been distributed to 440 Educational institutions and 23 communities. Ms. Ramacitti stated that the charitable contributions would increase to $55 million at the conclusion of the fall grant period.

Chair Mahaffey moved to the approval of the minutes from the September 10, 2002 Commission meeting. Commissioner Chapman moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Mahaffey moved to the Announcements; and introduced Joyce Jarding as the newest member of the Commission. Commissioner Jarding stated that she has worked for the Iowa Department of Economic Development, Iowa Department of Transportation, and has recently served on the board of the Dubuque Racing Association.

Chair Mahaffey noted the upcoming Commission meetings:

- November Commission Meeting – November 21, 2002 – Stoney Creek Inn, Johnston, (Submissions due by November 7, 2002)
- No December Meeting
- January Commission Meeting – January 16, 2003 – Stoney Creek Inn, Johnston (Submissions due by January 2, 2003)

Chair Mahaffey called on Jack Ketterer, Administrator of IRGC, for any further announcements. Mr. Ketterer introduced the following IRGC staff members in attendance: Tom Peters, Shirley Stokes and Betty Clark.

Chair Mahaffey moved to the final adoption of a new rule, noting that Terry Hirsch, Director of Riverboat Gambling, had prepared a synopsis of the rule change. Mr. Ketterer stated that the rule before the Commission, 5.4(8) or the contract rule, was originally submitted to the Commission under Notice of Intended Action in July. If the Commission approves the final adoption, the rule will be filed and become effective sometime in mid-December. This rule would increase the required Commission approval of transactions to $100,000; a related party has been defined, and attempts to define what constitutes an Iowa vendor. The definition is a result of vendor compliance meetings held over the last year. Mr. Ketterer recommended approval.

Commissioner Hamilton voiced concern over the Iowa vendor definition with regard to goods being distributed through a distributor located in Iowa. She wondered what would happen if the distributor has offices in Council Bluffs, but the distributor is actually located in Lincoln. Mr. Ketterer stated that he felt that scenario would be one of the possible exceptions – the licensee would indicate that it is a necessary out-of-state purchase based on distributorship territories.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the final adoption of the rule. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-109)

Chair Mahaffey moved to the Contract Approval portion of the agenda, and called on IOCB. Mr. Hirsch presented the following contracts for Commission approval:

- Build to Suit – Construct Food Outlet in Hotel
- Marsh USA – Insurance Broker

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-110)

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

- Atronics – Purchase 6 Slot Machines (Replacements) (Previously approved under Contract No. 2361)
- Elkader Carpet and Design – Remodeling of Casino Interior and Showroom (Lighting, Carpet, Chairs and Wallpaper)
- Harkers Distribution – Food Supplier
- International Game Technology/IGT – Purchase 12 Slot Machines (Replacements) (Previously approved under Contract No. 2377)
- Marsh USA, Inc. – Liability Insurance
- Konami Gaming, Inc. – Purchase 6 Slot Machines (Replacements) (Previously approved under Contract No. 2380)
- The Next Thing – Direct Mail Printers for RDI

Commissioner Chapman questioned the printing contract with The Next Thing, which performs direct mail functions for Rosenfield Dentino, Inc. (RDI), the direct mail company utilized by Isle of Capri Casinos. He asked if there were any vendors in Iowa that could provide the same service. Mr. Hardy stated that the contract was let out for bids, and thought they were contained in the packet. He indicated that if the information was not there, he would provide it by next week. Commissioner Chapman indicated there were no quotes in the information provided, and that he would like to see them.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOCM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-111)

Chair Mahaffey called on Rhythm City. Nancy Donovan, General Manager, presented a contract with Marsh USA as an insurance broker. She also invited the Commission to stop by and see the Rhythm City Casino in Davenport.

Hearing no discussion concerning the contract, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contract as submitted by Rhythm City. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-112)

Chair Mahaffey called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented a contract with the Gary Hoyer Law Firm for legal services.

Commissioner Chapman asked Mr. Massa if CBC had changed law firms, noting the increased transaction request from the previous year. Mr. Massa answered in the negative, indicating there were just more situations requiring legal advice.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contract as submitted by CBC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-113)

Chair Mahaffey called on Harrah's. Shannon Fenster, Compliance Officer, presented the following contracts for Commission approval:

- Bluffs Electric – Furnish and Install Heat Trace System
- Clark Creative – Advertising Representative
- Elman & Co. – Printed Materials, Direct Mailers (Increase)
- Hnedak Bobo Group – Design & Professional Services (Increase)
- Welcome Homes – Home Building Services for the "House on the House" Sweepstakes

Commissioner Chapman asked about the contract with Elman & Co. for printing services. Ms. Fenster stated that printing services for 2003 are currently out for bid. The contract before the Commission today is a request for an increase to a previously approved contract.

Commissioner Cutler asked about the Screenco contract that was before the Commission in September. Ms. Fenster indicated Harrah's is still working on getting bids.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-114)

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

- AC Coin & Slot Service Company – Purchase 4 "Little Green Men" Slot Machines (Additional Machines) (Participation Games)
- Bluffs Beverage – Alcoholic Beverage Inventory (Increase)
- Doll Distributing – Beer Inventory and Related Services (Increase)
- Edward Don and Company – Operating Inventory Supplies and Equipment (Increase)
- Feuring Promotions – Promotional Items (Increase)

- HyVee Food Stores – Food Inventory and Related Services (Increase)
- Johnson Brothers – Wine and Other Beverage Related Inventory and Supplies
- Meredith Corporation – Printed Advertising and Promotional Direct Mail Materials
- Imperial Palace – Freshly Prepared Crab Ragoon and Other Asian Foods
- Absolutely Fresh Seafood – Seafood Inventory (Increase)
- Compaq Computers – Specially Configured File Servers for Use w/ATI Casino Management System
- Dell USA LP – Personal Computers
- Midwest Gaming Supply – Sale of 139 Slot Machines

As there was no discussion concerning Ameristar's contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-115)

Chair Mahaffey called on Dubuque Diamond Jo (DDJ). Natalie Schram, Assistant General Manager, presented the following contracts for Commission approval:

- Citizens Committed to Our Community (PAC) – Contribution in Support of Referendum
- City of Dubuque, Iowa – Grant of Easement
- Comerica Bank – Supplier of Electronic Cash Services
- Community Foundation of Greater Dubuque – Charitable Giving
- Foothill Capital Corporation (Wells Fargo Subsidiary) – Second Amendment to Current Loan Agreement
- Midwest Gaming Supply – Replacement Slot Machines, Dice and Table Game Layouts
- Telegraph Herald – Advertising Agreement

Commission Cutler asked for clarification regarding the contract with the Community Foundation of Greater Dubuque for $450,000. Ms. Schram indicated that a group of local citizens formed a community foundation and requested an annual donation.

