IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 20, 2000

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 20, 2000 at the West Des Moines Marriott, 1250 74th Street, West Des Moines, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Diane Hamilton was absent.

Chair Hansen called the meeting to order at 8:15 AM. He stated that the Executive Session had been held the previous evening. Chair Hansen requested a motion to approve the agenda. Commissioner Sealock moved to approve the agenda as printed. Jack Ketterer, Administrator for the IRGC, advised Chair Hansen that agenda items 13 and 10b under 7 could be removed from the agenda. Commissioner Sealock moved to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to approval of the minutes from the November 18, 1999 Commission meeting. Commissioner Hassenfritz moved to approve the minutes as written. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer introduced the following IRGC employees in attendance at the meeting: Hal May and Lauren Marriott, Gaming Representatives at Lakeside Casino & Resort and Prairie Meadows Racetrack & Casino respectively, and Marge Ramsey, secretary at the Des Moines IRGC office.

Mr. Ketterer stated that there would be no February Commission meeting, and that the March meeting would be held on Friday, March 3 at the Holiday Inn Gateway Center in Ames. The April Commission meeting will be held on April 20th at the Lakeside Casino & Resort in Osceola.

At this time, Mr. Ketterer called on Verne Welch, General Manager of Harveys and Bluffs Run Casino (BRC) in Council Bluffs, who had requested time to make a presentation. Mr. Welch presented a plaque containing a chip and/or token from each riverboat and racetrack casino to Bob Farinella, General Manager at Prairie Meadows Racetrack & Casino (PMR&C) as outgoing president of the Iowa Gaming Association. Mr. Farinella served as president from November 1997 through December 1999.

Chair Hansen moved to the rules before the Commission. The following rules were presented under Notice of Intended Action:

- Rescind subrule 8.2(13), paragraph "g" and insert new paragraph
- Amend subrule 13.10(8)

- Rescind rule 491-13.14(99D, 99F) and reserve

Mr. Ketterer stated that the first rule amends the current trifecta rule in the pari-mutuel section of IRGC's rules. The change was requested by PMR&C to assist them in improving their simulcast handle. The stewards would have the authority to withdraw trifecta wagering if necessary or grant it under exceptional circumstances so IRGC officials could be more responsive to changes.

The second rule adds language stating that intimidating or threatening statements are additional reasons for removing an individual from the licensee's property. The third rule removes the requirement that labor organizations file a registration form with the IRGC. Mr. Ketterer recommended approval of the noticed rules.

Hearing no questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Notice of Intended Action rules as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-01) (Copy attached)

Mr. Ketterer addressed the administrative rules before the Commission for final adoption. (Copy attached) He gave the following explanations:

- Item 1 – Technical change in rule site
- Items 2-8 – Recommendations from the greyhound stewards
- Items 10-22 – Recommendations from the horse stewards
- Item 23 – Changes amount and verification procedure for payment of a jackpot
- Item 24 – Amends the definition of video machines pursuant to Iowa Code 99F.1(9)

Video machines are not defined in that Code section, so the Commission did that in 1994 when the Legislature amended the gambling rules. This rule went before the Legislative Rules Review Committee. Although the Committee supported the language in the rule, they did feel that the Legislature may have shirked its responsibility by not defining video machines in the Code. The matter has been referred to a committee to determine whether or not the Legislature was more inclined to provide a definition than they did five or six years ago. Since the Legislature did not want to obstruct the process of our rule going through, the rule will proceed through the administrative rulemaking process.

- Item 25 – Revises and clarifies reporting requirements
- Item 26 – Uniform rule as a result of an Executive Order addressing waivers/variances from rules. All state agencies have adopted a similar rule.
- Item 27 – Defines a "certified bleeder" for the administration of lasix in race horses. This rule is uniform with rules in other racing jurisdictions, and eases the process of shipping a horse from one jurisdiction to another in order to compete.
- Item 28 – Establishes a trial period for gambling games. This allows the Commission and staff to be more responsive to requests for different gambling games from the licensees. Many are viewed by the public and withdrawn if the public does not show

an interest in the game. This will save time in the rulemaking process. This process is used in other jurisdictions.

Mr. Ketterer recommended approval. Commissioner Sealock moved to approve the final adoption of the above rules. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-02)

Chair Hansen noted that the District Court had issued a ruling relating to the Commission's Order of one year ago that ATM machines be removed from the casinos. He stated that the vote was 3-2, with Commissioner Sealock and he voting against the measure. He feels the Court's ruling vindicates their position that the Commission was overstepping its statutory authority. The issue now goes back to the legislative arena.

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

- Lamar Advertising – Billboard design
- Lamar Advertising – Billboard
- Coca-Cola – Beverage Products (1999 Revised)
- Coca-Cola – Beverage Products (2000 Revised)
- Sigma Game, Inc. – Purchase 6 Slot Machines (Replacement)

Mr. Wentworth distributed a brochure listing the 189 organizations that received $2.2 million in grants from the Dubuque Racing Association. The brochure also provides a brief summary regarding the grant process. He reported that the City of Dubuque had received $4.4 million in 1999.

Hearing no questions regarding the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by DGP&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-03)

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

- Anderson Partners – Creative and Media Buying Agency
- Corporate 3 Design – Marketing Concepts, Creative & Design, Assistance w/ Web Site and Print Production
- Goodkind & Goodkind Direct, Inc. – Postal Pre-Sorts and Mailings

Commissioner Hassenfritz asked if there was a reason for the three different groups. Mr. Welch explained that Anderson Partners is a marketing agency, Corporate 3 Design specializes in concept and creative designs and Goodkind & Goodkind will perform corporate data base functions for Harveys.

Commissioner Mahaffey asked what the contract with Goodkind & Goodkind entailed. The company will keep track of the various mailings sent out by BRC. He noted that Harveys has used the firm for a number of years.

Hearing no further comments regarding the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BRC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-04)

Chair Hansen moved to the contracts submitted by Harveys Kanesville Queen. Mr. Welch, General Manager, presented the following contracts for Commission approval:

- Firstar – Fees Received for Placement of ATM Machines
- Innovative Gaming – Anticipated Slot Machine Purchases (Replacements)
- IGT – Slot Machine Replacements (Replacements)
- US West – Phone Switch Upgrade
- WH Smith – Rent Receipts for Gift Shop
- Williams Gaming – Anticipated Slot Machine Purchases (Replacements)

Hearing no questions regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Harveys. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-05)

Chair Hansen called on Lakeside Casino & Resort. Larry Seckington, legal counsel, asked for a few minutes for Joe Massa, General Manager, to give a brief report on their opening on January 1, 2000. Mr. Massa stated that Lakeside was the fifth casino that he had opened. He indicated the plan was to open mid-week rather than the middle of the three-day holiday weekend. Some problems were experienced because of the holiday weekend in that they didn't always have access to the usual businesses and vendors. Mr. Massa stated that he felt the opening went well. He noted they have had more job applicants since the facility opened. He is pleased with the performance to date.

Commissioner Hassenfritz asked about the demographics of the individuals working at the facility. Mr. Massa indicated they were mainly from Osceola and the surrounding towns. They are also getting some applicants from Des Moines.

Commissioner Hassenfritz asked how long it is taking to get skilled positions filled and working on the floor. Mr. Massa stated that it depended on the skill level of the applicant and the position for which they were applying as some positions take more training than others. He indicated that they have been able to attract some employees for supervisory positions from other licensees in the state, as well as other gaming jurisdictions.

Commissioner Sealock asked Mr. Massa if Lakeside was fully staffed. Mr. Massa stated there are approximately 680 full and part-time employees at this time. In his opinion,

they will add another 100 employees. Lakeside held another job fair the previous weekend.

Chair Hansen welcomed Lakeside to the licensee family, and thanked Bill Grace for his letter commending IRGC staff on their cooperation and help in getting the facility open. He noted that he had received several calls regarding Lakeside's ability to pay out jackpots in the opening days. Mr. Massa confirmed that they did not get jackpots paid out and machines filled as quickly as they should have in the first days; due in part to training factors and the large crowds.

Commissioner Hassenfritz asked Mr. Massa how long it took to get the computer problems resolved. Mr. Massa indicated there was difficulty in getting the system up and running like it should. Systems people were brought in from Las Vegas a week prior to the opening to correct the problem, with additional support staff arriving on New Year's Eve. He feels the computer problems are behind them.

As there were no further questions regarding the opening, Mr. Seckington presented the following contracts for Commission approval:

- NDC Gaming Services – Check Guarantee Agreement
- Stanford Companies, Inc. – Vending Services
- Clarke County State Bank – Letter of Credit (RP)
- Grace Entertainment, Inc. – Management Services (RP)
- Office Depot – Office Supplies
- Storey Kenworthy – Office Furniture & Supplies
- Koch Brothers – Printing of Forms & Documents
- Mosler – Mosler/Toshiba "TouchSort" Currency Handling System

Commissioner Mahaffey asked about the management services contract for entertainment services. He asked if it was a standard contract within the industry, or how the figures were calculated. Mr. Seckington stated that Grace Entertainment, Inc. is a management company for another casino in Missouri. The contract was an arms-length, negotiated contract, and mirrors the contract before the Commission for approval. Mr. Seckington indicated the fee was fairly standard.

Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside Casino & Resort. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-06)

Chair Hansen called on the President Casino. As a representative did not come forward, the contracts were deferred at this time.

Chair Hansen called on Ameristar Casino. Jeff Terp, Vice President of Business Development, presented the following contracts for Commission approval:

- Hirsch Bender Associates – Interior Design Consulting Services
- Pentzlen, Inc. – Removal of Accumulated Sand and Silt
- Apunix Computer Services, Inc. – Customer Kiosk Software

Mr. Terp also distributed a notebook providing information on some of the planned improvements to the facility and the status of the expansion project.

Commissioner Sealock advised that Pentzlen, Inc. has been in business in the Omaha/Council Bluffs area for a long time, and is extensively used in southwest Iowa.

Hearing no further questions regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-07)

Mr. Terp advised the Commission that the third floor deck of the riverboat has opened since the previous Commission meeting. He noted that the Holiday Inn expansion is complete, and construction has started on the Hampton Inn expansion. The Holiday Inn rooms are ready for occupancy as soon as they install an electronic piece that will allow modems to be used in the rooms.

Mr. Terp stated that Ameristar plans to retrofit the first and second decks of the boat to bring in the same color scheme used on the new third floor. This will occur during the first two quarters of this year.

The parking garage is on schedule to open in February. There will be 1,000 parking spaces.

Additionally, the following renovations are planned:

- To double the size of the VIP Platinum Players Club by removing the arcade
- Upgrading the Ameristar Sports Bar by adding some new video walls and some additional seating areas,
- The glass-enclosed walkway is going to be removed and changed to a lounge area/waiting area for people entering or leaving the boat. The area will include seating for approximately 100 people at tables and 20 at the bar. It will also have some type of entertainment.
- The Rivertown Café will also be updated, add some table and bar service, and bring in some display cooking.
- The Veranda Buffet will be expanded to 312 seats, and food service islands will be added.

Commissioner Hassenfritz asked Mr. Terp if Ameristar had convention space. Mr. Terp indicated they have 5,000 square feet of convention space. Commissioner Sealock asked if they were adding more space. Mr. Terp indicated they were not at this time as

Ameristar felt it was more advantageous to reinvest in the facility following the completion of the third deck of the boat, parking garage, and the two additional hotel facilities.

Commissioner Sealock asked about the removal of the arcade, noting that numerous families visit Ameristar. Mr. Terp stated they are going to relocate some of the adult games into the Sports bar area, as well as another area of the facility.

Chair Hansen called on Catfish Bend Casino. Mr. Ketterer advised the Commission that Dan Kehl, General Manager, had contacted the office indicating that he did not think he would make it to the meeting because of the weather. Mr. Ketterer recommended approval of the contract with Self Insured Services Company for health insurance. He noted the contract is an amendment to a previously approved contract.

Commissioner Mahaffey moved to approve the contract as submitted by Catfish Bend Casino. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-08)

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

- Argosy Gaming – Intercompany Charges for May (RP)
- Argosy Gaming – Intercompany Charges for June (RP)
- Argosy Gaming – Intercompany Charges for July (RP)
- Argosy Gaming – Intercompany Charges for August (RP)
- Argosy Gaming – Intercompany Charges for September (RP)
- Argosy Gaming – Intercompany Charges for October (RP)
- Argosy Gaming – Intercompany Charges for November (RP)
- Anchor Games – 7 Slot Machines (Replacements)
- Atronic – 7 Slot Machines (Replacements)
- Williams Gaming – 3 Slot Machines (Replacements)
- Williams Gaming – 10 Slot Machines (Replacements)
- Aristocrat – 10 Slot Machines (Replacements)
- IGT – 8 Slot Machines (Replacements)
- North American Video – Surveillance Supplies & Equipment
- Hockenberg's – Restaurant Equipment & Supplies
- Janitor Supply – Housekeeping Supplies
- Food Service of America – Food Products for Restaurant
- Ernst & Young – 1998 & 1999 Audit Fees

Mr. Pavone advised that the first seven items were intercompany-related charges for legal fee, telephone charges, and health insurance that are billed back from the corporate office. He noted that the charges are also submitted at the beginning of the year. Additionally, there are requests to purchase a total of 45 slot machines as replacement machines, and local vendor contracts that exceeded the $50,000 limit at the end of the

year. Mr. Pavone noted that if the contracts for the slot machines were approved, they would represent a 100% change in the slot machines at the facility in the last 15 months. The change has increased the slot win at BSC from the lowest in the state to No. 2 in December.

Chair Hansen stated that it appears BSC is using a monthly write-off this year compared to an annual charge from last year. Mr. Pavone indicated that was one of the problems. He noted the contracts represent $396,000, with over a quarter of million going for legal expenses due to a lawsuit with their partner.

Mr. Pavone introduced Brian Wessels, the new Director of Finance for BSC. Mr. Wessels is a CPA, and has worked at the Meskwaki Casino in Tama and The President in St. Louis. He is a native Iowan.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by BSC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-09)

Following a short break, Chair Hansen called on the Racing Association of Central Iowa (RACI) and PMR&C. Chair Hansen rearranged the order in which the first three agenda issues would be considered – 2000 Season Approvals, First Amendment to 5-Year Agreement RE: Horse Purses, and Schedule of Capital Improvements & Approval of Conditional Racing License.

Derron Heldt, Director of Racing, presented the following information regarding the seasonal approvals for the 2000 thoroughbred meet: The minimum purse will be $4,000, with a high of $6,500. An agreement is in place between PMR&C and ITBOA of Iowa. The supplement program will remain the same as it was in 1999, with a 70/40 split. He noted that the Association's steward position is open at this time. Mr. Heldt presented the proposed listing of department heads and racing officials. He noted the thoroughbred meet would begin on April 21st and end on July 5th. There will be various post times: Sundays and holidays – 5:15; Monday – 2:30; Tuesday – 2:30; special Wednesdays – 2:30; and 6:40 PM on Fridays and Saturdays. A full system check will take place on Wednesday, April 19th at 7:00 PM. There will be a minimum of nine races on the days races are held.

Mr. Heldt stated that PMR&C would have trifecta wagering, as well as the usual win, place and show wagering. PMR&C is adding a superfecta wager this year. On a 9-race card, the patron will wager on races 3, 6 and 9. On a 10-race card, it will be races 4, 8 and 10. Mr. Heldt indicated that PMR&C would continue to be very aggressive in simulcasting – sending their signal out to numerous tracks around the country, as well as receiving signals from several tracks across the country.

Mr. Heldt advised that PMR&C is requesting three separate meets within the racing season. The thoroughbred meet would run from April 21 through July 5th, a mixed

thoroughbred and quarter horse meet, which would run July 18th through September 30th, and the harness meet from October 7 through October 20th. Mr. Heldt stated the barn area would be secured as of March 22nd as that is when horses start arriving on the backside for training. Licenses will be required of all personnel on Monday, April 17th.

Mr. Heldt stated that the Certification section contained agreements with the Horsemen's Benevolent & Protection Association (HBPA), hot walkers, Association, ambulance service, Iowa Thoroughbred Breeders & Owners Association, satellite uplink, waste disposal, teletimer and totalizator.

The last segment of the application sets out PRM&C's support and activities of the Iowa Gambling Treatment Program.

Commissioner Mahaffey, referring to the contract with the IHBPA, asked what they did with the $125,000 to promote the horse racing industry in Iowa. Tom Timmons, Vice President of Operations, advised that a CPA conducts an audit of the HBPA's records each year, which is provided to PMR&C. He stated that the money is used for benevolent purposes – helping individuals on the backside with medical bills, etc. It is not used for purses.

Mr. Ketterer stated that he was aware that PMR&C was attempting to drive their simulcast revenue, but wondered what they were doing to increase local patronage. He stated that if someone asked him what days PMR&C had live racing and the post times, he indicated that he was not sure he could provide an accurate answer, even after just having heard the information.

Mr. Timmons stated that PMR&C had added a late Sunday afternoon performance in lieu of a weekday afternoon performance. He indicated they have some marketing goals for the upcoming meet in an effort to increase attendance on the weekends.

Chair Hansen expressed his own concerns as to whether the marketing program was growing, and stated that he hoped to see some positive results.

Hearing no further questions or comments, Chair Hansen called on Linda Vanderloo, Director of Racing/Administration for IRGC, for comments. Ms. Vanderloo stated that Mr. Heldt did an excellent job of putting together the 45-day plan. She noted there were some equipment contracts that needed to be approved, and others that required no action. Ms. Vanderloo stated that any new racing staff would require Commission approval, and satisfactory completion of a background check. Simulcast contracts should continue to be submitted to the IRGC office for staff evaluation and approval.

Chair Hansen asked Ms. Vanderloo if she wanted her comments included in the motion. Ms. Vanderloo answered in the affirmative. Chair Hansen requested a motion regarding the 2000 Season Approval for the Thoroughbred Meet. Commissioner Sealock moved to approve the submission contingent upon the immediate notification of all positions not currently identified as filled, the completion of necessary background investigations, and

the continuation of all export and import simulcast contracts being reviewed and approved by IRGC staff. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-10)

Chair Hansen moved to the First Amendment to the 5-Year Agreement RE: Horse Purses. Mr. Timmons advised the Commission that after Chair Hansen spoke to RACI's Board of Directors in November, the Board charged the staff to work with the horse groups involved in the 5-Year Agreement, the IHBPA and Iowa Quarter Horse Association (IQHA). The amendment sets forth their agreement to wait until the year 2003 to begin the necessary improvements at the racetrack. Mr. Timmons noted that some of the improvements would not be completed until 2006.

Chair Hansen stated his concern that the Commission had approved a contract, which was not being fulfilled. He feels it is the Commission's responsibility to assure that any contracts approved by the Commission are fulfilled. He stated that the matter was raised as a matter of integrity. Chair Hansen stated that the purpose of this agenda item is merely to recognize the submission of a proposed contract amendment by the Horsemen's Association.

Hearing no further discussion regarding this item, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the First Amendment to the 5-year Agreement RE: Horse Purses. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-11)

Chair Hansen moved to the Schedule of Capital Improvements and approval of the conditional racing license. Chair Hansen referred back to pages 11-14 of the minutes from the November Commission meeting and the lengthy discussion of this issue. He noted that PMR&C had submitted different financial projections, which they are using.

Chair Hansen noted that the Commission had been provided three different sets of figures: one in September 1997 with the license renewal; another in June 1999 at the time PMR&C requested the increase in slot machines, and another set in August 1999 with regard to the license renewal application. Chair Hansen stated that when comparing the various figures, he noted that the gross revenue diminishes from September 1997 to June 1999, and then increases again in the figures provided in August 1999. The total over a period ranges from $809 million down to $610 million, and then back up to $791 million. In the first set of figures, $61 million has been set aside for capital improvements, and the combined total drops to approximately $31 million.

Mr. Timmons stated that he did not have all of the figures referred to by Chair Hansen in front of him, but did have the figures submitted with the license renewal application. He indicated that the 1997 figures included revenue from a proposed expansion plan, which was denied by the Commission. Mr. Timmons acknowledged that the 1997 figures included approximately $60 million of capital improvements that would have been funded with revenues received from the additional slot machines. He noted that had the expansion been approved at that time, it probably would have been completed and

operational for almost a full year in 1999 without additional competition. Once it became apparent the Commission had no intention of approving the expansion plans, PMR&C had to reduce some of its capital improvement expenditures. With no set date as to when Osceola was going to open, and the projected decrease in revenues due to competition, PMR&C attempted to estimate revenues. With regard to the figures submitted for the year 2000, Mr. Timmons stated they were prepared as a budget for the current year, which was submitted to the RACI Board showing a decrease in revenues through the year 2000. The RACI Board felt that it was important to try and maintain 2000 revenues at the same level as 1999.

Chair Hansen expressed concern about the approximately $18 million decline in revenue projections, and a $39 million reduction in capital expenditures. He noted that charitable expenditures remain the same in all three sets of figures. Chair Hansen stated that he was having trouble reconciling the disparity.

Mr. Timmons stated that he recalled an extensive capital budget, but that it was based on the money left over at the end of the projections. The RACI Board has been very clear with PMR&C staff that they did not want to be in debt at the end of 2002. As time progressed, the time frame for preparing for and completing the capital improvements decreased.

Commissioner Mahaffey asked what circumstances would be different in 2003 through 2006. He wondered what would be different in terms of their ability to make those improvements from a financial statement, keeping in mind the referendum, their obligations to Polk County, charitable contributions, and the increasing tax rate.

Mr. Timmons stated that the RACI Board feels they have a financial responsibility to the community that they represent on the Board. He indicated that it comes down to a window of opportunity. The Board has stipulated that there be no debt at the end of 2002 in the event the referendum does not pass. Should the referendum pass, there would be a new 8-year period in which to build and utilize the capital improvements. Passage of the referendum would also be helpful in borrowing money and having more time to repay it.

Chair Hansen called for any other comments. Commissioner Sealock, noting that no one can see into the future, offered a motion to accept the proposed plan contingent upon the following conditions: 1) the revenue estimates are not significantly exceeded; and 2) there is no change by the Legislature in the yearly escalating wagering tax rate. If either should occur, PMR&C will agree to adjust their capital improvement plan.

Mr. Timmons asked Commissioner Sealock if she was suggesting that she expected the date the capital improvements to start would be moved up. She indicated that was a possibility.

Commissioner Mahaffey stated his understanding of Commissioner Sealock's motion was that if the revenue projections change or if the Legislature decides to freeze the wagering

tax rate, she would like to revisit this issue. She is not requiring any specific action of PMR&C at that time. Commissioner Sealock indicated that was correct.

Tom Flynn, legal counsel, stated that one of the concerns if the proposed plan were to be changed is that the turf track would take a little while to complete. He noted that timing was a very big factor in the RACI Board's decisions regarding this issue. If PMR&C were to proceed with building the turf track at this time, it would not be completed until almost 2002, when they could be faced with the possibility of not getting any use out of the track, as well as having misspent a large amount of money.

Commissioner Mahaffey seconded the motion. Commissioner Hassenfritz stated that he felt there was a good faith agreement on everyone's part. Hearing no further comments or questions, Chair Hansen requested a vote. The motion carried unanimously. (See Order No. 00-12)

Chair Hansen moved to the contract submissions. Mr. Timmons presented the following contracts for Commission approval:

- American Teletimer Corp – Teletimer Equipment/Service
- Aramark Uniforms, Inc. – Uniform/Laundry Supplies for C&H, Facilities and Slot Departments
- Becker Equipment – Food Service Equipment – Parts & Services
- Correll Contractors – Relocate Water Line – West Addition Project
- High Performance Profits, Inc. – Training & Consulting
- High Performance Profits, Inc. – Training & Consulting
- IAHBPA – Promotion of Thoroughbred Horse Industry (RP)
- Kone Elevators/Escalators – Elevator & Escalators – West Addition Project
- Midwest Ambulance Services of Iowa, Inc. – Ambulance & Medical Services for Racing
- Pitney Bowes – Mail Room Equipment & Service Contract
- Schumacher Elevator Company – Elevator for West Addition Project
- Sysco Food Service of Iowa – Frozen Food Products
- Taylor Industries – Food Service Equipment – Parts & Services

Mr. Timmons pointed out an error on the Pitney Bowes contract. The figure for last year's business should be $21,000, not $816. The contract before the Commission is for three years and approximately three times that amount of the previous year's business.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted, and corrected, by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-13)

Chair Hansen moved to the next agenda item – Iowa West Racing Association/Iowa Greyhound Association (IWRA/IGA) – Request for Approval of Arbitration Decision.

Lyle Ditmars, legal counsel for IWRA, and Jerry Crawford, legal counsel for the IGA, approached the podium to comment on this agenda item. Mr. Ditmars advised the Commission that the Arbitration Decision is the result of some hard work by the arbitration panel, which was approved by the Commission. He stated that IWRA is prepared to abide by the Decision issued December 13, 1999, and effective January 23, 2000.

Mr. Crawford introduced several IGA Board members in attendance: Jason Haynes, President, and Board members Bob Hardison and Bob Rider. All three own and operate kennels at Bluffs Run Casino and Dubuque; all have on-farm breeding operations, and all have family members involved in the greyhound industry.

Mr. Crawford stated the Commission had a recommendation before them from the three-person panel that has two sections to it. Section one is the award of a percentage for the year 2000. Section two is the Arbitration Panel's recommendations to the Commission regarding spending from the escrow account.

Regarding the award of a percentage for the year 2000, Mr. Crawford advised the Commission that the IGA was not going to ask the Commission to make a change in that decision even though they are disappointed and unhappy with the substance of that decision. He stated that at the November 18th Commission meeting, a tentative Decision was submitted to the Commission that provided for a 7.5% purse supplement for the coming year, which was later changed to 7.25%. Mr. Crawford pointed out that DGP&C, which charitable obligations, pays 8% of win after tax, but BRC, owned by an out-of-state for-profit entity, will only pay 7.25% with no charitable obligations. During the October Commission meeting, Mr. Ketterer made a presentation regarding racing at PMR&C. Mr. Crawford noted that Chair Hansen and Commissioner Sealock commented extensively on the presentation, setting out the paramount consideration at a good racetrack has to be the animals and the purses. In that regard, Mr. Ketterer further noted that legislation was passed in 1994 allowing racetracks to be the only land- based casinos. He further stated that the Legislation was passed to preserve the racing industry and nurture the racetracks at those facilities. Mr. Crawford read the following except from the Iowa statute regarding greyhound racing, which in his opinion is even more emphatic than the statute regarding thoroughbred racing: Iowa Code 99F.6(4)(b) states in part: "... All parties to the negotiations, including the commission, shall consider that the dog racetracks were built to facilitate the development and promotion of Iowa greyhound racing dogs in this state and shall negotiate and decide accordingly." He noted that David Blair, an arbitration panel member, stated during the first year of arbitration that BRC was a greyhound racing facility with slot machines, not a slot parlor with ancillary greyhound racing. Mr. Crawford stated that the above is the statutory mandate, which the Commission is required to follow when making a decision.

Mr. Crawford, noting that the legislation was ultimately vetoed by former Governor Branstad, the Legislature actually passed a statute stating that if a facility were sold, the purses could never be less than 15% of win after tax as a supplement to the purses. He stated both houses of the General Assembly passed the bill.

Mr. Crawford stated that IGA feels Harveys' pursuit of a profit motive on behalf of their out-of-state investors is an honorable pursuit on their part. However, the IGA also feels the pursuit of stable growth in the greyhound industry on behalf of the families comprising the industry is an equally honorable motive and enjoys a superior, statutory presumption in the way the Commission is directed to make its decisions.

Mr. Crawford addressed the recommendation section of the proposed Arbitration Decision. He noted that Iowa Code Section 99F.6 does not give the arbitration panel any authority to make decisions about the escrow account. In his opinion, the arbitration panel understood this because they made recommendations and left the final decision up to the Commission. Mr. Crawford stated that there were four parts to the panel's recommendations: 1) Continue to provide one-half of the cost, or deficit, of the simulcasting operation from the escrow account; 2) Retain a full-time person as a consultant to the IGA to promote greyhound racing in Iowa; 3) Purse supplements to be paid out of the escrow account; and 4) Two additional stakes races with the purses to be paid from the escrow account. The IGA suggested the first two recommendations to the panel, and Mr. Crawford encouraged the Commission to approve them. It is the IGA's opinion that the health of the simulcast system is paramount to the future of BRC becoming one of the premier greyhound tracks in America. With regard to the second recommendation, Mr. Crawford advised the Commission that Steve Hillyer had been introduced to the arbitration panel as the unanimous recommendation of IGA Board to perform this function. Mr. Crawford stated that IGA was suggesting that the $1.5 million purse supplement be reduced to $750,000 for the coming year and the two additional $250,000 stakes races for the coming year be eliminated.

Mr. Crawford stated that Mr. Blair established the escrow account during the first year of arbitration based on what he saw as an inequity in what BRC had made for IWRA and AIM compared to what the purse supplement had been. He stated that during a recent session with Mr. Blair, Mr. Blair had advised him and IGA members who were present that he intended the escrow account to be a rainy day fund that could grow over time and be used to maintain stability in the industry. This is the concept that has been articulated by the IGA over the years that this issue has been before the Commission. Mr. Crawford noted that there is a recommendation before the Commission to make a supplement from the escrow account this year, and the IGA is trying to keep faith with that. However, it is the IGA's opinion that the statute that he read earlier directing the Commission's decision-making provides that it is Harveys' responsibility to provide purse dollars out of casino earnings, not the IGA's out of an escrow account that could help to stabilize the industry in the future. Mr. Crawford stated that the IGA does not want this year's decision to be taken as a precedent next year. He reiterated that it is not the IGA's responsibility to provide purses at BRC, rather the casino supplement is to provide purses. If this precedent is established, it would provide a windfall to any entity purchasing a racetrack, and allow them to retire their debt if purse supplements continue to come from the escrow account rather than casino supplements.

In conclusion, Mr. Crawford reiterated the IGA's request to reduce the purse supplement from the escrow account of $750,000, but also requested that the IGA be allowed to work

with BRC representatives to determine how the money would be allocated since BRC uses a different point system than any other track in the country. He pointed out that BRC's system provides a disincentive for greyhounds finishing third and fourth. He noted that those same greyhounds would win "A" races almost anywhere in the country. Mr. Crawford stated that BRC's formula is a disincentive for quality greyhounds to come to Iowa. He requested that the Commission eliminate the funding for the two additional $250,000 stakes races due to enormous workability problems – scheduling problems, fewer starts for dogs already at the track, some complicated qualifying system established, and a determination made regarding entry fees.

Chair Hansen called for any questions or comments. Commissioner Sealock asked why Mr. Blair's signature was on the recommendations if he didn't agree with them. Mr. Crawford stated that he was only repeating what Mr. Blair had told him and three IGA Board members regarding his intentions in establishing the escrow account. Mr. Crawford stated that the IGA had been advised by Lorraine May and Mr. Blair that the arbitration panel had made an earnest effort to reach a unanimous decision, but had not had any conversation with panel members to determine which members supported what recommendations.

Commissioner Hassenfritz asked if his understanding that Harveys' had not contributed was correct. Mr. Crawford stated that Harveys has not contributed to the escrow account. Additionally, he noted that the Commission historically has not allowed IWRA any say in the recommendations about how the escrow account is spent. Mr. Crawford stated that once the escrow account was established, the IGA appeared before the Commission and advised them that they had prepared a Request for Proposal for examples for investment companies. Following an interviewing process, two companies were selected to manage the fund, which has performed magnificently. He noted that IWRA and AIM were not involved in this process. Mr. Crawford reiterated that Harveys has no money in the escrow account, and that the IGA's position is that these are recommendations from the IGA to the Commission for approval.

Commissioner Sealock asked if Harveys has the ability to contribute to the escrow fund if they desire as contributions to the fund have ceased. Mr. Crawford stated that was a decision to be made by the Commission, but was not aware of any reason why they could not do so if they wished. Due to discussions with Harveys, Mr. Crawford stated that they did not have a desire to contribute.

Commissioner Hassenfritz stated it was his understanding that several problems could be resolved if Harveys were to contribute to the escrow account. Mr. Crawford stated that he felt that was a year-to-year decision, and that it was not something before the parties at this time. Commissioner Hassenfritz stated that he felt the IGA was looking at maintaining the escrow account as an endowment fund. He asked where the money in the fund came from originally. Mr. Crawford stated that the IGA has worked for a gradual increase in purse values rather than the ups and down experienced in previous years. He advised Commissioner Hassenfritz that there is no escrow account at Dubuque.

Mr. Crawford pointed out that the account is in existence at BRC as the casino supplement provided more funds than were needed to fund the purses in a particular year. He pointed out that the recommendation is for a $20 per point supplement over and above a $5 per point increase, which could not be maintained going forward as Harveys would not want to pay purse supplements that large. Mr. Crawford noted that the IGA feels $20 per point supplement is excessive, especially in light of the fact that there is already an increase in place for this year from $85 and $125 to $90 and $130 per point value. The IGA is suggesting that the $1.5 million for purse supplements be reduced to $750,000, that the purses for third and fourth place finishes be enhanced, and that the two additional stakes races be eliminated.

Commissioner Mahaffey asked Mr. Crawford to explain the significance of the two additional stakes races and the IGA's objections to them. Mr. Crawford stated that both BRC and Dubuque host a Breeder's Classic Race, which will have a value of approximately $250,000 at BRC this year. The race is for Iowa-bred greyhounds only. Mr. Crawford advised the Commission that during 1999 the IGA voluntarily established a supplemental stakes schedule to be paid from the escrow account, which would be continued this year. If the two additional stakes races are approved, there will be 8 major stakes races, instead of 6. The two new races would make greyhounds from all over the country eligible to participate, creating enormous workability problems. It is the IGA's hope that Mr. Hillyer's experience in sports promotion and familiarity with television outlets will allow the IGA to present a proposal that would allow them to garner national attention for a major stakes race at BRC. Mr. Crawford reiterated that any attempt to proceed with it this year would create significant problems.

Commissioner Sealock advised Mr. Crawford that she respected the arbitration process and the panel members, one of who started the process, and now he was standing before the Commission and asking them to do something different. She stated that if the Commission was going to have choose between the two positions, they could have done so months ago without going through the arbitration process. Mr. Crawford stated that he felt Commissioner Sealock's comment was a misstatement of the record. He clarified that the arbitration panel made a decision – the only one they are authorized to make under Iowa Code Section 99F.6 regarding the purse supplement for the coming year. He emphasized that the IGA is not happy with the decision, nor is it consistent with the statutory mandate but the IGA is respecting the process by not asking the Commission to change the only decision the arbitration panel had the legal authority to make. Mr. Crawford pointed out that the rest of the communication to the Commission from the panel is purely recommendation, as the panel itself states in the decision. He noted that in past decisions regarding the escrow account, such as how the funds should be invested, no one other than IGA has been able to make recommendations to the Commission, and that is what they are doing today. Mr. Crawford stated that the IGA felt their recommendation was consistent with stability in the industry, not boom and bust. He feels IGA's recommendation continues that stability rather than a fight if purses are supplemented from the escrow account by $1.5 million.

Commissioner Sealock asked Mr. Crawford if they were in agreement that the arbitration panel had done what they were asked to do since the parties could not agree on a distribution plan for the escrow account. Mr. Crawford advised Commissioner Sealock that the arbitration panel states that they have had no written communication from the Commission.

Commissioner Mahaffey asked Mr. Crawford if it was conceivable, with the hiring of Mr. Hillyer, that at this time next year the Commission could have a report addressing some of these issues, and possibly put some of them to rest or establish long-range projections that would be acceptable to all parties. Mr. Crawford stated the IGA was very optimistic and excited to have Mr. Hillyer on board. Commissioner Sealock indicated that she would like to know if Mr. Ditmars shares the IGA's optimism. Mr. Ditmars indicated that he shares the same optimism for the future.

Mr. Ditmars proceeded to indicate that he severely disagreed with some of Mr. Crawford's earlier comments. He advised the Commission that he had prepared overhead slides setting forth excerpts of the previous arbitration decisions, and would like to show them so that everyone would have an opportunity to see them.

Chair Hansen stated that the Commission had discussed this issue at length on numerous occasions, and expended an inordinate amount of time. In his opinion, there has been lots of motion, but no visible signs of progress. Commissioner Mahaffey stated he understood Chair Hansen's sentiments, but noted that he appreciated the ability to hear both sides of the issue since he does not have the benefit of past history.

Chair Hansen stated that following Mr. Ditmars' response, he would like to call on one of the arbitrators, Lorraine May, and then Ms. Vanderloo. He indicated that he was not trying to short-circuit anyone, but cautioned the Commission against dwelling excessively on one particular issue.