Hearing no further discussion, Chair Mahaffey called for a motion. Commissioner Chapman moved to approve the contracts as submitted by DDJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-116)

Chair Mahaffey moved to the contracts submitted by Belle of Sioux City (BSC). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Reinhart Food Service – Restaurant Food Products
- IGT – Purchase 28 Slot Machines (Replacements)

As there was no discussion, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-117)

Chair Mahaffey called on Prairie Meadows Racetrack & Casino (PMR&C). Ray Sears, Assistant Director of Accounting, presented the following contracts for Commission approval:

- Atronic Americas, LLC – Potential Purchase of 36 Slot Machines (Replacements)
- Zena's Gifts & Decorating – Potential Purchase of Gifts, Awards, Consignment and Resale Items (Increase)

Hearing no discussion concerning PMR&C's contracts, Chair Mahaffey called for a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-118)

Chair Mahaffey called on the Iowa West Racing Association (IWRA). Tony Payne, Executive Director, and Jim Campbell, Legal Counsel, presented the following documents for Commission approval:

- Amended and Restated Excursion Boat Sponsorship and Operations Agreement with Ameristar Casino Council Bluffs, Inc.
- First Amendment to Amended and Restated Excursion Boat Sponsorship and Operations Agreement with Harveys Iowa Management Inc., a wholly owned subsidiary of Harrah's Entertainment, Inc., and Consent to Proposed Ameristar Casino Council Bluffs Sponsorship Agreement

Mr. Payne stated that these documents are amendments and restated sponsorship agreements with Harveys/Harrah's and Ameristar. He indicated the agreements would serve IWRA well over the next eight years.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the agreements as submitted by IWRA. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-119)

Chair Mahaffey called on the Iowa Harness Horsemen's Association (IHHA). Brad Schroeder, Legal Counsel, and Royal Roland, President of the IHHA, addressed the Commission regarding the IHHA's negotiations with RACI for a purse supplement from casino revenue for the standard bred industry. He indicated the parties have reached an impasse, but is still hopeful a resolution can be reached. Mr. Schroeder requested to be on the agenda in the event an agreement cannot be reached so that an alternative plan is in place. He noted that Mr. Ketterer, and the Commissioners, were in receipt of a letter from Tom Flynn, RACI's legal counsel, indicating RACI's belief that they are not legally obligated to negotiate with the standard bred association. The IHHA feels Mr. Flynn's

assertions are incorrect based on Iowa Code, which states in part: "The Commission shall authorize the use of receipts from gambling games within the racetrack enclosure to supplement purses for races pursuant to an agreement which shall be negotiated between the licensees and representatives of the dog or horse owners." It is IHHA's interpretation of the Code that RACI is required to negotiate with them. Mr. Schroeder stated there has been tremendous growth in the standard bred industry over the last several years, and in order to continue that growth, the IHHA needs to be a part of PMR&C, and continue to race at the county fairs. He noted that greyhound regulations establish the procedures for an arbitration panel, but there is nothing in the horse statute. Mr. Schroeder indicated that would be one alternative, as well as a mediator, or submitting the issue to the Commission at the November meeting. He expressed his opinion that the Commission has the authority to require that PMR&C negotiate with IHHA based upon RACI's upcoming license renewal.

Commissioner Hamilton asked Mr. Schroeder if he knew the history from the beginning of harness racing at PMR&C. Mr. Schroeder stated that harness racing started on the county fair circuit many years ago. Commissioner Hamilton asked who approached whom with regard to the first agreement with the IHHA.

Mr. Roland stated that when the facility was first built, it was contemplated all three breeds would race at PMR&C. In 1990, there was a full season of harness racing; however the fall 1991 season was terminated halfway through the meeting due to financial losses at the track.

Chair Mahaffey asked if all three breeds had raced at PMR&C since the beginning. Mr. Roland stated there was no racing in 1992-1993, but when racing started again, it was just thoroughbreds and quarter horses. Harness racing did not start again at PMR&C until 2000.

Commissioner Hamilton asked what discussions were held the first time harness racing was held at PMR&C. Mr. Roland stated that he could not answer that question, but noted that all of the horse and dog racing industries worked toward the passage of the pari-mutuel legislation.

Commissioner Chapman asked Mr. Roland what RACI told the IHHA when thoroughbred and quarter horse racing resumed, but standard breds did not. Mr. Roland stated that the IHHA was advised that there were insufficient funds and not enough support for harness racing in Iowa.

Mr. Ketterer stated that prior to PMR&C opening in 1989, pari-mutuel wagering occurred at the county fairs for four years. Mr. Ketterer stated he felt Commissioner Hamilton was attempting to determine if pari-mutuel wagering at the county fairs was suspended on the reliance that PMR&C was going to allow harness racing at the facility. Mr. Roland indicated Mr. Ketterer's comments were correct. He stated the pari-mutuel license for harness racing was not renewed in anticipation of racing at PMR&C.

Commissioner Hamilton asked if IHHA gave up their pari-mutuel license for the county fairs in order to be able to race at PMR&C. Mr. Roland turned the floor over to Judy Roland, an officer of IHHA at the time they had the license.

Ms. Roland stated she and her husband managed the Iowa fair circuit for four years. She indicated that the Commission at that time advised the IHHA that they would be asked to give up their license in order to support racing at PMR&C. They were advised that they would be given the opportunity to race at PMR&C along with the other horse breeds. She reiterated the standard bred industry has grown the past three years.

Commissioner Chapman stated that whenever he talks to someone involved in the horse industry about profitability, he has always been told that the reality is they are building an industry in the state. He noted that the statute indicates they are to support an industry, but does not state that it is just the quarter horse or thoroughbred. He indicated his desire for the parties to reach an agreement prior to the November Commission meeting.

Chair Mahaffey asked if there were any further comments or questions for Mr. Schroeder or either of the Rolands. Commissioner Hamilton stated that she had spoken with Rich Mischler of Spencer. She indicated that she would like to have him make a list of things to be done, and send it to the Commission office for distribution.

Chair Mahaffey noted there was no one present to address this issue on behalf of PMR&C. He stated that he had spoken with Mr. Flynn with regard to his letter and the direction he felt the Commission would take on this issue. He indicated the Commission would not be taking any action, but stated the Commission would like the parties to reach an agreement. Chair Mahaffey agreed with Mr. Schroeder's statement that there is no statutory provision for Commission action as set forth in the greyhound statute; he feels the Commission could take action if they chose to do so. He stated that if the parties could not reach an agreement by November 6th or 7th, both parties should submit where they are at in the negotiations and their last best offer and the Commission will determine what action, if any, it will take at the November meeting.

Chair Mahaffey moved to the next agenda item: Dubuque Greyhound Park & Casino(DGP&C)/Iowa Greyhound Association (IGA) – Approval of Third Arbitration Panel Member. Bruce Wentworth, General Manager of DGP&C, stated that in the event the arbitration process becomes necessary on November 18th, their selections for the arbitration panel are Rita Sealock on behalf of DGP&C and David Blair as the third arbitrator.

Chair Mahaffey stated that it was his understanding that Ms. Sealock had been selected to represent Dubuque Racing Association (DRA), Rick Olson the IGA, and DRA has selected David Blair as the third member of the arbitration panel. Jerry Crawford, legal counsel for IGA, advised that they have selected Jim Cownie, and provided a brief resume for him. He stated that Mr. Cownie has been acting as a mediator behind the scenes during the recent disputes between PMR&C and Polk County. The IGA feels it

would be beneficial to have a new set of eyes and thought processes involved in the arbitration decision should it come to that. IGA selected Mr. Cownie as the third arbitration member for both DGP&C and BRC.

Mr. Wentworth stated that DRA had selected Mr. Blair as the third member because of his extensive background, noting his service on the Commission and on previous arbitration panels. Additionally, Mr. Blair is a professional mediator.

Chair Mahaffey noted that the arbitration issues pertaining to DGP&C and BRC are separate agenda items, but stated that he felt it made sense to have the same arbitrator for both entities. He called on Lorraine May, legal counsel for IWRA and Harrah's. Ms. May stated that she concurred with Mr. Wentworth's comments regarding Mr. Blair's qualifications to serve on the arbitration panel. She stated that he is aware of the complicated nature of the calculations that go into the purse supplement issue. Ms. May stated that Mr. Blair works to reach a conclusion that is in the best interest of both parties appearing before him.

Chair Mahaffey stated that he knew both gentlemen, and concurred with the statements made by Ms. May and Mr. Crawford. He called for any comments from Commission members. Commissioner Chapman stated that time and history is important, but that at other times, a fresh start can be a benefit. He indicated that he did not know Mr. Blair. He stated his opinion that Mr. Cownie is one of the most open-minded individual he has ever met, and has witnessed him bring parties to the table and reach an agreement when everyone else has failed.

Hearing no further discussion, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve Jim Cownie as the third member of the arbitration panel for BRC and DGP&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-120)

Chair Mahaffey moved to the next agenda item – Renewal of Racetrack License and Granting of Racing Dates and Racetrack Enclosure Gambling License for IWRA/BRC. Tony Payne, Executive Director of IWRA, and Rory DeSantiago, Racing Secretary at BRC, were present to answer any questions. Mr. Payne provided a quick comparison of 2002 to 2001, noting that revenue was up 2.7%, purse supplement increased $350,000, handle increased 3.8%, and capital expenditures increased 141% to $1.6 million. IWRA believes the facility is moving in the right direction with regard to attractions and greyhound racing. Chair Mahaffey called for questions from the Commissioners concerning IWRA/BRC's application.

Mr. Ketterer advised that he had a few comments to make when the motion was made.

Commissioner Hamilton referred to the Casino Operations section regarding training for employees in the following areas: Operation Bet Smart, Project 21 and Unattended Children. She wanted to know about the Unattended Children training program. Karen

Wosnack, Legal Counsel, advised that Harrah's instructs their employees in the proper procedures to follow when they find an unattended child.

Commissioner Cutler noted that the application made reference to improvements to the kennel compound. She wondered how BRC evaluates the compound to determine what improvements should be made. Mr. DeSantiago stated that he and the facilities manager had walked the compound earlier in the week and inspected the walls around the different kennels, and the gates leading into the kennels. BRC is currently in the process of changing the sand in all of the pens, which is done twice a year. They are looking at putting down asphalt in the kennel compound. Commissioner Cutler asked if BRC seeks input from the kennel operators during the process. Mr. DeSantiago answered in the affirmative.

Commissioner Cutler asked if the budget for 2003 had been set so that BRC would know how much was going to be spent on capital improvements, etc. Mr. DeSantiago stated that he thought the budget was being reviewed at this time. Additionally, Commissioner Cutler noted that the application indicates that 55% of BRC's employees are Iowa residents. She asked how many of the mid to upper management personnel were Iowa residents. Shannon Fenster, Compliance Officer, indicated they would need to do some research, but would provide the information.

Chair Mahaffey advised IWRA/BRC that the Commission had received a letter on October 3rd from the Iowa Liberty and Justice Center, signed by Chuck Hurley, on behalf of Robert Miller, who had some concerns with regard to the IWRA/BRC renewal application. He called for Mr. Miller or a representative of the Iowa Liberty Justice Center to come forward and voice those concerns. No one came forward. He called on Jean Davis, Assistant Attorney General for the Commission, to address the letter.

Ms. Davis advised the Commissioners that this same issue was raised in September 1999. The Commission reviewed the issue and made a determination at that time. She noted that the analysis has not changed. Ms. Davis stated that Iowa Code Section 99D.9(2)a specifically authorizes a management agreement, as does Iowa Code Section 99F.7(a). Those two provisions provide that a licensee may not turn over to a third party control of the operation, which would require the Commission to review control, and the concept of ownership. Ms. Davis also reviewed some existing case law surrounding the issue.

As there were no questions for Ms. Davis, Chair Mahaffey called on Mr. Ketterer. Mr. Ketterer stated that his comments would pertain to all of the racetracks, and will have an impact on the conditions for the license. He noted that the Commission granted racing dates at this same time last year, and then was faced with across-the-board budget cuts in excess of 4% in November. Budgets were further cut in March during the legislative session, which were carried over to the current fiscal year beginning July 1. Mr. Ketterer noted that during the special legislative session, additional cuts in the form of furloughs or alternative reductions in the budget were assessed. Mr. Ketterer advised that the Legislature passed a Salary Adjustment Bill, which was only funded at 41%, covering the

AFSCME contract for cost-of-living and merit increases. Most agencies instituted furloughs or layoff plans at the beginning of this fiscal year. Mr. Ketterer stated that IRGC has two budgets – one for pari-mutuel and one for riverboats. He states 65-70% of the pari-mutuel budget compensates stewards to officiate races, veterinarians to inspect the racing animals and gather samples for illegal drugs and racing chemists at the Iowa State University Diagnostic Lab who perform the drug tests. IRGC has exhausted the possible reductions under the other 30%. In July, Commission staff looked at how race dates could be reduced to cover the budget reductions and meet the budget for the fiscal year. Mr. Ketterer stated that it seemed unfair to all of the participants to cut racing dates in July that the Commission had approved ten months earlier. The Commission is now faced with seeking a reduction in racing dates in order to meet the budget. Mr. Ketterer recommended to the Commission that all of the racing license approvals include a deferral on the racing dates until the November Commission meeting. Additionally, the Commission is in the process of submitting the budget for the upcoming fiscal year beginning July 1, 2003, and is facing the same issues. He recommended that the Commission seek a permanent resolution to the problem in the Legislature by changing the way the pari-mutuel budget is appropriated by the Legislature, enabling the Commission to avoid this problem in the future and be more responsive to the racing dates submitted by the racetracks in the way the Commission's pari-mutuel budget is appropriated by the Legislature. Mr. Ketterer stated that he had spoken to the representatives of each of the horse breeds, the greyhound industry, track managers, and Commission members. He is hoping to speak to the Legislative leadership prior to the session to explain what a fair resolution to the issue might be. Mr. Ketterer requested that the granting of the race dates be deferred until the November meeting. In the interim, in the event a change can't be achieved in the Legislature, the parties need to determine the best scenario for all involved in reducing the number of racing dates at each facility.