Mr. Ditmars proceeded with his review of the previous arbitration decisions. Mr. Blair wrote the first decision in 1995, and created the purse supplement escrow. The decision states in part: "The terms shall be negotiated by the parties...", not at the discretion of the IGA. It further states the decision will be presented to the Commission for its review. This matter came up the following year. The issue to be addressed is the manner in which the purse supplements is to be held or utilized. The decision further stated that the contributions to the fund should not accumulate forever without a specified plan for usage, and requires the parties to have a plan to the Commission by November 1, 1997. In August 1997, the purpose of the escrow account is again one of the issues before the arbitration panel. The panel reminds the parties in its decision that the disposition of the escrow funds is to be submitted. If no distribution plan is submitted, no further funds are to be contributed to the fund. Mr. Ditmars pointed out that the IGA was given sole control of the investment of the escrow fund, not the use. In November 1997, an escrow committee was established to study the use of the fund. He noted that although the escrow committee had several good ideas, they were unable to accomplish anything. The decision issued in 1998 for 1997 still contains the same issue, and again it is not resolved.

The decision references several suggestions set out in previous arbitration decisions. Mr. Ditmars pointed out that not one of the suggestions has been adopted. The second part of this decision, noting that no specific plan is in place regarding the use of the escrow funds, states that the fund is adequately funded and contributions are funded. Mr. Ditmars moved to the 1999 decision. The Commission minutes from May 1999 show that Mr. Ketterer gave the parties until August to reach an agreement regarding the escrow fund or the arbitration panel would be given the ability to decide the distribution of the fund. The parties were unable to reach a decision, and the issue was given to the arbitration panel. Mr. Ditmars advised the Commission that he had copies of all the decisions available.

Mr. Ditmars pointed out that during the above time frame, the value of the escrow fund has decreased $354,165. He noted that $98,000 went for stakes races at BRC, but did not know how the remainder was used.

Mr. Ditmars concluded his remarks by noting that BRC has been waiting for 4 ½ years for a decision to be made regarding the use of the escrow fund. The task was given to the arbitration panel. He noted that the decision states "This is our final finding", not their recommendations. Mr. Ditmars indicated that the arbitration panel is entitled to make that decision because both sides are entitled to give input. IWRA/BRC considers the decision to be a good decision. It allows for additional promotion of the dogs and kennels, and gets money from the escrow fund to work for the industry. Mr. Ditmars stated that IWRA/BRC would abide by the decision, noting that they had other ideas and suggestions they would have liked to see included. He questioned whether the IGA had the authority to turn down money that has been awarded. Mr. Ditmars indicated that he concurred with Commissioner Sealock's statement, that if the parties were going to argue the issue before the Commission, they should have set aside several hours to allow for the presentation of their respective sides and witnesses. He wondered what doubts would be cast on the arbitration process if the panel is not given the opportunity to make their decision, and the parties abide by that decision.

Gary Armentrout, a representative of BRC, stated that he had participated in the arbitration process. He indicated that a full day was spent providing information to the arbitration panel, and that he had not heard any new information presented to the Commission at this meeting that had not already been presented to the arbitration panel. Mr. Armentrout stated that it was not his intention to reopen the arbitration decision, or suggest that he had the ability to pick and choose those portions of the decision that he would abide by and reject those that he did not agree with. Noting that Mr. Crawford had indicated there were portions of the decision that IGA was not happy with, Mr. Armentrout stated there were portions that BRC was not happy with as well. It is his opinion that if an arbitration decision is unacceptable to both sides, it must be a pretty fair decision. Mr. Armentrout indicated that BRC welcomes the opportunity to stage two $250,000 stakes races, making them one of the premier greyhound tracks in the United States. In addition, IWRA/BRC is looking forward to the opportunity to augment the dollars being provided for purse supplements from the slot operations by the $20/point coming out of the escrow account, increasing the value of regular points $110/point and

Iowa-bred points will be $150/point. Mr. Armentrout indicated BRC would be in a position to pay the highest point value of any track in the United States, providing an opportunity for BRC to receive national attention. He reiterated that BRC would honor the arbitration decision if approved by the Commission.

Commissioner Mahaffey, referring to the 7.25% purse supplement, asked what BRC's recommendation was to the arbitration panel. Mr. Armentrout stated that BRC had recommended that panel guarantee to the kennel owners a fixed dollar amount per performance so that there could be no fluctuation in the event that casino revenues either increased or decreased. The Decision before the Commission encompasses both recommendations – an absolute guaranteed dollar amount protecting the kennels on the downside with a 7.25% alternative, giving them a benefit on the upside.

Commissioner Hassenfritz moved to adopt the Arbitration Decision as submitted to the Commission. He feels the parties are arguing over a sum of money that no one knows what to do with, or do without. He indicated that it would be best for everyone concerned to reach a consensus, as it would be mutually beneficial. Commissioner Sealock seconded the motion, based on her respect for the process and not being placed in the position of choosing between IWRA/BRC and IGA.

Commissioner Mahaffey clarified that his understanding of the motion was that Paragraph 3, subsections a through d, would be accepted. Commissioner Hassenfritz stated that the Decision was based on the Commission's instructions to the arbitration panel. He suggested that the parties involved should sit down and work out the issues within the guidelines and statutes.

Commissioner Mahaffey stated that he did not feel it was necessary from a legal or regulatory standpoint to approve Paragraph 3 of the Decision. He indicated that he was going to vote against approval as the IGA, through legal counsel, has expressed concerns regarding subparagraph 3c and 3d. He noted that although the process has been going on for quite some time, he feels the greyhound breeders and owners have done a good job of attempting to raise quality greyhounds. Commissioner Mahaffey stated that with the addition of Mr. Hillyer, some of the concerns would be addressed within the coming year.

Commissioner Hassenfritz stated that what he was hearing Commissioner Mahaffey say was that the two stakes races would place an undue hardship on the owners and breeders. Commissioner Mahaffey indicated that one of the things that appeals to him is the fact that the IGA represents Iowans, who are providing a service. He feels the IGA members have been very fair about the escrow account, have not taken a short-term action that would create a problem in the long run. Commissioner Mahaffey suggested deferring Paragraph 3d for another year.

Commissioner Hassenfritz stated that he had no objection to amending his motion to defer Paragraph 3d. Commissioner Sealock stated that if the motion were amended, she would withdraw her second. She advised Commissioner Mahaffey that she did not

disagree with his statements, but felt he was disregarding the fact that the arbitration panelists were all Iowans, and that they had fully considered the pros and cons.

Commissioner Hassenfritz requested comments from IGA members. Bob Rider advised the Commission that there is a specific amount of money paid out in purses per night per race. In his opinion, an entry fee would have to be determined for the two additional $250,000 stakes races. He wasn't sure if the entry fee would be taken from the purse money, or who would collect the entry fee – IGA or IWRA/BRC. Mr. Rider indicated that if there was no entry fee or rules to determine which greyhounds could race, for every greyhound that comes to BRC to race, that equals one less start for his dog for a chance at a regular purse. In his opinion, an Iowa dog would have a good chance of winning; but acknowledged there are several good greyhounds across the country and that the odds are just as good that none of the purse money from those two stakes races would stay in Iowa. Mr. Rider stated that, should that happen, the IGA would be giving away $500,000 from the escrow account established by an arbitrator for purse money to go to individuals racing at BRC. He indicated that he agrees with portions of the Decision, and disagrees with others.

Mr. Rider, referring to Mr. Ditmars' comment about the $350,000 decline in the escrow fund, indicated some of the decline was due to the stock market, but the IGA would withdraw approximately $300,000 from the fund to cover IGA's portion of the simulcasting as well as the point shortfall.

Commissioner Hassenfritz asked if there was an entry fee for the two $250,000 stakes races. Mr. Rider indicated that he didn't know, but felt that even if there were an entry fee, it wouldn't generate $250,000. He stated that he felt there would have to be some type of fee, otherwise every greyhound in the country would come to race. Commissioner Hassenfritz stated that it would be a positive if an Iowa greyhound won, but a negative if not. Mr. Rider stated that he didn't feel there would be anyone who realized it was an Iowa greyhound that won the race. He conceded that the races are a good way to generate publicity for greyhound racing and BRC, but couldn't see any good publicity to the IGA or Iowa-bred greyhounds. Mr. Rider indicated that he entered one of his greyhounds in a few stakes races last year because he had a good dog, not because it was Iowa-bred. Commissioner Hassenfritz asked him if that wasn't the purpose – to be able to race Iowa-bred greyhounds competitively against greyhounds from other states. Mr. Rider agreed, but noted that he paid an entry fee, that the prize money was not coming out of funds set aside for purse money. Commissioner Hassenfritz pointed out that it appears the additional stakes races would be a moot point if the purse money were not coming from the escrow account. Mr. Rider stated that he felt the races would be great for greyhound racing as a whole, not just Iowa. He further stated that he didn't think IWRA/BRC had the necessary funding to be able to pay the $250,000 purses without money from the escrow account.

Chair Hansen stated there was a motion before the Commission, which was duly seconded by Commissioner Sealock. Commissioner Hassenfritz indicated that the second had been withdrawn. Commissioner Sealock advised that the second was only

withdrawn if Commissioner Hassenfritz was amending his original motion. Commissioner Hassenfritz asked how much was in the escrow account. He was advised there is approximately $10 million in the account.

Commissioner Hassenfritz stated that he was going to go back to his original motion – to accept the Arbitration Decision in total as presented. Commissioner Sealock seconded the motion. Hearing no further discussion, Chair Hansen called for the vote. Commissioner Sealock requested a roll call vote. The motion carried 3-1, Commissioner Mahaffey voting no. (See Order No. 00-14)

Following a short break, Chair Hansen returned to the contracts submitted for Commission approval by the President Riverboat Casino. As a representative was not present, Chair Hansen asked if any of the Commissioners had questions concerning the following contracts as submitted:

- Anchor Games – Replacement of 8 Leased Gaming Devices
- WMS Gaming, Inc. – Lease of 4 Gaming Devices (Replacements)
- River City Ford Truck Sales – Replacement of one 24-passenger shuttle bus/Miscellaneous repairs to shuttle bus
- BlueCross BlueShield of Iowa – Employee Health Insurance Pro Administration (Amended)
- Dav-N-Rock Meat & Poultry, Inc. – Meat & Poultry Products for Restaurants (Amended)
- Riverboat Development Authority - $27,500/week + $2.00/passenger over 1,117,579 April 1 – March 31, + 2% of gaming revenues in excess of $34,000,000 July 1 – June 30 (Amended) (RP)
- Cigna Retirement & Investment Services – Employee 401K Program Contributions & Employer Match Contributions (Amended)
- Mills Investment Corporation – Lease of Building for Warehouse Space (Amended)

As there were no questions, Chair Hansen requested a motion to approve the contracts as submitted by the President. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-15)

Chair Hansen called on IWRA/BRC regarding their proposed expansion. This agenda item was carried over from the November 18, 1999 Commission meeting. Chair Hansen called on Will Cummings, President of Cummings & Associates, to present a brief report regarding his recent analysis of the Council Bluffs market.

Mr. Cummings stated that he had reviewed the numbers presented to the Commission the previous summer regarding the rate of spending and the levels and supply of gaming devices and tables in the various gaming markets across Iowa relative to the distance adjusted population. He indicated that the current supply of gaming devices and tables, including previously approved increases in the Council Bluffs market, places it in the

middle of the range for the major markets of Iowa, defined as those markets with multiple facilities. The requested addition at BRC would raise the number and ratio slightly, but not enough to change the position of the market in comparison to the other markets. Mr. Cummings indicated that the increase at Ameristar is being digested, and there is no indication that the Council Bluffs market, or any other market in Iowa, is close to being saturated or experiencing diminishing returns.

Hearing no questions for Mr. Cummings, Chair Hansen called on Verne Welch, General Manager at BRC. Mr. Welch advised the Commission that the market is healthy, and experienced an excellent holiday weekend. Revenues were up 48% and admissions were up 38%. Mr. Welch pointed out that between 80-90% of the guests are from out-of-state. He noted that Council Bluffs, for the first time ever, had $100 million in valuation for building permits issued for the year, or approximately 3800 permits. This represents an 11% increase over 1998, and the 1998 figures represented a 7% increase over 1997. Fourteen new hotels have been built in Omaha and Douglas County since 1992, helping to drive the tourism business in Council Bluffs. An amusement park is going to be built in Council Bluffs, which was chosen as the site over two other locations. Based on Mr. Cummings' report, Mr. Welch requested approval of the additional 252 gaming devices and master plan. He showed the Commission a sample of the new carpet for BRC, with installation to begin on February 15th. The carpet design includes a greyhound.

Hearing no questions for Mr. Welch, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the proposed expansion plan at BRC. Commissioner Sealock seconded the motion. She noted that the expansion would make BRC more competitive and place them on a more level playing field with the riverboats.

Chair Hansen stated that, in his opinion, BRC had met all of the criteria established for the granting of additional machines at racetracks. Hearing no further comments, Chair Hansen called for the vote. The motion carried on a 3-1 vote, Commissioner Mahaffey voting no. (See Order No. 00-16)

Chair Hansen moved to Isle of Capri's request for approval of the following applications: Upper Mississippi Gaming Corp./Isle of Capri Marquette, Inc. for the Miss Marquette and Scott County Regional Authority/Isle of Capri Bettendorf, L.C. for Lady Luck Bettendorf. Curt Beason, legal counsel for Isle of Capri Casinos, introduced the following officers from Isle of Capri: Jack Gallaway, President; Greg Guide, Vice President of Development and House Counsel; Rex Yeisley, Chief Financial Officer; and Allan Solomon, Executive Vice President and General Counsel. He noted that Ann Hutchinson, Mayor of Bettendorf, was also in attendance. Mr. Beason stated that representatives of the two non-profits were unable to attend due to weather conditions.

Mr. Beason stated that the merger documents were filed with the Commission on October 29, 1999, Isle has gone through all of the necessary regulatory approvals in other jurisdictions, and filed supplemental documentation, as well as formal applications for the new licenses. Isle made their formal presentation to the Commission at the November meeting, and is present today to answer any questions that may have surfaced

following the DCI presentation and review of the applications. He apologized for the length of the process, but noted that it is a very large and complex transaction.

Chair Hansen complimented the DCI on their use of a CPA to present the financial information during their presentation to the Commission. He indicated that he found it very beneficial. Mr. Gallaway, noting that he had been through the licensing process in five states, stated that he was impressed with the DCI personnel that he dealt with personally.

Chair Hansen stated that he felt the company was highly leveraged, and wondered if Isle felt their position was extreme within the industry. Mr. Gallaway stated that he was not a financial person. He conceded that the company is highly leveraged, but does not feel that it is extreme. One of Isle's main assets is the diversity of their operations. If one facility does experience a problem, the remaining facilities can carry that facility. He noted that the financial community is comfortable with Isle's leverage. Mr. Gallaway stated that Isle watches the ratios very carefully to insure that the leverage ratios do not become excessive. He asked Mr. Yeisley to address the issue further.

Mr. Yeisley informed the Commission that Isle is very comfortable with its current leverage ratios, but noted that the projections provided to the Commission during Executive Session show that the leverage ratios decline significantly over the next several years. He stated that the coverage ratios are 2.5 times interest coverage.

Commissioner Sealock stated that prior to the DCI presentation, she had some serious concerns due to a statement contained in the license applications, which indicated there were some concerns about whether the Isle would be able to do the capital improvements they wanted to do at the facilities. She indicated she no longer had those concerns, and was sorry the statement was in print. Mr. Gallaway advised Commissioner Sealock that Isle was legally required to include a caveat in the filing, as it was a SEC document. He indicated that Isle is very comfortable with its ability to do all of the things presented to the Commission.

Mr. Ketterer advised the Commission that he had received phone calls from the non-profit organizations the previous day indicating they would not be able to attend due to the weather. Both representatives conveyed their support of the respective applications, and did not want their absence to be construed as a lack of support for the application.

Hearing no further questions for the Isle representatives, Chair Hansen called on Mayor Hutchinson for the City's comments concerning the new applicant and whether they will be able to meet their obligations to the community.

Mayor Hutchinson noted that the City had a very comfortable relationship with Lady Luck, and were pleased that Nancy Donovan, General Manager, would remain in that position with the new licensee. She indicated that there had been some concerns regarding agreements between the City and Lady Luck, and how Isle would view those agreements. Mayor Hutchinson advised the Commission that Isle has reaffirmed in

writing all of the verbal and written agreements the City had with Lady Luck. The City is comfortable with the action, and feels its sends a very positive signal to the community that Isle intends to be a good corporate citizen. She noted that the City is in the midst of redeveloping the downtown area, and feels that the land-based development will enhance the tax base.

Mr. Gallaway advised the Commission that Isle has a mission statement that states they want to be the best for their customers, their employees, shareholders, and the communities in which they operate.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the applications as submitted to the Commission.

Mr. Ketterer requested that the Commission consider placing two conditions on the licenses if the merger is approved: 1) Subject to the surrender of the previous Lady Luck license; and 2) that the license be effective through March 31, 2001, which would take the licenses through the next license renewal period.

Commissioner Mahaffey amended his motion. Commissioner Sealock seconded the motion. Chair Hansen called for any further discussion concerning the motion. Hearing none, he requested a roll call vote. The motion carried unanimously. (See Order No. 00-17)

Chair Hansen moved to Administrative Business, and called on Ms. Vanderloo regarding the request for proposals for the Horse Racing Promotion Fund. Ms. Vanderloo stated that there is $5,475.37 available for distribution. The various horse racing associations have been instructed to submit documentation as to how the funds were used last year and their requests for the current funds by February 14, 2000. The Commission will act on the proposals at the March Commission meeting.

Chair Hansen called on Mr. Ketterer to discuss the second item under Administrative Business – Notice of Master Plan in Compliance with Executive Order No. 8 – Administrative Rules Review. Mr. Ketterer explained that the Order encompasses a very comprehensive review of administrative rules for all Iowa governmental agencies. Each agency is required to propose an agency plan. He noted that IRGC has a good start on the process, and our proposed plan has been on the Commission's web page for approximately a month. Interested parties may comment or give input via the website, by calling or sending written documentation to the Commission's Des Moines office through the end of January. Mr. Ketterer stated that IRGC staff has been assigned to review the rules that they work with for their input. He hopes this will be a healthy cleansing of the Commission's administrative rules, resulting in a better product when the process is completed. The final deadline is December 31, 2002; however, IRGC's plan calls for the process to be completed considerably ahead of that time and he would like to adhere to that. Mr. Ketterer stated that the Commission would be kept apprised of progress on the

plan. He asked for the Commission's affirmation of the plan to allow staff to indicate that the plan had been submitted for their review.

Chair Hansen called for a motion regarding IRGC's proposed plan regarding the review of all administrative rules. Commissioner Hassenfritz moved to approve the proposed plan. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-18)

Chair Hansen called on Commissioner Sealock for a report on the recent Symposium on Racing held in Tucson, Arizona. She stated that she feels Iowa's presence at the Symposium is gaining in prominence, and noted that several positive items about Iowa's program were brought out during the recent conference. She noted that the University of Arizona is the only university to offer a degree in pari-mutuel wagering.

She stated that the future will be technology-driven, and simulcasting will become a major funding source for the industry. She was surprised by the number of mergers and acquisitions taking place within the industry. She also stated that she had not been fully aware of all of the problems caused by Internet wagering. She stated that one of the seminars she attended dealt with the regulation of Internet wagering. She did not come away with any assurance that it would be successfully regulated.

Another seminar brought to the forefront the differences and philosophical attitudes in Iowa, Kentucky, and California, states that are traditionally horse country, and the role that the horse industry plays in those states. She noted that is not true in Iowa, particularly Polk County's non-acceptance of PMR&C, and their failure to welcome it as part of the culture of the state. In connection with this, she attended a seminar called "First Time Starters", directed at youth camps and provides an opportunity for youth to participate at the horse tracks in their state. She stated that one of the moderators had been raised on the backside, while another panelist talked about placing bets for her twelve-year old daughter.

Commissioner Sealock noted that her one disappointment in the symposium is its failure to give equal billing to the greyhound industry. She indicated that she did see greyhound representatives from Iowa at the conference.

She noted that PMR&C is becoming more prominent because of their financial success. She referred to an article, "Strategy for Success", and picture in On Track regarding PMR&C.

Commissioner Sealock stated that the last session was entitled "Issues and Answers in Greyhound Racing. She noted that, at the last minute, Mr. Ketterer replaced a panelist who was unable to attend. She indicated that he had the audience's complete attention. Mr. Ketterer stated that Mr. Cummings presentation, "A view from outside the industry", was the most enlightening and thought-provoking presentation during this session.

Chair Hansen stated that he attended this conference a year ago and found it to be very worthwhile.

At this time, Chair Hansen called on Michael Luzich, Manager and Vice President of Development for Peninsula Gaming Partners, LLC, to give a brief report on his presentation to the City Council. Mr. Luzich stated that on December 20th the City Council requested a site plan showing the proposed hotel location. The plan presented to the Council by Peninsula shows the 150-room hotel located directly east of the portside building, between the portside building and the sea wall. This location will allow room for expansion to the north, if necessary. A parking garage was included in the site plan analysis, which would be built by Peninsula or the city. He met with the City yesterday regarding the site plan, and is moving forward with the process. He noted that the City owns all of the parking lots to the west, north and east. The hotel will create additional parking problems, but additional parking spaces just opened up in an adjacent parking lot. Mr. Luzich stated that means parking would not be such an issue. Egress and ingress is being discussed. He noted that the museum to the west is planning a $27 million expansion, which will create additional traffic in the area. A committee with representatives from the City, Peninsula and the museum has been established to work through the various issues. Due to the above, the location of the hotel is still in question.

Chair Hansen asked Mr. Luzich if it was a possibility that the hotel could be located in close proximity to the riverboat. Mr. Luzich stated that Peninsula believes the hotel should be located next to the portside building, which contains all of their public space – restaurants, restroom facilities, fueling area, gift shop and offices. He noted that the portside facility is currently being under utilized. The 33,000 square foot was originally designed for refueling when Iowa had boarding. The building could be reconfigured to provide meeting space and a restaurant for the hotel.

As there was no public comment, Chair Hansen requested a motion to adjourn. Commissioner Hassenfritz so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
MARCH 3, 2000

The Iowa Racing & Gaming Commission (IRGC) met on Friday, March 3, 2000 in the North Room, Holiday Inn Gateway Center, US 30 & Elwood Drive, Ames, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Michael Mahaffey.

Chair Hansen called the meeting to order at 8:10 AM, and requested a motion to approve the agenda. Commissioner Sealock so moved, and Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to the minutes from the January 20, 2000 Commission meeting. Hearing no corrections, Chair Hansen requested a motion. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer advised that the April Commission meeting would be held at Lakeside's facilities in Osceola on April 20th, May's meeting would be at the Lady Luck Hotel in Bettendorf on May 18th, and June's meeting would be held on June 15th at the West Des Moines Marriott.

Chair Hansen moved to the next agenda item – a discussion concerning the diversion of money from the Gambler's Treatment Fund. Chair Hansen stated that the Iowa Legislature established the Gambler's Treatment Fund as a dedicated fund generated by a tax of .03 of 1% to go into a trust fund for the purpose of funding the gambler's treatment fund. He noted that the Commission has always had a great deal of pride in the program, and given the program total support. In January of this year, he learned that the 1999 Legislature had diverted funds from the program via HF 737. Chair Hansen noted that from 1986 to FY 1998, the fund had received more than 85% of the revenues, despite occasional resolutions by the Legislature to "borrow" funds for other purposes. Then in FY 99, the fund lost approximately 20% of the money, in FY '00 the amount increased to 22%, and under the current proposal before the Legislature, more than 53% of the funds could be diverted. The proposed diversions are as follows: $525,000 to the Health Department for substance abuse, $500,000 for public nursing, $155,000 to fund a medical examiner position, and $300,000 to the general fund. Chair Hansen pointed out that $800,000 of the above funds would come from funds frozen in 1999 when the Legislature started raiding the Gamblers' Treatment fund.

Chair Hansen stated that he had met with several Senate leaders, and, in order to be fair, would present their arguments for taking the funds. In FY '98, the gamblers treatment hotline received 4,156 calls, that number declined to 2,300 in FY '99. During FY '98, 1,031 individuals were treated for gambling addiction problems, while 923 sought help in

FY '99, a decrease of 10.5%. The Legislature directed the State Auditor to perform an audit on the Gamblers' Treatment Program. The audit shows that $872,000 was spent on actual treatment in FY '98, while $1.8 million was spent promoting the 1-800 Bets-Off hotline. In FY '99, the treatment dollars dropped to $787,000, and $1.4 million was spent promoting the hotline. The Legislature's argument is that the funds required for treatment is decreasing, and the multi-media funds are excessive. Chair Hansen stated that he agreed with the Legislature's assessment of the multi-media funds. He referred to a report from an advertising firm that indicates that 85% of Iowa's population is aware of the hotline.

Chair Hansen stated that he feels the diversion of funds is a very serious matter that needs to be addressed by the Commission and industry in the Legislature. He indicated there may be a need to change the focus of the advisory committee so that it is more specifically focused on gambling treatment and responsive to Frank Biagioli. Chair Hansen stated that the Commission and industry need to find ways to develop and promote the treatment program. He does not feel it has reached its broadest level. In addition, there is a need to better quantify the results of the treatment program. Chair Hansen stated that if the above goals were accomplished, they would provide support for restoring the gambling treatment fund as a dedicated fund. Chair Hansen stated that he had received a letter from Senator Rife, which he read into the record. (Copy attached) Chair Hansen reiterated that there is already an advisory council in place, but indicated that it is extremely large with a diverse membership. He indicated his desire to see representatives from IRGC and the Lottery Commission on the council.

Commissioner Sealock complimented Chair Hansen on his research on this subject. She stated that she found this issue to be troublesome as it creates a credibility issue as IRGC public records show that these funds are being directed to the Gamblers' Treatment fund. She feels that when a public body advertises what they are collecting a tax for, the money should be used for that purpose. Additionally, she feels the industry should be concerned that the Legislature is collecting a tax from them, but is not using the money for any purpose related to the industry.

Commissioner Hassenfritz indicated that he had been talking with the licensees and advocates of problem gambling. One of the major stumbling blocks for the industry is the fact that there is no statistical data available. He noted that reaching 85% of Iowans with advertising for the gambling treatment hotline is good but wondered if it is reaching the right 85%. Commissioner Hassenfritz indicated there is a need to work from the grass roots and gather statistical data to determine the number of problem gamblers, not just those seeking help at our registered treatment facilities, where they go to seek help, and how they are routed, or not, to gambling help. In his opinion, funds would be better spent in this way than on multi-media advertising. He feels the issue of problem gambling, or any problem, is difficult to address until there are some parameters to the problem.

Commissioner Mahaffey stated that he seconded the comments made by the other Commission members. He noted that Commissioner Sealock made a very good point

regarding public trust. However, the Legislature has its reasons for diverting these funds, and the IRGC needs to work with them on this issue to determine their reasons for doing so.

Chair Hansen, referring to his meeting with Legislative leaders, stated that they indicated that the funds being spent on multi-media was excessive, and that he agreed with them. He noted that the Commission has no control over the Gambling Treatment Program. The other issue for the Legislature is the fact that the number of dollars required to treat individuals faced with gambling problems is declining, giving the impression that the program is receiving more funds than needed. Chair Hansen pointed out that the tax receipts from the gambling licensees was projected to reach $150 million last July, but actually reached $165 million, an extra $15 million that could have been used to cover the areas referenced above. Based on last year's projections, Chair Hansen estimated that receipts could exceed $200 million this year. In his opinion, this is the greatest revenue stream growth in the state's budget, and does not see a need to take funds from the Gamblers' Treatment program.

Commissioner Sealock stated that she agreed with Chair Hansen's idea of having the Commission represented on the advisory board.

Chair Hansen called on Paul Stanfield, a current member of the Gamblers' Treatment Program advisory board. Mr. Stanfield stated that the raiding of the fund started the very first year of its existence, when only the lottery was in existence. Despite his numerous attempts, Mr. Stanfield advised that he has not been able to convince the Legislature to put the advisory board into the Code. The board exists through the initiative of Chris Atchison, Director of the Department of Public Health. Mr. Stanfield concurred with Chair Hansen's statement regarding the diversity of the board, noting that it represents all parts of the gambling industry. He advised the Commission that there have been two studies completed regarding the prevalence of compulsive gambling in Iowa – one was completed at the very beginning of gambling in Iowa, while the second was completed more recently. Mr. Stanfield stated that he had attempted to get the word "research" included in the Code governing the Gamblers' Treatment Program, but the bill manager turned down his request; therefore, he wholeheartedly agrees with the Commission's call for research in this area.

Mr. Stanfield stated that despite the diversion of funds over the years, the Gambling Treatment Program has been operating at a fairly steady level. Last year, a Request for Proposal was sent out for a study on the effectiveness of the treatment program; however, no bids were received. He agreed that the amount spent on advertising has continued to be a point of contention, noting that one-year all funding for advertising was withdrawn. He indicated there is a study showing that the number of calls and inquiries to the hotline decreases when advertising is cut. Mr. Stanfield stated the result of that study does not mean the funds spent on advertising shouldn't be reduced, but noted a reduction in advertising funds results in a reduction in the funds available for treatment. Treatment providers are paid on the basis of who they treat and how long. Mr. Stanfield stated that when he received the current earmarking from the Legislature, he advised the Gambling

Treatment Program that they did not want to retain carryover money, that it should be returned to the general fund. They thought this had been done, but learned otherwise. He noted that the treatment providers had met with Governor Vilsack earlier in the week at which time he was predicting a serious reduction in the amount of funds the program would receive under the Republican budget proposals. Should the budget reductions occur, Mr. Stanfield stated that some of the trained providers may elect to leave the system, and is one of his main concerns.

Mr. Ketterer read the following excerpts from the recent State Auditor's report on the Gambling Treatment Program. The first pertains to Program Outcome Evaluation: "Gambling treatment outcome information is critical for determining program success and identifying treatment protocols that are effective. With regard to Program Funding and Budgeting, the report states: "The General Assembly should consider establishing more predictable funding levels for the Gambling Treatment Program to allow for more effective strategic planning and budgeting by program staff. The General Assembly should determine the appropriate level of funding for the program and revise the *Code* if needed. In order to ensure the program has adequate funding for gambling treatment, prevention, evaluation of program outcome and computerized databases, gambling treatment funds should only be used for gambling purposes." He noted that the report also referred to the fact that the Commission had established "Uniform Standards for Iowa Racing and Gaming Commission Licensees to Use in Addressing Problem Gambling", which was primarily done by the licensees working with Mr. Biagioli. The report recommended that the Commission continue the development and implementation of written monitoring procedures for compliance with the Uniform Standards.

Chair Hansen stated that the media funds and expenditures have to relate to the total revenue. He stated there is a need to quantify the results of treatment and other program directions. In conclusion, Chair Hansen stated that if the Gambling Treatment Program is going to win back the confidence of the Legislature, and be returned to a dedicated fund, it needs to come forward with more specific program and proposals in order to gain the Legislature's support.

Chair Hansen moved to the excursion gambling boat license renewals. He called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C. (SIRRC/CBC), the license holders for Catfish Bend Casino. Gary Hoyer, legal counsel, and Dave Walker, a member of SIRRC, were present to answer questions regarding the license renewal. Mr. Walker assured the Commission that everything is going well with the 2-county/3-city arrangement. The various entities were able to distribute over $1 million to various charities in Lee and Des Moines Counties.

Commissioner Hassenfritz stated that he feels CBC is an excellent corporate citizen.

Hearing no further discussion regarding the application, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the renewal application of SIRRC/CBC, L.C. to operate CBC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-19)

Chair Hansen asked Mr. Hoyer to comment on the situation involving Robert Kehl. Mr. Hoyer stated that Mr. Kehl was hospitalized in Las Vegas after being accosted. He indicated that family members had been summoned to Las Vegas.

Chair Hansen called on Clinton County Gaming Association/Mississippi Belle II, Inc. (CCGA/MB II, Inc.), license holders for Mississippi Belle II (MB II). Ken Bonnet, General Manager, introduced Alan Campbell, President of CCGA, and members Janice Matheny and Alice Schnepel. Hearing no questions regarding license renewal, Chair Hansen gave the floor to Mr. Campbell. Mr. Campbell distributed a manual containing CCGA's Bylaws, policies, board members, history of the organization and any other documents pertinent to the organization. It was originally developed as an orientation document for new board members; however it has since been distributed to all board members, as well as the public libraries in Clinton County. The Board has been expanded by two positions to provide representation from outlying areas of Clinton County.

Commissioner Sealock asked Mr. Campbell if CCGA has considered putting Illinois individuals on the board. Mr. Campbell indicated they had not, but had considered on numerous occasions whether or not Illinois organizations could apply for funds. CCGA has determined that is not something they wish to pursue.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the license renewal of CCGA/MB II, Inc. to operate the MB II. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-20)

Mr. Bonnet asked for a few minutes to speak on behalf of the Iowa Gaming Association. He noted that United Way held a recognition dinner in Washington, DC in February. The following Iowa casinos were recognized: Ameristar, Harveys, Lady Luck, President, Belle of Sioux City, Prairie Meadows and Dubuque Racing Association. Mr. Bonnet advised that the Association had also prepared a brochure showing some of the economic and social benefits to gaming employees and Iowa businesses in 1999. Some of the statistics are as follows: 1,798 new homes were purchased, 3,486 automobiles, and approximately 9,200 jobs with an annual payroll in excess of $175,0000,000.

Mr. Bonnet stated that all members of the Iowa Gaming Association believe that gambling treatment programs are important, and are involved in it daily in their operations. He advised that the members would do everything possible to help with the Gambling Treatment Program funding, that it is an important part of what they do.

Chair Hansen called on Iowa West Racing Association (IWRA)/Ameristar Casino Council Bluffs, Inc., license holders for Ameristar II. Jeff Terp, Vice President of Business Development, introduced Tony Taeubel and Teresa Meyer, the new General Manager and Assistant General Manager at the Council Bluffs facility.

Mr. Terp indicated that he was available to answer any questions with regard to the license renewal application or the additional contracts listed on the agenda. Those contracts are as follows:

- U.S. Playing Card Company – Playing Cards for Table Games
- Aristocrat – Purchase 20 Slot Machines (Additional Machines)
- Williams Gaming – Purchase 20 Slot Machines (Replacements)
- IGT – Purchase 20 Slot Machines (Additional Machines)
- IGT – Purchase 31 Slot Machines (Replacements)
- IGT – Purchase 67 Slot Machines (Additional Machines)
- Williams Gaming – Purchase 10 Slot Machines (Additional Machines)
- Anchor Games – Wheel of Fortune Video Game Participation Agreement (4 New Games)
- Firstar Banks – ATM Rental Agreement
- Best Bet Products, Inc. – License Agreement for Deal Draw Poker (RP)

He indicated that it was his understanding that the contracts for the additional gaming machines would be deferred until the April Commission meeting.

Chair Hansen noted that several of the contracts for insurance and foodstuffs are with out-of-state vendors. Mr. Terp explained that some are national contracts through the parent company, but that a local provider is used. He stated that most of those contracts indicate that it is an Iowa contract with an out-of-state address for payment.

Chair Hansen asked about the food contracts with Nebraska vendors. Mr. Terp pointed out that Ameristar does everything within its ability to purchase from Iowa vendors, and has held job fairs and cultivated contacts with new Iowa vendors. He explained that some of the contracts are a result of Ameristar's proximity to Omaha and the competitive bidding process, noting in some cases the Iowa vendor elects not to compete for the business.

Chair Hansen complimented all of the licensees for their extensive use of Iowa vendors. He noted that since the Commission started emphasizing Iowa purchases three year ago, the percentage of Iowa contracts has increased from 37% to 60%, taking in account that gaming equipment purchases account for approximately 25% of all purchases.

Commissioner Hamilton asked how the voluntary banning process works so that all personnel know that an individual is banned. Mr. Terp stated that the individual is taken to Security, photographed via the surveillance cameras and the picture given to Security. The individual's name is placed on a master list that is distributed to the Surveillance Department, Cage, and Security.

Chair Hansen asked if there were additional questions. Mr. Ketterer indicated that the IRGC staff had received word that the contract with Best Bet Products, Inc. was going to be withdrawn. Mr. Terp indicated that was correct.

Chair Hansen stated that it was his understanding that the contracts for additional gaming machines were strictly advisory at this point. Mr. Terp indicated that was also correct, that he felt it was the Commission's procedure that the request is submitted one month and considered the following month. He stated that documents had been submitted to comply with the criteria for the granting of additional machines.