Mr. Ketterer set forth the following conditions with regard to the renewal of the racetrack licenses:

- Passage of the referendum in November
- Arbitration Decision or Agreement for the purse supplements from slot revenue be submitted for approval
- Report on capital improvements at next meeting
- Deferral of racing dates to the November meeting

As there were no further questions, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the renewal of the racetrack and racetrack enclosure gambling licenses for IWRA/BRC, subject to the passage of the referendum in November, the resolution of purse supplements, a report on capital improvements, and the granting of race dates will be deferred until November. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-121)

Following a short break, Chair Mahaffey moved to the approval of the contracts submitted by BRC in addition to those contained in the racetrack enclosure license

renewal. Shannon Fenster, Compliance Officer for Harrah's, submitted the following contracts for Commission approval:

- Blue Jay Lawn and Landscaping – New Underground Irrigation System and Landscaping
- Bluffs Electric, Inc. – Installation of Generator/Transfer Switch
- Hnedak Bobo Group – Design Services
- Waldinger – Purchase of HVAC Equipment (Increase)

With regard to the Blue Jay Lawn and Landscaping contract, Commissioner Chapman asked if the specs were clearly spelled out. He wondered if any attempts had been made to negotiate a lower price with the Lanoha, noting a price differential of approximately $22,000. Ms. Fenster noted that Harrah's has utilized Lanoha in the past and will continue to solicit bids from them in the future. She indicated that she did not know what discussions took place following the submissions of the bids.

Hearing no further discussion, Chair Mahaffey called for a motion. Commissioner Cutler moved to approve the contracts as submitted by BRC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-122)

Chair Mahaffey advised that Mr. Miller had approached him during the break. He explained to Mr. Miller that the Commission had just voted on the license renewal. Mr. Miller gave a written statement to Chair Mahaffey to be entered into the record. A copy is attached, and is incorporated herein by this reference.

Chair Mahaffey moved to the next agenda item – Renewal of Racetrack License and Granting of Racing Dates and Racetrack Enclosure Gambling License for Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager, and Brian Southwood, Assistant General Manager, were present to answer any questions concerning the renewal applications for the racetrack and racetrack enclosure gambling licenses. Mr. Wentworth noted that this is the 18th time DRA/DGP&C has sought the renewal of their license.

As there were no questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the renewal of the racetrack and racetrack enclosure gambling license for DRA/DGP&C, subject to the passage of the referendum in November, the submission of an approved Arbitration Decision or Agreement for purse supplements from slot revenues, a capital improvement report, and defer the granting of race dates until the November meeting. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-123)

Chair Mahaffey stated that RACI/PMR&C had submitted a letter requesting that their license renewals be deferred until the November Commission meeting.

Chair Mahaffey moved to Administrative Business, and the approval of the Commission's membership in the North American Pari-Mutuel Regulators Association (NAPRA). Mr. Ketterer advised that the Commission is already a member of NAPRA, and that one of the benefits of membership is the licensing and rule violation databases they maintain from all racing jurisdictions. He noted that this organization was formed five or six years ago after breaking away from the Association of Racing Commissioners International. The Commission has maintained both memberships for the past couple of years, but can no longer justify doing so. Mr. Ketterer explained that there really was not that much difference between the two organizations, but the ARCI membership costs approximately $2,000 more a year than NAPRA.

Hearing no further comments or questions, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the Commission's membership in NAPRA. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-124)

Mr. Ketterer recognized Special Agents Larry Mullen and Ben Sims of the Division of Criminal Investigation. They are in charge of some of the riverboat personnel on the eastern side of the state.

Mr. Ketterer stated that the Commission had appointed the Chair and Vice Chair to serve on the legislative committee. He indicated that he would like to set up a meeting between now and the November meeting. Chair Mahaffey asked Mr. Ketterer to make contact with him next week.

Chair Mahaffey moved to Public Comment. As there was none, Chair Mahaffey requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 21, 2002

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 21, 2002 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Mike Mahaffey, Chair; Diane Hamilton, Vice Chair; and members Steve Chapman, Kate Cutler and Joyce Jarding.

Chair Mahaffey called the meeting to order at 8:30 AM and noted the following changes to the agenda:

- Item 6E, a contract from Belle of Sioux City, was withdrawn
- Item 13, Petition for Appeal of Administrative Law Judge Decision has been continued at the request of the attorney for the Appellant.

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

Chair Mahaffey moved to the approval of the minutes from the October 17, 2002 Commission meeting. Commissioner Chapman moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Mahaffey called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer indicated there would be no December or February Commission meetings, and that the January 16, 2003 and March 6, 2003 meetings would be held at Stoney Creek Inn.

Mr. Ketterer also discussed the gambling referenda held on November 5th. He noted that all of the percentages were favorable, with the lowest margin of approval coming in Des Moines County with a 63% - 37% margin. He also noted that in Pottawattamie County, the two gambling measures passed with a 79% - 21% margin, and only 12 votes different between the two measures. Mr. Ketterer noted that in Dubuque County, with 30,000 votes, the counts for the casino and racetrack received the same number of votes, 23,952 to 5,998, an 80% - 20% approval rating.

Chair Mahaffey called on Mr. Ketterer, who introduced James Maida, founder and President of Gaming Laboratories International (GLI). GLI is responsible for testing all gaming equipment before it is put into play in Iowa, and most other gaming jurisdictions.

Mr. Maida gave an overview of GLI's background, and the various services provided to the state under its contract.

Chair Mahaffey called on Mr. Ketterer to address the rules before the Commission under Notice of Intended Action. Mr. Ketterer stated the first half of the rules address items recommended either by the stewards or Assistant Attorney General Jean Davis, with regard to various issues that came up during the recent live racing season at Prairie Meadows Racetrack & Casino (PMR&C). The last three changes address the letter the Commission received from Charles Krogmeier, legal counsel for International Game Technology in Iowa, on the issue of how to fund multi-year payouts for large jackpots that were initially required to use only 30-year Treasury Bonds. Mr. Ketterer noted that the government has ceased to issue those bonds. These changes provide for other government-grade investments to fund the jackpot payouts. Mr. Ketterer recommended approval of the Notice of Intended Action, noting that these rules would be back before the Commission for final adoption in either January or March.

Hearing no questions concerning the rules, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the Notice of Intended Action regarding the rules as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-125)

Chair Mahaffey moved to the Contract Approval portion of the agenda, and called on Ameristar. Jane Bell, Director of Government/Community Affairs, presented the following contracts for Commission approval:

- Bally Gaming Systems – Daily Rental of 6 Monte Carlo $1 Slot Machines @ $50/day (Replacements)
- Mikohn Gaming – Six Trivial Pursuit Video Machine Games @ 20% of Win/Day (Replacements)
- Hoglund Bus and Truck Company – Passenger Bus

Hearing no comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar Casino. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-126)

Chair Mahaffey called on Harrah's Casino. Pete Weien, General Manager, presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase 10 Monte Carlo and 10 Frankie Avalon Slot Machines (Replacements)
- C Rallo Contracting Co., Inc. – Renovations to the Hotel Rooms, Front Desk and Coat Check Areas
- Gilchrist & Soames – Purchase of Hotel Amenities
- The Incentive Shop, Inc. – Purchase Holiday Promotional Items

- Waldinger – Purchase of a Hot Water Storage Tank System

Mr. Weien advised the Commission that due to the successful outcome of the referenda on gaming during the general election, Harrah's would be undertaking a major renovation of their hotel at a cost of just over $6.5 million with an Iowa vendor.

Hearing no comments or questions, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-127)

Chair Mahaffey called on Lakeside Casino. Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Gas & Electric Service
- Aristocrat Technologies, Inc./CDS – Purchase of Additional Oasis Software
- Bally Gaming Systems – Purchase of 16 Slot Machines (Replacements)
- Clarke County Development – Contribution
- Clarke County State Bank – Letter of Credit
- Cummins Allison Corp. – Purchase of Money Handling Equipment
- Farner Bocken – Tobacco, Sundry & Select Food Products
- IGT/Anchor – Lease of 4 Slot Machines (Replacements)
- Iowa State Fair – Sponsor Varied Industries Building
- Koch Brothers – Office Supplies
- Massachusetts Mutual Life Insurance – Employee 401K
- NDC Check Service – Patron Check Processing Guarantee
- Neopost/Infomax Office System – Postage Meter Lease
- Pingel & Templer, PC – Legal Counsel
- Reinhart Foods - Food and Supplies for Kitchen
- Sysco Food Service of Iowa – Food, Supplies & Equipment for Kitchen
- Holmes Murphy – Property/Casualty & Workers Comp Insurance
- AON Risk Services – Property/Casualty & Workers Comp Ins.
- Marsh USA Inc. – Property/Casualty & Workers Comp. Ins.

As there were no comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-128)

Chair Mahaffey called on Dubuque Diamond Jo (DDJ). Lorraine May, legal counsel, presented the following contracts for Commission approval:

- J.F. Brennan Co. Inc. – ROV Underwater Hull Inspection
- Old Evangeline Downs Acquisition LLC – Transfer of 8 Slot Signs w/Progressive Meters

As there were no questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by DDJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-129)

Chair Mahaffey called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented a contract with IGT for the purchase of six replacement bartop slot machines for Commission approval.

As there were no questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contract as submitted by CBC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-130)

Chair Mahaffey moved to the contracts submitted by Rhythm City Casino. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Creative Surfaces – Casino Signage
- Management and Employment Services Agreement

Ms. Donovan advised that Curt Beason, legal counsel, was present to answer any questions concerning the second contract, which will apply to all Isle of Capri facilities.

Commissioner Cutler asked about the large difference in the bid amounts submitted for the casino signage. Ms. Donovan advised that the variance is due to a difference in materials utilized by the companies in putting together their bids.

Chair Mahaffey called on Mr. Beason for an explanation of the Management and Employment Services Agreement. Mr. Beason stated that Isle of Capri Casinos, Inc. has formed a new wholly-owned subsidiary, IOC Services, LLC, which will have the same officers and directors as the other subsidiaries, except for the local general managers. The new subsidiary was created to allow the company to standardize payroll, shift some management responsibilities, and allow the company to take advantage of some tax savings. The agreement will terminate if the license is terminated.

Chair Mahaffey stated his understanding was that the same agreement was being presented for all three facilities. Mr. Beason indicated that was correct, except that the contract with Rhythm City contains a section regarding the trademark as the Davenport trademark will be different than the others.

Hearing no further questions, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Rhythm City Casino. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-131)

Chair Mahaffey called on Isle of Capri Bettendorf (IOCB). Mike Hirsch, General Manager, presented the following contracts for Commission approval:

- Edward Don – Restaurant Supplies
- Management and Employment Services Agreement

As there were no comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the contracts as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-132)

Chair Mahaffey moved to the contracts submitted by Isle of Capri Marquette (IOCM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Aristocrat – Purchase of 12 Slot Machines (Replacements)
- Bally Gaming, Inc. – Purchase of 12 Slot Machines (Replacements)
- Innovative Gaming, Inc. – Purchase of 12 Slot Machines (Replacements)
- International Game Technology-IGT – Purchase of 21 Slot Machines (Replacements)
- Shuffle Master – Lease of 4 Slot Machines (Replacements)
- Sigma Games – Lease w/Option to Purchase 3 Game of Life Slot Machines (Replacements)
- Management and Employment Services Agreement

Hearing no comments or questions concerning the contracts, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCM. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-133)

Chair Mahaffey moved to the next agenda item – Iowa West Racing Association/Iowa Greyhound Association (IWRA/IGA) – Approval of Purse Agreement. Mr. Ketterer advised that the Commission had not received a decision from the Arbitration Panel.

Chair Mahaffey moved to the next agenda item – Notice of Appeal RE: IRGC's Approval of License Renewals for Iowa West Racing Association/Bluffs Run Casino (IWRA/BRC). As there was a question as to whether notice was sent to the parties, it was decided to defer the matter until the January meeting. Mr. Ketterer also noted that IWRA would also like an opportunity to respond to documents submitted by Timm Reid, legal counsel for Robert Miller.. Jim Campbell, legal counsel for IWRA, indicated they had not received notice of the appeal until Tuesday, and would also request that the item be deferred until the January meeting.

Chair Mahaffey moved to the season approvals for IWRA/BRC. Rory DeSantiago, Racing Director, was present to answer any questions concerning the 45-day plan before the Commission.

Mr. Ketterer noted that in response to his request at the October Commission meeting that the tracks submit alternative race schedules, BRC has submitted a schedule reducing the number of racing dates by 29 in the first six months of 2003, and another 29 in the last six months of 2003 by deleting the matinee performance on Saturday and moving the evening performance to 4:00 PM. The post time for Friday was also changed to 4:00 PM.

At this time, Mr. Ketterer asked that the licensees advise the Commission, if and when funding is restored, how long it would take them to return to the original race dates submitted in conjunction with the racetrack license renewal application.