Chair Hansen stated that the motion regarding the license renewal and additional contracts should indicate that the contracts for additional gaming machines are being deferred until the April meeting so that Ameristar can submit the necessary documentation showing they meet the criteria for the granting of said positions. Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the following contracts:

- U.S. Playing Card Company – Playing Cards for Table Games
- Williams Gaming – Purchase 20 Slot Machines (Replacements)
- IGT – Purchase 31 Slot Machines (Replacements)
- Firstar Banks – ATM Rental Agreement

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-21)

Chair Hansen called on IWRA/Harveys Casino Hotel, license holders for the Kanesville Queen. Gary Armentrout and Grant Gubbrud, Senior Vice President/Business Development and Government Relations Director of Finance for Harveys respectively, were present to answer questions relating to the license renewal and the following contracts:

- Brintons-US Axminster – Specialized Casino Carpet
- Global Cash Access – Cash Access Commissions
- Harveys Casino Resorts – Restructured Debt Agreement (RP)
- Hockenbergs – Dishwashing System
- Mikohn Gaming Corporation – Lease 6 Slot Machines (Replacements)

Hearing no discussion regarding the license renewal or the additional contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the license renewal and additional contracts as submitted by IWRA/Harveys Casino Hotel for the Kanesville Queen. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-22)

Chair Hansen called on Missouri River Historical Development, Inc./Belle of Sioux City, L.P. (MRHD/BSC, L.P), license holders for the Belle of Sioux City. John Pavone, General Manager, was present to answer any questions concerning the license renewal and the following contracts:

- Argosy Gaming – Intercompany Charges for December 1999 (RP)

- Argosy Gaming – Intercompany Charges for January 2000 (RP)

Mr. Pavone advised that Betty Strong, President of MRHD, was not able to attend as she was attending a meeting to develop a $2.5 million Lewis & Clark tourist center for Sioux City.

Mr. Ketterer congratulated Mr. Pavone on the recent success of the BSC, noting that business has increased dramatically over the last year and a half. According to IRGC records, business is up over 30% from the previous year. He feels the boat is finally beginning to realize its potential.

Mr. Ketterer stated that he had recently received information about a $3.5 million secured and guaranteed loan that Argosy made to an individual in St. Louis, which was carried as an asset and eventually written off without any significant legal efforts to collect payment. The information indicated that documents pertaining to the loan were highly sensitive. Mr. Ketterer indicated that he was trying to ensure that if our DCI agents went to Argosy's corporate offices they would be able to access the records and receive cooperation. Mr. Pavone stated that he was aware of numerous discussions at the corporate office, but indicated he did not want to address the matter, as he was not that knowledgeable about the issue. He stated that Argosy would be happy to work with the DCI and provide any requested documentation in order to resolve the matter.

Hearing no further discussion regarding the license renewal of MRHD/BSC, L.P., Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal and additional contracts as submitted by MRHD/BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-23)

Following a short break, Chair Hansen called on Dubuque Racing Association/Peninsula Gaming Company, LLC, license holders for the Dubuque Diamond Jo. Brent Stevens, CEO and Chairman of Peninsula Gaming, stated that Peninsula's license has a contingency attached, which requires them to build a 150-room hotel contiguous to the portside facility, costing approximately $10 million. Additionally, Peninsula has agreed to contribute $1.5 million to the Ice Harbor for additional costs. Based on correspondence between the City of Dubuque and Peninsula, Peninsula feels that it has lived up to the letter, and spirit, of the agreement reached with the Commission last May. Part of the agreement required that monthly updates be submitted to the Commission regarding negotiations of a lease with the City. Mr. Stevens advised the Commission that the process with the City has broken down and no negotiations are under way at this time.

Mr. Stevens stated that from Peninsula's perspective, the City's position has been that there were only three options available in obtaining a lease for the property contiguous to the portside facility. The options are: 1) Take on a limitless liability in the Ice Harbor, which can not be assessed prior to identifying what the liability may be; 2) Build a convention center complex that an independent study suggests would cost approximately $40 million to complete; and 3) Build the hotel on land not contiguous to the portside facility. He further stated that the study mentioned above indicates that the convention

center would generate negative cash flow to Peninsula and could threaten the existence of the company and project. Mr. Stevens referenced a letter from Michael C. Van Milligen, City Manager for Dubuque, dated March 3, 2000 to the IRGC which states in part: "... The City of Dubuque is not willing to lease this valuable riverfront property, that has great potential for a convention center, to Peninsula Gaming to build a 150-room hotel." Mr. Stevens stated that Peninsula still wants to build a hotel and is asking that the contingency be removed from the license to enable them to do so. In light of the City's position that further discussions would not be productive, and because Peninsula believes that land-based development is viable to the success of the company, Ice Harbor and the City of Dubuque, Mr. Stevens informed the Commission that Peninsula is willing to accept any help and/or recommendations the Commission can give to them. They are open to any suggestions that might reopen negotiations with the City of Dubuque to enable Peninsula to enter into a lease so that they can build their hotel.

Chair Hansen asked Mr. Stevens how he squared the request to remove the contingency on the license with his statements at the April 15, 1999 meeting when he stated that Peninsula would build a 150-room hotel. This statement is reaffirmed in a letter from legal counsel for Peninsula dated May 5, 1999, which states Peninsula intends to build a 150-175-room hotel with 15,000 square feet of banquet space, and that Peninsula would contribute $3 million toward a convention center. In light of the above commitments, Chair Hansen stated that he felt it was extreme and shortsighted to remove the contingency in full when a different style of discussion might provide new possibilities.

Mr. Stevens stated that with respect to the 15,000 square feet of convention space, there is space within the portside facility that was not taken into consideration earlier that could be used in addition to convention space included in the hotel. Peninsula is still very open to have the banquet/meeting space. With regard to comments regarding a 30,000 square foot convention center, Mr. Stevens stated that following those comments, an independent study by the firm of VRW in August indicated that in order to have 30,000 square feet of convention space, plus 8,000 square feet of meeting space; and 8,000 of banquet space would require an additional 60,000 square feet of space for back-of-the-house operations, which escalated the estimated costs from a low, single-digit range to an enormous amount of money. Mr. Stevens stated that Peninsula is not against partnering with the City of Dubuque, and look forward to it. He indicated that they have not received any offers from the City, only counteroffers that require Peninsula to take on all of the liability or none at all.

Chair Hansen asked Mr. Stevens how he would quantify Peninsula's latest offer to the City of Dubuque. Mr. Stevens stated that Peninsula is prepared to build a 150-room hotel, provide adequate meeting space between the portside facility and hotel, and they have formally offered $1.5 million to the city.

Commissioner Hassenfritz asked how the above proposal differs from the original proposal of April 1999; and who changed the rules. He indicated that he was trying to determine how what appeared to be clear-cut plan deteriorated to the present impasse. Mr. Stevens stated that he felt there were a couple of issues: 1) the discovery of

additional information by the City and Peninsula regarding the costs of a convention center and 2) the costs associated with actually getting a building in place.

At this time, Mike Van Milligen, City Manager, and Barry Lindahl, City Attorney, came forward to provide the City's viewpoint. Mr. Van Milligen stated that it is the City's viewpoint that Peninsula's position has changed dramatically since early 1999. In the City's discussions with Peninsula last April and May, Peninsula was talking about building a 150-175-room hotel, building 15,000 square feet of meeting/banquet space, and contributing $3 million to a project which Peninsula represented to the City would cost $5 million, or 60% of the cost of the exhibit space. The City of Dubuque and the Chamber of Commerce commissioned a study to determine the convention/meeting and marketing space needs of the community. That study indicated that there was a need for 30,000 square feet of exhibit space, and 16,000 square feet of meeting and banquet space, and those were the numbers used in discussions with Peninsula Gaming when they entered the process of becoming the owners of the Dubuque Diamond Jo (DDJ). Mr. Van Milligen stated that the City had the potential to partner with Peninsula on this project on city-owned land, which is contiguous to the riverboat. He indicated that after Peninsula received their license in May 1999, the discussions deteriorated. Mr. Van Milligen advised that the last offer he recalls from Peninsula is that they would build a 150-room hotel on City of Dubuque property with 6,000 square feet of meeting space for the benefit of individuals staying at the hotel; that it would not be used to meet any additional need identified in the study mentioned above. He indicated that he was encouraged by Mr. Stevens' comment that Peninsula is interested in partnering with the City on a potentially bigger project, which is the crux of what the City of Dubuque is asking of the Commission. Mr. Van Milligen stated that it is the City's hope that the Commission will direct the two parties to return to the negotiating table to determine the context of the partnership under which the City would get what they want – development of the city-owned land for a convention center – and that Peninsula would get what they want. He advised the Commission that he believes it is possible for both parties to get what they want.

Chair Hansen indicated he understood one of the issues being contested is that the City would rather have the hotel located on property owned by Peninsula rather than the land contiguous to the portside facility. Mr. Van Milligen stated that it is the City's position that if Peninsula is only going to build a 150-room hotel, that it not be on City property but on the 7.2 acres they own directly across the street.

Chair Hansen noted that AB Capital wrote the City on May 5, 1999, expressing their intent to build a 150-175-room hotel with 15,000 square feet of banquet space contiguous to the portside facility. Mr. Van Milligen concurred that the City knew Peninsula was talking about a contiguous location to the portside building; however, the City also felt Peninsula, because of verbal and written communication, was willing to work with them on meeting the City's needs.

Chair Hansen referred to a letter from Mr. Van Milligen to Michael Luzich dated February 10, 2000, which states that the $1.5 million for supplemental site improvements

is not sufficient. He stated that if he understood Mr. Stevens' earlier comments, there has not been an investigation made into the potential costs, and wondered what amount would be acceptable if $1.5 million was not. He asked what the City was trying to achieve.

Mr. Van Milligen stated that was why he suggested it was a negotiation process, because he doesn't feel the partnership ends with the City and Peninsula – that it involves other partners. He noted that the City is involved in a partnership with the Dubuque County Historical Society and the Dubuque Chamber of Commerce. They are also involved in a $27 million project, of which $22 million has been raised, called the "America's River Project" that will be built on land west of the portside facility. He stated that the City might need to bring in additional partners to complete the project. Mr. Van Milligen stated that until the City has the opportunity to explore the costs and the options for the project, they would not know what amount is sufficient. He advised the Commission that the Mayor and City Council has approved, beginning July 1, 2000, a budget of $25,000 to bring in a consulting firm to examine the constructability and financing feasibility of this larger project on which they would like to partner with Peninsula.

Chair Hansen advised Mr. Van Milligen that the main purpose of the hotel is to provide an economical benefit to the boat operator, not the City. He noted that when the contingency was fashioned prior to the Commission meeting in May 1999, the City was not present at that meeting or the Commission meeting when final approval for the license was given. In previous ownership changes, various City representatives have appeared before the Commission to present their views on the new owners. Chair Hansen stated that now the City is trying to embrace the partnership concept and is expecting the Commission to enforce it according to the City's specifications.

Mr. Van Milligen stated that he did not understand there would be negotiations at the May meeting as to any contingencies on the license. He noted that City representatives attended the April Commission meeting at which Mr. Stevens indicated that Peninsula was going to build a hotel with approximately 150 rooms and 15,000 square feet of banquet and convention space. Then, the City received the May 5th correspondence from Peninsula stating that they are going to build a 150-175-room hotel with approximately 15,000 square feet of meeting and banquet space, and contribute $3 million, which by Peninsula's calculations represented 60% of the costs of an exhibit hall. As they were not aware that there were going to be contingency negotiations at the May meeting, the City assumed everything was progressing as they had been told they were by Peninsula.

Commissioner Sealock stated that the May meeting was not the first time that a contingency on the license had been discussed. She noted that since the inception of riverboat gambling in Iowa, representatives of the various cities and non-profit organizations have always attended the meetings to show their support; and that May was the first time she can remember there being no support in any form. Commissioner Sealock stated that the Commission has received a flood of information on this issue, some of it as late as the previous evening. She noted that various figures have been discussed regarding the square footage of the convention and meeting space, and

obviously 45,000 square feet would definitely cost more than $5 million to build. Commissioner Sealock pointed out that some of the information they received indicated the possibility of another hotel that could be closer to the boat than the hotel Peninsula is planning to build. She questioned whether there was a need for two hotels. She asked Mr. Van Milligen what it was the City wanted the Commission to do. In her opinion, a partnership between Peninsula and the City would be a win-win situation for everyone. She stated that it was not fair for the City to expect the Commission to now determine what is best for the two parties.

Mr. Van Milligen stated that he agreed with Commissioner Sealock; but pointed out that it was not the City who interjected the Commission into the process; Peninsula Gaming did that by filing a Petition to remove the contingency from their license. Commissioner Sealock explained that Peninsula had to be on the agenda today.

Commissioner Mahaffey asked Mr. Van Milligen if it was the City's position that through negotiations with Peninsula that what had been agreed to in terms of the contingency before the Commission has changed. Mr. Van Milligen answered in the negative, further stating that the City did not know about any negotiations concerning the contingency language.

Commissioner Mahaffey stated that he was asking if the City felt that the specific terms of the contingency were less than what was being discussed with Peninsula, and if the City felt the discussions would constitute the contingency or be done in addition to the contingency. Mr. Van Milligen stated that in April and May the City and Peninsula were talking about a 150-room hotel with 15,000 square feet of meeting/banquet space, plus $3 million toward a convention center.

Commissioner Mahaffey asked Mr. Van Milligen why the City felt Peninsula should assume all of the liability in terms of potential problems that might occur on the site. Mr. Van Milligen stated that the liability became an issue in the negotiations. He stated that the City owns the property, and as a negotiator, they would define the boundaries of the negotiations. Instead, the City allowed Peninsula to define the boundaries of the negotiations. Peninsula indicated they wanted to build a 150-room hotel on the City's property on which there is an environmental issue, and how is it going to be dealt with. Subsequent correspondence, and most definitely the last letter from Peninsula, show that the problem is not the environmental issue. Mr. Van Milligen reiterated that if all Peninsula wants to build is a 150-room hotel, the City wants them to build it on their own property, not the City's.

Commissioner Hamilton asked Mr. Van Milligen if the 150-room hotel wasn't what was originally being discussed. Mr. Van Milligen stated that it was 150-175-room hotel with 20,000 square feet of meeting and banquet space, and 60% of the cost of an exhibit hall. Commissioner Hamilton pointed out that 150 rooms is between 150 and 175. She stated that she did not see the big problem. She indicated that she had a map and asked Mr. Van Milligen to show her where the two properties being discussed were located. At this

point, all of the Commissioners, Mr. Van Milligen and Peninsula representatives gathered at Commissioner Hamilton's end of the head table.

Following the discussion regarding the location of the two properties, Commissioner Hassenfritz, referring to a memo dated May 15, 1999 from AB Capital to the City, asked if it complied with what the City felt the agreement between the parties was. Mr. Van Milligen stated that he would not use the term "agreement", but that the memo generally complied with what the discussions had been. He indicated there were some new issues on the second page – one of them was that AB Capital would act as the master developer for the entire Ice Harbor urban renewal district. Commissioner Hassenfritz stated that he felt that would be something the City wanted. Mr. Van Milligen stated that the City would be willing to discuss the point with Peninsula.

Commissioner Hassenfritz stated that the information the licensees present to the Commission in their license application and presentation is what the Commission uses to determine whether a license should be granted. He noted that if a licensee does not comply with the contingencies placed on the license, then they are outside the agreement with the Commission, which can jeopardize their license. It is his assumption that is the reason Peninsula is requesting that the contingency be removed. Commissioner Hassenfritz asked Mr. Van Milligen when the negotiations broke down.

Mr. Van Milligen stated that after the license was granted, Peninsula commissioned a study with McGladrey & Pullen to review the economic impact of the convention space on their facility. The study indicated that convention space would have a 1% positive impact on their gaming revenues. He indicated that the City was involved in establishing the parameters of the study, but did not see anything further on the study until the results were given to the City. Mr. Van Milligen stated that the results of the study do not hold any credibility with him. He indicated that he had reviewed the minutes from the March 1999 Commission meeting, which showed that a similar facility built by Lady Luck in Bettendorf had increased the casino's business by 21% during the first six months of operation. The success of Lady Luck's facility caused him to further discount the results of the study by McGladrey & Pullen. In his opinion, this is when the negotiations deteriorated as Peninsula accepted the results and advised the City that they wanted to build a 150-room hotel.

Commissioner Hassenfritz asked Mr. Van Milligen if he was saying that the catalyst for the problems was the City's disagreement with the results of the study conducted by McGladry & Pullen. Mr. Van Milligen stated that he felt the catalyst was Peninsula's agreement with the study, and their refusal to look at any other options or partners. Commissioner Hassenfritz pointed out that Peninsula can not constantly be changing partners and comply with the licensing requirements, as partners have to be investigated.

Commissioner Hassenfritz asked Mr. Van Milligen if the City agreed to the study, or disagreed with it prior to its completion. Mr. Van Milligen stated that the City suggested that Peninsula have the study done because there had been a breakdown in discussions

and Peninsula no longer believed that the convention center would be beneficial to the casino.

Chair Hansen asked Mr. Van Milligen if the above referenced study indicated that the hotel would be placed at distant locations versus being adjacent to the portside facility. Mr. Van Milligen indicated it was his belief that the study had the hotel being located next to the portside facility. Chair Hansen addressed the location issue as he feels it is at the heart of the issue. He noted that there is a great deal of material supporting the economic value of casino destination hotels, but in all instances, the hotel is contiguous to the casino. Chair Hansen noted that there is a prime example in Iowa at Bettendorf and Davenport. The Bettendorf hotel is in close proximity to the gaming facility, while Davenport's is not, and therefore, does not provide much economic support to the gaming facility. Chair Hansen stated there are some legal limitations as to the Commission's authority and what they can ask of an owner in terms of land-based facilities with an economic enhancement value. He expressed concern over the fact that the hotel might be located away from the gaming facility, thus diminishing its economic value.

Commissioner Hamilton asked Mr. Van Milligen if the two parties had completely broken off negotiations. Mr. Van Milligen stated that progress could be made if Peninsula was willing to talk about a bigger project, something more than a 150-room hotel. If that is all they are willing to talk about, there will be no further negotiations.

Commissioner Hassenfritz about Peninsula's plan to include 15,000-sq. ft. of banquet space. Mr. Van Milligen indicated that he previously felt it had been withdrawn, but according to Mr. Stevens' comments today, it is back on the table, which makes for a bigger project than what Peninsula has been discussing with the City. Mr. Van Milligen stated that if Peninsula is returning to their May 5, 1999 concept, the parties have many issues to discuss, and that the project would be very successful.

Commissioner Hassenfritz pointed out that the May 5, 1999 concept had the hotel being built on the riverfront. Mr. Van Milligen reiterated that if Peninsula is willing to talk about a bigger project than just a 150-room hotel, the City is willing to negotiate with Peninsula about putting the hotel on city property contiguous to the portside facility. Commissioner Hassenfritz asked Mr. Van Milligen what the term "bigger project" means to the City – bigger than 15,000 sq. feet of banquet space or a bigger hotel. Mr. Van Milligen stated that the only way he could define "bigger" at this time is if Peninsula is willing to talk about something more than a 150-room hotel. Commissioner Hassenfritz asked if 15,000 sq. feet of meeting space would be adequate. Mr. Van Milligen indicated that there was a possibility. He noted that in earlier comments he had expressed the possibility of bringing in additional partners on the project if the City and Peninsula could not fulfill the need that exists. Mr. Van Milligen stated that he could not say if the 15,000 sq. feet of meeting space was sufficient to meet the City's needs, which is why the City Council has budgeted money beginning July 1, 2000 to further study the issue and determine how the entities can work together to make the project work. Commissioner Hassenfritz asked which City official would be able to indicate if Peninsula's proposal was sufficient. Mr. Milligen indicated that no one could do so at this time, but stated that

a 150-room hotel and 15,000 sq. feet of meeting space would go a long way toward accomplishing the City's goal. Commissioner Hassenfritz questioned how Peninsula is supposed to meet the City's needs if the City doesn't know what it wants. Mr. Van Milligen stated that Peninsula does know what the City wants from the perspective that their most recent proposal is unacceptable.

Referring to a Memorandum, Commissioner Hassenfritz asked if the City felt the following was unacceptable: 15,000 sq. feet of banquet space, 150-room hotel, and a contribution of $3 million toward the construction of a minimum 30,000 sq. foot convention center. Mr. Van Milligen stated that the blanks could be filled in to make the offer very acceptable, and used the following figures: 150-175 room hotel, 15,000 sq. feet of meeting/banquet space and 60% cost of a convention center. Commissioner Hassenfritz noted that Mr. Van Milligen was using a percentage toward the cost of the convention center rather than a dollar figure. Mr. Van Milligen stated that was how the letter was originally written.

Chair Hansen called on Mr. Ketterer. Mr. Ketterer stated that it appears the liability is really not being characterized as an issue, and the 150-room hotel is within the context of the original agreement for a 150-175-room hotel. His understanding of the situation is that the issue of the ancillary facilities is holding up the negotiations, and believes the parties can reach an agreement. He stated that if the hotel is as successful as everyone feels it is going to be, some thought should be given to future expansion with regard to the number of hotel rooms and meeting space based on the City's success in developing the project they have in mind. The City's proposed project would create additional demand, and might warrant further expansion. Mr. Ketterer suggested that the parties keep this avenue in mind during their upcoming discussions.

Commissioner Hamilton moved to approve the license conditionally for one month to give Peninsula and the City time to attempt to reach an agreement; that they should bring any agreement back to the Commission at its April meeting. Commissioner Mahaffey seconded the motion.

Before calling for the vote, Chair Hansen stated that he wanted to give Mr. Stevens an opportunity to rebut any of Mr. Van Milligen's statements. Commissioner Sealock asked for clarification of the motion.

Commissioner Hamilton stated that her intent was to approve the license for one month, and that the licensee and City would have to come before the Commission at the next meeting and advise them of the progress made.

Chair Hansen stated that in order to move the process along, he wanted to set forth some specific issues to be covered in the negotiations. They are as follows: 1) 150-175 room hotel; 2) 15,000 sq. feet of banquet space, which could be a combination of the existing portside building and the new hotel; 3) that Peninsula contribute 60%, or roughly $3 million toward the convention center; and 4) that the location of the hotel be contiguous to the portside facility.

Mr. Ketterer stated his understanding was that the convention center complex was going to cost approximately $40 million, and he was not sure that Peninsula was prepared to pay 60% of those costs.

Lorraine May, legal counsel for Peninsula, stated that was one of the issues. At the time of the initial offer to pay 60%, Peninsula felt the cost of the convention center was $5 million, which has now escalated to $40 million. She advised the Commission that she feels the relationship with the City is much more positive than otherwise portrayed and is optimistic that the parties can work well together in order to move the project forward. What brought the issue before the Commission today was the contingency placed on the license at the time it was granted. Peninsula tendered to the City an offer of a 150-room hotel, costing approximately $10 million contiguous to the portside facility with an additional $1.5 million. The City turned down the offer, indicated the matter was not negotiable and that further discussions would not be productive. In order to comply with the Commission's requirement of monthly progress reports on the hotel development and construction, Peninsula did not have any alternative but to bring the matter before the Commission. Ms. May expressed her hope that the discussions over the next month will be very positive, and conducted in good faith.

Commissioner Mahaffey stated that it was not the intent of Commissioner Hamilton's motion, nor his second, to hold anyone hostage. He pointed out that the parties need each other, and that this is an issue that can not be resolved at this meeting.

Chair Hansen indicated that the motion before the Commission was for Peninsula and the City to resume negotiations and report back to the Commission at its April meeting. He expressed his hope that both parties would negotiate in good faith, keeping in mind the Commission's limitations on what it can ask of a license. Chair Hansen reiterated that the Commission has requested that Peninsula erect a 150-175 room hotel with an initial cost of $10 million plus an additional $1.5, a 15,000 sq. foot banquet room utilizing space in the hotel and portside facility, pay 60% or $3 million toward the cost of a convention center, and lastly, that the hotel location be contiguous to the portside facility.

Jeff Farrell, IRGC legal counsel, advised the Commission to clarify what it was they were voting on – shortening the period of the contingency to April or are they deferring the issue of the contingency until April. Chair Hansen stated that it was his understanding that the Commission was giving a conditional license to Peninsula until the April Commission meeting at which time the Commission would address the entire license renewal application. Mr. Farrell confirmed his understanding of the previous comments: That the Commission was approving the license conditionally upon review of the whole situation in April. Chair Hansen stated that was correct.

Mr. Stevens stated there seems to be some confusion, or everyone is not in receipt of the facts, regarding the cost of the convention center. He expressed concern over the term "60%". He indicated that Peninsula was told it would be approximately $5 million; further noting that the company is not in the convention center business, and does not

intend to be in the future. Chair Hansen stated that was why he used the term 60% or a maximum of $3 million.

Hearing no further discussion on this matter, Chair Hansen requested a vote on the motion on the floor. The motion carried unanimously. (See Order No. 00-24)

Chair Hansen moved to the related party contract submitted by Peninsula with Riviera Gaming Management for a shared employee for operations management. Mr. Stevens introduced Jerome Grippe, currently a Senior Vice President of Operations at Riviera Gaming and the Interim General Manager at the DDJ. He indicated that Mr. Grippe is on property at least half of the time. Mr. Grippe was in the Armed Forces for 26 years, and entered the gaming industry approximately ten years ago.

Hearing no further discussion regarding the contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by Peninsula. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-25)

Chair Hansen called on the Riverboat Development Authority (RDA)/The Connelly Group, L.P., license holders for the President. Mark Lohman, General Manager, introduced Mary Ellen Chamberlin, President of RDA, and Jim Zweifel, Executive Vice President and CFO for the parent company, President Casino. Mr. Lohman requested approval of the President's renewal license application and the following contracts:

- Edy's Grand Ice Cream – Soft Serve Ice Cream Supplier
- Cummins-Allison Corporation – Purchase 2 Jet Sorts & Maintenance Contract for Jet Sorters and Printer

Chair Hansen asked Mr. Lohman to comment on the quarterly report. Mr. Lohman turned the floor over to Mr. Zweifel. Mr. Zweifel stated that as a corporation President is facing several significant financial challenges this year. They have approximately $150 million of long-term debt obligations - $140 million make up two of the main debt issues. One is a $40 million note due July 2000 – a mortgage note on property the President purchased in Biloxi, Mississippi. The property, purchased for $40 million, is currently appraised at anywhere from $90 - $115 million. The President is addressing this loan in the following ways: 1) Trying to locate someone to refinance the $40 million obligation, and 2) Searching for joint venture partners in Biloxi.

Mr. Zweifel stated that the second major debt issue is the $100 million of senior note obligations. The President will need to make a $25 million principal payment in September. A more immediate issue is the interest payments due on March 15th and September 15th. The interest rate on the notes is 13%, or $13 million per year. Mr. Zweifel advised the Commission that the President has been addressing these issues with the two major bondholders, trying to defer the interest payments allowing the President to restructure their debt. At this time, the issue has not been resolved, but Mr. Zweifel indicated that it was highly unlikely the President would make the March 15th interest

payment. Mr. Zweifel indicated the President Casino has significant value in all three properties, and he is confident the above issues can be resolved to the satisfaction of the bondholders, but all parties involved with the President as a company.

With regard to the Davenport operation, Mr. Zweifel stated that he did not feel the above situations would have any impact. The above areas are a concern corporate-wide; however, the Davenport operation continues to be a viable, on-going operation, and will continue to operate as such. He indicated the Davenport venue would generate approximately $13 million in cash; somewhat less than previous years because of the competitive environment in which they operate. Mr. Zweifel stated that President would continue to invest in the Davenport operation, noting that they invested over $2 million in capital investments, as well as requesting, and receiving, permission to increase the number of gaming machines on the riverboat. One hundred fifteen slot machines have been purchased.

Mr. Zweifel advised the Commission that one of the viable options being discussed with the bondholders is the selling of one or more properties. He noted that the company has pursued selling the Davenport operation in the past, and currently have several interested parties.

Commissioner Hassenfritz indicated his understanding of Mr. Zweifel's comments was that the if Davenport operation is viewed as a single operation, it is fine. Mr. Zweifel stated that the financial matters are a consolidated problem, but that it is in the best interest of the bondholders and interested parties if each of the individual operations continue to function to the best of their ability. He indicated the corporation would generate about $23 million in cash flow this year before the required interest payments.

Mr. Ketterer thanked Mr. Zweifel for attending the meeting and being frank with the Commission as to the President's financial problems. He asked Mr. Zweifel to confirm that the capital improvement project approved for the Davenport operation would go forward. Mr. Lohman stated that in September 1999, they requested a two-step process to increase the number of slot machines to 1200. The first step would add approximately 125 machines, bring the total to 1,050, which management felt was the maximum capacity prior to undergoing the required dry dock inspection. Once necessary modifications have been made to the present vessel, or finding a replacement vessel, the balance of the slot machines will be added. Mr. Ketterer asked when the second stage would occur. Mr. Lohman advised that the President is required to undergo the dry dock inspection in March 2001, so roughly one year from now unless a determination is made to take it out of service early, depending on how different plans fall into place.

Hearing no further discussion regarding the President's license renewal application or the additional contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the license renewal and additional contracts as submitted by the President. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-26)

Next, Chair Hansen called on Clarke County Development Corporation (CCDC)/Southern Iowa Gaming Company (SIG), license holders for the Lakeside Casino & Resort. Larry Seckington, legal counsel, introduced Joe Massa, General Manger, and Ken Baker, past president of CCDC.

Mr. Baker introduced Madeline Adams, Executive Director of CCDC. Mr. Baker advised the Commission that south central Iowa, and in particular Clarke County, is experiencing increased sales in the retail sector of the economy. He noted that even though it is early in the game, CCDC is confident about the future of the gaming industry in Osceola. Mr. Baker stated that the economic growth in south central Iowa over the past several years has allowed them to adjust quickly to the onslaught of additional employees and visitors coming to Osceola on a daily basis. He noted two new businesses have opened on the town square and ten have expanded, remodeled or are in the process of doing so. Retail businesses outside of the city center are also experiencing increased sales and numbers of patrons. Recently, CCDC accepted their first monthly installment of approximately $200,000 to be used for charitable distributions. Mr. Baker stated that CCDC board members are working to develop charitable giving guidelines, an application, follow-up forms, and marketing materials. Mr. Baker requested approval of the license renewal application.

Mr. Seckington submitted the following additional contracts for Commission approval:

- Tri-State Outdoor Media – Billboards
- Brooner & Associates – Change Order #8
- Brooner & Associates – Change Order #9

Hearing no further discussion concerning the license renewal application or the additional contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the renewal application and contracts as submitted by CCDC/SIG. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-27)

Chair Hansen called on Scott County Regional Authority/Lady Luck Bettendorf, L.C., license holders for Lady Luck Bettendorf. Curt Beason, legal counsel for Isle of Capri Casinos (Isle), advised the Commission that Lady Luck Bettendorf and Lady Luck Marquette have been merged into the new entities Isle of Capri Bettendorf and Isle of Capri Marquette effective March 2, 2000. He noted that Lady Luck Gaming Corporation still exists as a subsidiary of Isle of Capri Casinos. Isle has assumed all of the outstanding contracts, all licenses and permits have been assumed except for the gaming licenses and liquor permits. Mr. Beason noted that the Commission had approved the change in ownership to Isle at the January meeting, so the licenses for Bettendorf and Marquette are not up for renewal, but that the contracts submitted with the license renewals did need to be approved. He also submitted a contract with the City of Bettendorf, which amended the Downtown Riverfront Project Development Agreement. This agreement was submitted in letter form at the January meeting, and is now being formally submitted for Commission consideration.

Chair Hansen asked if there were any objections to including agenda item 9C, the Downtown Riverfront Project Development Agreement, in the contracts being considered for Bettendorf under the license renewal. No objections were raised. At this time, Chair Hansen requested a motion regarding the contracts contained in Lady Luck Bettendorf's license renewal application and the Downtown Riverfront Project Development Agreement. Commissioner Mahaffey moved to approve the applicable portion of the license renewal as submitted, and the additional contract. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-28)

Chair Hansen then moved to the license renewal submitted by Upper Mississippi Gaming Corporation/Lady Luck Marquette, license holders for Miss Marquette. Kim Hardy, General Manager, requested that the contract with MLP Seating be withdrawn from consideration.

Hearing no discussion regarding the Marquette renewal application, Chair Hansen requested a motion. Commissioner Sealock moved to approve the applicable portion of the Upper Mississippi Gaming Corporation/Lady Luck Marquette license renewal application. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-29)

Following a short break, Chair Hansen called on Dubuque Greyhound Park & Casino (DGP&C) to present the 45-day plan for the upcoming live race meet. Bruce Wentworth, General Manager, advised that live racing would commence on April 29, 2000, marking the beginning of their 16th year of live racing at DGP&C. The following contracts were also submitted for Commission approval:

- American Trust – Banking Agreement
- United Way – Corporate Pledge to Annual United Way Campaign
- The Friedman Group – Director and Officers and Employment Practices Liability
- The Friedman Group – Short Term Disability Insurance
- The Friedman Group – Group Life Insurance
- Silicon Gaming-Iowa – Purchase 6 Slot Machines (Replacement)
- United Steelworkers Local 1861-U – Labor Agreement
- Tricor Insurance – Property and Casualty Insurance and Workers Comp

Hearing no comments or questions concerning the 45-day plan or contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the 45-day plan and additional contracts as submitted by DGP&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-30)

Chair Hansen moved to the distribution of the Horse Racing Promotion Fund. Linda Vanderloo, IRGC staff, advised the Commission that staff was recommending that the funds be distributed in the same manner in which they were generated. Three entities, the Iowa Thoroughbred Breeders and Owners Association, Iowa Harness Horsemen's

Association and Iowa Quarter Horse Racing Association, have submitted requests for the funds. The respective amounts are $4,777.29, $212.62, and $485.46, for a total of $5,475.37.

Hearing no discussion or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve distribution of the 2000 Horse Racing Promotion Fund as recommended by IRGC staff. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-31)

Chair Hansen then called on Bluffs Run Casino (BRC) and the Iowa Greyhound Association (IGA) regarding their request for Approval of Stakes Race Agreement. Gary Armentrout, Senior Vice President for Harveys Casino Resorts, and Piers Banks, Director of Operations for BRC, advised the Commission that during the first week of February the IGA designated a Stakes Race subcommittee, consisting of Bob Hardison, Ron LeFebvre and Randy Schaben, to meet with representatives of BRC, specifically Piers Banks and Rory DiSantiago, for the purpose of working out scheduling and funding of the stakes races at BRC for the 2000 season. Mr. Armentrout stated that these individuals repeatedly assured BRC representatives that they had the authority to represent the IGA, work out the details of scheduling and funding for the stakes races, and enter into an agreement with BRC. Discussions between the parties resulted in an agreement for seven stakes races scheduled throughout the 2000 racing season, with purses in excess of $1 million, making it the largest stakes race schedule of any greyhound track in America. BRC, after being assured by Mr. Hardison that the Stakes Race Agreement would be signed, issued a press release on February 10th to all media advertising the $1 million in stakes races to be conducted at BRC in 2000. On February 17th, BRC submitted the Agreement to the Commission for approval. Mr. Armentrout pointed out that the IGA must have thought they had an agreement because their March 1st newsletter devotes six pages to advertising the stakes races agreed to by BRC and IGA. Mr. Armentrout stated that IGA legal counsel, Jerry Crawford, has advised BRC that the IGA is not prepared to execute the Agreement submitted to the Commission due to other unresolved issues. Therefore, Mr. Armentrout requested that the request be removed from the agenda.

Brad Schroeder, representing the IGA, stated that it was his understanding that the parties are not that far apart on the issues, that one detail was overlooked and is holding up the signing of the final agreement. The issue involves approximately $428,000 owed to the IGA and being held by BRC. IGA wants to use those funds to finance their current obligations on the stakes race schedule. BRC's stance is that they would continue to hold the funds to cover interest payments during the present year, and that IGA would then pay the coming year's obligations from the 2000 Agreement. Mr. Schroeder indicated that the IGA does have funds available to meet their obligations, but wants to use the funds owed to them to meet the current obligation.

Commissioner Hassenfritz asked if the IGA was a non-profit organization, and if so, under what federal Code it was organized under. Mr. Schroeder stated that the IGA was a non-profit organization under Chapter 504. Commissioner Hassenfritz questioned if there was a Board of Directors, and if so, why don't they appear before the Commission

instead of legal counsel or if there was a resolution made assigning negotiation powers to Mr. Crawford. Mr. Schroeder advised that the Board passed a resolution a few months ago stating that discussions on such matters should go through the Association's legal counsel. He stated that all Board members are concerned when individual Board members negotiate individually with entities like BRC because of an intimidation factor.