Mr. Ketterer also noted that the Commission had received a letter from the IGA requesting that if funding is restored that BRC return to the original race dates submitted in the license renewal application. Jerry Crawford, legal counsel for IGA, noted that BRC had originally requested the same racing dates for 2003 as in 2002. He pointed out that the handle has remained level at BRC, while revenue from exporting their signal has grown by 15% in the past two years, and exceeded $1 million this year alone. Mr. Crawford stated that by eliminating the Saturday matinee, BRC reduces the number of racing opportunities by 4,992 for the coming year for Iowa-bred greyhounds; thereby having a direct adverse impact on the economic development of the greyhound industry. The situation creates an uncertainty and hardship for the individuals dependent upon the greyhound industry for their income and livelihood. Mr. Crawford noted that the State receives twice as many dollars in gaming taxes to the general fund as is paid out for stewards to run the live races; therefore the State would actually lose money with this cut. He is hopeful that once Legislative members have been apprised of the situation, some redress will occur and funds will be returned to fund the stewards at all three racing facilities. Mr. Crawford urged the Commission to make any reduction in the number of races contingent upon the immediate resumption of the original application dates if and when funding is restored. He noted that Dubuque Greyhound Park & Casino has indicated their intent to immediately restore the two weeks of racing should funding be restored. Mr. Crawford requested that BRC do the same, or in absence of an agreement, that the Commission make it part of their approval of the racing license.

Mr. Weien noted that BRC would have a better idea of how the changes affect BRC after six months, either positively or negatively, and asked that they be given the opportunity to evaluate the effects before returning to the original race dates.

Commissioner Chapman asked about the time frame involved in the restoration of funds. Mr. Ketterer stated that he did not have any answers; that it would be up to the Legislature. He asked Mr. Weien how much time BRC would need to return to the original race schedule, i.e: scheduling employees, racing program and advising patrons of the change. Mr. Weien indicated a minimum of 30 days, but more likely 60 days. He stated that by changing the starting time to 4:00 PM; BRC had experienced an increase in their export handle, and feel they will see the same results on Saturday.

Mr. Ketterer stated that the Commission had asked for the revised race schedule due to the lack of funding; but that Mr. Weien is asking that BRC be allowed to evaluate the effects of the alternate racing schedule from a business standpoint. Mr. Ketterer indicated that the Commission, in making its decision as to when BRC should return to the original race schedule, should take into account the two scenarios presented by BRC and IGA

Mr. Weien noted that BRC is statutorily required to run 290 races in order to maintain their license, and that BRC would continue to exceed that number under the revised racing schedule.

Mr. Crawford advised the Commission that IGA has been very cooperative with BRC, is their partner in the simulcast business, and has agreed to changes in schedules when BRC has wanted to test time changes. He stated that this is not a test of a time change, but a direct reduction of approximately 5,000 racing opportunities for Iowa-bred greyhounds to race; thus having a direct impact on the economic benefits, which is why slot machines were allowed at racetracks. He again urged the Commission to include language in their motion to require BRC to return to the original race schedule requested should funding be restored.

Commissioner Hamilton asked if there was any action the Commission could take to move along the request for additional funding. Mr. Ketterer advised that he and Chair Mahaffey would be seeking an audience with the Legislative leadership in order to set out the problems facing the Commission and racing facilities. He suggested that the Commission establish a 45-day time frame for BRC to resume the original racing schedule, giving BRC two weeks to provide notice to everyone involved in the race meet. He indicated that BRC could evaluate the impact of the reduced schedule, and revisit the issue next fall.

Commissioner Mahaffey asked why BRC would have a problem returning to the original race schedule submitted in October, with a 45-day notice if and when funding is restored. Mr. Weien indicated there would be some problems with customer confusion and negotiating short-term simulcast contracts. He again requested the ability to evaluate the situation before returning to the original race schedule.

Mr. Ketterer stated there is nothing that would prevent BRC/IGA from reviewing the results of the alternate race schedule and then coming back to the Commission and submitting a revised plan.

As there was no further discussion, Chair Mahaffey requested a motion. Commissioner Chapman moved to approve the Season Approvals as submitted and the racing schedule submitted on October 1, 2002, based on the Commission's ability to get funding restored; and that if BRC desires to change that schedule, that a revised race schedule be submitted to the Commission for approval. Commissioner Cutler seconded the motion.

Mr. Ketterer stated that if BRC proceeds on the schedule submitted October 1, and the Commission does not get funding restored, then the Commission risks being over budget.

Commissioner Mahaffey gave the following summary of his understanding of the motion: BRC will proceed under the revised race schedule until if and when funding is restored, at which time the race schedule would return to the schedule submitted on October 1, unless the parties submit a different race schedule at that time. Commissioners Chapman and Cutler concurred with Chair Mahaffey's summary.

Mr. Weien stated that his understanding of the motion was that if funding is restored, BRC would have 45 days to return to the race schedule submitted on October 1, unless an alternate plan was submitted for approval by BRC/IGA.

Commissioner Cutler asked if there was a way for BRC to come back before the Commission with an alternate plan in the event the BRC and IGA could not agree on a race schedule. Chair Mahaffey advised that BRC could submit their plan next fall at license renewal.

Hearing no further discussion, Chair Mahaffey called for the vote. The motion carried unanimously. (See Order No. 02-134)

Mr. Weien asked if there was a chance the funding would be restored for the balance of the current fiscal year and then cut again at the beginning of fiscal year 2004; thereby requiring BRC to again come up with an alternate race schedule. Mr. Ketterer stated that the Commission's request would be for a permanent restoration of funding.

Chair Mahaffey moved to the additional contracts submitted by BRC for Commission approval. Mr. Weien presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase 15 Slot Machines (Replacements)
- The Incentive Shop, Inc. – Purchase Holiday Promotional Items

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-135)

Chair Mahaffey moved to the Capital Improvement report for BRC requested by the Commission at the October meeting. Mr. Weien advised that BRC would be constructing a new Player's Club, and spending $1 million to upgrade the cages and cashier areas. He indicated Harrah's would like to invest more capital in the facility, but would have to wait and see what the Legislative session holds for the gaming facilities.

Chair Mahaffey moved to the next agenda item – Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager, stated that DRA/DGP&C had submitted racing dates starting on April 26, 2003. The alternate

schedule before the Commission would delay the start of racing until May 10, 2003. He indicated that DGP&C is willing to return to the original race schedule, noting that DRA/DGP&C would have the same concerns as BRC – spending marketing funds on the change in starting dates, etc.

Hearing no discussion, Chair Mahaffey requested a motion. Commissioner Hamilton moved to approve the revised race schedule as submitted by DRA/DGP&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 02-136)

Chair Mahaffey called on Mr. Wentworth for DRA/DGP&C's capital improvement report. Mr. Wentworth divided the report into three areas, noting approximately $825,000 had been spent on racing-related capital improvements over the last several years. Most recently, DRA/DGP&C spent $300,000 on the kennel compound. The capital improvement projects for 2003 in the amount of $1.8 million were just submitted to the DRA Board of Directors. Mr. Wentworth stated that DRA had contacted an architect last fall to get an idea of what the facility could look like with additional growth, and more so since the passage of the referendum.

Following a short break, Chair Mahaffey called on Racing Association of Central Iowa/Prairie Meadows Racetrack and Casino (RACI/PMR&C) for the renewal of the racetrack license, granting of racing dates and renewal of the Racetrack Enclosure Gambling License. Bob Farinella, General Manager, was present to answer any questions. The thoroughbred meet would begin on April 18, 2003 and run through June 28, 2003 with five performances per week. The mixed thoroughbred/quarter horse meet commences on July 4, 2003 and runs through September 13, 2003 with four performances per week in July and September, and five performances per week during the month of August. The harness meet commences on September 19, 2003 and runs through October 5, 2003, with three performances per week.

Chair Mahaffey asked Mr. Farinella about capital improvement plans at the track. Mr. Farinella stated that most of the capital improvement projects relate to the track side of the facility. The next proposed project involves remodeling the fourth floor of the clubhouse, expanding the table seating to the north end of the facility. This project has been submitted to the RACI Board. He indicated the 2003 budget has not been approved. Mr. Farinella indicated RACI/PMR&C is looking at pouring some concrete pads in the barn area and installing electric capabilities on the backside for the trainers. Additional projects under consideration are the paddock and walking ring, however, they will require significant funding and will receive closer evaluation following the closure of the tax case and after the Iowa Legislature determines how they are going to address the tax issue. Other projects include remodeling the jockey quarters, a new tote board in the paddock area, changes to the racetrack with regard to the starting gate, and replacing the air conditioning unit on the fourth floor.

Mr. Ketterer asked Mr. Farinella about the dates for the harness meet. He noted that the second item under RACI/PMR&C was the approval of the Purse Agreement with Iowa Harness Horsemen's Association (IHHA) for the 2003 season. Mr. Ketterer stated that the agreement made some changes to the dates for the harness meet. Mr. Farinella indicated that was correct. Mr. Farinella stated the meet would now start on Monday, September 22 and run through October 18, 2003 with four performances per week. Races will be held on Monday, Tuesday, Friday and Saturday for a total of 17 race days. He noted that the IHHA typically holds a Family Day event, and they are looking at doing that on a Sunday.

Mr. Ketterer noted that the dates PMR&C has submitted for the first meet run through June 28th, and wondered how PMR&C intended to turn over approximately 600 thoroughbred horses in order to bring in 600 quarter horses for the mixed meet, which begins on July 4, 2003. In the past, PMR&C has allowed approximately two weeks for this process; for 2002, the time was reduced to nine days, and has been further reduced to five days for the 2003 season. Mr. Farinella stated that PMR&C's stall applications would contain language indicating when the stalls have to be vacated. He also indicated that it is imperative the horsemen accept their responsibility in vacating the stalls in a timely manner. Mr. Ketterer expressed concern that some of the horsemen would leave early in order to make sure they were out of the stalls in time, which would create issues in filling race cards the last week of the thoroughbred meet.

Mr. Ketterer indicated that he was aware PMR&C had been in negotiations with the harness industry with regard to an alternative schedule to reduce the nine racing days. Mr. Farinella stated that it was his understanding that the nine racing dates would apply to racing prior to June 30, 2002, and didn't know where they would be at after June 30, 2002. Mr. Farinella stated that PMR&C is cognizant of that criteria from the Commission and will be prepared to address an alternative racing schedule when they come before the Commission in January with the season approvals.

As there were no further questions from Mr. Ketterer or the Commission members for Mr. Farinella, Chair Mahaffey called on Bruce Johnson, legal counsel for Des Moines Cold Storage Company and Charles Muelhaupt. Mr. Johnson spoke in opposition of approval of the purse agreements between RACI and the horse owners. Mr. Johnson asked the Commission to reject the contract and embark on a program to require RACI to scale back its purse subsidies and its expense subsidies to a point where they do not injure or diminish the organizational purpose mandated by the Code. He stated the money being spent on purse supplements should be going to charitable and civic causes. A copy of Mr. Johnson's comments is attached to the minutes (available in the Commission's Des Moines office), and is incorporated in its entirety by this reference.

Chair Mahaffey called on Assistant Attorney General Jean Davis. Ms. Davis noted that Iowa Code Chapters 99D and 99F have become blended with regard to regulatory authority and duties. She noted that Iowa Code Chapter 99D permits pari-mutuel racing in Iowa for the promotion of the horse, dog, or other livestock breeding industries of the

state. Iowa Code Chapter 99F was specifically drafted to permit gambling games at racetracks; however, it is very clear the Legislature did not intend to create land-based casinos but provide support to the original concept of Iowa Code Chapter 99D.

With regard to the Commission's statutory authority to set purses, Ms. Davis stated that the Legislature left that ability with the Commission. Iowa Code Sections 99D.7and 99F.4 state in part: "The commission shall have full jurisdiction over and shall supervise all race meetings/gambling operations governed by this chapter." Iowa Code Section 99D.7(4) further states the Commission has the authority to regulate the purse structure for race meetings including establishing a minimum purse. She stated that when the Commission approves purses, they are doing so under the above statute.

With regard to the utilization of racetrack enclosure receipts to supplement purses, Iowa Code Section 99F.6 states in part: "... The commission shall authorize, subject to the debt payments for horse racetracks and the provisions of paragraph "*b*" for dog racetracks, a licensee who is also licensed to conduct pari-mutuel dog or horse racing to use receipts from gambling games within the racetrack enclosure to supplement purses for races particularly Iowa-bred horses pursuant to an agreement which shall be negotiated between the licensee and representatives of the dog or horse owners. ..."

Ms. Davis conceded Chapters 99D and 99F do make reference to Iowa Code Chapter 99B, but feels those references are to ensure that individuals do not confuse what is authorized under 99B with what is authorized under 99D and 99F. Iowa Code Chapter 99B, the very first legislation to establish a permissible form of gambling, was established to regulate charitable and socialized gaming. This chapter states that all forms of gambling are illegal unless specifically authorized. Ms. Davis stated there are several issues covered in IC 99B that have no effect on an IC 99D or 99F licensee. She indicated that those chapters refer to 99B in an effort to provide guidance to the 99F licensee in distributing charitable funds. IC 99B provides a list of appropriate organizations to receive charitable disbursements, and among the list is a specific reference to government works and projects.

Ms. Davis deferred comments as to whether RACI/PMR&C was operating within the parameters of a non-profit organization to RACI's legal counsel.

Tom Flynn, legal counsel for RACI, stated that it appeared Mr. Johnson and his client were seeking to impose their judgment, instead of the judgment of the Legislature, Commission, Polk County Board of Supervisors, RACI's Board of Directors, various horse groups and Internal Revenue Service (IRS). He indicated that he would not cover territory already covered by Ms. Davis.