Commissioner Hassenfritz stated that he found it odd that corporate counsel would lead rather than be present. Mr. Schroeder stated that legal counsel received their direction from the Board on this issue. Commissioner Hassenfritz noted that in discussions with other entities, it is unusual for there to be no representatives but corporate counsel in attendance. Mr. Schroeder stated the reason representatives from other entities were present is that they were being paid; whereas the IGA members are farmers, do not reside in central Iowa and are not paid to attend the Commission meetings. Commissioner Mahaffey pointed out that several IGA members were present at the January Commission meeting.

Commissioner Hassenfritz stated that he was trying to understand how the parties reached this point before drawing any conclusions. He questioned whether the IGA wanted the stakes races. Mr. Schroeder indicated that IGA did want the stakes races, but that BRC and IGA had not able to resolve the issue of the $428,000.

Commissioner Sealock asked if Mr. Armentrout had a response to Mr. Schroeder's comments. Mr. Armentrout stated that BRC has attempted to resolve issues at the lowest possible level with individuals that are closest to the issue, and whose lives are most affected by the outcome of the negotiations. He noted that no legal counsel attended the negotiations concerning the stakes race schedule or purses. In his opinion, the parties reached a reasonable solution that was satisfactory to both sides. Mr. Armentrout stated that BRC was advised the agreement was binding, and relied upon that statement to start advertising the stakes races. Mr. Armentrout indicated that after Mr. Crawford told BRC that he was not going to execute the agreement, Mr. Crawford then executed an alternate agreement, advising BRC that the alternate agreement was what the IGA would agree to. Mr. Armentrout stated that the alternate agreement was substantially different than the original agreement. The differences are as follows: 1) Six races versus seven; 2) An Iowa Breeders Classic race funded in the amount of $250,000; and 3) Additional differences in dollar amounts. The IGA has suggested that the only issue between the parties is who will hold the money until the purses are paid out. Mr. Armentrout stated that BRC has repeatedly requested the IGA to pay outstanding amounts owed to BRC, however, at this time, IGA is still delinquent in the amount of $132,000 for the 1999 stakes races; $53,422 for their share of the 1999 simulcasting expenses; and $111,000 for the $20 additional purse money that BRC has been paying this year pursuant to the 1999-2000 arbitration award. Mr. Armentrout reiterated that this issue is not about who holds the money and who is delinquent, but attempting to work together at the lowest level possible by the people who are involved in the process, and who have the most to gain or lose. He again requested that the item be withdrawn from the agenda.

Commissioner Hassenfritz asked Mr. Armentrout if BRC representatives would be willing to meet with IGA representatives if it could arranged. Mr. Armentrout stated that BRC representatives would welcome the opportunity to meet with Messrs. Hardison, LeFebvre, and Schaben. Commissioner Hassenfritz then asked Mr. Schroeder if the IGA would have any objection to the senior directors or representatives designated by the Board of Directors to meeting with their counterparts at BRC to work out the issues. Mr. Schroeder indicated they would not.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to defer this agenda item, and designated Mr. Ketterer or his designee, to work with the parties to resolve the issues. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-32)

Chair Hansen moved to the contract approvals, and called on Prairie Meadows Racetrack & Casino (PMR&C). Tom Timmons, Vice President of Operations, submitted the following contracts for Commission approval:

- Aggregate Equipment Supply Company – Potential Vendor for Purchase of a Boom Lift
- Automatic Data Processing – Software to Connect Human Resources to Payroll
- Ban-Koe Systems, Inc. – Service/Repairs to Krono's Time Card System
- Danka Financial Service – Lease on Color Printer for Marketing
- The Hansen Company, Inc. – Potential General Contractor for Various Construction Projects throughout the Year
- Kone Elevators/Escalators – Maintenance Agreement on New Escalators (West Addition Project)
- Kone Elevators/Escalators – Maintenance Agreement on New Elevators (West Addition Project)
- Neumann Brothers, Inc. – Construction Contract for West Addition – Phase 1B
- ODS Technologies, L.P. – Agreement on Disclosure of Confidential Information
- Rental Service Corporation (RSC) – Potential Vendor for Purchase of Boom Lift
- Ziegler – Purchase of a Caterpillar Compactor Roller

Hearing no discussion or questions concerning the contracts, Chair Hansen 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. 00-33)

Bob Farinella, General Manager of PMR&C, and representing the Iowa Gaming Association, submitted that organization's annual report to the Commission. The report

sets out the economic impact of the gaming industry in Iowa. He gave the following figures for calendar year 1999:

- The industry had a total payroll of $199 million,
- Supplies purchased from Iowa vendors totaled $131.7million,
- Gaming taxes paid to the State were in excess of $190 million,
- Total taxes paid exceeded $224 million,
- Contributions to the non-profit organizations and other charitable donations totaled $84 million, and
- The gaming industry spent $640 million in Iowa, or 86.7% of every dollar spent.

Mr. Farinella stated that gaming equipment accounted for $46 million, or 6.2% of total expenditures, leaving approximately 7% for other expenditures made with out-of-state vendors.

Chair Hansen thanked Mr. Farinella for his report, and congratulated the industry on the significant increase in services and supplies purchased from Iowa vendors.

Chair Hansen called on BRC. Dan Roy, Senior Vice President of Operations, Mr. Banks and Mr. Armentrout presented the following contracts for Commission approval:

- American Lift & Sign Service – Sign Maintenance
- Anchor Games – Add 1 machine to existing lease (Replacement)
- Aristocrat, Inc. – Purchase of 23 Machines (Additional)
- Atronic Casino Technology – Purchase of 9 Machines (Additional)
- B & D Signs – Purchase of Signage for New Casino Area
- ComputerLand of Des Moines – Purchase of Computer Equipment & Software
- Cummins-Allison Corp. – Purchase of Coin Wrappers
- Global Cash Access, L.L.C. – Commission Received for Cash Advances
- International Game Technology – Purchase of 197 Slot Machines for New Casino Area (Additional)
- J & H March & McLennan LV – Liability, Property, Excess Worker's Comp., Crime and Fiduciary Insurance Coverage
- Midwest Casino Supply – Purchase of Casino Seating
- OS Salesco, Inc. – Meat Supplier
- The Texas Hub – Hub Services for Pari-Mutuel Wagering
- Denny Wiekhorst Equipment, Inc. – Billboard Rental
- WMS Gaming, Inc. – Purchase of 23 Slot Machines for New Casino Area (Additional)
- Construction Project Approval

Mr. Ketterer asked Mr. Roy if the additional slot machines were already approved. Mr. Roy indicated the machines had been approved at the January Commission meeting.

Commissioner Sealock asked about the request for approval of the construction project. Mr. Roy advised her that the project was out for bids. He indicated that BRC was asking for approval based on the fact that the contract will be similar to the construction contract approved by the Commission for the parking garage, as well as the fact that all four bidders are Iowa vendors.

Mr. Ketterer advised the Commission that Verne Welch, General Manager, had discussed this matter with him previously, indicating that because of the process, the successful vendor would not be selected until the week after the Commission meeting. Mr. Welch asked if the contract could be considered for approval contingent upon the Commission's review of the final contract at the April Commission meeting, allowing Harveys to proceed with the construction process during the six-week time frame between this meeting and the April meeting.

Commissioner Sealock asked if the Commission would have the opportunity to review the final contract. Mr. Roy advised that the final executed agreement would be forwarded to the Commission members.

Commissioner Sealock requested that a separate vote be taken on the approval of the construction contract.

Hearing no further discussion or questions concerning the contracts, Chair Hansen requested a motion on the first 15 contracts submitted by BRC. Commissioner Mahaffey moved to approve the contracts as submitted by BRC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-34)

Chair Hansen called for a motion regarding the approval of the construction project. Commissioner Sealock moved to approve the request contingent upon an opportunity for the Commission to review an executed document, the selection of the contractor, and if the lowest bid is not selected, an explanation of selection process. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-35)

Chair Hansen moved to Administrative Business. Mr. Ketterer advised Chair Hansen there was none to come before the Commission at this time. Chair Hansen then moved to Public Comment. As no one requested to address the Commission, Chair Hansen requested a motion to adjourn. Commissioner Hassenfritz so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 20, 2000

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 20, 2000 in the Woodland Room at the Lakeside Casino & Hotel, 777 Casino Drive, Osceola, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Michael Mahaffey.

Chair Hansen called the meeting to order at 8:30 AM. He called on Bill Grace, President of Southern Iowa Gaming Company, and Fred Robinson, Mayor of Osceola, to welcome the Commission to Osceola. Mr. Robinson stated that the casino has had a very positive impact on Osceola and the surrounding communities. Mr. Grace advised the Commission that the marina parking lot will be asphalted soon, as well as the employee parking lot. The RV parking lot is under construction.

At this time, Chair Hansen called on Verne Welch, President of the Iowa Gaming Association, who introduced Wes Ehrecky as the new Executive Director of the Association. He will be working with all of the licensees and the Commission on funding concerns regarding the Iowa Gambling Treatment Program, as well as other issues.

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

Chair Hansen then called for a motion regarding the minutes from the March 3, 2000 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer stated that the upcoming Commission meetings would be held on the following dates at the stated locations:

- May 18th at the Lady Luck Hotel in Bettendorf, and there are a few rooms blocked for those attending the meeting,
- June 15th at the West Des Moines Marriott, and
- July 20th at the University Park Holiday Inn in West Des Moines.

Chair Hansen moved to the rules before the Commission for final adoption, which were noticed at the January Commission meeting. The rules are as follows:

- Amend subrule 8.2(13), paragraph "g" – reduces the number required number of betting interests for trifecta wagering;

- Amend subrule 13.10(8) by adding language prohibiting individuals from making threatening or intimidating statements or engaging in threatening or intimidating behavior on association grounds; and
- Rescinding rule 491-13.14(99D, 99F), which required the various unions to register with the Commission.

Mr. Ketterer recommended that the rules be final adopted. Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Sealock moved to final adopt the rules as presented. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-36)

Mr. Ketterer introduced IRGC's employees at Lakeside: Gaming Representative Hal May and Licensing Assistant Linda Ballard.

Chair Hansen moved to the next agenda item: Review of Licensees' Financial Audits. Chair Hansen called on representatives from each licensee, except the President Riverboat, to provide a brief comparison of their 1999 versus 1998 financial audit and comment on any change in net equity. The financial audits are on file at the Commission's Des Moines office.

Chair Hansen moved to Greater Dubuque Riverboat Entertainment Company's (GDREC) request to have the $8.8 million being held in an escrow account per the terms of an amendment to the Stipulated Agreement between GDREC and IRGC be returned. Mr. Ketterer noted that in 1994 the Commission denied William Alfredo's license application. In subsequent action, IRGC entered into an agreement with GDREC, with one of the tenets being that if a Court of Law ever determined that William Alfredo had any ownership interests in the licensed facilities, license revocation proceedings would commence. In July 1998, GDREC and IRGC amended the agreement to require that GDREC place $8.8 million as a settled penalty in escrow in the event a Court of Law would ever determine that Mr. Alfredo had an ownership interest in the licensed facilities. This amendment was entered into to facilitate the sale of GDREC's assets and provide assurance to the Commission that Mr. Alfredo would not be able to profit from the value of the property.

Mr. Ketterer stated that the lawsuit filed by Mr. Alfredo against GDREC was tried. The verdict gave Mr. Alfredo an award, but it was based on pre-licensure value of the project prior to it being brought before the Commission. The time frame for appeals in this lawsuit has expired. Mr. Ketterer recommended that the $8.8 million, plus any accrued interest, be returned to GDREC.

Commissioner Sealock stated that she was present when the agreement was entered into between the parties. She indicated that GDREC has lived up to their side of the agreement, and the Commission should also. Commissioner Sealock moved to release the funds in the escrow account. Commissioner Hamilton seconded the motion. Before calling for the vote on the motion, Chair Hansen called on Jean Davis, Assistant Attorney General for the Commission, for her opinion on this matter. Ms. Davis stated that she

concurred with the staff recommendation. Hearing no further discussion, Chair Hansen called for the vote on the motion, which carried unanimously. (See Order No. 00-37)

Following a short break, Chair Hansen called on Dubuque Racing Association/Peninsula Gaming Company, LLC (DRA/Peninsula) regarding their agenda items, starting with the negotiations with the City of Dubuque pertaining to the building of a hotel. Chair Hansen stated that the Commission had received a late letter from City Manager Michael Van Milligen indicating that the City has no further objections to Peninsula's request to remove the contingency that Peninsula build a hotel within 18 months of the granting of the gaming license. He noted that the Commission's role is to ensure the economic vitality of the licensee, and would like to see portside development from the standpoint that the boat licensee would have an investment in land-based facilities. Some of the issues that came into play during discussions concerning the size of the hotel were the number of rooms, various opinions on the 15,000 sq. feet of meeting and banquet space and another 30,000 sq. feet of exhibition space.

Lorraine May, legal counsel for Peninsula Gaming Company, advised the Commission that the information she provided to them showed that Peninsula has more than met its commitment to the Commission and City. She stated that Peninsula is ready and willing to build a land-based facility, but are unable to do so because it is not the project the City envisions and they have rejected Peninsula's offer. Ms. May stated that there should be a great deal of synergy between the City and Peninsula, and expressed optimism that it could be tapped in the future.

Chair Hansen called on Mr. Van Milligen for his comments. Mr. Van Milligen stated that Peninsula did make an offer consistent with the Commission's instructions; however, the City does not feel the project is suitable for the city-owned property being discussed. He indicated the City would like to have the leeway to pursue the much larger $114 million project, which would include a convention center, hotel, river discovery center, and a river walk. The City feels they have put together a strong partnership that will enable that project to become a reality. Mr. Van Milligen stated that the City is withdrawing its objection to Peninsula's request to remove the contingency from the gaming license.

Chair Hansen asked Mr. Van Milligen what he felt the main differences were between the parties. Mr. Van Milligen stated that one of the issues is the size of the hotel. The City believes the hotel needs to have in excess of 200 rooms, based on the study commissioned by the Chamber of Commerce to determine the convention business potential in Dubuque. Another issue was the amount to be invested in the hotel, which is linked to quality. Mr. Van Milligen stated that he was not suggesting Peninsula's hotel would not be a quality hotel, but that it was not of the caliber they envision for the overall project.

Mr. Ketterer stated that it appears the project the City is pursuing would be beneficial to both parties as Peninsula would be a beneficiary of the project the City envisions, and Peninsula can offer products and services that would benefit the hotel and convention

center. He noted that if pending legislation that could provide some funding for this project did not pass, this could still be a win-win situation for both sides.

Mr. Van Milligen advised that the millennium fund had passed the Senate with nine dissenting votes. The House passed the legislation with an amendment, requiring that it go back to the Senate. The City feels the legislation will pass.

Commissioner Hassenfritz suggested that Dubuque use Harveys' facilities in Council Bluffs as a model, noting that there are a number of ways to accomplish the City's goals. Mr. Van Milligen stated that some of the impetus for the project in Dubuque stems from the fact that the Iowa League of Cities held their annual conference in Council Bluffs a couple of years ago. Representatives from Dubuque stayed in the facilities at that time, as well as during a subsequent visit, and were impressed with what they saw.

Commissioner Hassenfritz reminded Mr. Van Milligen that the hotel should be able to meet the needs of the everyday traveler, not just convention attendees.

Chair Hansen asked Mr. Van Milligen if the Commission were to remove the condition from the license if the City would still contemplate working with Peninsula, or immediately pursue other developers. Mr. Van Milligen stated that timing is critical to this project, and that there is a lot of enthusiasm about this project within the City at this time. He noted that $22 million has been raised toward the costs of the proposed project, which will be owned by not-for-profit organizations. He feels that work on the project will move forward quickly. At this point, there is no way to determine who will be the hotel developer.

Commissioner Hassenfritz reminded Mr. Van Milligen that one of the problems in developing a consortium is the ability to keep everyone informed, and stressed the importance of keeping all parties advised of the progress on the project. Mr. Van Milligen stated that even if Peninsula does not develop the hotel, they have a strong presence in the Ice Harbor. He noted that in prior developments for the area, the City and DRA paved the parking for the Ice Harbor area. He further stated that there is a parking agreement in place allowing the DDJ to use the parking lots, and that some of the parking would have to be rearranged in order for the project to proceed. In order to rearrange the parking, the City and Peninsula will have to work out a new agreement. In addition, Peninsula owns 7.2 acres on the 4th Street peninsula.

Chair Hansen stated that if the Commission were to reverse itself and remove the hotel contingency from the license, the City should keep in mind the fact that the DDJ contributes approximately $2.5 million in taxes annually to the City and County. He indicated that the City Council should do what it can to help enhance the DDJ. Mr. Van Milligen stated that he felt the figure was closer to $700,000.

Commissioner Hamilton moved to approve the license renewal of DRA/Peninsula Gaming Company as submitted, removing the contingency placed on the original license.

Commissioner Sealock seconded the motion, noting that the Commission had placed the contingency on the license on behalf of the City of Dubuque.

Hearing no further discussion regarding the negotiations or the license renewal, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 00-38)

Chair Hansen moved to the following contracts submitted by Peninsula for Commission approval:

- AAA Security Systems, Inc. – Camera and Related Equipment
- A.C. Coin – Casino Chairs
- Directions in Design, Inc. – Carpet and Wallpaper
- Halverson Trane – Energy Wheels to Improve Air Quality in Casino
- Per Mar Security – Camera and Related Equipment
- Reinhart Food Service – Food and Beverage Products
- United States Playing Card Co. – Playing Cards for Table Games

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Peninsula. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-39)

Chair Hansen then called on Ameristar Casino regarding their request for additional gaming positions. Jeff Terp, Vice President of Business Development, advised that a packet setting out compliance with the required criteria for granting such a request had been prepared and included in their meeting packets. He stated that Ameristar feels that it meets or exceeds the criteria for granting an expansion request.

Hearing no discussion concerning Ameristar's request for additional gaming positions, Chair Hansen requested a motion. Commissioner Sealock moved to approve Ameristar's request. Commissioner Hassenfritz seconded the motion. The motion carried on a 4-1 vote, Commissioner Mahaffey voting no. With the approval of this expansion request for 86 units, Ameristar is approved for 1,568 slot machines. (See Order No. 00-40)

Chair Hansen moved to the following contracts submitted for Commission approval by Ameristar:

- Mega Jackpots-IGT – 4 Wheel of Fortune Megabuck Slot Machines (Previously approved, but not added)
- Andersen Construction – Change Orders to Contract for Parking Garage at Council Bluffs
- Innovative Gaming Corporation of America – 20 Innovative Gaming Video Reel Machines (Additional Machines)
- Williams Gaming Inc. – 10 Upright Slot Machines & Internal Mount Slot System (Previously approved, not added)

- International Game Technology – 67 Slot Machines (33 Replacements; 34 Additional)
- Digital City, Inc. (America Online, Inc.) – Internet Advertising Services
- Aristocrat, Inc. – 30 Slot Machines & Related Software (18 Previously approved, not added and 12 additional)
- Anchor Games – Wheel of Fortune Video Game Participation Agreement (4 Slots previously approved, not added)
- International Game Technology – 20 Slot Machines (Additional)
- City Glass Company – Skylight Installation, Labor & Materials
- Hatch Design Group – Restaurant Design Group

Mr. Terp noted that several of the contracts were with outside vendors due to the fact that a number of them are for gaming equipment, which is not available in Iowa.

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-41)

Chair Hansen moved to the contract approval portion of the agenda. He called on Verne Welch, General Manager of Harveys' Casino Hotel, who presented the following contracts for Commission approval:

- General Labor – Temporary Labor
- HCR Services Company, Inc. – Intercompany Management Services (RP)
- Lightspeed Films, Inc. – Media Services Firm
- PA Braunger – Food Inventory – Meat

Commissioner Sealock, referring to the construction contract given preliminary approval at the March meeting, asked if the lowest bidder was chosen to do the project. Mr. Welch answered in the affirmative.

Commissioner Hassenfritz asked about the contract with Lightspeed Films, Inc. Mr. Welch advised that Bill Cosby uses this firm in his work for Harveys, and this contract represents the Council Bluffs' facility's share of the costs.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Harveys. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-42)

Chair Hansen called on Jerry Crawford, legal counsel for the Iowa Greyhound Association (IGA). Mr. Crawford introduced the new president of the IGA, David Ungs. Mr. Ungs stated that he had been on the IGA Board for quite a while. He stated that he did not foresee any problems in resolving various issues with Bluffs Run.

Chair Hansen called on the Mississippi Belle II (MB II). Ken Bonnet, President of MB II, presented a contract with Two Fifteen, Inc. for office space for IRGC and Department of Criminal Investigation personnel.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted by MB II. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-43)

Chair Hansen called on Catfish Bend Casinos (CBC). Dan Kehl, General Manger, presented a contract with Wellmark Blue Cross Blue Shield for health insurance premiums for employees.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by CBC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-44)

Chair Hansen called on President Riverboat Casinos. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Credit Island Citgo – Fuel/Gasoline
- JCM – Bill Validators
- King Food Service – Food Supplier
- Northern Video Systems, Inc. – Surveillance Equipment
- Parker Distributing – Diesel Fuel – Vessel
- River Trails Transit Lines, Inc. – Charter Bus Service
- WMS Gaming, Inc. – Purchase 30 Slot Machines (Replacements)

Hearing no questions regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by President Riverboat Casinos. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-45)

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

- AdComm – Logo Products for Resale in the Gift Shop & Promotional Items for Special Events
- Alliant Energy – Gas and Electric Service
- Bolton & Hay – Equipment and Smallwares for the Kitchen and Catering Facilities
- Capital Sanitary Supply, Inc. – Janitorial Supplies
- Electronic Engineering – 2-Way Radios & Accessories, Pagers, Restaurant Paging System for Waiting Guests & Servers, Repairs of Radios and Cell Phones
- Farner-Bocken – Tobacco, Sundry and Select Food Products for Resale

- The Hydeman Company – Printer & Cards for Players Club (Replacements)
- Lato Supply Corporation – Hotel Supplies and Equipment
- IGT – Agreement and Trust for 13 Wide Area Progressive System Machines
- Pepsi-Cola, Whitman Corporation – Soda Beverages
- Grace Hospitality International – Food & Beverage Personnel Hired to Supplement and Train Iowa Staff (RP)
- Sullivan & Ward, P.C. – Experienced in Real Estate Tax Assessment Appeals
- Pingel & Templer, P.C. – Retained to consult on Union matter
- Des Moines Asphalt & Paving Co. – Asphalt Paving of Employee Parking Lot at Lakeside Casino & Resort
- Des Moines Asphalt & Paving Co. – R.V. Park Asphalt Paving at Lakeside Casino & Resort
- Des Moines Asphalt & Paving Co. – Asphalt Sidewalk at Lakeside & Casino

Chair Hansen noted that several of the contracts listed "Unknown" as the value of the transaction. Mr. Massa stated that the majority of them are with on-going suppliers and the contracts are being submitted for Commission approval as they approach the $50,000 limit; and since they don't have any previous history, they are not sure of the amount that will be spent.

Commissioner Sealock moved to approve the contracts as submitted by Lakeside Casino, with the stipulation that future contract submissions include a ballpark figure for the value of the transaction. Mr. Massa indicated they would do so. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-46)

Chair Hansen moved to the contracts submitted by the Belle of Sioux City (BSC). Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for February 2000 (RP)
- Mikohn Gaming – Lease of 2 Yahtzee Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-47)

Chair Hansen called on Isle of Capri Bettendorf. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Osborne Coinage – Slot Tokens
- Paulson Gaming Supplies – Chips, Cards, Dice, Table Layouts
- Uniforms to You – Isle of Capri Uniforms
- AAA Minnesota/Iowa – Travel and Related Arrangements

As there were no questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Isle of Capri Bettendorf. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-48)

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

- Osborne Coinage – Replacement of Chips and Tokens
- IGT – New Agreement for Wide Area Progressives Due to Name Change
- Uniforms to You – Purchase of New Uniforms

Hearing no questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Isle of Capri Marquette. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-49)

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

- Atronic Casino Technology – Purchase of 6 Slot Machines & Parts Inventory (Replacement)
- Aristocrat, Inc. – Purchase 6 Slot Machines (Replacement)
- Lamar Advertising of Dubuque – Outdoor Billboard Madison

Hearing no questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Hassenfritz seconded the motion. Commissioner Hassenfritz stated that he would still like to see Iowa pursue some of the technology companies in an effort to get them to establish offices in Iowa.

Commissioner Sealock noted that Marquette had shown IGT as an out-of-state vendor. She pointed out that IGT has established an office in Iowa; therefore, the contracts could have been marked as an Iowa vendor. Additionally, Bettendorf and Marquette had marked the contracts with Uniforms to You differently – Marquette indicated it was an in-state vendor and Bettendorf indicated it was an out-of-state vendor. She asked which it was. Mr. Hardy stated that the representative he worked with was located in Des Moines. Ms. Donovan stated that the regional business offices are located in Chicago, and were formally in Kansas City. Commissioner Sealock stated that since the company has a presence in Iowa they could be considered an Iowa vendor.

Chair Hansen called for a vote on the motion to approve the contracts submitted by DGP&C. The motion carried unanimously. (See Order No. 00-50)

Chair Hansen moved to the agenda items regarding Bluffs Run Casino (BRC). Verne Welch, General Manager, presented the final construction contract that was given conditional approval at the March 3, 2000 Commission meeting for Commission approval. Additionally, BRC submitted the following contracts for Commission approval:

- Ak-Sar-Ben Beef – Meat Supplier
- Aramark Uniform Services, Inc. – Kitchen Uniform Rental
- Demma Fruit Company – Produce Supplier
- HBR Realty Company, Inc. – Note Capitalizing Acquisition of Bluffs Run Casino (RP)
- HCR Services, Inc. – Consulting and Services Agreement (RP)
- Wintroub, Rinden, Sens & McCreary – Specialized Legal Services

Chair Hansen asked if there was any reason why the two agenda items could not be handled with one motion. None was presented. Chair Hansen commented on the fact that the BRC was purchasing meat supplies from an out-of-state vendor. Mr. Welch stated that whenever they contact vendors in Des Moines about purchasing supplies from them, they are told to contact companies in Nebraska. He indicated that he was advised that it is Iowa beef shipped into Nebraska to be cut, and then shipped back across the river. Mr. Welch also advised the Commission that BRC does purchase some of its meat supplies from a vendor located in Sioux City.

Commissioner Hassenfritz suggested that it might be possible for the licensees to formulate a plan that would allow them to work directly with livestock producers. Mr. Welch stated that a significant number of their food and produce contracts are re-bid on a monthly basis. Commissioner Hassenfritz suggested they contact the Iowa Pork Producers and Iowa Beef Producers to let them know what their requirements are.

Hearing no further discussion concerning the contracts, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-51)

Chair Hansen moved to the next agenda item – Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C). The first item is approval of the 45-day plan for the mixed meet, which will commence on July 17, 2000 and conclude on September 30, 2000. RACI/PMR&C submitted all of the required information in a binder, which is available for viewing in the Commission's Des Moines office. Derron Heldt, Director of Racing for PMR&C, reviewed the contents of the binder with the Commission members. He noted that three racing officials' positions are open at this time, and that as the positions are filled, the appropriate information will be forwarded to the Commission's Des Moines office.

As there were no questions for Mr. Heldt, Chair Hansen called on Linda Vanderloo, Director of Racing/Administration for IRGC, for her comments regarding the submission. Ms. Vanderloo thanked Mr. Heldt for his cooperation in changing the format from previous submissions. She stated her main concern, as it has been in the past, is the number of vacancies in racing personnel at the time of the 45-day submission.

Commissioner Sealock commented on the significant number of management changes within the last year. Bob Farinella, General Manager of PMR&C, stated that over the course of a year, several top management individuals have left, but that those positions have been backfilled with individuals of an equal caliber. He noted that PMR&C is in the same position as any other business, as it grows and changes direction, members of management need to be able to adapt to those changes. Chair Hansen pointed out that there have been 14 changes in management since the beginning of the year. He expressed his hope that PMR&C is moving toward a more stable posture.

PMR&C submitted the following contracts for Commission approval:

- ASU International LLC – Group Occupational Accident Insurance for 2000 Race Meets
- Danka Financial Service (through Copelco Capital Leasing) – Potential Vendor for Office Copy Machine
- KVI Marsh – FY 2000 Insurance Premiums
- Sysco Food Services of Iowa – Dry Goods and Groceries Contract (6 months)
- United Tote – Simulcasting & Live Racing Totalizer System for Pari-Mutuel Wagering

Chair Hansen stated that if there were no objections, the Commission would vote on approval of the season approval and contracts as one. Hearing none, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the 45-day season approval for the mixed meet and the additional contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-52)

Mr. Ketterer took a moment to explain currently there is no provision for the $85,000 the Commission asked for to cover regulation of the harness race dates requested by PMR&C. He has been informed that it may be offered as an amendment. Additionally, the Joint Committee passed out to the House, and the House has approved, an $81,000 reduction in the Commission's pari-mutuel funds. If the reduction stands, the Commission will be recommending a reduction in the number of live race dates at the three facilities. Mr. Ketterer stated that a process would have to be developed and the recommendations brought before the Commission for approval. He indicated the Commission would include the affected in the development of the process.

Chair Hansen moved to the next agenda item, a report on the funding for the Gamblers' Treatment Program by Frank Biagioli, Executive Officer of the program. Chair Hansen noted that he had expressed concerns at the March Commission meeting as to the way

legislators are treating the Gamblers' Treatment Program. Statute requires that .3% of 1% be set aside for the Gamblers' Treatment Program. Last year, the Legislature decided to approve funding for other areas than spending it on the program for which it was intended. Last year, licensees paid approximately $165 million in gambling taxes, $15 million more than was estimated. This fiscal year, the licensees will pay in excess of $200 million, or equal to two-thirds of the amount the one-cent sales tax is bringing into the state treasury. This amounts to the largest increase of any funding going into the general fund. In 1994, when the betting limit was removed and casinos at racetracks were approved, revenue was stalled at $10 million. Today, the industry provides more than $200 million to the state, but is having to fight for the $1 million being taken from the Gamblers Treatment Program.

Commissioner Hassenfritz asked how the Gamblers' Treatment Program was placed in the Department of Public Health. Paul Stanfield, a member of the Gamblers' Treatment Advisory Board, stated that when the program was first established, it was placed in the Department of Human Services. It was moved to the Department of Public Health in 1996 because the program has much in common with the substance abuse program. Mr. Stanfield stated that it was originally placed in the Department of Human Services because the only other state program dealing with gambling was in New York in the Department of Mental Health, and Iowa's Department of Mental Health was in the Department of Human Services. Mr. Stanfield commended the Department of Public Health for the interest they have shown in the program and the manner in which they have administered the program.

Following a short break, Mr. Biagioli stated that updated information packets had been distributed and that they are also available from the clearinghouse the program uses. Individuals can call 1-800-247-0614 to obtain additional information from the Iowa Substance Abuse Information Center at the Cedar Rapids Public Library. Mr. Biagioli noted that there is an advisory council consisting of members from the industry, regulatory agency, human services and others that provide direction for the program. While some have recommended in-patient treatment, outpatient treatment has worked very well, and Mr. Biagioli felt the funding would not be available for in-patient treatment even if the ability to start such a program was there. The program provides training and education around the state, and works with the racetracks and casinos that are interested in learning more about problem gambling. Presentations on problem gambling by various speakers are given over the Iowa Communications Network on a regular basis. The helpline has been restructured, allowing the calls to be directed to the local providers.

Mr. Biagioli concurred with Chair Hansen's comments regarding funding for the program. He stated the program is faced with delivering services on a limited amount of resources. Some of the funding is spent on public awareness messages. Mr. Biagioli noted that some individuals are not happy about the amount of funds spent on advertising. He pointed out that in addition to advertising the helpline number, the messages also let those individuals with gambling problems know that they are not alone and there are resources available to help them with their problem.

Mr. Biagioli stated that, in 1995, a study was conducted regarding the prevalence of pathological and problem gambling. He indicated the study was in the packets for them to review. Recently, they have gone into their Iowa Risk Factor Surveillance System on behaviors. In 1998, 48% of the respondents indicated they had gambled within the last 12 months; another 3.5% refused to answer the question. He expressed concern as to why those individuals would not answer the question. One percent indicated that the money they spent gambling lead to financial problems and another 1.1% indicated that the time they spent gambling had created problems either at work or at home.

Mr. Biagioli stated that the ICN sessions are taped and are available from the Iowa Substance Abuse Information Center. He noted that an Internet website has been established: www.1800Betsoff.org; which has proved to very helpful in getting the message out to all individuals needing assistance, not just to Iowans. Mr. Biagioli stated that he was able to refer an individual in another state to the resources available in his area. The multimedia messages are another important component of the program. He noted that Missouri's problem gambling program was being criticized as individuals with gambling problems were not receiving treatment because they did not know where to call for help. Mr. Biagioli noted that the public is inundated with advertisements for the casinos and lottery, and Internet gambling is coming on board.

Mr. Biagioli pointed out that the program spent approximately $200,000 for multimedia messages in 1990 and 1995. The helpline received 323 calls in 1990 and 1,304 in 1995. In 1990, 351 individuals were served; that number increased to 562 in 1995.

Mr. Biagioli stated that a Request for Proposal (RFP) to do a study on best practices and successful outcomes was sent out last year, and received no response. He indicated that he probably should be grateful because he didn't know where the money would come from to pay anyone for doing the study since program funding is being diverted. The above RFP is on hold until a source of funding can be determined. Mr. Biagioli stated that he was not sure what kind of response to expect to the RFPs that will be sent out this year for the helpline and providers. In his opinion, yearly fluctuations in funding could have an effect on the number of providers. In recent fiscal years, expenditures have been as follows: 1997 - $1.9 million; 1998 – $3.0 million; 1999 - $2.4 million. He estimates expenditures in fiscal year 2000 will be approximately $2.5 million. As far as funding for fiscal year 2001, Mr. Biagioli stated that he was not sure what it was going to be. He estimated that it might be $2.1 million, but could provide no assurances. Mr. Biagioli stated that for fiscal year 2000, the following amounts were diverted: $525,000 – Substance Abuse treatment; $155,000 – deputy medical examiner; and $20,000 to the State Auditor. He stated that the Gambling Treatment Program waits to put together its budget until May when they are a little more sure of the amount they will have available to them.

Commissioner Sealock asked if the calls coming from Nebraska are used in the statistics. Mr. Biagioli stated that no out-of-state calls are handled. When individuals use the national helpline, Nebraska calls are routed to Bellevue, Nebraska.

Commissioner Mahaffey asked about the underage gambling problem. Mr. Biagioli noted that the multimedia advertisements reach out to the underage gambler, as well as the elderly. They concentrated on the underage gambling problem about two years ago. Additionally, there is a video on problem gambling that is available to schools through local Area Education Agencies. He noted that they receive phone calls from students working on term papers at this time of year. Mr. Biagioli stated that he, and the providers, welcome the opportunity to go into the schools to talk about problem gambling.

Commissioner Sealock commented on the success of Project 21 in many communities. She asked if colleges are getting involved in it due to sports betting. Mr. Biagioli indicated they are, but at a slower rate than he would like to see.

In conclusion, Chair Hansen expressed his opinion, that the licensees, individually, and as a group, should confront their legislators on the diversion of funds from the Gambling Treatment Program in order to return it to a dedicated fund to insure stability in the funding levels. Secondly, he feels the location of the program is more strategic in terms of politics than in terms of science. Since the Gambling Treatment Program was placed in the Department of Health Services, the Substance Abuse and the Problem Gambling Treatment programs have been merged. He noted how easy it was to divert funds for the Assistant Medical Examiner. Chair Hansen suggested that the Gamblers' Treatment Program should be isolated, and establish a board or council that includes IRGC, licensees, lottery individuals, as well as public citizens. Regulatory representatives would be in the minority and could be outvoted by other members. He would like to see the games regarding funding for the Gamblers' Treatment Program end.

Chair Hansen moved to Administrative Business, and comments on the Commission's 1999 Annual Report. He noted that during the last year, there were five significant license transfers totaling more than $350 million. Chair Hansen commended his fellow Commission members for the time expended on Commission business over the last year. He also commended IRGC's Administrator and staff for their efforts on behalf of the industry and Commission; noting that individuals in the private sector often fail to recognize and salute those working in the public sector.

Hearing no further administrative business or public comment; Chair Hansen requested a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
MAY 18, 2000

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, May 18, 2000 at the Lady Luck Convention Center, 1777 Lady Luck Parkway, Bettendorf, Iowa. Commission members present were: W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:10 AM, and called on the Mayor of Bettendorf, Ann Hutchinson, who welcomed the Commission to Bettendorf. Mayor Hutchinson stated that Bettendorf would be unveiling a downtown redevelopment plan in the next three months. The redevelopment plan is based on a performing arts center, an entertainment theater, office buildings, additional hotels, convention and conference space, and an arena.

Following Mayor Hutchinson's comments, Patsy Ramacitti, Secretary of the Scott County Regional Authority (SCRA), welcomed the Commission to Bettendorf as well. Ms. Ramacitti introduced those SCRA members that were in attendance. SCRA brought in three difference organizations to provide an example of how grant money is utilized. These organizations represented grants given to education/arts, government/safety and emergency services. Ms. Ramacitti advised the Commission that SCRA has given approximately $14 million in grants, and will be announcing another $2 million in grants the following week, bringing their total grant distributions to over $16 million.

Following Ms. Ramacitti's comments, Mr. Bernie Goldstein, Chair of Isle of Capri, welcomed the Commission to the Isle of Capri facility and Bettendorf. Mr. Goldstein made a few comments regarding the history of riverboat gambling in Iowa. Commissioner Sealock commented on her memories about the maiden voyages of the first riverboats to operate in Iowa. Chair Hansen thanked everyone for the spectacular welcome the Commission received.

Chair Hansen moved to approval of the agenda, and announced the following changes:

- Following announcements, the Commission will take up the agenda items pertaining to Ameristar; and
- Under Announcements, add another item – an update by Assistant Attorney General Jean Davis on the Southern Iowa Gaming (SIG) vs. IRGC lawsuit.

Chair Hansen requested a motion to approve the agenda as amended. Commissioner Mahaffey moved to approve the agenda as amended. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-53)

Chair Hansen moved to approval of the minutes from the April 20, 2000 Commission meeting. He offered an apology to Dubuque City Manager Mike Van Milligan regarding

the amount of revenue the City of Dubuque receives from the Dubuque Racing Association. Chair Hansen then requested that the minutes reflect the number of additional machines requested by the licensees, as well as the total number, when expansion requests are before the Commission.

Hearing no further additions or corrections, Chair Hansen requested a motion to approve the minutes as amended. Commissioner Hassenfritz so moved. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-54)

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

- June 15 at the West Des Moines Marriott,
- July 20 at the University Park Holiday Inn, and
- Additional meeting dates for FY 2001 will be addressed later in the meeting.

Mr. Ketterer stated that the Legislature had approved a package providing funding to allow for the regulation of harness racing dates at Prairie Meadows Racetrack & Casino (PMR&C) this fall. The receipt of this funding was placed as a condition on the approval of PMR&C's race dates last fall. Additionally, there was some concern that IRGC's pari-mutuel budget was going to be cut by $80,000, which could have caused the Commission to recommend that the pari-mutuel facilities cut the number of racing days. Mr. Ketterer reported that the Legislature reconsidered the proposed cut, and did not cut IRGC's budget.

At this time, Mr. Ketterer made a few comments regarding the final report of the Public Sector Gaming Study Commission (PSGSC). He advised those in attendance that the full report was available for viewing in the Commission's Des Moines office. Mr. Ketterer stated that this report is the response of the states to the final report issued by the National Gambling Impact Study Commission (NGISC) committee that was submitted to Congress approximately two years ago. The group was comprised of a governor, three legislators, three regulators, an attorney general, a sheriff, mayor, and a representative of the National Indian Gaming Association. This report alleges that the final NGISC report is inconsistent with its own research, indicating that the legalization of gambling over the last 20 years had only caused a slight increase in the prevalence of convenience gambling and that inconclusive evidence was available regarding pathological gambling. The PSGSC report strongly recommended that individual states should regulate gaming within their borders except for tribal gaming, Internet gaming, and telephone and interstate pari-mutuel gaming. Additionally, under social and economic concerns, the report stated that studies should be conducted on gambling and its relationship and effect on problem gambling; the treatment, funding and training of problem gambling; and its effect on crime, bankruptcies, suicides and divorce. The report also recommended that studies be done on illegal gambling, primarily sports gambling; youth and senior gambling; and on economic issues. The report dealt with the ATM/cash advance issue, recommending that the machines be located off the casino floor, but not necessarily off

the premises. The PSGSC report also called for licensees to review the practice of giving out free alcohol.

With regard to pari-mutuels, the PSGSC report again stated that regulation should be with the state except for those areas such as interstate pools, simulcasting, quarantine, and issues that would be regulated by the federal government. The report acknowledged there are areas where uniform policies and regulations are necessary such as rules, medication and licensing that would be handled by various organizations. In addition, the report stated that alternate gaming at racetracks was a state issue. The PSGSC report also recommended that the states revisit their pari-mutuel laws as many were enacted several years ago and may put the racetrack at a disadvantage with other forms of gaming.

In the area of tribal gaming, the PSGSC report indicated that the Indian Gaming Regulatory Act (IGRA) should be amended. The Commission stated that the compacts should only cover gaming issues, only reservation land at the time the IGRA was passed should be considered eligible for tribal gaming, and that procedures should be established for those occasions when negotiations between the states and tribes reach an impasse.

With regard to Internet gaming, the PSGSC called for no wire transmissions, credit card transactions, and no advertising. They would allow close-looped-type transactions with regard to pari-mutuel betting, lotteries, and Class 3 bingo.

The PSGSC report called for a study of illegal sports betting on college campuses, and all other illegal sports betting, noting that the NGISC report called for a ban on wagering on amateur athletics. Questions were raised as to whether the ban would really have any impact on the prevalence of betting on sports as evidenced by recent incidents. Additional points covered were:

- A study of youth to determine if exposure to gambling would lead to problems later in life;
- Increase charitable gambling in order to reduce the number or eliminate the list of illegitimate charities and games;
- Questioned whether states should balance their riverboat regulations with adjacent states; and
- On referendums, voters should be informed as to whether they are voting on a boat or a barge.

Mr. Ketterer reiterated that the full report is available for viewing in the Commission's Des Moines office.

At this time, Chair Hansen called on Jean Davis, Assistant Attorney General to the Commission. Ms. Davis stated that she had two issues to discuss with the Commission. The first issue pertained to the "tax lawsuit". She noted that the Commission is not technically a party to the case, but is of interest to the Commission. Ms. Davis noted that the lawsuit is a constitutional challenge to the current tax structure. The lawsuit is titled

"RACI vs. Fitzgerald", and is filed in Polk County. July filing deadlines have been established, and the trial will take place in October. Ms. Davis stated that she and Jeff Farrell, another Assistant Attorney General, are hopeful that the case will ultimately be submitted by summary judgment since it is a summation of law. She indicated that she would provide additional updates as the case progresses.

With regard to the Southern Iowa Gaming lawsuit, Ms. Davis stated that it is a judicial review case filed under Chapter 17A, and concerns the slot expansion application of PMR&C, who has intervened in the case and are a party to the case at this time. She noted that some discovery has occurred and that trial dates have been set for July. Additional work has taken place with regard to some motions, one of which was a motion to quash a notice to depose Commission members. The Court did grant the request. Ms. Davis noted that there is still some discovery to finish. She expressed her hope that the case would be submitted on the record made during the public hearing on the application.

Chair Hansen asked if there had been negotiations involving the litigation. Ms. Davis stated there had been some discussions between the parties. She indicated that if the Commission members wanted to discuss strategy, it would be her suggestion that those discussions take place in Executive Session pursuant to Iowa Code Section 21.5(c). Ms. Davis stated that there is nothing to present to the Commission as a settlement offer, that the discussions have been general to this point.

Hearing no further questions for Ms. Davis, Chair Hansen called on Ameristar. While waiting for Jeff Terp, Vice President of Business Development for Ameristar, to reach the podium, Mr. Ketterer introduced IRGC employees Debbie Douglas and Shirley Stokes.

Mr. Terp presented the following contracts for Commission approval:

- Denny Wiekorst Equipment, Inc. – 5-Year Renewal of Billboard Agreement for Existing Contracted Billboard
- Lanoha Nursery – Landscape Supplies and Services

Hearing no comments regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-55)

Mr. Terp stated that the information distributed previously sets out Ameristar's plan to take an undeveloped area of their facility along the river and use it as an outdoor amphitheater this summer to hold concerts and various events throughout the summer. If the test this summer is successful, it is possible some kind of permanency may occur in the future. They will also do some landscaping in the area.

At this time, Chair Hansen proceeded to the hearing regarding an underage violation occurring at Ameristar. Mr. Ketterer stated that the parties had agreed to the Stipulated

Agreement presented to the Commission for approval. He noted that the individual entered the casino through a temporary entrance. Surveillance tapes showed there was no security guard; however, there was limited surveillance coverage at the entrance. The individual played slot machines; interacted with cage employees on two separate occasions, and received a beverage, which may or may not have been alcohol, from a bartender. Mr. Ketterer stated that the individual had been in the casino for approximately one hour and 15 minutes before being identified by an Ameristar employee and removed from the facility by security. Normally, these incidents can be fully recaptured on surveillance tapes. Questions were raised as to whether the individual had presented false identification to security guards in order to gain entry; however, interviews with security personnel did not show that to be the case.

Mr. Ketterer stated that the parties had agreed on a $10,000 administrative penalty based on guidelines used in the past, and recommended approval of the Stipulated Agreement. Mr. Terp stated that Ameristar agreed with the Stipulated Agreement and the facts as presented by Mr. Ketterer.

Commissioner Mahaffey asked about the lack of surveillance at the entrance, and what steps Ameristar planned to take to prevent another incident. Mr. Terp explained that this incident occurred while Ameristar was using a temporary entrance during the construction of the third deck of the boat. He noted that the incident occurred in February. There was a podium at the entrance for the security guard, with a fixed surveillance camera covering the podium. He noted that when there were no customers approaching the entrance, the security guard would back up to the entrance of the boat in an attempt to get warm. Due to the check and balance between surveillance, the property general manager and other individuals were not aware that the camera did not cover the entrance all the way to the boat. Mr. Terp stated that it is everyone's understanding that the security guard was standing at the entrance to the boat, and no one knows whether or not he carded the individual. He stated that should they be in similar circumstances another time, Ameristar will insure there is adequate and proper surveillance. Mr. Terp noted that Ameristar might have suspended the wrong security guard; however, through discussions with various individuals, that situation has been corrected. He noted that Ameristar provides extensive training in this area, and has numerous resources available on site to help identify false Ids. They have an incentive program for the top three officers who find the most false identifications each month. Mr. Terp attributed the situation to human error. Mr. Terp noted that the individual used to work for Ameristar, and a current employee recognized him and knew that he was underage.

Hearing no further comments or discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Stipulated Agreement as presented. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-56)

At this time, Chair Hansen called on Mr. Ketterer to address the rules before the Commission under Notice of Intended Action, rescinding current rule Chapters 1, 5, 6,

20, 21 and 25 and replacing with a new Chapter 1 and 5. Mr. Ketterer noted that the rules before the Commission are in conjunction with Governor Vilsack's Executive Order 8 requiring all state agencies to review and streamline their rules. In this case, IRGC is looking at some of the rules for riverboat gambling and pari-mutuel wagering that have been in place since their inception, and combined some if they were redundant, and eliminated others. Mr. Ketterer noted that he felt there had been a couple of substantive changes, noting that underlined language represents no change in the Commission's policy, just a clarification to emphasize the Commission's position. Mr. Ketterer specifically referenced Rule 5.4(9), which covers the credit or cash advance satellite terminals. Mr. Ketterer noted that the rule did not withstand judicial scrutiny by the Polk County District Court Judge. There was an amendment proposed in the Senate similar to this rule that was withdrawn. In light of the court ruling and the reservations of some Commission members and staff regarding this rule when it was initially proposed and passed by the Commission, Mr. Ketterer recommended that the Commission look at revising or eliminating this rule in the near future as the Commission will not be enforcing it. He noted that the Commission should proceed with the Notice of Intended Action.

Chair Hansen asked if there were any comments or questions concerning the proposed rule changes. He stated that he concurred with Mr. Ketterer's remarks. Commissioner Hassenfritz asked if Mr. Ketterer was talking about the entire rule or a specific section. Mr. Ketterer stated that he was addressing subsection (a) of Rule 5.4(9), which is subject to a permanent injunction issued by the Polk County Judge. Subsection (b) refers to debiting and ATM machines. He feels both should be treated the same as almost all ATM machines that issue debits or cash also have a cash advance feature.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the Notice of Intended Action rescinding current Chapters 1, 5, 6, 20, 21 and 25, and replacing with a new Chapter 1 and 5. Commissioner Hamilton seconded the motion.

Commissioner Sealock asked for clarification on the action being taken at this time. Mr. Ketterer explained that the rule under discussion is currently a rule, but is being moved to a different chapter, but stated that he feels the Commission needs to take some kind of action with regard to the rule.

Chair Hansen stated that he felt it would be appropriate to establish a subcommittee to work with Mr. Ketterer and others to work out a solution to the problem. Hearing no further comments or questions, Chair Hansen called for the vote on the rules filed under Notice of Intended Action. The motion carried unanimously. (See Order No. 00-57)

Following a short break, Chair Hansen moved to the Contract Approval portion of the agenda. He called on Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino (DGP&C), who presented the following contracts for Commission approval:

- Texas Hub – Simulcast Agreement
- United Tote – Totalizator Agreement
- Mikohn Gaming – Participation Lease for 4 Games (Replacements)
- Anchor Coin d/b/a Anchor Games – Participation Lease for 8 Slot Machines (Replacements)

Hearing no questions or comments, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DGP&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-58)

Mr. Wentworth advised the Commission that the Dubuque Racing Association (DRA) would be meeting on Tuesday of the following week, and one of the agenda items will be the announcement of their charitable distributions. He noted that 450 different charitable organizations had requested in excess of $9 million, while DRA only had $2.2 million available for distribution.

Mr. Wentworth asked the Commission to keep in mind the presentation by Scott County Regional Authority, and advised that representatives from the local fire department would be doing something similar on the front lawn at DGP&C. It is DGP&C's intent to have similar presentations throughout the summer.

Chair Hansen then called on Bluffs Run Casino (BRC). Randy Bechel, Director of Technical Operations, presented a contract with Innovative Gaming for seven replacement video slot machines for Commission approval.

Hearing no comments or questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-59)

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

- CI3 – Control Installations of Iowa – Installation of Surveillance Equipment for West Addition – Project 1B
- DB Accoustics, Inc. – Installation of Sound Equipment for West Addition – Project 1B
- Gateway Companies, Inc. – Computers and Accessories
- MSI Systems Integrators – IS Hardware Upgrade – IBM R6000 Unix Based System
- OC Tanner – Employee Recognition Awards – 1 Year & 5 Year Pins

On the contract summary sheet submitted with the contracts, there were two union contracts listed. Mr. Ketterer asked Mr. Farinella if they were being withdrawn. Mr. Farinella indicated they were.

Hearing no further comments regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-60)

Mr. Farinella then gave an update on the construction project at PMR&C. It is anticipated that the project will be substantially completed by October 1, meaning that the facility will be able to be used by patrons, but there still may be some things being done behind the scenes. Chair Hansen asked about the costs for the project. Mr. Farinella stated that the overall costs are probably in the range of $23 million.

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

- Anchor Coin – Rental of 6 Slot Machines (Replacements)
- Shuffle Master Gaming – Rental of 6 Slot Machine Conversion Kits that will be installed on existing machines
- Aristocrat, Inc. – Purchase of 6 Slot Machines (Replacements)
- Williams Gaming, Inc. – Purchase of 4 Slot Machines to replace existing units
- Global Cash Access – Cash Advance Services (Previously Comdata)

Hearing no questions or comments concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by the MB II. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-61)

Chair Hansen moved to the contracts submitted by the Isle of Capri Bettendorf. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Casino Data Systems – Slot Machines (Replacements)
- Cramer-Krasselt Company – Outdoor Advertising
- Innovative Gaming – Slot Machines (Replacements)
- International Gaming Technology – Slot Machines (Replacements)
- John Deere Classic – PGA Golf Tournament
- Mosler – Soft Count Equipment
- Pro-Dive, Inc. – 5-Year Underwater Hull Inspection
- Syn-Cronamics, Inc. – Program to Control Labor Costs
- White Way Sign – Exterior and Directional Signage
- Williams Gaming, Inc. – Slot Machines (Replacements)

Ms. Donovan stated they are excited about the transition that is just beginning to take place with the change in ownership. It is anticipated that most of the changes and the new signage will be completed by July.

Chair Hansen noted that only 10% of the vendors, or 5% of the expenditures, in the above contracts are with Iowa vendors. He was cognizant of the fact that in some instances there were no alternatives but to use an out-of-state vendor, such as the purchase of slot machines and the underwater hull inspection. Chair Hansen asked for an explanation on some of the other contracts.

Ms. Donovan stated that with regard to the signage contract, several Requests for Proposals were sent out, but did not receive any bids because of the size of the signage required. She noted that Iowa vendors would be installing the signage. She noted that some of the contracts before the Commission were corporate contracts, companies used by Isle of Capri at all of their facilities.

Commissioner Sealock noted that IGT has established an Iowa office, and therefore, could be considered an Iowa vendor. She also asked about the contract with John Deere. Ms. Donovan noted that the corporate offices are located in Moline, IL. Commissioner Hassenfritz pointed out that the majority of their dealerships are in Iowa.

Mr. Ketterer asked Ms. Donovan about the timeline for completion of the underwater hull inspection. Ms. Donovan indicated that the hull inspection is currently underway; and should be completed soon.

Hearing no further comments or questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by the Isle of Capri Bettendorf. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-62)

Chair Hansen moved to the contracts submitted by the President Riverboat Casino. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Advertising Savants, Inc. – Advertising Agency Fees
- Country Club Coffee – Beverages
- International Game Technology – 20 Slot Machines (Replacements)
- President Riverboat Casino-Missouri, Inc. (St. Louis) – Lease Agreement – 200 Slot Chairs (RP)
- River Bandits – Sponsorship
- SCA Promotions – Promotional Contract

Chair Hansen stated that he had a similar question for Mr. Lohman regarding the use of Iowa vendors. Mr. Lohman stated that as a whole, the majority of the President's annual contracts are placed with Iowa vendors. He stated that this month's contracts are a small snapshot of what the President does on an annual basis. Mr. Lohman noted that the President has not purchased gaming machines from IGT for a couple of years due to price; however, they have been working with them over the last two or three months and have been successful in obtaining better prices.

Hearing no further comments or questions concerning the contracts submitted by the President Riverboat Casino, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by the President. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-63)

Chair Hansen called on Joe Massa, General Manager of the Lakeside Casino Resort, who presented a contract with Love Scott & Associates, an advertising agency.

Mr. Massa advised the Commission that Southern Iowa Gaming (SIG) has completed the marina development for the City of Osceola. In addition, they have built an additional boat ramp and an employee parking area.

Chair Hansen asked about the water level. Mr. Massa indicated that it was a matter of concern, as they have not had any rain for quite some time.

Hearing no further comments or questions concerning the contract submitted by Lakeside, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by Lakeside. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-64)

Chair Hansen moved to the contracts submitted by the Dubuque Diamond Jo (DDJ). Jerry Grippe, General Manager, presented the following contracts for Commission approval:

- Near North Insurance Brokerage – Property, Marine, General Liability, Work Comp. Insurance
- SEMCO, Inc. – Energy Wheels to Improve Air Quality in Casino

Hearing no questions concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by the DDJ. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-65)

Chair Hansen asked for a report on the progress of negotiations with the City of Dubuque regarding the hotel development. Mr. Grippe deferred to Lorraine May, legal counsel for Peninsula Gaming. Before turning the floor over to Ms. May, Mr. Grippe introduced Natalie Schram as the new Assistant General Manager.

Ms. May stated that there have been a number of ongoing discussions. She feels there is a great deal of synergy between the parties and is hopeful that it can be beneficial to both parties. Ms. May stated that since the negotiations are taking place in a public arena, it makes it very difficult. She hopes to have additional information available at the June meeting.

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

- Lawrence Fabric Structures – Remove/Replace Roofing on Skywalk
- Chesapeake Advertising – Advertising Media
- Rosenfield Dentino, Inc. – Direct Mailing
- Climate Engineers – New Air Conditioning Unit
- American Custom Coachworks, LTD. – Limousine
- General Contractor & Painting Company for Isle-Style Renovation Project – Renovation of Pavilion, Hotel, Buffet, Snack Bar
- Williams Gaming, Inc. – Purchase 32 Slot Machines; Lease 6 Slot Machines (Replacements)
- International Game Technology – Purchase 30 Slot Machines (Replacements)
- CMS (Casino Software) – Software, License and Maintenance Fees
- Video Lottery Consultants (A Subsidiary of Anchor Gaming) – 12 Slot Machines, Monthly Fees (Replacements)

Commissioner Hassenfritz asked about the number of out-of-state contracts, specifically the advertising contract. Mr. Hardy stated that some of the above contracts, including the advertising contract, are corporate-wide contracts for Isle of Capri.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Isle of Capri Marquette. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-66)

Noting that agenda items 8J and 9 for Ameristar Casino had already been dealt with, Chair Hansen moved to Administrative Business, and approval of Commission meeting dates for FY 2001. He asked if it was possible to move the January 2001 meeting from January 18th to January 11th. No opposition to the change was voiced.

Hearing no further comments on the proposed meeting dates, Chair Hansen requested a motion. Commissioner Sealock moved to approve the FY 2001 meeting dates as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-67)

Chair Hansen moved to Public Comment. Jesse Case, a representative from Local 177 of the Laborers International Union of North America, addressed the Commission regarding the turnover rate at the Lakeside Casino Resort. He stated that Lakeside employees contacted the union in January, and even though they have received the necessary 30% of employees to file for election with the National Labor Relations Board, they are not doing so at this time due to the turnover rate. He noted that when they contacted employees from a list received from IRGC, the number of employees licensed to work at

the casino that no longer work there is astronomical compared to the state average. Those individuals were asked why they left their job at the casino, and the most frequent response is that they are not making the wage promised in their initial interview. Others were promised weekends off. Mr. Case asked the Commission to look into the excessive turnover rate at Lakeside Casino.

Commissioner Hassenfritz asked if there was a probationary period for employment, how many completed the probationary period, and the average tenure of the employees. Mr. Case stated there was a 60-day probationary period, but noted that the turnover rate for those individuals completing the probationary period is the same as those who did not. One reason for that is that these individuals were promised raises after 60 days and are now being told raises will not be given for one year. Mr. Case stated that Lakeside has exhausted the local workforce supply and is now holding job fairs in Missouri. He noted that in a town the size of Osceola, with that high of a turnover rate, there will be individuals who moved into the area because of the jobs, and are now unemployed in an unfamiliar area. That could affect the welfare roles and crime rates. He noted that individuals were advised that family insurance was available, but they are now finding out that it will cost between $300-400 per month. He again asked the Commission to look into the high turnover rate.

Commissioner Hassenfritz noted that the facility has been open for less than a year, and suggested that some of the problems might be attributable to management personnel who are still learning the ropes. Mr. Case stated that SIG might be new to Osceola, but noted that Mr. Grace operates casinos in other states.

Mr. Case offered the following scenario: If you put a $50 million boat on a small lake, the state is facing the longest drought projected in 45 years, and there is an employee turnover rate 7 or 8 times higher than the state average, the operation will end up with Missouri workers in Iowa jobs on a boat that doesn't float. He asked the Commission to be proactive on the high turnover rate at Osceola. Mr. Case stated that it is the union's intent to bring past and current employees to the June Commission meeting to present their views to the Commission on what they were promised in their interviews and what they actually received.

Chair Hansen asked Mr. Case if he had a specific number of employees that had been terminated. Mr. Case stated that he did not. He noted that when they contact individuals on their list, approximately half have indicated that they no longer work at the casino.

Commissioner Sealock stated that the Commission would only get involved when these issues begin to affect the operation of the boat.

Commissioner Hassenfritz, noting that he is concerned about the issues being presented, advised Mr. Case that the issues he is bringing to the Commission belong in front of the National Labor Relations Board, that the Commission does not have the authority to deal with the issue. Mr. Case expressed his opinion that at some point it does become the

responsibility of the Racing & Gaming Commission as it is the agency dispensing the licenses to determine whether or not the casinos are a responsible employer or not.

Commissioner Hamilton asked Mr. Case if the employees had contracts. Mr. Case indicated they did not. Commissioner Hamilton asked if they had anything in writing indicating they would be receiving a certain wage. Mr. Case again indicated they did not, only what they were told in the interview.

Commissioner Sealock stated that SIG made it very clear during the licensing process that there was not a large group of unemployed individuals in southern Iowa waiting for employment. She indicated that she was not surprised about the fact that SIG is holding job fairs in Missouri. Mr. Case stated that the union does not have a problem with SIG holding job fairs in Missouri; the problem is that SIG is attempting to replace workers that no longer work there, not fill new positions.

Commissioner Mahaffey referred to Mr. Case's earlier statement with regard to the crime rate. He asked if he had specific statistics available. Mr. Case indicated he did not, but that he could get them to the Commission within the next few days.

At this time, Chair Hansen called on Larry Seckington, legal counsel for SIG, to present SIG's response. Mr. Seckington noted that Mr. Case had made several statements, one of them being that SIG was going to hold a job fair in Missouri. He stated that SIG has no plans to hold a job fair in Missouri, and have not even thought about it. Mr. Seckington used that statement to show the level of fact in Mr. Case's statements. Mr. Seckington stated that SIG does track its turnover rate at Lakeside and they don't consider it to be excessive. He referenced the extremely low unemployment rate in southern Iowa, but noted that Lakeside was almost fully staffed.

In reference to Mr. Case's statements regarding the crime rate, Mr. Seckington stated that SIG has not received any indication from the DCI or Osceola police chief that the crime rate is on the rise.

Mr. Seckington stated that during the job fairs held prior to the opening of the facility, the various managers met with prospective employees advising them that the casino is open seven days a week, 365 days a year, 24 hours a day and that it would not be feasible to promise anyone they would have weekends off. With regard to wages, they were advised of a base salary, whether or not they were eligible for tips, and what they estimated the tip rate to be. Mr. Seckington stated that if managers were making comments that were not covered in the company brochure that was discussed with prospective employees, those managers are no longer with the company. Mr. Seckington stated it was SIG's position that there are other agencies and departments within state government that take care of these types of issues. He indicated that since this issue deals with personnel issues, it is between the Commission and SIG staff and should be discussed in Executive Session.

Commissioner Mahaffey stated that he understood Mr. Seckington's point, but asked about the alleged broken promises with regard to wages and increases in wages after a certain amount of time. Mr. Seckington stated that management staff was told not to make any promises about raises because SIG did not have any way to determine the amount of business they would have upon opening the facility. The employee handbook includes a policy setting forth a 60-day probationary period at which time the individual receives a review, but no promises are made about a rate increase at that time. Merit reviews and annual reviews are also scheduled at which time a rate increase may be granted. Mr. Seckington reiterated that from the management company's perspective, no promises were made to employees that raises would be granted after 60 days.

Mr. Case reiterated his plan to bring several employees to the June Commission meeting to give statements as to what they were promised. Chair Hansen stated that the Commission is trying to determine the basis of facts. He advised Mr. Case that if the problems are in line with the information presented today, he should be making his presentation to the Department of Labor. Chair Hansen stated that the Commission would not get involved in the matter until the issues have an impact on the overall operation of the Lakeside facility.

Mr. Case stated that he agreed the issues belong before the Department of Labor and the National Labor Relations Board; but feels it is important to keep the Commission informed as to what is occurring either in person or by letter. He encouraged the Commission to be proactive on this issue now, rather than later.

Commissioner Hansen reiterated his earlier comment that the Commission did not want to get into micro-managing the licensee on the employee issue until it actually impacts the licensee's operation. He suggested that Mr. Case's time might be better spent in presenting the information to the Department of Labor and National Labor Relations Board.

Commissioner Mahaffey stated that he did not disagree with Chair Hansen's comments, but noted that individuals do have a right to come before the Commission and address the Commission during the Public Comments portion of the agenda. Chair Hansen stated that he was not trying to indicate that individuals did not have a right to address the Commission. Mr. Case stated that union representatives carefully choose how to spend their time, and they would not be here if they did not feel it was important. He reiterated they would be at future meetings.

Mr. Seckington stated, in his opinion, Mr. Case was trying to usurp Hal May's, IRGC Gaming Representative, job. He indicated the Commission has an excellent staff at Lakeside, they are aware of what is occurring, as well as any complaints. He feels the Commission staff at Lakeside is capable of keeping the administration and Commission informed of the situation at Lakeside; and that the union should use another format to get their free publicity. Mr. Seckington stated that if the union does bring former employees, disgruntled employees or terminated employees to address the Commission during the

Public Comment segment at future meetings, he does not think SIG will be making public comments regarding their statements.

Chair Hansen stated that he was not trying to restrict anyone from making comments during the Public Comment segment of the agenda, merely trying to outline where the union might spend their time more wisely at this juncture. He suggested that Commission staff review the situation and bring any concerns to the attention of Commission members if necessary.

Commissioner Sealock advised that in previous situations where groups of individuals have addressed the Commission, the Chair has established time limits for each person to address the Commission. Mr. Case indicated the union would probably only bring a few people to the June meeting to give statements. Chair Hansen encouraged Mr. Case to read Rule 1.2(3) regarding public comments.

Hearing no further Public Comments, Chair Hansen called for a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 15, 2000

The Iowa Racing and Gaming Commission met at the West Des Moines Marriott, 1250 74th Street, West Des Moines, Iowa, on Thursday, June 15, 2000. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Commission member Diane Hamilton was absent.

Chair Hansen called the meeting to order at 8:40 AM, and noted one change to the agenda as printed. He indicated there would be a safety award presentation following approval of the minutes.

Hearing no further discussion regarding the agenda, Chair Hansen requested a motion to approve. Commissioner Mahaffey so moved. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen requested a motion regarding the minutes for the May 18, 2000 Commission meeting. Hearing no corrections to the minutes from the May 18, 2000 Commission meeting, Chair Hansen requested a motion. Commissioner Sealock moved to approve the minutes as printed. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hansen called on Bob Farinella, President of the Iowa Gaming Association. Mr. Farinella stated the safety directors from the various facilities created the safety award within the association. They felt it would be good to recognize the efforts put forth by the facilities to reduce the number of incidents and injuries that occur on the respective properties. Each property is evaluated on the same factors, and the award is granted at the end of the year to the facility with the best safety record. For 1999, the Isle of Capri Marquette is the winner.

Chair Hansen called on Jack Ketterer, IRGC Administrator, for announcements. Mr. Ketterer presented the following information regarding upcoming Commission meetings:

- July Commission Meeting – July 20 at the University Park Holiday Inn
- August Commission Mtg. – August 17 at the Best Western Frontier, Clinton
- September Commission Mtg. – September 15 at the University Park Holiday Inn

He suggested that those attending the meetings in July and September might want to make hotel reservations early due to the hotel's high occupancy rate.

Chair Hansen then asked Mr. Ketterer to address the following rules presented to the Commission under Notice of Intended Action:

- Amend rule 491-4.7(99D, 99F) – Penalties (gaming board and board of stewards)
- Amend subrule 5.4(10), paragraph "b", sub-paragraph "3" – Fee Free Passes
- Amend Iowa racing and gaming commission rules by adding a new Chapter 6
- Rename Chapter 8 from "Mutuel Department" to "Wagering and Simulcasting"
- Amend rule 491-8.1 (99D) by adding new definition in alphabetical order
- Amend subrule 8.2(3) – Pari-mutuel tickets
- Amend Chapter 8 by adding a new rule – 491-8.4(99D) – Simulcast Wagering
- Rescind subrule 10.4(2), paragraph "d", sub-paragraph (1), and insert new sub-paragraph – Schedule (Jockey Fees)
- Rescind and reserve Chapter 12.
- Rescind and reserve Chapter 13.

Mr. Ketterer advised that the rules before the Commission are the result of IRGC staff's efforts to comply with Governor Vilsack's Executive Order for all agencies to review their administrative rules. He noted that IRGC has taken a critical look at all of its rules in an attempt to not only streamline the rules, but also putting them in categories where they will be easier to find for licensees or industry employees. Mr. Ketterer noted there are not a lot of substantive changes, but several clarifications of existing policies and moving rules between chapters. He highlighted the following changes:

A. Gives the Board of Stewards and Gaming Boards the right to revoke licenses, as well as suspend or issue fines for occupational licenses.

B. Corrects an incorrect rule reference.

C. Puts in a new Chapter 6, which is based upon occupational and vendor licensing for all pari-mutuel areas and riverboat gambling. Several definitions were added, changed the rules to reflect the information required on the license applications, and added a rule indicating that the licensees will be direct-billed for employees' licenses and fingerprint fees, which is a current policy. In addition, a rule was added that no one could obtain an occupational license in Iowa if they have had a possession of drug paraphernalia conviction in the last five years. A definition for "theft" was added, and anyone who has been convicted of a theft in excess of $100 within the last five years cannot obtain a license. Other rule changes in Chapter 6 set out the criteria for reapplying for a license after an individual has been denied, or had a license revoked or suspended.

Additional rule changes include an apprentice jockey rule, which reflects the uniform rule of the Association of Racing Commissioners International (ARCI); practicing veterinarians must have an unrestricted license as opposed to some kind of conditional license by the Iowa Veterinary Regulatory Authority; and combined former Chapter 8 (Mutuel) with the chapter on Simulcasting in order to eliminate some redundancies. The same was done with Chapter 13, which was moved to the new Chapter 6. There is a new jockey mount schedule that reflects a new agreement between the Horsemen's Benevolent Protective Association and the Jockeys' Guild. He noted that the schedule

has already been put in place due to a provision stating that if another agreement is in effect, then the new agreement can be put in place of the previous agreement. Mr. Ketterer introduced David Moore, the new Jockeys' Guild representative.

Mr. Ketterer stated that the above takes care of this set of rules for Notice of Intended Action. He indicated that there would be one more major set of rules to come before the Commission at the August meeting. He recommended approval of the rules as submitted.

Chair Hansen indicated that he had several questions concerning implementation. He asked if there had been instances of individuals making false statements on their license applications or allowing another individual to use their license. He was specifically addressing rules 491-6.2(1) h and k. Mr. Ketterer advised that these issues come up frequently as individual will "forget" about past convictions, and the penalty can range from a warning or a $25 fine up to denial of the license, depending on the severity of the infraction and how long ago it occurred.

Chair Hansen also asked about 491-6.4(2) – Knowledge of rules. He asked if the Commission has received any reports of irregularities or wrongdoing involving occupational licensees. Mr. Ketterer stated that he was not aware of any particular instances, but that the purpose of the rule is to make individuals aware of the fact that when they accept the license, they accept the burden of the knowledge of rules and that it is a continuing responsibility. Therefore, if they become aware of any irregularities or wrongdoing, they have a responsibility to report them to the Commission and cooperate in the investigation.

Chair Hansen indicated that he had one more question, and was simply trying to get an idea as to how well the rules are implemented. He did not have any problems with the drafting of the rules. His final question pertained to 6.5(3) j, which refers to threatening or intimidating statements or engaging in threatening or intimidating behavior. He asked if these situations had occurred in the past. Mr. Ketterer stated that there have been some instances in racing where a licensee may not have been happy with a ruling issued by the stewards or a racing official. He indicated there may have been instances where an individual had received a fine or had their license suspended for making threatening remarks.

Chair Hansen, referring to a future discussion concerning "claiming" races, asked if there needed to be revisions to rules 491-6.15 and 491-6.19, which pertain to Disclosure of ownership of racing animals and Partnerships owning racing animals respectively, particularly as they relate to common law relationships since there are restrictions on married individuals. Mr. Ketterer noted that the rules referenced set forth the occupational licensing requirements, particularly those who own racing animals. The second rule referenced requires a partnership license if there is a partnership, but it excludes a husband and wife because they are considered to be a single financial entity for licensing purposes. Iowa does not require, nor do other jurisdictions, a partnership license to be taken out by a husband and wife if they jointly own a racing animal. For

entry purposes, and other endeavors, in horse racing a husband and wife are considered a single financial entity and are required to be presented as such in a racing program. Mr. Ketterer noted that bettors rely on that information. There are two different categories: the husband and wife are not required to get a partnership license, but do have to operate as a single entity in all the endeavors they engage in at the racetrack.

Commissioner Sealock, noting that the Commission wants to look at this issue in the near future, asked if they should exempt the rules referenced above when making the motion. Mr. Ketterer stated that he did not feel the above-referenced rules applied in this situation as the rules specified set out licensing requirements, whereas the areas the Commission will be reviewing pertain to entering, claiming races, how horses are entered into an over-filled race, issues involving entries, trainers, and day-to-day operations opposed to how they are licensed by the Commission. Commissioner Sealock asked Mr. Ketterer if the Commission needed an additional rule. Mr. Ketterer answered in the affirmative.

Chair Hansen asked Jean Davis, Assistant Attorney General for the Commission, if she concurred with Mr. Ketterer's assessment. Ms. Davis indicated that she concurred.

Hearing no further discussion concerning the rules, Chair Hansen called for a motion. Commissioner Sealock moved to approve the rules as submitted under Notice of Intended Action. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-68) (See Attached)

Chair Hansen moved to approval of the admission fees for Fiscal Year 2001. Mr. Ketterer explained that the Commission sets the admission fees for the next fiscal year at the June Commission meeting. He noted that the admission fees apply to the riverboats only, and is authorized by Iowa Code Section 99F.10, which was amended by the Legislature this year. In the past, the Commission was required to recover admission fees for the amount that was appropriated to the Commission to regulate riverboats and 65% of the salaries of the Department of Criminal Investigation (DCI) agents and Gaming Enforcement Officers that are in the DCI's Gaming Unit. Legislation increased the percentage to 85%, and allowed the recovery of $125,000 of associated expenses. Therefore, the proposed admission fees reflect the Commission's appropriation for the coming fiscal year, which is about the same as last year. The annual license fees paid by the riverboats and the estimated occupational licensing fees collected by the Commission offset this appropriation. The annual license fees and estimated occupational licensing fees increased, so the total needed to recover the appropriation for the Commission is down slightly; however the increase required by the Legislation did result in the total to be recovered under Iowa Code Section 99F.10 to increase. Following past practice, ten percent of the cost, or $7,283, has been assessed to each boat on a weekly basis, and will be submitted each week with the gaming taxes. Mr. Ketterer stated that if the Commission approves the fees, a memo and supporting documentation would be mailed to the riverboat licensees on Friday, June 16th.

Commissioner Mahaffey asked Mr. Ketterer why each boat was assessed the same amount. Mr. Ketterer explained that the fee is to recover the Commission's appropriation. He noted that the Commission has about the same number of employees assigned to each boat and DCI has approximately the same number of agents assigned to each boat.

Hearing no further questions or discussion concerning the admission fees, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Admission Fee Schedule for Fiscal Year 2001 as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-69) (See Attached)

Chair Hansen moved to the Contract Approval portion of the agenda, and called on Bluffs Run Casino (BRC). Verne Welch, General Manager, presented the following contracts for Commission approval:

- Boyken International, Inc. – Construction Management Services
- ComputerLand of Des Moines – Purchase of Computer Equipment and Software
- JMA Architecture Studios – Multiple Contracts for Architectural Services

Commissioner Sealock commended Mr. Welch on the effort put forth to locate an Iowa contractor. Mr. Welch stated they had contacted three companies in Des Moines.

Mr. Welch also distributed pictures showing the new Fireside Steakhouse and gaming section that have recently been opened.

Hearing no further discussion concerning the contracts, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-70)

Chair Hansen moved to the contract submitted by the Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with the City of Dubuque for the Ice Harbor parking agreement, which was originally approved in 1989. He pointed out that in addition to the City of Dubuque and Dubuque Racing Association, Peninsula Gaming Company, Spirit of Dubuque, Inc. and the Dubuque County Historical Society also signed the agreement. Mr. Wentworth stated that DRA, as the non-profit sponsoring licensee for Peninsula, requested that this contract submission also be considered to meet the reporting requirements for Peninsula Gaming.

Hearing no comments, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by DGP&C. Commissioner Mahaffey seconded the motion.

Chair Hansen questioned the wording in Item #17 of the agreement, which terminates Peninsula's rights. Mr. Wentworth explained that if the DRA-Peninsula Operating

Agreement, as well as a sublease between DRA and Peninsula is terminated, then Peninsula's right under this agreement are terminated at that time as well.

As there were no further questions concerning the contract, Chair Hansen called for the motion. The motion carried unanimously. (See Order No. 00-71)

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

- Anchor Games – Potential Lease Agreement on 9 Participation Slot Machines with 80/20 Split After Applicable Taxes
- Anchor Games – Potential Purchase of 11 VLC Coin-Free Slot Machines
- Aristocrat – Potential Purchase of 40 Mark V .05 and .25 Slot Machines and 20 Free .05 Mark IV Slot Machines
- Atlantic Bottling Co. – Beverage Products
- Atronic Casino Technology – Potential Purchase of 12 .05 Video Slot Machines
- Casino Data Systems – Player Tracking Hardware/Software for 256 New Slot Machines
- Combined Systems Tech, Inc. – Computer-related Products and Services
- Communication Engineering Co. – Surveillance and Computer-related Expenses
- Des Moines Register – Corporate Advertising, Subscriptions, and Help Wanted Advertising
- Flooring America – Vendor Name Change
- Gitchi Gaming – Potential Purchase of Slot Stools and Slot Stool Legs
- IGT Iowa – Potential Lease Agreement on 15 Wide Area Progressive Slot Machines 55/45 Split Before Taxes
- IGT Iowa – Potential Purchase of 51 I-Game Plus Slot Machines and 44 S2000 Slot Machines
- Innovative Gaming – Potential Purchase of 8 Nickel Video Slot Machines
- International Union of Operating Engineers (AFSCME Council 61 & Local 2051) – Potential Change in Original Collective Bargaining Agreement
- International Assoc. of Machinist & Aerospace Workers (Local 254) –Potential Change in Original Collective Bargaining Agreement
- Mikohn Gaming, Inc. – Potential Lease Agreement on 6 Nickel 45-Coin Slot Machines @ $75.00/day/Machine
- Monroe Company – Potential Purchase of Slot Stools and Slot Stool Legs
- R & D Plumbing, Inc. – Lease Renewal on Building and Adjoining Exterior Area of 301 8th Street SW, Altoona, IA (RP)
- Reno Safe & Lock d/b/a VSR Lock – Potential Purchase of 1,327 Aluminum Slot Bases
- Rogan, Inc. – Purchase of Money Handling Equipment and Supplies
- Spintek – Hopper Fill Weight Mechanism Hardware for 256 New Slot Machines
- Williams Gaming – Potential Lease Agreement on 8 Participation Slot Machines @ 80/20 Split Before Gaming Taxes

- Williams Gaming – Potential Purchase of 32 Video Slot Machines

Commissioner Mahaffey asked about the union contracts. Mr. Farinella noted that the contracts have been shown on the agenda for the last three months. The parties are in the process of working on some changes to the contracts, and they keep hoping the parties can reach an agreement prior to the Commission meeting. They put the contracts on the agenda so that they will not have to wait until the following month. The contracts are withdrawn for this month's meeting.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-72)

Chair Hansen moved to the contract submitted by Harveys Casino Hotel. Verne Welch, General Manager, presented a contract with Loch, Cellilli, Pavelka & Dostal for legal fees relating to the Jones Act for Commission approval. This firm will represent Harveys on liability issues that may occur on the casino floor rather than the land-based facilities.

Hearing no further discussion regarding the contract, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contract as submitted by Harveys. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-73)

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

- IGT – Leasing 5 Multi-Hand Poker Machines
- Shuffle Master Gaming – Rental of 6 Slot Machine Conversion Kits to be Installed on Existing Machines

Mr. Bonnet explained that the machines would replace existing machines.

Hearing no questions or discussion, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by MB II. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-74)

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

- Island Systems – Speakers & Equipment in Parking Garage, Upgrades to Existing Sound System
- Gunderson, Weindruch, Trout and Rhein – Legal Services
- Silicon Gaming – 6 Slot Machines (Replacements)
- Williams Gaming – 40 Slot Machines (Replacements)
- Aristocrat, Inc. – 21 Slot Machines (Replacements)

- Hawkins Construction Company – Atrium Addition and VIP Platinum Lounge Improvement
- Specialty Diving, Inc. – Hull Inspection & Subsequent Specialized Marine Services
- Ross de Alessi Lighting Design – Lighting Design Consulting Services for Casino and Restaurants
- Feuring Promotions – Promotional Items

Commissioner Hassenfritz asked if the hull inspectors are associated with a shipyard, or if it was an industry in and of itself. Mr. Taeubel indicated there are two companies that perform hull inspections that he is aware of, but they do have connections to some of the shipyards.

Commissioner Sealock clarified her understanding that the boat would not have to leave Council Bluffs for the inspection. Mr. Taeubel indicated that was correct.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Ameristar. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-75)

Chair Hansen moved to the contracts submitted by the Belle of Sioux City (BSC). Mike Means, Accounting Supervisor, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for March 2000 (RP)
- Argosy Gaming – Intercompany Charges for April 2000 (RP)

Commissioner Mahaffey questioned the amount of legal fees. Mr. Means explained that they are the result of a lawsuit with a limited partner, which should be concluded within the next month. Commissioner Hassenfritz asked if the amounts submitted included any damages. Mr. Means indicated they did not.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BSC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-76)

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

- Contract Specialists – Carpet and Wallpaper Installation
- High Performance Profits – Consulting
- Michael Luzich – Consulting Service (RP)

Commissioner Mahaffey noted that the Consulting Service Agreement, under "Duties", states that Mr. Luzich is the Vice President of Corporate/Development, and that his significant duties are in connection with real estate activities in the Dubuque Ice Harbor and in connection with Peninsula's proposed construction of a hotel. He asked where the process is at the present time. Lorraine May, legal counsel for Peninsula, indicated that the process is in process. She stated that Mr. Luzich's duties are actually much broader than specified, and include development, exploration and a variety of other areas. Commissioner Mahaffey asked what happens if the hotel construction does not take place. Ms. May stated that she felt that was between Mr. Luzich and the unitholder for the licensee as to whether or not there will be any changes to the contract at that point in time.

Ms. May stated that the contract is an unusual contract for the Commission to be approving. She pointed out that Mr. Luzich's contract is not with the licensee, but between the unitholder of the licensee and a consultant. It does not deal with the disposition of revenue from the licensee, as do all of the other contracts required to be submitted under Commission rules.

Chair Hansen stated that the Commission requested this contract be submitted because of special circumstances that came to light during Peninsula's original license application. He stated that the contract was beyond the Commission's purview and he concurred with Ms. May's request that this contract not be required to be submitted in the future. He felt the Commission had a right to review the contract initially, but upon renewal, the Commission does not review salaries. Commissioner Sealock stated that she concurred with Chair Hansen's statements.

Commissioner Hassenfritz asked about the carpet and wallpaper contract, which is with a Georgia company. Ms. Schram advised that the carpet is a complicated pattern. The manufacturer provided a list of vendors, none of which were Iowa vendors. Several of the vendors were approached, but they were not interested in doing the double-stick method. Ms. Schram provided the following explanation of single-stick versus double-stick. In double-stick, the carpet pad is glued down, and then the carpet is glued to the padding. In the single-stick method, the carpet is not glued to the padding.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DDJ. Commissioner Hassenfritz seconded the motion.

Ms. May asked if her understanding, subject to the Commission's approval, that the contract between Mr. Luzich and the unitholder need not be submitted in the future was correct. Chair Hansen stated that was his suggestion. Commissioner Mahaffey asked if that was part of the motion. Commissioner Sealock stated that she would make that part of the motion. Chair Hansen asked if the motion was clearly understood by all Commission members.

As there was no further questions pertaining to the motion, Chair Hansen called for the vote. The motion carried 3-1, Commissioner Mahaffey voting no. (See Order No. 00-77)

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

- Mikohn Gaming Corp. – Licensing for 2 Jackpot Pai Gow Poker Table Games
- City of Osceola, Water Board – Contribution towards Well Construction and Ongoing Utility Expense
- Brooner & Associates – Concrete Pads
- Vance & Hochstetler – Construction Staking for RV Park
- Bud Jones Construction, Inc. – Water, Sewer and Grading for RV Park
- Max Smith Construction – Water, Sewer, Grading & Concrete Pads for RV Park
- Devries Electric, Inc. – Electrical Work for RV Park
- Norris Asphalt Paving – Asphalt Work for RV Park

Mr. Massa requested that the contract with Max Smith Construction be withdrawn from consideration.

Hearing no comments or questions concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-78)

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

- LaCrosse Sign Company, Inc. – Interior/Exterior Signage for Complex
- TPA Forms Plus – Direct Mailing of Newsletter
- Bally Gaming Systems – SDS Slot Operating System
- Sodak Gaming Incorporated – System Support Consulting Fees
- JCM American – New $5 and $10 Bill Validators
- Western Money Systems – Boards for Existing Bill Validators

Commissioner Hassenfritz asked if the signage involved in the first contract is marquee-type signage. Mr. Hardy stated it was his understanding that it is signage versus reader signage, not informational signage. Commissioner Hassenfritz asked about Iowa manufacturers. Mr. Hardy stated that no one in Iowa chooses to make that type of signage.

Hearing no further questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by IOCM. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-79)

Chair Hansen moved to the contracts submitted by the Isle of Capri Bettendorf (IOCB). Nancy Donovan, General Manager, submitted the following contracts for Commission approval:

- Bally Gaming Systems – On-line Slot Monitoring System
- Brintons US Asminster – Casino Carpet
- Chesapeake Advertising – Advertising Agency
- Dell – Personal Computers
- Hotel Information Systems – Hotel Management Software
- Kale Company – Air Conditioning System
- Lucent Technologies (AT &T) – Additional Phone Equipment
- Quad City Times – Newspaper Advertising
- Quality Painters – Painting
- RDI – Database Marketing
- Stratton Warren – On-line Purchasing System
- System Source – Casino Management Software
- VSR Lock, Inc. – Slot Stands

Chair Hansen asked if the first contract was related to the expansion request. Ms. Donovan stated that it is related to the transition from Lady Luck to Isle of Capri as all of the Isle properties use the Bally system for slot tracking. Isle is also attempting to utilize a universal player card to all of their properties.

Hearing no further comments or questions regarding the contracts, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by IOCB. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-80)

Following a short break, Chair Hansen called on IOCB to present their request for 210 slot machines. Ms. Donovan indicated the request is the result of a change in business strategy at the Bettendorf facility. She stated that this request would not result in a change in the total number of gaming positions approved for the facility or an increase in casino space. The request is a redistribution of their existing gaming positions, resulting in fewer table games and more slot machines.

Ms. Donovan stated that at this time, IOCB is approved for 1,601 gaming positions – 50 tables for 410 gaming positions, or 26% of their gaming positions, and 1,191 slot positions, or 74% of their gaming positions. The adjusted gross receipts for the year just ended on April 30, 2000 were $89.4 million – tables games represented 13% of the AGR while occupying 26% of their total gaming positions. Slot revenue represented 87% of the AGR while occupying 74% of the total gaming positions. Ms. Donovan indicated that it is IOCB's position that the gaming product is not consistent with the distribution of gaming positions. IOCB is proposing to reduce the number of table game positions down to 200, representing 12% of their total overall positions available in the table games

department, and estimates that the revenues generated will represent 10% of the total AGR. They would like to increase the number of slot positions to 1,401. Slot machines would then represent 88% of their total gaming positions, and generate approximately 90% of the AGR. It is Isle's belief that this redistribution would allow them to be more in line with their product and available gaming positions.

Ms. Donovan stated that the Quad Cities market area has grown between 5% and 13% since 1996. She noted that during the first quarter of 2000, gaming revenues increased by 14.3%, which Isle feels is an indication of a strong, healthy and growing market. Ms. Donovan stated that when Lady Luck was before the Commission in 1998 presenting their hotel expansion and requesting additional slot machines, there were some concerns about the impact the hotel would have on their business, as well as the entire market. She reported that their business increased by 16.6%, and the President's AGR increased by .5% during the same time frame, an indication that the hotel drew additional visitors to the market.

Ms. Donovan compared the number of slot machines added in the Quad Cities market during the first quarter of 1999 and 2000. She noted that IOCB has increase their number by 15, the President by approximately 113 and still has about 160-175 units that have been approved by the Commission, and Casino Rock Island (CRI) has added 199 slot machines. Under their legislative mandate, they are capped at 1,200 positions, so CRI still has 400-500 machines that can be added before reaching capacity. Ms. Donovan stated that IOCB's win per unit has grown from $179 to $187; the President's win per unit has declined slightly, and CRI has had the largest growth. At this time, Illinois is still seeing the larger growth patterns. In her opinion, the increased win per unit shows an increased demand from the customer, resulting in an under supply of slot machines during peak business hours, typically on Friday and Saturday.

Ms. Donovan then compared the AGR for the first quarter of 1999 and 2000. These figures reinforce the growth in the Quad City market, with all three casinos showing an increase in revenues.

As far as market share is concerned, IOCB has seen a slight decline of about 1%, from 50.5% to 49.5%. The President has also experienced a slight, while the CRI's market share has increased. Ms. Donovan noted that the President Casino has been affected more by the CRI's growth than the IOCB has.

Ms. Donovan stated that the additional slot machines would provide IOCB with an additional $11.5 million in AGR. The State of Iowa would receive approximately $2.2 million in taxes, the City of Bettendorf would receive approximately $250,000, the Scott County Regional Authority would get approximately $472,000, and the Iowa Gambling Treatment Program would get approximately $35,000 from the redistribution of gaming positions.

With regard to land-based development, Ms. Donovan stated that IOCB has a good track record. In 1997, a 500-space parking garage was added to the facility at a cost of $3.2 million. In 1998, the 256-room hotel was built, including 25,000 square feet of convention space and the railroad overpass for approximately $37 million. During 1999, ICOB demolished their office building and donated the land to the City of Bettendorf for the redevelopment of downtown Bettendorf – costing approximately $1 million. In 2000, Farraday's, their restaurant, was opened at an approximate cost of $1.5 million. IOCB intends to open a deli in order to enhance their product, as well as working with the City of Bettendorf on a $1.5 million marina project. Ms. Donovan stated that since 1997, IOCB has spent approximately $55.6 million on capital improvements, allowing them to grow their revenues and offer a great gaming experience for their customers in Bettendorf.

Ms. Donovan stated that the City of Bettendorf, the Scott County Regional Authority and the Bettendorf Chamber of Commerce are supportive of IOCB's request to redistribute their existing gaming positions. Ms. Donovan concluded her presentation by requesting the Commission's approval of the redistribution plan.

Commissioner Mahaffey asked what each facility in the market would have for slot machines if the redistribution were approved. Ms. Donovan explained that the CRI has a legislative cap of 1,200, and currently has 596. If the request is approved, IOCB would have 1,401. At this time, the President has 1,038 slot machines and has received approval to add between 160 and 175 more machines. CRI has the ability to either bring in a new boat or barge, giving them the ability to increase their number by several hundred. Ms. Donovan noted that CRI had added 200 new slot machines in February of this year.

Chair Hansen stated that it was his understanding that the Illinois Legislature had changed their riverboat gambling law, and no longer required their riverboats to cruise. Ms. Donovan advised that he was correct, and that the change took effect in June or July of last year. Due to the conflict concerning the Rosemont license, that legislation is being challenged. If it were revoked, CRI would lose their ability to bring in a barge to accommodate dockside gaming. They are currently using their boat for dockside gaming, without cruising. CRI is considering a barge development, creating a moat in downtown Rock Island that would allow the barge to float into the downtown area and surrounding it with land-based development.

Chair Hansen asked how many tables IOCB would end up with. Ms. Donovan stated that 200 table positions would be the equivalent of 21-22 table games, depending on the type of game. She indicated IOCB would probably have 22 table games, mostly on the second deck. The slot machines would be added on the first deck, as well as other areas of the boat.

Commissioner Mahaffey asked Mr. Ketterer if there were any studies showing whether slot machines or table games have a greater effect on compulsive gamblers. Mr. Ketterer

stated that he couldn't specifically answer the question, but indicated that he would not be surprised if the figures weren't relative to the product offered. If 60% of the people are playing slot machines and 40% are playing table games, he would expect the numbers to be somewhere along those lines. He indicated that he was not aware of any specific study.

Commissioner Hassenfritz stated that he was not aware of any study, but in talking with counselors in his area about this issue, the biggest problems were with blackjack and craps. He noted that they are favorites with the illicit gaming operations.

Chair Hansen reminded everyone that when using the Iowa figures showing 2% of the population are problem gamblers and 1% are pathological gamblers, the numbers also include lottery players and other types of gambling.

Commissioner Hassenfritz stated that it is his belief that no one has any comprehensive numbers, and those that are out there are across the board on everything. He feels that one of the universities could do a study and obtain some fast numbers. Commissioner Hassenfritz stated that before a problem can be attacked, the problem has to be determined, and its magnitude.

Commissioner Sealock advised Commissioner Hassenfritz that Iowa State University had done a very comprehensive study. Commissioner Hassenfritz asked what department had conducted the study. Commissioner Sealock stated that she could not remember, but that several departments were involved. After a brief discussion, it was determined that the Family and Consumer Sciences Department had conducted the study.

Commissioner Mahaffey referred to the AGR figures Ms. Donovan presented for IOCB and the President. He noted that the Commissioners had received a letter from Mark Lohman, General Manager of the President, requesting an opportunity to respond to IOCB's request, particularly the areas indicating that the machines "are necessary to satisfy overall excess demand in the particular market in which the licensee is located", and "will not have a detrimental impact on the financial viability of other licensees operating in the market in which the licensee operates". Ms. Donovan stated that the time frame considered in drawing the conclusions had to be taken into account. She stated that IOCB had looked at the twelve months prior to the opening of the hotel and the twelve months following the opening of the hotel. She noted that IOCB has seen a slower growth rate in recent months, which she attributed to the transition taking place at the facility. She advised that there have been times when parts of the casino floor have been closed in preparation for the transition. In addition, Ms. Donovan stated that from a marketing perspective IOCB has stepped back from things they have done previously, knowing that they will have a grand re-opening when the transition is completed, which would bolster business. Ms. Donovan stated that the CRI's market share is continuing to grow from 7-8% of the market to approximately 17% of the market share due to the increase of 200 slot machines in February.

Commissioner Sealock thanked Ms. Donovan for her presentation. She noted that the casinos are legal businesses operating in Iowa, and that management should have some say in how the business is run, and compete for business. In light of that, Commissioner Sealock stated that the Commission is obligated to allow the President an opportunity to respond to IOCB's request.

Commissioner Sealock moved to defer a decision on IOCB's request until the July Commission meeting. Commissioner Mahaffey seconded the motion. Hearing no further discussion concerning the request or motion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 00-81)

Chair Hansen called on SIG to provide an update on their cruising situation. Mr. Massa advised the Commission that they had been able to cruise this morning. The area received 2¼" of rain on Tuesday evening, which raised the level of the lake by approximately 18" to the target water level they feel is necessary for cruising – 5'1" below the full pool of the lake.

Chair Hansen asked Mr. Massa how long the lake would remain at that level. Mr. Massa indicated that it was dependent on how much rain the area received, the evaporation rate, and water usage. He noted that on hot, windy days, it is estimated that 1.5 million of water is lost to evaporation.

Chair Hansen asked about the well that SIG is proposing to help the City build. Mr. Massa stated that as SIG saw the problem coming they began looking at alternatives that could be considered to alleviate the low level of the lake. They have been working with the City, City Water Board and County to develop workable alternatives. The outcome of the discussions was that the most practicable solution at this point in time was to drill a new well adjacent to the lake in order to provide a supplemental source of water. West Lake is totally dependent on rainwater. The well would tap into the Jordan Vein, located approximately 3,000 feet below ground in Osceola. It would have the ability to produce about 1.5 million gallons of water per day, equaling the amount of water used from the lake on a normal day. Mr. Massa stated that the City of Osceola was holding a public hearing on the issue that evening and accepting bids. He stated that he did not have any idea as to the dollar amounts of the bids. SIG did pledge to pay up to one-third of the cost of the well; however, they don't expect the well to provide much help for the boat this year. In the long run, it will be beneficial to the community to have a supplemental source of water.

Commissioner Hassenfritz asked about the size of the casing for the well. Mr. Massa stated that he did not know, but knew that the well would be 3,200 feet deep. Commissioner Hassenfritz stated that the cost would be around $100/foot. He asked about the quality of the water at 3,000 feet, and if those issues had been addressed. Mr. Massa stated that it is his understanding that the Jordan Vein is not the first preference for water quality, but noted that it is used in other locations as a supplemental source of water. The plan in Osceola is that the water would go into the lake and would not affect

the processing or treatment the City does on the lake water. If Osceola were to use that water exclusively, they would have to have a different treatment system, as it is high in sulfur and iron. Mr. Massa stated that it is estimated there is between 12-18 months water supply in the lake at this time, depending on usage, evaporation, etc.

Commissioner Hassenfritz noted there had been discussions about dredging the lake. He asked if that was still in consideration, or if it was a fallback plan. Mr. Massa stated that SIG had dredged the lake before putting the riverboat in place. He noted there had been discussions about building a cofferdam, but that idea had been discarded, as it would not solve the cruising problem. Commissioner Hassenfritz asked about the possibility of using displacement to raise the level of the lake, as well as the content of the shoreline. Mr. Massa stated there had been discussions about putting different things in the lake to raise the level, and that a good portion of the shoreline is trees.

Commissioner Mahaffey noted that Iowa Code requires the riverboats to cruise 100 days per year. He wondered what would happen if SIG is not able to meet the mandate. Mr. Ketterer stated that was up to the Commission to decide; that the Code requires the riverboat to make the minimum number of cruises required in order to operate dockside during the winter months.

Commissioner Hassenfritz asked how big the watershed was at West Lake. Mr. Massa stated that he did not know, but noted that Osceola had received 2¼" of rain in four hours, and it raised the water level 18". He noted that it is not a normal occurrence for the lake to be this low, that it had been ten years since the last drop in the water level. Commissioner Hassenfritz pointed out that this year abnormal is becoming normal.

Commissioner Sealock stated that she appreciated the fact that SIG was viewing the rain as a temporary reprieve, and that they are moving forward in the exploration of ways to offset this problem in future years. She voiced her opinion that the Osceola Water Board should have anticipated this problem.

Bill Grace, President of SIG, stated that it has been ten years since Osceola has faced a water problem, and it was ten years prior the last occurrence when they faced a similar problem. He noted that there is just over 2,000 acres in the water run off. Mr. Grace stated that as water usage increased over the years, Osceola had planned on tying into another lake system, but the plan and money needed to do so is a number of years away. He noted that SIG is the leading player in the attempt to get the well built; however, it will not do them any good this year. It will take at least two months to get the well into operation, at which time SIG will be in serious trouble or they will be out of trouble. Mr. Grace stated that the well would be good for the community.

Commissioner Sealock stated that she knows Osceola appreciates having SIG in the community, and wanted them there desperately. She went on to indicate that she expects SIG to comply with the law just like everyone else. Mr. Grace stated that it is SIG's intent to cruise.

Following another short break, Chair Hansen called on PMR&C to address several problem areas. He asked for a report regarding the cancellation and refund of wagers for the 8th race on May 22, 2000. Mr. Farinella and Derron Heldt, Director of Racing, were available to address the various issues.

Chair Hansen provided the following characterization of the above situation: There was a mix-up in the program listing at PMR&C. From the articles he has seen, at least 13 outlets recognized that there was conflicting information prior to the race and withdrew, but 24 others did not and accepted the race. PMR&C's policy in this kind of situation is to pay out refunds rather than attempting to pay winnings. As a result of that decision, Equibase, which collects entry information and disseminates it to various tracks, has stated that it will no longer acquiesce to the directions of local tracks and will go ahead and make changes when they are aware of an error. Chair Hansen stated that he felt the Commission should be concerned about the detrimental national publicity surrounding this situation. He asked Mr. Ketterer to comment on some of the letters received by the Commission office on this matter.

Mr. Ketterer stated that the Commission office has received several letters and phone calls from various simulcast hubs, bettors and the media. In his opinion, there were some things that were done, and others that were attempted, in a timely manner; however, it appears there were other steps that could have been taken to prevent this situation from occurring. The crux of the situation is that the whole pari-mutuel system is based upon the contract that is made when the bettor puts his/her money forward and receives a ticket indicating that money will be paid. Many bettors wagered on a race at PMR&C that was run, and then when they attempted to cash in their tickets they were advised that they would only get a refund. Mr. Ketterer expressed his opinion that there is a large void of information as many people aren't aware of the whole situation. He pointed out that not only is PMR&C the hub of a wheel with its races being simulcast to several outlets, but many of the outlets are hubs in and of themselves, reaching several more outlets. He feels that PMR&C needs to provide some type of explanation via the national news media to explain to the wagering public exactly what happened and why they took the position they did. He read a portion of a letter received in the Commission office (Copy attached). Mr. Ketterer also referred to an article in the Las Vegas Review Journal, which concluded that:

"The right thing would be to pay winning tickets using the correct information. If PM had to "eat" money, it's worth it in positive public relations.

If that doesn't happen, the simulcast player has the power. Boycott their signal. Then you can show them as much concern as their management does for you."

Mr. Ketterer stated that he could sympathize with the sentiments expressed in the letter and news article. He reiterated that he felt it was important that PMR&C explain the circumstances surrounding the event, the steps taken to correct the situation, and their position on a national basis.

Commissioner Hassenfritz stated that he felt there was a paucity of information available to the bettor. He indicated that many times perception is stronger than reality. He stated that he concurred with Mr. Ketterer's comments.

Mr. Heldt asked Mr. Ketterer if he was referring to such various national magazines as The Blood Horse, The Racing Forum, Association of Racing Commissioners International newsletter, etc. Mr. Ketterer answered in the affirmative, and indicated that PMR&C should also consider contacting some of the turf writers for some of the major publications in their major simulcast areas. Mr. Heldt stated that PMR&C did respond to all of the e-mails they received with a letter drafted by Mr. Farinella.

Commissioner Hassenfritz asked if the bettors producing winning tickets were paid their winnings. Mr. Heldt answered in the negative, that all off-track tickets were refunded the amount wagered. The official racing program at PMR&C was correct, and bettors at their facility were paid their winnings. Mr. Farinella stated that since PMR&C had no way of knowing which facilities had the correct racing program, those bettors received a refund. He indicated that if PMR&C were to indicate at this time that they would honor winning tickets at the simulcast facilities, they would have no way of knowing who actually held a winning ticket since in most instances the tickets were turned in when the bettor was refunded his wager. Commissioner Hassenfritz pointed out that if the bettor could not produce the ticket, they would not get paid. Mr. Farinella stated that PMR&C could take that position. Commissioner Hassenfritz stated that he felt it would be better for business if those individuals who still had their winning tickets were paid their winnings.

Mr. Ketterer asked Mr. Farinella and Mr. Heldt if there had been any discussions among themselves or with the Racing Association of Central Iowa Board about ways to recompense the bettors, or what efforts could be made to restore credibility. Mr. Farinella stated that discussions have been held with staff members. He stated that the events leading up to the incident are just as important as the end result. He pointed out that simulcasting relies on the distribution of past performances and the identification of the horses that are participating in the race. Equibase is the main distributor of the information on a national level. There are also several backup systems that are available – one of them being Fax on Demand. This system allows individual tracks hosting the a race meet to send corrected information to all of their sites in the event there is a change in the program. Mr. Farinella stated that the bottom line is that individual racetracks have to rely on these systems to insure that everyone has the correct system. Mr. Farinella stated that as this race approached, several locations contacted PMR&C indicating that they did not have the correct information and were withdrawing from the 8th race. At that time, PMR&C still had no way of knowing if the other tracks had the correct information. They assumed that those facilities with incorrect information had withdrawn from the pool, and PMR&C proceeded with the race. By the time PMR&C learned that the correct information had not been disseminated to all facilities, the horses were already in the paddock ready to run the race, and the history was on the tote machine so the information for the next race could not be put up until this race was completed. Mr. Farinella stated

that which ever decision PMR&C officials made, the pool would be decided by which locations elected to remain in the pool. They were not in a position to be able to determine which facilities had the right information; hence the decision to extricate all simulcast facilities from the pool and only pay in-house bettors.

Commissioner Hassenfritz asked Mr. Farinella if the "information" is transmitted over the simulcast networks in the same manner as the race. Mr. Farinella answered in the affirmative. Commissioner Hassenfritz stated that somewhere along the lines there was a faux pas in the dissemination of the information. Mr. Heldt explained that PMR&C sent the information by fax to all of the simulcast facilities, but once it is received, it is out of their hand. Commissioner Hassenfritz stated that he was trying to understand why some tracks called indicating that they didn't have the information when it appears that PMR&C did what they were supposed to do in order to correct the problem. Mr. Heldt indicated that was correct.

Chair Hansen asked what circumstances occurred to cause the situation. Mr. Heldt stated that PMR&C drew the cards for Monday's races on Saturday morning. The information was overnighted to the simulcast facilities. One trainer had entered two horses, with different owners, in the race and had requested that they be coupled; thereby allowing him to withdraw one horse if he elected to do so. The racing office failed to couple the entries. The error was caught, the correction was made, and the information was sent out to Equibase for distribution to all simulcast outlets on Saturday for a race that was to take place on Monday. PMR&C received three phone calls on Sunday from outlets indicating they had the wrong information. Those facilities asked to be withdrawn from the pool. One minute after the race was completed, PMR&C received six phone calls about the information at the various simulcast outlets.

Commissioner Hassenfritz stated that it was his understanding that the information was corrected on Saturday night for a race that was to be run on Monday. He asked if the second transmission was identified as a corrected copy of information for the Monday race. Mr. Heldt indicated that it was. Commissioner Hassenfritz asked if Equibase just retransmits the information, or puts it in a different format. Mr. Heldt stated that the information is put into a different format as each facility has its own racing program format. Commissioner Hassenfritz asked if Equibase noted that the information being sent was a correction of previously received information. Mr. Heldt stated that they did not in this instance because various facilities had indicated to Equibase that it was redundant for them to follow-up with a phone call to insure that they had received the correct information. Because of this situation, Equibase has changed their policy and will personally call each outlet to insure that they have received the corrected information.

Commissioner Sealock asked Mr. Farinella what PMR&C would do if this situation were to occur again. Mr. Farinella stated that they have never seen this happen in all the years PMR&C has been in the business. He noted that in conversations with racing officials at other facilities, they all pictured themselves in the same situation because they have to depend on the information transmission system. Those same officials voiced their

opinion that PMR&C made the only decision they could in the situation. Mr. Farinella expressed the hope that sufficient controls could be added through Equibase and PMR&C's own system to prevent such a situation in the future.

Commissioner Hassenfritz stated that he felt the situation was two-fold: 1) how did it happen and 2) how it was handled. All of the information he has seen has addressed how the situation was handled but doesn't say what events led up to the final result. He stated that even as a Racing & Gaming Commissioner, he was not aware of how the system worked until now, and voiced the opinion that even those individuals who patronize simulcast facilities are not aware of how the system works. Commissioner Hassenfritz indicated that he felt it was incumbent upon PMR&C, and the industry, to let the simulcast patron know how the system worked.

Commissioner Mahaffey stated that he felt the question was what did the facilities know and when did they know it. He indicated it was his understanding that PMR&C addressed the problem right away and distributed the information to Equibase, who then posted a page on their system for the tracks to pull the information from, but did not call each site individually. Because of this situation, Equibase will make the phone calls in the future. Commissioner Mahaffey stated that step probably should have taken place in this situation. Mr. Heldt explained that Equibase did have that procedure in place, but because several facilities requested Equibase not contact them with redundant information, they had stopped the process.

Commissioner Hassenfritz stated that all of the information presented so far is new information. The only information set out in various publications is that PMR&C reneged on a race. However, he feels most individuals would be able to understand a complete explanation of the facts surrounding the situation.

Commissioner Sealock stated that since the situation received national attention, she thought it would be appropriate for the local newspaper to do a story setting forth the whole series of events that occurred pertaining to this race. Mr. Farinella stated that he felt it would be a good starting point, but that PMR&C would put together information to be disseminated to the major racing network publications.

Commissioner Hassenfritz voiced his opinion that the simulcast people should also publish an explanation as the whole situation affects the integrity of the racing industry.

Chair Hansen pointed out that it is an inescapable fact that PMR&C did err, and they made a policy decision that he does not agree with. He voiced his concern over the situation, as simulcast revenue is one of PMR&C's most significant streams of revenue. He noted that simulcast revenues are down $158,000 a day according to a recent news article, and that is prior to this incident taking place. He wonders how this situation will affect the revenues in the future.

Mr. Heldt advised that PMR&C's off-track revenue for the past three days has been strong. He stated that he thought the decline would be erased by the end of the season. Mr. Heldt indicated that PMR&C's strongest racing dates are still coming, and revenues are cutting into the decline on a daily basis. He noted that betting exceeded $1 million on Monday and Tuesday of this week, and PMR&C just had their strongest Saturday ever the previous Saturday.

Commissioner Hassenfritz stated that he agreed with Mr. Heldt's comments, but felt that the events surrounding this race have to be told; that PMR&C and the Commission can not rely on the situation just disappearing. He noted that PMR&C is partially to blame for the situation, but the cause and effect was something else. Commissioner Hassenfritz stated that he would like to see more information published on how this mix-up occurred. He further stated that for the integrity of PMR&C and the horse racing industry, he indicated that PMR&C needs to go on the offensive and present the front side of the story.

Commissioner Sealock stated that if PMR&C wants to redeem their credibility, it is up to them to do so because no one else can do it.

Chair Hansen suggested that a system of checks and balances should be established to prevent this situation from occurring again; some changes in the national system and that PMR&C should review the remedy in the unlikely event that this situation should occur again.

Hearing no further comments on this issue, Chair Hansen moved to the next item – problems associated with "claiming" race practices. Chair Hansen asked Mr. Ketterer to set out the problem.

Mr. Ketterer stated that a high-profile trainer entered a horse in a claiming race. The same horse had been entered in an earlier claiming race for $10,000, while the current claiming race was for $6,250. He explained that claiming races are used to make races more competitive, and horses entered in those races could be claimed or bought out of the race by anyone prior to the race taking place. The horse in question was entered in this race after previously winning the $10,000 claiming race, which would indicate to some that it is worth that amount of money. Mr. Ketterer indicated that entry in the lesser claiming race would indicate to the general betting public that either 1) the horse has a "For Sale" sign around its neck and the trainer does not feel it is going to participate in many more races, or 2) that the trainer is running a major bluff and is trying to see if anyone will call his bluff.

He noted that the system can be corrupted by the practice of having a "protected claim" submitted – the trainer would have another trainer, who was a friend, enter a claim in the event someone else also entered a claim. The original trainer would at least have a 50/50 chance of getting the horse back after 30 days.

Mr. Ketterer noted that in racing a husband and wife are considered one entity. In this instance, if the husband was entering a horse in a race, he could not have his wife submit a claim for the horse. He stated this is in effect what happened at PMR&C even though the individuals involved do not have a legal husband/wife relationship, but are considered to have very close to that type of relationship, which has generated a lot of criticism.

Chair Hansen pointed out that under certain rules the Commission places limits on husbands and wives. Mr. Ketterer stated that there are certain things they are allowed to do when it comes to entering horses, preference if the race overfills, and if someone has entered two horses, only one will be allowed to draw into the race to the exclusion of the single entrants and the example he just provided with regard to claiming races. In this instance, Mr. Ketterer stated it was not a question of one individual being a legitimate horse person/trainer for an owner. The questions arose because the trainer was not claiming a horse for an owner that may have requested that the trainer claim the horse on their behalf because they happened to want that horse. This was a situation where the one party was the owner/trainer and the party that claimed the horse was claiming it for herself as an owner/trainer. In his opinion, the circumstances surrounding this situation undermined the credibility of the system and rules requiring a husband and wife to act as a single interest in racing.

Chair Hansen suggested that the Attorney General representative and Mr. Ketterer address this problem and report back to the Commission with potential rule changes.

Commissioner Sealock asked if any RACI Board members were in attendance. Mr. Farinella indicated in the negative. Commissioner Sealock expressed her disappointment since the meeting is being held in Des Moines.

Commissioner Hassenfritz asked Chair Hansen if he could return to the first issue. He stated Mr. Heldt had indicated that Equibase was going to contact each track by phone. Mr. Heldt advised Commissioner Hassenfritz that that was Equibase's procedure prior to this situation occurring; however, several racetracks contacted Equibase stating that they did not want Equibase doing that. So Equibase stopped that procedure, when Equibase received information, an individual would pull the file and distributed it. Commissioner Hassenfritz asked Mr. Heldt for his response to that policy change. Mr. Heldt indicated that he had not been aware of the change. Since this incident, Equibase has reverted to their previous policy. Commissioner Hassenfritz, referring to a letter from Equibase, noted that it stated that PMR&C had stated they would contact the various tracks.

Chair Hansen noted that Equibase objected to the fact the tracks didn't want Equibase interfering with the changes, so it was the responsibility of the tracks. Commissioner Hassenfritz noted that Equibase's letter further stated that Jay from PMR&C would contact all simulcast outlets to advise them of the error. He asked if that was done. Mr. Heldt indicated that it was, that the revision of the 8th race was sent out via fax.

Chair Hansen moved to the decline in attendance, live race wagering, simulcast wagering and slot wagering. He referred to an article in the Des Moines Register, which stated that wagering on horse racing had declined during the first 31 days by 16.6%, simulcast wagering was down by $158,000 per day and that slot wagering was down 11.3%. He noted that the Commission has seen the purses steadily increase each year - $17 million this year and $21 million next year. Chair Hansen stated that the Commission has encouraged the increase in purses, and that the current Commission has approved the additional slot machines at PMR&C, of which 100 are already in operation. He noted that the purse increases and additional slot machines were presented to the Commission as a panacea to solve the various problems faced by PMR&C, but the attendance and wagering figures are declining. He asked for PMR&C's response.

Mr. Farinella stated that PMR&C operates on a pro-forma budget, which estimates what revenues and expenses will be in the future. He noted that the Commission is very much aware of the various studies conducted prior to the granting of the license in Osceola, which indicated that the impact on PMR&C could be around 25% on revenues. PMR&C management estimated the impact to be in the range of 7-10%. Mr. Farinella stated that a portion of the gaming market in central Iowa needs to be viewed from the availability of gaming opportunities. He pointed out that a major gaming operation within the same venue should be taken into consideration. Mr. Farinella stated that based on PMR&C's annual budget approved by the RACI Board last December, the attendance are only off 1% from where they thought they would be. With regard to casino revenues, Mr. Farinella stated that year-to-date handle and net win are where PMR&C expected them to be from a budget standpoint.

With regard to pari-mutuel handle, Mr. Farinella stated that they have reviewed that as well. They assumed, correct or incorrect, that this year the pari-mutuel handle would be less impacted by various factors than what they have experienced. He reiterated that PMR&C is in a very sound financial position, revenues are still the strongest in the state, and they are in the middle of a large expansion program, which is being paid for out of cash flow from operations. Mr. Farinella stated that they expected the decline from last year. He pointed out that PMR&C's facility is undergoing a major renovation, which affects the access to the facility, and they really started to notice the effects in April. Mr. Farinella stated that from a budgetary standpoint, PMR&C is fairly comfortable with their projections, as they have been relatively accurate from a fiscal liability of the entity.

Commissioner Sealock pointed out that Mr. Farinella had not mentioned the Tama gaming facility and asked if they had a lot of competition from the north. Mr. Farinella noted that Tama had added another 600 slot machines to their facility. He noted that in addition to expansion in central Iowa, major expansions were occurring on both borders of the state with the additions of hotels and additional gaming positions. As the various markets mature, the gaming facilities will do whatever they can to draw patrons from other areas of the state, and Des Moines is a good target area as it is centrally located. Commissioner Sealock asked if Mr. Farinella felt the increased amenities of the expanded facility would help with the wagering and attendance. Mr. Farinella stated that once the

facility is completed, the access would be much more attractive and inviting. They estimate business will pick up in October when the expansion project is complete. Until that time, PMR&C's budget calls for a decline in the areas mentioned. Mr. Farinella stated that another impacting factor to take into consideration when comparing year-to-year is the fact that since PMR&C opened the casino in 1995, they have experienced a growth rate of 2-3% per year. Last year, they experienced an increase of 16-17% in revenues.

Chair Hansen stated that he could appreciate budgets and expectations, but in the real world of the private sector, people want to know about reality. The facts remain that horse betting is down 16%; simulcasting is down 11.3% and slots are down 13.5%. He noted that Mr. Farinella's comments indicated that was what RACI/PMR&C expected because of competition, and the expansion project. Chair Hansen stated that he remembered when the Hy-Vee store at 86th & Douglas did a monumental remodeling project while remaining open 24 hours/day. They did several different innovating things to draw customers to the store during the project – different promotions, sales, services, in order to offset the inconvenience of the construction. Chair Hansen stated that he was troubled by PMR&C's marketing, and the upcoming referendum in 2002. In his opinion, they need to face reality, and not talk in terms of budget figures. He complimented them on the fact that they are close to their projected budget, but feels they need to be testing themselves against reality. He feels that PMR&C is facing some great problems in terms of operations and public image, some of it related to the public's perception of the incident on May 22nd. Chair Hansen noted that at the March Commission meeting he expressed concern about the high turnover rate. After reviewing the information, he found there to be 21 new faces in various positions since the beginning of the year, which could lead to speculation concerning management problems at the facility.

Chair Hansen stated that he is not happy about the fact that the Commission is now receiving criticism from around the country on the way the simulcast operation is run at PMR&C, again noting that it is a significant part of the revenue for PMR&C. He indicated that people he meets on the street are even questioning him about the operation at PMR&C. He reminded them to be mindful of their image as they approach the referendum in 2002.

Commissioner Hassenfritz concurred that a lot of the problem is perception, and that some of the problems are a bum rap. In his opinion, silence regarding an issue signifies consent. He suggested that some of the problems are coincidental, but that the public doesn't know that. Commissioner Hassenfritz stated that he concurred with Chair Hansen's comments with regard to marketing – that PMR&C needs to market themselves, not just their product. He reiterated his earlier comments that PMR&C needs to get the whole story out regarding the 8th race on May 22nd

Chair Hansen stated that whatever problems PMR&C has experienced, he feels that they have a plausible knowledge and people to make a diligent effort to turn around the public's image of the facility.

As there was no Administrative Business to come before the Commission, Chair Hansen moved to Public Comment. Chair Hansen read a letter he sent to Jesse Case, a representative of the Laborers International Union of North America, Local 177, which is attempting to establish a union at Lakeside Casino Resort. (Copy attached)

Hearing no further discussion or business to come before the Commission, Chair Hansen called for a motion to adjourn. Commissioner Sealock so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
JULY 20, 2000

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 20, 2000 at the Holiday Inn University Park, 1800 50th Street, West Des Moines. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton and Mike Mahaffey. Commission member Jim Hassenfritz was absent.

Chair Hansen called the meeting to order at 8:00 AM. He stated that he was going to defer approval of agenda until after the Executive Session as there were several changes to be noted. At this time, Chair Hansen requested a motion to go into Executive Session. Commissioner Hamilton moved to go into Executive Session for the purpose of receiving background information from the DCI pursuant to Iowa Code Section 21.5(g). Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hansen reconvened the meeting in open session at 8:40 AM, and moved to approval of the agenda. He advised those in attendance of the following amendments to the agenda:

- A technical error in 6C. The wording should include amendments to Chapters 7, 9, 10, 22 and 26.
- Item 7B. Prairie Meadows Racetrack & Casino (PMR&C) has withdrawn contract nos. 7 and 8, the union contracts.
- Item 12. Isle of Capri Bettendorf has asked to defer this agenda item.

Chair Hansen stated that he had also asked Bob Farinella, General Manager of PMR&C, to give a brief report on the Policies and Procedures/Resolution of Program Errors that PMR&C has established to prevent further incidents such as the one occurring on May 22, 2000. He requested a motion regarding the agenda.

Commissioner Sealock moved to approve the agenda as amended. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen moved to the election of the Chair and Vice Chair for the ensuing fiscal year. He requested nominations for the Chair. Commissioner Hamilton nominated Bill Hansen to serve as Chair for another term. Commissioner Sealock seconded the motion. As there were no further nominations, Chair Hansen stated that he would entertain the customary motion that the Secretary be instructed to cast the unanimous ballot for the single candidate. Commissioner Hamilton so moved. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-82)

Commissioner Hamilton expressed her appreciation of the time Chair Hansen devotes to the Commission, noting that it is not always easy or pleasant.

Chair Hansen moved to the election of Vice Chair. Commissioner Mahaffey nominated Rita Sealock to serve as Vice Chair for the ensuing year. Commissioner Hamilton seconded the motion. Hearing no further nominations, Chair Hansen requested the customary motion that the Secretary be instructed to cast a unanimous ballot for the single nominee. Commissioner Mahaffey so moved. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-83)

Chair Hansen stated that he has relied on Commissioner Sealock for her tremendous amount of institutional knowledge to the Commission.

Chair Hansen moved to the approval of the minutes from the June 15th Commission meeting. Hearing no additions or corrections, he requested a motion. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-84)

Chair Hansen called on Jack Ketterer, IRGC Administrator, for announcements. Mr. Ketterer made the following announcements concerning upcoming Commission meetings:

- August – August 17th at the Best Western Frontier in Clinton
- September – September 15th at the Holiday Inn University Park in W. Des Moines
- October - October 12th at the Best Western Pzazz Motor Inn in Burlington

Mr. Ketterer noted that the September meeting is on a Friday, and that the September and October meetings had been moved ahead due to the World Gaming Congress & Expo in October. The September meeting was moved so there would be four weeks between the meetings.

Chair Hansen moved to the Rules under Notice of Intended Action. Mr. Ketterer indicated that numbers 1 and 2 under Item A remove a redundant subrule, 8.3(12)(h) from Chapter 8. This rule also appears in Chapter 10. Additionally, the existing Chapter 10, Thoroughbred Racing, is rescinded and a new Chapter 10, Thoroughbred & Quarter Horse Racing, is inserted in lieu thereof. Mr. Ketterer stated there were some substantive changes to the new Chapter 10, and copies of the changes were sent to PMR&C, the Iowa Quarter Horse Association, Iowa Thoroughbred Breeders & Owners Association, and also to the Iowa Horsemen's Benevolent & Protective Association to solicit their input. These rules will proceed through the normal rulemaking process, which allows for a public hearing, and will come back to the Commission for final adoption. He recommended approval of the Notice of Intended Action.

Chair Hansen asked if this Notice of Intended Action included the amendment to 10.4(4)(b). Mr. Ketterer indicated that it did, and that the amendment was also sent to all of the organizations mentioned above. Chair Hansen asked if it was submitted to the stewards for their input. Mr. Ketterer indicated that input was received from the stewards at PMR&C on all of these rules.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Notice of Intended Action under agenda item 6A. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-85)

Mr. Ketterer moved to items B and C under Rules. He noted that "C" is the final adoption of the rules that were before the Commission under Notice of Intended Action at the May Commission meeting. He noted there was one substantive change to the rules as Noticed, which is characterized in "B" in order to give specific notice of the change as the rule being addressed was controversial, and has been through the judicial process. The change addresses the satellite credit and debit terminals. Following discussion between committee members, the committee proposed to rescind that rule and final adopt the rule as 5.4(9) by amending the final adopt rules as printed in "C". The first part of the satellite terminal rule prohibited the use of satellite terminals. A Polk County Judge struck down that portion of the rule. The second part of the rule restricted debit terminals to non-gambling areas of the casino. Mr. Ketterer noted that Commission members and staff had a difficult time in trying to determine how they would define a non-gambling area, how those locations would be dealt with and how they would be regulated as most ATM machines also have cash advance features. In light of that fact, they felt all of the machines should be treated similarly. They determined that it would be very difficult to write a rule defining a non-gambling area and have it work in all of the licensees' properties; therefore the Commission has elected not to restrict the location of the machines. Mr. Ketterer stated that he had presented this information to the Legislative Rules Review committee and advised them that if the Legislature wanted to address this area, they could do so and the Commission would attempt to enforce their wishes. Mr. Ketterer recommended the final adoption of the rules as presented on the agenda in subsection C to include the amendment characterized in subsection B.

Commissioner Sealock stated that there was no fair way to regulate the old rule. She noted that none of the Commissioners favored having the machines in the facilities; but they are legal and the Legislature has elected not to deal with them. Commissioner Sealock stated that she concurred with Mr. Ketterer's recommendation.

Chair Hansen stated that Commissioner Hamilton served on a committee with Commissioner Sealock that worked with Mr. Ketterer to draft the amendment. Hearing no further discussion, Chair Hansen requested a motion.

Chair Sealock moved to approve the final adoption of the rules as submitted and recommended. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-86)

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

- Pitney Bowes – Postage Meter
- IGT – Purchase 12 Slot Machines (Replacement)
- Premier Linen & Drycleaning – Linen & Uniform Services
- MCI – Simulcast Phone Service

As there were no questions concerning the contracts, Chair Hansen 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. 00-87)

Mr. Wentworth advised the Commission members that he had given each of them a copy of a new Community Review booklet prepared by Dubuque Racing Association (DRA), which provides background information on DRA and shows where the money goes that they receive from the track and riverboat. He stated that DRA has established a Community Relations position.

Chair Hansen moved to the contracts submitted by PMR&C. Bob Farinella, General Manager, presented the following contracts for Commission approval, minus the union contracts, which were withdrawn during approval of the agenda:

- Allender Butzke Engineers, Inc. – Testing Fees, West Addition Project 1B
- Amtote International, Inc. – Interface Fees for Simulcasting
- ASU International, LLC – Group Occupational Accident Insurance 2000 Race Meets
- Becker Equipment – Food Service Equipment, Parts & Services
- Carpenter Uniforms – Employee Uniforms
- C13 – Control Installations of Iowa – Replacement of Existing Surveillance Equipment in Conjunction with the West Addition Phase 1B Project
- International Union of Operating Engineers (AFSCME Council 61 & Local 2051) – Potential Change in the Original Collective Bargaining Agreement
- International Association of Machinist & Aerospace Workers (Local 254) – Potential Change in the Original Collective Bargaining Agreement
- Kahler & Company – Gift Shop and Promotional Items
- Neumann Brothers, Inc. – General Contractor West Addition, Phase 1B Project
- North Country Business Products – Micros Supplies & Foodtrack Software for F & B
- Odyssey Travel – Travel & Hotel Arrangements for Employee Travel
- Sysco Food Service of Iowa – Frozen Foods Contract
- Taylor Ball, L.C. – General Contractor West Addition, Phase 1A Project
- Zena's Gifts & Decorating – Gift Shop Items & General Decorations

Commissioner Hamilton asked about the contract with ASU International, LLC for group occupational accident insurance for the 2000 race meets. She asked if this type of

insurance was available in Iowa. Mr. Farinella stated that PMR&C obtains this insurance annually, and this particular company handles it on a national basis. They have provided the best rates.

Hearing no further questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C, except for the union contracts. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-88)

Chair Hansen called on Verne Welch, General Manager of Bluffs Run Casino (BRC), who presented the following contracts for Commission approval:

- IGT – Purchase 5 Video Slot Machines (Replacements)
- Micros Systems, Inc. – Maintenance Agreement & Additional Work Stations
- Mikohn Gaming Corporation – Lease of 5 Video Games (Replacements)
- WMS Gaming, Inc. – Purchase of 14 Video Slot Machines (Replacements)

Hearing no questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-89)

Commissioner Sealock, noting that she had attended a meeting at BRC's facilities, complimented Mr. Welch on the phenomenal changes at the facility. Mr. Welch stated that they have also received numerous compliments from patrons. He noted that the new restaurant is now open.

Chair Hansen moved to the contracts submitted by Harveys Casino Resort (Harveys). Mr. Welch, General Manager, submitted the following contracts for Commission approval:

- Atronic – Purchase 16 Slot Machines (Replacements)
- Video Lottery Consultants – 23 Additional Coin-free Games (Transaction Increase)

Hearing no questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-90)

Chair Hansen moved to the contracts submitted by Ameristar Casino (Ameristar). Jeff Terp, Vice President of Business Development, presented the following contracts for Commission approval:

- Brand Special Events, Inc. – Temporary Rental of Outdoor Seating for Star Arena
- U.S. West – Renewal of Existing ISDN Services for Three Years
- Rodriquez and Company – Lighting Fixtures for Atrium Lounge
- Five Star Interior Services, Inc. – Drapery and Fabric Installation for Amerisports
- Durkan Patterned Carpet, Inc. – Carpeting for Various Parts of Property

Hearing no questions regarding Ameristar's contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-91)

Commissioner Mahaffey asked Mr. Terp if he wanted to comment on a letter the Commission received from Etta Lee Christensen dated July 3, 2000 about the need to hire additional slot attendants and cashiers. Mr. Terp stated that he had not seen the letter, and would like the opportunity to talk with Tony Taeubel, General Manager of the property in Council Bluffs, to determine if he had responded. Commissioner Sealock suggested that if a response has been sent to Ms. Christensen that a copy of the response be sent to the Commission's office so that it could be forwarded to the Commissioners.

Chair Hansen called on the Isle of Capri Bettendorf (ICB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Midwest Flooring – Carpet Installation
- JCM – Bill Validators
- Western Money Systems – Bill Validators
- Aon Risk Services – General Liability Insurance

Commissioner Hamilton, noting that all of the contracts were with out-of-state vendors, asked Ms. Donovan if Isle of Capri would eventually award more contracts to Iowa vendors. Ms. Donovan stated that Isle management is very much aware of the requirement to use Iowa vendors, and that local management is constantly talking with corporate personnel about that issue. She stated that once the conversion of the properties is completed, there would be more of an opportunity to do business with Iowa vendors. Ms. Donovan advised the Commission that the Iowa Gaming Association is planning another vendor fair in the middle of October. Local ICB personnel have requested that the purchasing agents from the corporate office attend to get acquainted with the various Iowa vendors.

Hearing no further comments or questions on the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by ICB. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-92)

Chair Hansen moved to the contract approval request of the President Casino. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Global Cash Access – Credit Card Advance and Debit Card Cash Access Services
- WG Block – Fill Sand & Bags

As there were no comments regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by the President. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-93)

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

- Brintons US Axminster – Casino Banana Leaf Carpet
- Aon Risk Services of Massachusetts – Liability Insurance Provider

Hearing no comments or questions regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by ICM. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-94)

Chair Hansen moved to the contracts submitted by Lakeside Casino Resort (LCR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Anchor Coin – Slot Machine Replacements – Lease Agreement
- Clarke County Development – Contribution to fund Lakeside Casino Resort Community Activities Fund
- Williams Gaming, Inc. – Slot Machine Replacement – Lease Agreement

With regard to the contract with Clarke County Development Corporation (CCDC), Lakeside Casino Resort joined with the non-profit organization to establish a Community Activities Fund for the purpose of assisting organizations located in the counties served by CCDC, which primarily serve youth, senior citizens and disadvantaged persons. Grants will be for special needs, not general operating purposes, the retirement of debt or building projects. Individuals will not be eligible to receive grants.

Commissioner Sealock noted that the guidelines presented indicate there is no minimum grant size, but the maximum is $500. The guidelines further require that the organization show that it has raised an amount from other sources to match the requested grant. She noted that while it was a worthwhile goal, there are several agencies that may not be able to meet that requirement, and suggested they find a way to soften the requirement. She was advised that has already been done; that the basic rule was in there for government agencies to prevent them from seeking funds for programs they had no other way of

funding. Mr. Massa stated that the guidelines before the Commission are just proposed, not set in stone.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by LCR. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-95)

Mr. Massa asked for a few minutes to cover two topics discussed during the June Commission meeting. The first topic dealt with the required cruising. Mr. Massa noted that LCR had stopped cruising on May 4th due to the water level of the lake, at which time they had completed 16 cruises. Mr. Massa advised that they were able to resume cruising on June 14th, and are now cruising seven days a week and will continue to do so through the end of the cruising season. LCR will have completed 48 cruises as of today.

Mr. Massa also addressed comments made by a labor union before the Commission in May, including the fact that charges had been filed with the National Labor Relations Board (NLRB) regarding wage increases, interrogating employees with regard to union activities, and changing work schedules in order to interfere with employees' ability to exercise their right to union meetings. Mr. Massa advised the Commission that the NLRB has dismissed the charges with a "No Finding" declaration.

Chair Hansen called on John Pavone, General Manager of the Belle of Sioux City (BSC). Mr. Pavone presented a contract with Argosy for Intercompany charges for the month of May.

Chair Hansen asked about the high legal fees. Mr. Pavone stated that they are related to a lawsuit brought by a minority interest partner, and should not be a recurring expense.

Hearing no further questions or comments pertaining to the contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-96)

Chair Hansen asked Mr. Pavone to give a report on the Coast Guard's investigation of an accident that occurred on the BSC the morning of June 30th. Mr. Pavone stated that while performing a "man overboard" safety drill, an electric wench failed to operate properly, resulting in the death of a patron. Mr. Pavone stated that the Coast Guard had convened a one-man Board of Inquiry hearing, which lasted a day and a half, to gather the evidence and facts surrounding the incident. He stated that it was his understanding that it could be several months before the final report is released as it has to pass through several levels at the Coast Guard.

Chair Hansen called for any comments or questions. Commissioner Sealock requested that BSC continue to keep the Des Moines office informed of any new developments.

At this time, Chair Hansen moved to the next agenda item for BSC:

- Request for Approval of Partnership Interests Purchase and Sale Agreement
- Request for Approval of Mutual Release and Confidential Settlement Agreement
- Presentation by John C. Foley

Mr. Pavone introduced Don Malloy, Argosy's Corporate Counsel, who has been working with these issues. Mr. Malloy introduced Lorraine May, who represents GameDev in this case. Mr. Malloy stated that Argosy is requesting approval of two contracts – one is a partnership interest purchase agreement allowing an Argosy subsidiary to purchase the remaining 30% interest currently owned by GameDev. The second contract sets forth that each party will release all claims on the other party.

Ms May advised the Commission that there were a couple of outstanding issues, which have now been resolved. One was a question between Argosy and GameDev with regard to payment of the cash portion of the 1999 distribution. Argosy will pay GameDev one-half of the cash amount, or just over $13,000 at the time of closing. Secondly, there was a question regarding the economic value of the portion of the purchase agreement that indicates that Argosy will pay the tax liability for 1999 based on the distribution. Ms. May stated that the calculation has been agreed upon and amounts to $436,802.00. If the agreements are approved, this amount will be paid on August 15th. Mr. Pavone pointed out that the 2000 taxes would be approximately the same, and Argosy has also agreed to pay those.

Chair Hansen moved to the presentation by Mr. Foley. Ted Becker, legal counsel, addressed the Commission on behalf of Mr. Foley. He distributed a letter to the Commission outlining some of Mr. Foley's concerns regarding this transaction, as well as some supporting documents.

Mr. Becker stated that Mr. Foley is one of the principals in a firm, Interim Holdings, which is the successor to a judgment entered from the FDIC against Floyd Warmann. He noted that there is pending litigation involving Argosy Gaming and Mr. Foley. During the course of the litigation, there have been allegations of entering of transactions with the intent to defraud Mr. Warmann's creditors. Mr. Warmann's liability on the judgment is approximately $900,000, and is continuing to accrue. Mr. Becker stated that Mr. Foley has attempted to investigate the transactions between Mr. Warmann and his subsidiaries. He indicated that the investigation of the transactions involving Argosy Gaming has been a difficult task. Mr. Foley has uncovered a loan transaction, or what was characterized as a loan transaction, in excess of $2 million, which was asserted to be secured and guaranteed in Argosy's filings with the SEC and reports to the stockholders in 1993 and 1994. In 1995, Argosy wrote off the loan as uncollectible, nor does it appear they made any effort or attempt to collect the loan. Mr. Becker stated that Garnishment Interrogatories were served on Argosy Gaming due to a perceived relationship with Mr.

Warmann, who has interests in St. Louis where Argosy was exploring the possibility of developing a casino. In sworn answers to the Garnishment Interrogatories, Argosy stated that they were not aware of any agreement in which Mr. Warmann had an interest or funds that were paid to Mr. Warmann during 1994 or 1995. Subsequently, Mr. Foley has learned of a Consulting Agreement, which Mr. Warmann personally signed, stating that payments would be made to WPW Ventures, an affiliate of Mr. Warmann's. Mr. Becker stated that payments were made to WPW Ventures either on behalf of Mr. Warmann or for his benefit. Mr. Foley has attempted to determine the nature of the relationship between WPW Ventures and Argosy, why the loan was structured the way it was, and whether the loan was an option to purchase real estate, which would have made the loan subject to execution and garnishment by Mr. Warmann's creditors. Mr. Becker has filed a Bill of Equity with the Missouri State Court, which sets out their belief that the transaction was a fraudulent transfer with the intent of defrauding creditors. Mr. Becker noted that during a deposition the president of WPW Ventures used the Fifth Amendment over 100 times in the fifty pages of questions concerning Mr. Warmann and transactions with Argosy Gaming. Mr. Becker indicated that other jurisdictions, including Missouri and Louisiana, have instituted investigations into this transaction. Mr. Foley is requesting that the Commission defer approval of Argosy's request to purchase the minority interest until such time as he has had an opportunity to complete his investigation and the Missouri Court has had the opportunity to determine whether or not there was a fraudulent transfer in an attempt to defraud Mr. Warmann's creditors. Should the Missouri Court make such a finding, it is Mr. Foley's belief that it would reflect negatively upon Argosy Gaming's moral character and fitness to hold a license. Mr. Becker further stated that if the Missouri Court makes such a finding, it is his opinion that the Commission should re-examine Argosy's application and their ability to do business in Iowa.

Chair Hansen called on the Commission members for any questions concerning Mr. Becker's presentation. He asked when the litigation is likely to be resolved. Mr. Becker stated that he understood there was a hearing scheduled for August 18th in Missouri State Court. He stated that he did not know what action the Judge would take at that time. He pointed out that a Bill of Equity is a fairly simple procedure and should not result in litigation that would take years to resolve. Mr. Becker stated that he has been involved in garnishment hearings which are similar, that are one-day trials and the Judge usually rules at that time. He indicated that a creditor's Bill of Equity is a type of proceeding that would be done more expeditiously than other types of filings. Mr. Becker pointed out that some of Argosy's business partners have also used the Fifth Amendment, which he felt should cause some concern for a company involved in the gaming industry. He again requested that the Commission defer action on Argosy's request.

Mr. Malloy stated that the litigation referred to by Mr. Becker does not involve the Iowa licensee or applicant. He stated that the hearing on August 18th is on Argosy's Motion to Dismiss. Argosy feels this is a frivolous lawsuit.

Commissioner Mahaffey stated that he appreciated Mr. Becker's advocacy on behalf of his client. He noted that the question of Argosy's ability to have a license will depend on the Court's decision, and indicated that both parties should keep the Commission advised of the progress of the lawsuit.

Ms. May stated that Argosy is already a licensee in Iowa, and the approval of the contracts before the Commission does not alter the license. She pointed out that if the Court's decision affected Argosy's ability to have a license, the Commission could address those issues at that time.

Mr. Becker reiterated his position that it would be more prudent for the Commission to wait for the Court's decision as it could affect the Commission's decision to allow Argosy to gain complete control of the Sioux City operation. He stated that if the Court felt the lawsuit was frivolous, it would have been dismissed a long time ago.

Chair Hansen noted that the allegations, although serious in nature, are subject to the test of the Court, and feels it would be inappropriate for the Commission to prejudge something that is pending in the Court. That does not mean the Commission could not reassess the situation after the Court has issued its decision.

Commissioner Sealock also pointed out that Argosy has to undergo the license renewal process each year.

Hearing no further presentations, Chair Hansen requested a motion on agenda item No. 9 in its totality as set forth in the motion below.. Commissioner Sealock moved to approve the Partnership Interests Purchase and Sale Agreement; Mutual Release and Confidential Settlement Agreement, and reserved the right to revisit the allegations presented in 9C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-97)

Chair Hansen moved to the last agenda item involving BSC – Request for Approval of Financing Necessary to Purchase Minority Interests in Indiana Gaming Company, L.P., Lawrenceburg, Indiana. Dale Black, Chief Financial Officer for Argosy, stated that approximately one year ago the Commission approved a refinancing of Argosy that allowed them to restructure their balance sheet, put in a line of credit and some subordinated debt, which contemplated an increase in Argosy's debt should they have the ability to buy out the minority interests at the Lawrenceburg facility. He stated that one of the partners has exercised their sale right, and the parties are in negotiations at this time regarding the 29% interest. Argosy is contemplating increasing their line of credit through a terminal or additional public bonds. Collateral under the new agreement will remain the same as the existing financing which the Commission has previously approved.

Chair Hansen asked if this transaction would impair the Sioux City operation. Mr. Malloy indicated that it would not. He stated that following the completion of this

transaction, the company would still be stronger than it was a year ago when the Commission approved the original refinancing.

Chair Hansen stated that he was aware that Sioux City had made tremendous strides over the last year. He asked if Lawrenceburg had continued to be as profitable. Mr. Malloy answered in the affirmative.

Mr. Ketterer pointed out that the Commission has talked several times about the improvements at the Sioux City facility. He noted that the slot improvements, as well as changes to the boat, were a great success. Mr. Ketterer indicated there had been discussions about bringing in a larger boat or a barge. He asked Mr. Malloy if this refinancing agreement would still allow Argosy to do so.

Mr. Malloy stated there would be sufficient cash flow to take care of future capital improvements. He noted that they would be doing some market analysis over the summer to determine what their ongoing capital improvements should be and insure that they tie in with Sioux City's master plan.

Hearing no further questions regarding this agenda item, Chair Hansen requested a motion. Commissioner Sealock moved to approve the financing request as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-98)

Following a short break, Chair Hansen called on Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino. Derron Heldt, Director of Racing, presented their season approval request for the 20-day harness meet, which will run from October 9th through November 11th. The minimum purse will be $1,800. An agreement has been entered into with the Iowa Harness Horsemen's Association regarding supplements, currently at 50% on Iowa-bred restricted and open races. PMR&C has selected Tom Rockey to serve as steward. Required documentation concerning his vision will be provided at a later date. Mr. Heldt stated that the majority of the racing officials and department heads have been selected; however, a starter has not been selected. PMR&C is reviewing two resumes, and the resume of the selected individual will be forwarded to the IRGC Commission office.

Racing will take place on Monday, Tuesday, Friday and Saturday. Post time is 6:30 PM every night, except for Election Day, November 7th, when racing will start at 10:30 AM. The wagering format is consistent with that used in the first two meets. After receiving several inquires about simulcasting of the 6-day harness meet last year, PMR&C is contemplating exporting their signal to a majority of the country, as well as Las Vegas.

The equipment will remain the same as for the first two meets. Mr. Heldt stated that PMR&C has not yet hired a company for the starting gates. They are looking at other companies than the one used last year in an attempt to get more value for the dollar.

Mr. Heldt indicated the security plan would remain the same. Commissioner Hamilton, noting that other casinos had experienced security lapses during remodeling, asked if PMR&C had any problems with security during their own remodeling. Bob Farinella, General Manager, stated that they had not.

Mr. Heldt advised the Commission that the information contained in the last three criteria were consistent with material presented in previous season approval requests submitted in 2000.

Mr. Ketterer asked Mr. Heldt if he had any concerns regarding the changeover between the mixed meet and the standardbred meet. Mr. Heldt indicated there was less time between these two meets than the thoroughbred and mixed meets. He indicated that PMR&C would begin removing the track surface immediately following the conclusion of the mixed race meet, which will take approximately 3 days to complete. He feels most of the horses should be moved out, and the standardbred participants are indicating they will not start arriving on property until Thursday.

Chair Hansen asked Mr. Heldt what it cost to change the surface of the track. Mr. Heldt estimated approximately $150,000 each time, or $300,000 per year. Commissioner Sealock asked if PMR&C would ever have a turf track. Mr. Heldt indicated it is in PMR&C's plans for 2002.

Chair Hansen noted there was an article in Hoofbeats, which stated there were 300 county and state fairs hosting harness racing. He feels that those might be more appropriate venues for harness racing than PMR&C.

Chair Hansen asked for a report from IRGC staff. Linda Vanderloo, Director of Racing, noting that the meet does not start until October 9th, stated that IRGC staff would appreciate receiving authority from the Commission to handle small details that may come up in order to assure that qualified staff are hired as the USTA has different qualifications. The DCI will need to complete the necessary backgrounds. She also requested that staff have the authority to review all export/import contracts and approve them.

Hearing no further discussion regarding PMR&C's harness meet season approval request, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Harness meet season approval request contingent upon staff issues as presented. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-99)

Chair Hansen stated that he had asked Mr. Farinella to address the handout given to the Commission members regarding PMR&C's Policies and Procedures Regarding Program Errors. Mr. Farinella stated that in response to a discussion at last month's Commission meeting with regard to program errors, they have established some in-house procedures to allow them to handle such situations in a timely and efficient manner. PMR&C will use faxes, personal telephone calls, electronic scrolls at the bottom of screens, as well as

announcements by the track announcer if changes have occurred to ensure that everyone has the correct information. At the June Commission meeting, it was suggested that information be provided to the industry regarding the situation. PMR&C has provided information to The BloodHorse, basically an open letter outlining the events of May 22nd, and that new procedures have been put in place should such a situation occur in the future.

Chair Hansen commended Mr. Farinella on the steps taken by PMR&C to date, but indicated that he would like to see their policy in the unlikely event that a mistake would occur relating to payout. Mr. Farinella stated that all of the information that would lead up to a decision would be coordinated by PMR&C staff and Director of Racing well in advance of the race taking place, which would allow sufficient time for calls to be made to indicate the race was a non-wagering event. He indicated this is a fairly standard policy throughout the industry. The decision to make a race a non-wagering event would be with the Director of Racing, in coordination with the stewards.

Chair Hansen asked Mr. Ketterer if he felt the guidelines set out in PMR&C's Policies and Procedures were sufficient. Mr. Ketterer stated that he felt the procedures are typical and appropriate. He noted that a non-wagering event or race could occur due to various situations, including situations that occur during a race. Mr. Ketterer pointed out that the May 22nd situation evoked so much concern within the industry because the race occurred and was declared official, and subsequently it was publicly announced that all bets were off, which invaded the integrity of the pari-mutuel industry. He indicated that if PMR&C were to add to their policy, it might be that once a race has been declared official, all bets would be honored.

Mr. Farinella stated that if a race is considered a wagering event, all bets would be honored. If it is a non-wagering event, an announcement will be made well in advance of the race occurring. He indicated that if a human error is made, all bets would be honored.

Mr. Farinella advised the Commission that during the month of August, the Iowa Gaming Association, and the various licensees, will be participating in a week-long awareness program to make individuals aware of the various agencies available throughout the state to assist them with various compulsive issues, not just gambling. PMR&C has put together a Community Assistance Resource Expo on August 3rd from 4:00-7:00 PM at the Best Western Starlite Village, which includes counselors from various fields.

Chair Hansen called on Harveys Casino Resorts for their presentation on the acquisition of Pinnacle Entertainment. Jonathon Grunzweig, a partner in Colony Capital, introduced Ron Alling, legal counsel for Harveys, Mr. Welch, and Gary Armentrout. Mr. Grunzweig advised the Commission that Pinnacle Entertainment was formerly Hollywood Park, which divested itself of both of its racetracks. Disposition of two assets is pending in Mississippi. When Colony Capital closes on its acquisition of Pinnacle, pending Commission approval, they will be acquiring properties in Indiana, Bossier, Biloxi, Mississippi, and Reno, Nevada; as well as smaller properties in Argentina,

California, and Washington. The transaction is for consideration of just under $1 billion, being paid for entirely with cash. It is being funded with available cash at some companies, additional borrowing of some line of credit, and subordinated debt that would be brought before the Commission for approval at a later date.

Chair Hansen asked whether the proposed acquisition would have any impact on pending or contemplated improvements at either of the Council Bluffs facilities operated by Harveys. Mr. Grunzweig indicated that it would be business as usual from operational and capital improvement perspectives at all of the facilities. This transaction is occurring at a holding company level, and a new company, P H Casino Resorts, will be formed that will have two sister subsidiaries – Harveys and Pinnacle. Mr. Grunzweig indicated that management, capital plans and budgets would not change.

Commissioner Sealock asked what voice Harveys Iowa would have in the operation. Mr. Grunzweig stated that they are an important component of the operation. On a cash flow basis, the Harveys facilities in Council Bluffs account for approximately 30% of the combined company cash flow from combined operations. He indicated that no other jurisdiction is approaching that level.

Commissioner Sealock asked Mr. Welch if he had any concerns. Mr. Welch stated that Harveys was in the process of putting together its capital improvement plans for 2001. He feels that they will be able to continue updating their properties.

Mr. Grunzweig stated that Colony Capital, financial sponsor company, partners with the best managers, providing them with the resources and capital to take care of their investors.

Chair Hansen asked Mr. Welch if Harveys had pretty well completed the capital improvements presented to the Commission. Mr. Welch indicated that most of the improvements presented to the Commission have been completed; that the only issue left is whether or not to bring in a bigger boat, or expand the existing vessel.

Chair Hansen asked about the arena and other issues in Council Bluffs. Mr. Welch indicated those issues are still under discussion.

Hearing no further comments or questions concerning Harveys' presentation regarding Pinnacle, Chair Hansen moved to Administrative Business. Ms. Vanderloo advised that requests for the Greyhound Promotion Fund for 2001 are due in the Commission's Des Moines office by August 5, 2000. She further advised that the Iowa Greyhound Association must submit an accounting of how they used the money received last year.

As there was no public comment, Chair Hansen called for a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
AUGUST 17, 2000

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, August 17, 2000, at the Best Western Frontier, Georgian Room, 2300 Lincolnway, Clinton, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:30 AM. The Clinton County Gaming Association (CCGA) and Mississippi Belle II welcomed the Commission to Clinton. Alice Schnepel, a member of CCGA, introduced other members present at the meeting. Tom Fullerton, one of the founding members of the CCGA, gave a brief presentation on how some of the gaming funds have been reinvested in Clinton. One example is a $1.4 million project scheduled to begin in the spring of 2001, in which two primary blocks in the central business district will get new sidewalks and pedestrian amenities designed to bring economic and revitalization to the historic downtown business district. Mr. Fullerton stated that the project is being funded by $500,000 from CCGA, which was used to leverage another $900,000 of funding from other sources.

Chair Hansen moved to approval of the agenda. He noted that there was a correction under the Final Adopt Rules - delete No. 2, and renumber the rest of the items listed. Hearing no further corrections, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to approval of the minutes from the July 20, 2000 Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

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

- September 15, 2000 at the University Park Holiday Inn in West Des Moines (Friday Meeting)
- October 12, 2000 at the Best Western Pzazz Motor Inn in Burlington, and
- November 16, 2000 at the University Park Holiday Inn, West Des Moines

Chair Hansen moved to the rules before the Commission. He called on Mr. Ketterer to address the rules before the Commission under Notice of Intended Action. Mr. Ketterer advised that these rules are the final group to be started through the Administrative Rules process as part of the reconfiguration of the Commission's administrative rules, partly in response to Governor Vilsack's Executive Order, and the changes that have occurred in the racing and gaming industries over the past ten years. He stated that chapters were

assigned to various IRGC staff members for review and revision. Mr. Ketterer recognized and thanked staff members for the time and effort on this project.

Mr. Ketterer recommended that that rules under Notice of Intended Action be approved. He indicated these rules would be back before the Commission at the November meeting for final adoption. He stated that the proposed rules have been sent to all interested parties for review.

Hearing no discussion concerning the rules, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the rules filed under Notice of Intended Action. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-100)

Chair Hansen moved to the Final Adopt rules. Mr. Ketterer advised that these rules were before the Commission previously under Notice of Intended Action. They deal with wagering and simulcasting in racing, and occupational and vendor licensing. He recommended approval of the final adoption.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the final adoption of the rules as presented. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-101)

Chair Hansen moved to the next agenda item – a presentation by Mayor Ann Hutchinson of Bettendorf on the master plan for downtown Bettendorf. Mayor Hutchinson presented conceptual plans and drawings for land-based development in the city. She noted that public meetings have been held over the last four years to determine what was needed. There are several components to the master plan, some of which are as follows:

- Moving the State Street corridor, allowing individuals to move more freely between the riverfront and downtown areas.
- A Performing Arts Center and Urban Entertainment Complex. There will also be a Performing Arts Academy. The Performing Arts Center would have three theaters – 100-seat, 200-seat, and a 500-seat. A needs assessment is under way. The two facilities will be side by side.
- There is commercial and office development, as well as a major residential component, with a number of apartment complexes planned.
- A 350-slip marina.
- Additional hotels, and a conference and convention center.

A second overpass will be built to help with traffic flow, and a pedestrian walkway to help individuals cross the railroad tracks to allow for more ease in going between the downtown area and the riverfront. The estimated cost is $350 million and is growing. Mayor Hutchinson stated the proposed downtown development is not being developed around the riverboat, but to enhance the riverboat.

Mayor Hutchinson asked Bernie Goldstein, CEO of Isle of Capri, if he had any comments. Mr. Goldstein stated that he feels great things are going to happening in downtown Bettendorf. He feels that the proposed developments will bring people to the Quad Cities area, and perhaps lead to increased tourism in other parts of the state once they become aware of the various attractions that Iowa has to offer.

Commissioner Hassenfritz stated that Northwestern University is quite active in the arts. He suggested that Bettendorf consider contacting them for some input regarding their Performing Arts Center. Mayor Hutchinson stated that they had considered forming partnerships with different universities in the Midwest.

Chair Hansen moved to the contract approval portion of the agenda, temporarily deferring the presentation by the Isle of Capri regarding their acquisition of the The President Riverboat. He called on Isle of Capri Bettendorf (ICB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- AAA Minnesota/Iowa – Airline Travel
- AFLAC – Employee Insurance
- Arthur Andersen – External CPAs
- Bawden & Associates – Media Services
- Benchmark Manufacturing – Reupholster Furniture
- Cedar Rapids Gazette – Newspaper Advertising
- Dav-N-Rock Meat & Poultry – Food Service
- First Health – Third Party Administrator for Employee Benefits
- Four Star Entertainment – Entertainment Buyer
- Gear for Sports – Employee Uniforms and Merchandise
- Greenwood Cleaning Systems – Cleaning Supplies and Equipment
- Johnson Contracting – HVAC and Plumbing
- Kone Inc. – Elevator and Escalator Service
- Kuhlman Design Group – Design Fees
- KWQC-TV6 – Television Advertising
- KWWL Television – Television Advertising
- Moline Dispatch – Newspaper Advertising
- Myers-Cox Co. – Wholesale Distributor for Candy and Cigarettes
- Signature Inn – Customer Lodging
- Telecheck – Check Guarantee Service
- TMI – Employee Training
- U.S. Postmaster – Postage
- WGN AM Radio 720 – Radio Advertising

After a brief discussion concerning the Gear for Sports contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-102)

Chair Hansen called on Catfish Bend Casinos. Dan Kehl, General Manager, and Gary Hoyer, legal counsel, presented the following contracts for Commission approval:

- Anchor Games – Participation Agreement to Add 6 Wheel of Fortune Games (Replacements)
- The United States Playing Card Company – Purchase of 60,000 Decks of Playing Cards
- Williams Gaming, Inc. – Amendment to Participation Agreement to Add 3 Additional Monopoly Games (Replacements)
- Approval of $8 Million Investment in UC Acquisition Company of Nevada, LLC
- Loan Documents to Fund the Escrow Deposit and Pre-Closing Expenses

Chair Hansen suggested that the Commission might want to separate the contracts into two groups, dealing with the first three and then the last two. Commissioner Sealock moved to approve the first three contracts as presented. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-103)

Chair Hansen called on Mr. Hoyer to present information regarding the last two contracts. Mr. Hoyer explained that Catfish Bend Casinos (CBC) has submitted an application to the Nevada Gaming Control Board seeking to purchase United Coin Machine Co., the largest slot route operator in Nevada. This purchase is being developed as an investment opportunity by the Kehl family, Catfish Bend membership and others. The acquisition is subject to scrutiny by the Iowa and Nevada gaming jurisdictions. Mr. Hoyer stated that CBC is seeking approval of the investment concept. Catfish Bend Casinos' members, not the company itself, would own United Coin Machine. Closure is not anticipated for at least a year because of Nevada's licensing process.

Chair Hansen asked what impact the purchase would have on the tax monies received by Iowa. Mr. Hoyer stated there should be no impact as CBC is a limited liability company in Iowa; therefore all of the income generated is taxed as a partnership to the members of the company. Distributions flowing out of CBC in Iowa represent a distribution of income or cash value, but each individual is responsible for paying their own tax. Chair Hansen indicated that he was asking about any impact on the gaming tax received by the state. Mr. Hoyer stated there would be no impact on the gaming tax. CBC of Iowa will not own the Nevada operation. The Iowa portion of the income that will be generated because of the investment will come to Iowa and will show up as income on Iowa income tax returns.

Commissioner Hassenfritz stated he understood this to be a financial move to strengthen the base of CBC's investment members, and in turn CBC. He asked for clarification as to whether or not CBC would own shares of the Nevada company as a corporation. Mr. Hoyer stated that as of the closing date, CBC Iowa would not own any shares. Under Nevada gaming law, a limited liability company that owns more than 10% interest in a gaming entity, every member has to go through individual licensure. This would have required approximately 500 individuals to be licensed.

Commissioner Mahaffey asked Mr. Hoyer to walk the Commission through the entire process. Mr. Hoyer stated that CBC of Iowa would form CBC of Nevada, a subsidiary liability company. CBC Nevada will agree to fund a portion of the escrow fund and pre-closing expenses. CBC Nevada will be dissolved, and the subscription units will be passed from CBC Nevada to CBC Iowa, and then to the individual members of CBC. At that point, the individual members of CBC will own their units. This process is being used because of the Nevada gaming law.

Commissioner Hassenfritz asked about the interest rate on the $12.5 million. Mr. Hoyer indicated it is 15%.

Hearing no further discussion concerning the above transaction and contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-104)

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

- Gene Bird Designs – Internal Signage; Repairs
- Premier Linen – Dry Cleaning Services

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DDJ. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-105)

Chair Hansen called on Verne Welch, General Manager of Harveys Casino Resort, who presented the following contracts for Commission approval:

- Alamar Uniforms – Uniforms
- Ideal Pure Water – Drinking Water
- Pentzien – Dredging, Marine & River Related Expenses, Including Construction of an Upland Disposal Site
- Print Shop – Design & Printing for Promotional Materials, Including Coupons, Events, Notifications and Postcards
- Waldinger Corporation – Chiller Maintenance and Updates

Mr. Welch advised the Commission that Alamar Uniforms has opened an office in Council Bluffs.

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-106)

Chair Hansen moved to the contracts submitted by The President Casino. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- KWQC-TV – Television Advertising Campaign
- Lamar Companies – Billboard Advertising
- WQAD-TV – Television Advertising

As there was no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-107)

Chair Hansen called on Jeff Terp, Vice President of Business Development for Ameristar Casino. Mr. Terp presented the following contracts for Commission approval:

- Wells Fargo Equipment Finance, Inc. – Equipment Financing for Slot Machines purchased in 2000
- End Product – Food Service Equipment for VIP Lounge and Atrium
- Feltex Carpets – Carpet for First and Second Floors of Casino
- Alternative Business Systems – Copier Contract, Includes Rental and Maintenance for Per Copy Charge
- PYRO – Advertising, Creative, Production, and Placement Services

Commissioner Sealock expressed her appreciation for the amount of information presented in Ameristar's contracts.

Hearing no further discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion.

Commissioner Hassenfritz asked about the contract with Feltex Carpets. Mr. Terp explained that there were no carpet companies in Iowa that could provide the recommended quality of fabric and weave.

The motion carried unanimously. (See Order No. 00-108)

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

- Medical Associates – Employee Health Insurance
- Williams Gaming – Purchase 6 Slot Machines (Replacements)

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

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-109)

Chair Hansen moved to the contracts submitted by Bluffs Run Casino. Mr. Welch, General Manager, presented the following contracts for Commission approval:

- Atronic Americas, LLC – Purchase of 37 Video Slot Machines (Replacements)
- Cummins-Allison Corp. – Purchase of 10 Jet Sorts for Redemption Area, Includes Sales Tax, Delivery and Installation
- Mosler, Inc. – Purchase of Currency Processing System, Including Sales Tax, Delivery and Installation
- The Waldinger Corporation – Replacement of 2 RTUs of HVAC System; Estimate of Additional Services in 2000

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-110)

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

- Architectural Arts, LLC – Labor & Materials for Wood Working Project
- Combined Systems Tech, Inc. (CST) – Computer-related Products & Services
- Cummins Allison Corp. – Money Handling Equipment
- Fred Dow – Consignment Items – Gift Shop (RP)
- Gateway Companies, Inc. – Computers & Accessories
- MidAmerican Energy – Gear Boxes – West Addition Project
- Occupational Health Center – Pre-employment Drug & Physical Screening
- Osborne Coinage Company - $1 Prairie Meadows Tokens
- Solar Fuel – Gasoline for Equipment
- Verizon Wireless – Cellular Phone Service

Hearing no questions concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-111)

Chair Hansen called on CCGA. Alan Campbell, immediate Past President, presented a request for a change in their funding allocation policy. Mr. Campbell stated that CCGA has established two pools. Each pool receives 50% of the money available for distribution. One pool is for general allocations and requires 25% matching funds. Funds are awarded in the same manner as in the past. The other pool will be used to fund larger, infrastructure-type projects, and will require 50% matching funds. The new policies also establish limits on the number of times an organization can request funding from CCGA.

Commissioner Mahaffey asked what the reasoning was behind the changes. Mr. Campbell stated they were made mainly to establish the two pools. Also, CCGA is relatively small in the amount of money they receive compared to some of the other organizations. The matching funds will allow them to stretch their money a little further, allowing more organizations to benefit. Additionally, the 25% matching funds allow the organizations to show some ownership in the project, without being burdensome to the organizations.

Chair Hansen asked if CCGA maintained their Clinton County-only policy. Mr. Campbell indicated they had.

Hearing no further discussion regarding the proposed changes to CCGA's funding allocation policies, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the changes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-112)

Following a short break, Chair Hansen moved to the next agenda item – Approval of Recipient of Greyhound Promotion Fund as Authorized by Iowa Code 99D.12(2)c. Linda Vanderloo, Director of Racing/Administration for IRGC, stated that the Iowa Greyhound Association (IGA) was the only applicant for the funds. She made reference to the staff recommendations in the Commissioner's meeting packets, noting that the content did not imply any wrongdoing by either organization. She made the following recommendation:

- Require that the IGA negotiate with the Iowa West Racing Association (IWRA) to specify the percentage or amount of gambling game proceeds, which shall be dedicated to supplement the purses of live dog races. The parties shall agree to a negotiation timetable which allows for Commission approval at the November 16, 2000 Commission meeting. This agreement must be in the Des Moines office no later than November 6, 2000.

If the above can not be accomplished and arbitration becomes necessary, then:

- Pursuant to Iowa Code 99F, require that the IGA select a representative and together with the IWRA select a third person to assist in negotiation of the above-mentioned agreement. If the parties cannot reach an agreement on the third party, each much submit the name of a proposed third person to the Des Moines office no later than noon on September 7, 2000. The selection of the third party will then be made at the September 15, 2000 Commission meeting.

- Require that the IGA, as the recipient, agree to continue the systematic distribution of funds in the same amount to IWRA from the escrow account for weekly point supplements beginning January 1, 2001.

Mr. Ketterer asked Ms. Vanderloo for clarification regarding distribution of the fund. Ms. Vanderloo stated that she is requesting that the Greyhound Promotion Fund not be distributed at this time.

Jerry Crawford, legal counsel for the IGA, stated that he agreed with all of Ms. Vanderloo's comments except for the one regarding the continued weekly point supplements from the escrow account. In his opinion, distribution of escrow funds for point supplements for next year should be part of the arbitration process. He does not feel it is an appropriate subject matter for staff to be making a recommendation on prior to the time the parties have had the ability to go through the arbitration process. Mr. Crawford advised the Commission that the IGA had no prior notice that this condition was being considered or contemplated. Mr. Crawford indicated that he does not feel the Commission has any jurisdiction prior to the arbitration taking place.

Commissioner Sealock asked Mr. Crawford if he had any problems with the first two items listed above. Mr. Crawford stated that he agreed with them completely.

Commissioner Sealock moved to approve the first two conditions set forth above. Ms. Vanderloo stated that she was trying to circumvent some of the lengthy discussions that have occurred in the past, and establish some continuity. Commissioner Sealock agreed, asking the purpose of the arbitration process if the Commission is going to have to determine all of the issues that have been settled in arbitration. Commissioner Mahaffey seconded the motion.

Chair Hansen called on Mr. Ketterer. Mr. Ketterer stated that one of the issues the Commission has dealt with for three or four years is the parties coming up with some plan for distribution of the principle of the escrow account, which is solely dedicated to purse supplements. Last year was the beginning of that distribution. This year the parties need to clarify whether or not a plan is in place for distribution of the principle from the escrow account. Commissioner Sealock asked Mr. Ketterer if this issue needed to be included in the motion. Mr. Ketterer stated that it did not, but felt it needed to be clarified so that the Commission does not continue to grapple with it on a yearly basis.

Ms. Vanderloo advised the Commission that IGA has established the policies and procedures as to how information is distributed regarding the escrow fund. Lyle Ditmars, legal counsel for IWRA, stated that IWRA would like a full and complete disclosure of what is occurring within the escrow fund in order to fulfill their fiduciary duties with regard to the escrow fund. He indicated they have been unable to obtain any information regarding the escrow account to date.

Mr. Ditmars stated that IWRA did not have any problems with the timetables established, and could nominate the third person for the arbitration panel today. They still hope to resolve the issues amicably.

Mr. Wentworth stated that the IGA and Dubuque Racing Association have not had to have deadlines established in the past, but indicated that he understands what Ms. Vanderloo is attempting to do and does not have any problems with it.

Hearing no further discussion, Chair Hansen requested a motion. The motion carried unanimously. (See Order No. 00-113)

Chair Hansen called on Bluffs Run Casino to present their proposed plan to remodel their exterior entrances.

Commissioner Mahaffey, noting that the Commissioners have received numerous documents and/or complaints concerning the track surface at BRC, asked to have an update on the situation. Piers Banks, Director of Operations, informed the Commissioners that over the last two weeks BRC has received input on the racetrack surface from Wayne Welbes and Herb "Dutch" Koerner, two well-known and respected individuals in the racing industry. Based on their recommendations, BRC has purchased some additional equipment to better till the surface, modified one of the turns so that it banks a little steeper, and have made some changes to the scheduling of track maintenance.

Commissioner Mahaffey asked Mr. Crawford if IGA's members were happy with the changes. Mr. Crawford stated that IGA has had some serious concerns, which need to be addressed in a permanent nature. He indicated IGA would continue to work with the interested parties. He expressed appreciation for the Commission's concern, but did not feel it was the appropriate time to enter into a lengthy discussion on the issue. Mr. Banks stated that there is a committee of trainers at BRC that management works with continuously, and will continue to do so. He also noted that due to the changes, they have set the world record twice for the 5/16th mile within the last two weeks.

Mr. Welch noted that one of the conditions when Harveys purchased BRC was that they had to review the entrances, and make any modifications necessary, to prevent minors from having such easy access to the casino. He stated that the fire marshal and the building department have approved the proposal before the Commission. An entrance on the left side of the building will be eliminated, which will become an exit only. It will be armed in order to meet Code. Mr. Welch stated that he feels the elimination of that entrance will solve some of the issues raised in the past. There will be a single count area, and security will be able to view all entrances and exits from their positions.

Commissioner Sealock noted that all of the improvements are BRC are easily recognized.

At this time, Commissioner Hamilton, noting that Southern Iowa Gaming did not have any contracts before the Commission, stated that she had a question regarding a comment made by Joe Massa, General Manager, at last month's Commission meeting. She stated she felt Mr. Massa had advised the Commission that <u>all</u> allegations made to the National Labor Relations Board had been dismissed, but that in the paper the next day, she read

that there was still one pending. Mr. Massa stated that he did not say "all", only the allegations concerning wages and raises were resolved.

Chair Hansen asked Mr. Massa how SIG was doing on meeting the required 100 cruises. Mr. Massa stated that they are cruising daily, and with the completion of the cruise today, they will have done 74 or 75. He indicated SIG should have the required cruises completed by the end of September.

Chair Hansen called on Wes Ehrecke, Executive Director of the Iowa Gaming Association, to provide an update on the association's activities. He noted that Governor Vilsack had proclaimed the week of August 7-11 as Responsible Gaming Education Week. All members of the Iowa Gaming Association were actively involved in local educational programs. The Association is in the initial stages of establishing an Alliance to Curb Problem Gambling, and meetings have been held with representatives from various organizations that might be interested in such an alliance. Although several of them are anti-gambling, there are several issues that both sides agree on. The proposed purpose of the Alliance would be as follows:

- To work together to have a premier gambling treatment program that will also emphasize awareness and prevention initiatives; that all monies earmarked for the Gambling Treatment Program be used for that purpose.
- To strongly advocate opposition to underage gambling, as well as unauthorized or unregulated forms of gambling.
- To review peer-approved researchers and reports studying various issues concerning the gaming industry for the Alliance to collectively better understand and agree on the facts vs. myth.
- To jointly co-host future Iowa Responsible Gaming Education Weeks and other conferences or sessions that would be determined by the Alliance to have merit to specific identified targeted audiences. August 6-10, 2001 has been established as Responsible Gaming Education Week.

Chair Hansen thanked Mr. Ehrecke for his report. He again expressed concern over the Legislature's reallocation of Gambling Treatment Funds to be used in other areas.

Commissioner Mahaffey noted that the Commission has had discussions previously about funding a study on addiction. Chair Hansen stated that one of the problems with the current gambling treatment program is that there is no way to quantify the results achieved by the program.

Chair Hansen asked if there was any Administrative Business to come before the Commission. Mr. Ketterer indicated there was not, but that the Commission still had to take up the presentation by Isle of Capri on the acquisition of The President Riverboat. Curt Beason, legal counsel, indicated they needed a few minutes to set up. Mr. Ketterer suggested the Commission proceed with Public Comment while they were getting ready.

Chair Hansen agreed, and called on Rev. Sam Vander Jagt. Rev. Vander Jagt advised Chair Hansen that Phil Prichard would be speaking first. Mr. Prichard stated that he had written two letters to the Commission dated July 31, 2000 and August 12, 2000. Mr. Prichard proceeded to read his letter of July 31, 2000 into the record. He stated that he felt it would be a mistake for the Commission to give permission for the Goldstein family to control the riverfront in Bettendorf and Davenport. Mr. Prichard stated he understood that The President Riverboat in Davenport was the only casino in Mr. Connolly's riverboat business making a profit, and questioned why he would want to sell it.

Mr. Prichard stated that he wanted the Commission to give some thought to the idea of having unannounced audits conducted by an out-of-state CPA firm. Noting that gambling is a privilege, not a right, he stated that there are very important moral issues involved.

Commissioner Hassenfritz advised Mr. Prichard that it is his understanding that the CTR-C violations are banking violations. Mr. Prichard stated that the Treasury Department requires CTR-C's to be filed to control money laundering. He indicated that money laundering could be achieved at a casino by buying chips, gambling, and then cashing the chips in.

Mr. Prichard asked what the Commission's response was to the CTR-C violations in other states. Chair Hansen reminded Mr. Prichard that this Commission only had jurisdiction in Iowa, and cannot speak to what occurs in other jurisdictions; that the Commission has not had those types of problems within their jurisdiction. He stated that the Commission takes into consideration what actions have been taken against Iowa licensees in other jurisdictions. Chair Hansen indicated that Mr. Prichard's comment about using an out-of-state CPA firm was ridiculous as the cornerstone of a CPA's certification is integrity. He stated that he didn't think any CPA firm in Iowa or any other state would be willing to sacrifice their integrity in order to accommodate someone.

Mr. Prichard, referring to Chair Hansen's comment that it was outside the Commission's jurisdiction, noted that is what the Commission said in August 1993 when Mr. Goldstein, the president of Isle of Capri, was fined in Illinois. Mr. Prichard pointed out that Mr. Goldstein is in Iowa now, and the Commission is still saying that the allegations in Mississippi have no bearing on what is going on in Iowa. Chair Hansen stated that was not what he said. He clarified that the IRGC has no jurisdiction over the assessment of the fines in other jurisdictions, and were imposed by another Commission. However, when the Commission reviews applications, they review the history of the applicant in other jurisdictions. He stated that IRGC only has the ability to address issues within the State of Iowa. Chair Hansen stated that he is not aware of any problem with the casinos in Iowa failing to comply with the federal requirement to file the CTR-C forms.

Commissioner Hassenfritz stated that he felt the failure to file the CTR-C form was a banking violation under federal law, which would supersede any Iowa law. He pointed out that the banking industry is a very highly regulated industry. Commissioner

Hassenfritz noted that the fines referred to by Mr. Prichard were levied by the Treasury Department, not gaming commissions. He informed Mr. Prichard that the accounting procedures from the gaming end of the operation are done electronically, and is regulated. He noted there are two DCI agents at each facility. Commissioner Hassenfritz stated that the casinos are very tightly regulated with regard to the money going in or out. Referring back to Mr. Prichard's earlier comment about laundering money by purchasing gaming chips, Commissioner Hassenfritz indicated it would require collusion by two separate individuals at different casinos.

Mr. Prichard stated that based on human condition, and time, the problem would eventually reach Iowa. He urged the creation of a money laundering compliance officer position to audit the situation and protect the DCI personnel. He noted that 2002 is approaching and there will be considerable opposition to gambling in Iowa at that time.

Commissioner Hassenfritz advised Mr. Prichard that the Commission members are neither for nor against gambling; that they are on the Commission to regulate the gaming industry in Iowa.

Commissioner Mahaffey asked Mr. Ketterer to explain how situations are dealt with that come before the Commission. Mr. Ketterer stated that if an Iowa licensee were issued fines for failure to file CTR-Cs by the Department of Treasury, that would be taken into consideration at the time of license renewal, which is done on a yearly basis. At that time, the Commission reviews the conduct of the licensee for the past year. Such allegations would be taken into account when determining suitability for licensure.

Commissioner Sealock stated that the character of the applicant is very important when the Commission is considering granting a license.

Chair Hansen stated that, as a matter of principle, neither members of the Commission or individuals addressing the Commission, would be allowed to engage in character assassination. Mr. Prichard stated he was presenting facts, not committing character assassination.

Chair Hansen called on Reverend Sam Vander Jagt. Rev. Vander Jagt stated that he hopes Iowa does not turn into the gambling mecca of the Midwest. He stated that he has not seen a drastic improvement in the downtown area. He suggested that gambling be scaled back in Iowa, and action taken to do what can be done for the youth and families of Iowa.

Chair Hansen thanked Reverend Vander Jagt for his comments, noting that some of his sentiments are the same as some of the Commission members.

Following a short break, the Commission heard the Isle of Capri's presentation regarding their acquisition of The President Riverboat. Chair Hansen stated there would be no

decision made on the proposed acquisition at this meeting; that Isle of Capri is simply giving their presentation.

Mr. Beason stated that Isle of Capri would be seeking approval of the license at the September Commission meeting, along with all of the contracts and agreements with the co-licensee and the City of Davenport. He indicated that representatives from the City and the Riverboat Development Authority were in attendance to answer any questions if necessary. Mr. Beason introduced the following Isle of Capri representatives: Bernard Goldstein, Chairman and CEO; Allan Solomon, Senior Vice President, General Counsel, and Secretary; and Greg Gida, Vice President of Development.

Mr. Solomon stated that the presentation would begin with an update on the Isle of Capri (IOC) company. He stated that IOC currently operates 11 casinos in diverse and growing markets, owns a harness racing facility in Pompano Beach, FL, and owns an interest in a cruise ship that cruises outside of New Orleans. IOC has an April 30 fiscal year end. Following the Lady Luck acquisition, IOC projects pro forma revenues in excess of $1 billion, and cash flow in excess of $225 million. Mr. Solomon stated that IOC is now the seventh largest public gaming company in the United States. Earnings have increased over 100%, to $1.13 per share. As of April 30th, IOC had in excess of $200 million in the bank, and an undrawn credit facility of $125 million.

Mr. Solomon stated that the company has done so well because it is standardized, allowing casino management to focus on customer service, marketing, product enhancement, and cost control through standardized systems. He stressed that they have strong employee training and responsible gaming programs.

IOC hopes to continue to develop their hotels, and plan to open three yet this fall. Mr. Solomon indicated that IOC has three new acquisitions and two development projects. The acquisition of the Lady Luck properties has been completed except for the downtown Las Vegas property, which is awaiting approval from Nevada. IOC has received approval from the Nevada Gaming Board, and will appear before the Nevada Gaming Commission next week. They hope to have that acquisition closed by early September.

Mr. Solomon turned the presentation over to Mr. Gida. Mr. Gida provided a brief update on IOC's Iowa properties in Bettendorf and Marquette. He stated that the conversion of the Lady Luck property in Bettendorf was completed in July 2000 at a cost of approximately $7.5 million. IOC estimates the $5.5 million conversion of the Marquette property will be completed in September 2000.

With regard to the Davenport acquisition, IOC will purchase the President Casino and Hotel assets for $58.2 million. Mr. Gida stated that the acquisition would be funded by cash on hand. IOC estimates an additional $20 million will be spent on the property to enhance the hotel and replace the existing casino boat.

Mr. Gida stated that the Davenport facility would be operated independently of the Bettendorf facility.

Mr. Gida indicated that IOC has received permission to continue operations under The President name for a couple of years in order to allow IOC to develop a second brand name, giving them an opportunity to capitalize on cross-marketing opportunities.

Mr. Solomon stated that IOC's historical revenue has grown dramatically over the last five years. IOC had revenue of approximately $700 million for the last fiscal year. EBITDA has also increased. As of April 30, 2000, IOC's EBITDA was over $160 million. Their EBITDA margins are also continuing to increase.

Mr. Solomon turned the presentation over to Mr. Goldstein. Mr. Goldstein advised the Commission that IOC started looking at the Davenport location after being contacted by some Davenport residents. He pointed out that IOC's Mission Statement is to be the "Best Gaming Company, Not the Biggest".

Commissioner Hassenfritz asked if the Revolving Line of Credit was a sweep account that was interest bearing. Mr. Solomon indicated that it is an undrawn line of credit, for which they pay a retention fee.

Chair Hansen asked what the rational is for maintaining $207 million in cash while carrying $475 million in term loans and $390 in subordinated notes. He asked if IOC was maintaining the high cash level to enable them to continue their expansion. Mr. Solomon explained that IOC has plans to open at least three hotels over the next 18 months – two years. Chair Hansen asked Mr. Solomon if he considered IOC to be more highly leveraged than some gaming companies, or about average. Mr. Solomon stated that the company is more leveraged than some, but have a diversified cash flow that helps to support the higher amount. He advised the Commission that the $390 million of subordinated notes are ten-year, unsecured notes at an interest rate of 8.75%.

Commissioner Mahaffey, noting the historical significance of the Davenport boat, asked why IOC planned to replace the boat, and what would happen with the existing boat. Mr. Goldstein stated that the current boat is 80 years old, and that it is time for it to be retired. He feels the market needs a newer, more modern boat to better meet the needs of the patron. A newer boat will also help them be more competitive with the Rock Island Casino. Mr. Goldstein stated that he did not know what would happen with the boat, but felt that it would have a function somewhere, possibly as a barge.

Commissioner Mahaffey noted that he had seen newspaper reports of a meeting that was held in Davenport, which raised some questions as to whether the Open Meetings Law had been circumvented. He asked Mr. Goldstein to address that issue. Mr. Beason stated that IOC was not involved in that particular meeting.

Commissioner Sealock pointed out that she has a long history with Mr. Goldstein and the Riverboat Development Authority (RDA). She stated that she would be anxious to hear how comfortable the RDA is with the proposed transition. Mr. Goldstein stated that IOC is in ongoing negotiations with the RDA.

Chair Hansen stated that he does not want the Commission to foster a monopoly with IOC in Scott County. He expressed concern that the Commission's action not make one city and non-profit a victim and the other a winner. To that extent, he requested additional assurances as to how the two non-profit organizations and cities feel about the proposed IOC Davenport acquisition. Mr. Goldstein stated that he does not consider two out of four boats to be a monopoly. Chair Hansen expressed concern that down the road it could become a valid business decision to consolidate the operations. He stated from a practical standpoint, the Commission would like to see both operations continue, and both non-profit organizations continue. Mr. Goldstein concurred, indicating that the Davenport and Bettendorf facilities would be operated independently, have different names, different themes, and would be competing against each other.

Commissioner Hassenfritz asked if patrons would be able to cash chips from on facility at the other one. Mr. Goldstein stated they would not.

Mr. Ketterer, noting that Mr. Solomon had indicated a $20 million budget to enhance the Davenport market and make it more competitive, asked what else IOC has identified to add value to the market besides a new boat. Mr. Gida stated that the bulk of the $20 million would be used to refurbish any vessel that is acquired, additional gaming equipment, operating systems, and getting the boat to Iowa from its present location. IOC is in the process of finalizing the budget for the Davenport project, in the event that the Commission approves it. Commissioner Sealock noted that some improvements could be made to the hotel.

Chair Hansen requested additional assurances that both facilities would continue to operate, and requested that both non-profit organizations be available to give reports at the September Commission meeting.

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

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
SEPTEMBER 15, 2000

The Iowa Racing and Gaming Commission met on Friday, September 15, 2000, at the University Park Holiday Inn, Shelby Room, 1800 50th Street, West Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:40 AM, and moved to the approval of the agenda. Jack Ketterer, Administrator, advised Chair Hansen that with reference to Prairie Meadows' license renewal for the thoroughbred meet, Agenda item 7(B) 1