Mr. Flynn pointed out that when PMR&C and the other tracks were operating solely as racetracks, they failed. He stated that the Legislature, in 1994, could have decided that racing was a bad experiment in Iowa and could have discontinued racing. Instead, the Legislature authorized slot machines at the racetracks for the purpose of paying off

existing debts and supplementing purses for Iowa-bred horses and dogs. The tracks were successful following the addition of slot machines. Mr. Flynn stated that the Legislative intent was not just to promote the welfare of Polk County. He noted that Polk County has received $285 million in the form of rent or profit since the slot machines were installed. He did not think the IRS would look at that figure and consider it to be inconsequential or not promoting social welfare as required by the tax code. Mr. Flynn stated Mr. Johnson and his client have not properly interpreted how the IRS Code that PMR&C as a 501C(4) non-profit organization must comply with relates to Legislative intent and the regulations of the Commission. He noted that the Commission has informed RACI several times that the entity is a racetrack with a casino, not a casino with a racetrack. Mr. Flynn stated that all purse agreements have been approved by the Commission, consistent with regulations adopted by the Commission – IAC 1.7(12), 1.7(13) and 1.7(14). He advised that RACI/PMR&C has tried to establish purses in line with the Commission's regulation. He noted that when the previous 5-Year agreement was negotiated, the Legislature had passed a mandate in 1993 that would have required PMR&C to pay 15% of the gross revenue in purses. Mr. Flynn stated that mandate played an important part in the purse negotiations occurring at that time.

Mr. Flynn noted that the Polk County Board of Supervisors have approved the previous and current lease agreements, expressing concern about the purse levels. He stated that at one time all of the profits from PMR&C were paid to Polk County. In September 1994, the Commission filed an administrative action to deny or revoke PMR&C's license, as there were concerns as to whether Polk County was indirectly managing and controlling operations at PMR&C. The current structure of RACI's Board of Directors was also a result of that administrative action.

Mr. Flynn stated that the purse agreement before the Commission has been approved by the RACI board of Directors, Polk County Board of Supervisors and the representatives of the various horse groups. He noted that when RACI received its 501(C)4 status, they filed an application with the IRS stating that the operation would be a horse track and would be distributing profits as required by the IRS Code and Code of Iowa. RACI files tax returns setting forth revenues and distributions. To date, the IRS has not taken issue with those returns.

Mr. Flynn requested that the Commission approve the purse agreements as presented.

Chair Mahaffey called on Mr. Johnson for final comments. Mr. Johnson stated that attempting to interpret the statute on the basis of supposed Legislative history is tricky business. He indicated the first task in interpreting statute is to look at the statutory text. He noted that 99B.7 and 99B.8 do not make any reference to promoting the horse industry. Mr. Johnson stated that he is not questioning everyone's judgment. In his opinion, the Commission should not approve the purse agreement, but should send it back to the parties with a mandate to scale the project back. He pointed out that a Des Moines Register article reported $2.9 million in charitable and civic contributions for 2001; however, the listing he obtained from the Commission added up to $2,232,287. He

contrasted that to the $15 million subsidy to the horse industry. In addition, he explained that the rent payments to Polk County are just that – rent; that the facility is not a gift to have available for racing and gaming activities, and should not be classified as a charitable contribution.

Chair Mahaffey advised that the Commission had received a letter from Shirley Pfeiffer. He requested that the letter be made a part of the record, and is hereby incorporated in its entirety by this reference (Copy available in the Commission's Des Moines office).

Mr. Ketterer stated that the purse agreement before the Commission has been agreed to by the Iowa Horsemens Benevolent and Protection Agency, representing the thoroughbred industry, and the Iowa Quarter Horse Racing Association, representing the quarter horse industry. Mr. Farinella stated that Iowa Code instructs the licensee to negotiate with representatives of the horsemen's groups, which they have done.

Hearing no further discussion concerning the proposed purse agreement, Chair Mahaffey returned to the renewal of the racetrack and racetrack enclosure licenses for PMR&C. Commissioner Chapman moved to approve the license renewals of PMR&C. Commissioner Cutler seconded the motion. Mr. Ketterer requested that the following condition be placed on the renewal of the licenses: that alternative racing dates be submitted at the January meeting in the event that funding has not been received to provide regulation. Commissioners Chapman and Cutler agreed to amend the motion and second.

Hearing no further discussion, Chair Mahaffey requested a motion. The motion carried unanimously. (See Order No. 02-137)

Chair Mahaffey moved to the approval of the purse agreement with the Iowa Harness Horsemen's Association for the 2003 Season. Commissioner Cutler moved to approve the purse agreement as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-138)

Chair Mahaffey moved to the approval of the purse agreement with the Iowa Horsemen's Benevolent and Protective Association and Iowa Quarter Horse Racing Association. Commissioner Jarding moved to approve the purse agreement as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-139)

Chair Mahaffey moved to the additional contracts submitted by PMR&C. Mr. Farinella presented the following contracts for Commission approval:

- Aristocrat Technologies – Potential Purchase of 10 Video Slot Games (Replacements)
- Aristocrat Technologies – Potential Purchase of 12 Reel Slot Games (Replacements)

- Atlantic City Coin & Slot Service – Potential Lease of 5 Mix & Match Series Slot Machines (Replacements)
- Bally Gaming, Inc. – Potential Purchase of 79 Reel Slot Games (Replacements)
- Business Publications – Advertising
- Daily Racing Form – Racing Forms
- Farner-Bocken Company – Candy, Tobacco and Bar Supplies
- IGT-Iowa – Potential Purchase of 142 Each Video and Reel Slot Machines (Replacements)
- Kone Elevators – Elevator and Escalator Maintenance
- Neumann Brothers Inc. – Building Maintenance, Repair and Upgrades
- SCA Insurance Specialists – Promotional Games for Marketing
- Shive Hattery – Building Design and Engineering Fees
- Unisource Worldwide – Food Service Products
- Williams Gaming Inc. – Potential Purchase of Retro-fit Printer Kits

Hearing no discussion concerning the contracts, Chair Mahaffey requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 02-140)

Chair Mahaffey reiterated that the next agenda item – Petition for Appeal of Administrative Law Judge Decision by Dick Clark and Larry Dunbar has been continued to the January meeting.

Chair Mahaffey moved to Administrative Business – a report and recommendations from the Legislative Committee. Mr. Ketterer noted that the committee had met earlier via a telephone conference with regard to legislative recommendations. It was agreed that the Committee would recommend to the full Commission that the Commission make the following recommendations to the Legislature:

- Restore funding intended for the Iowa Gambling Treatment Program. (Staff will prepare a document recommending how the restored funds should be utilized.)
- Legislation addressing obsolete language, clarifications and updates to Iowa Code Chapters 99D and 99F, which are intended to be non-controversial.
- Seek the necessary legislation or appropriations to change the pari-mutuel budget to provide IRGC more flexibility with regard to funds to regulate the pari-mutuel industry and respond to changes in requested racing dates.

Chair Mahaffey requested a motion concerning the recommendations of the Legislative Committee. Commissioner Chapman moved to approve the Legislative Committee report. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 02-141)

As there was no Public Comment, Chair Mahaffey requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Chapman seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS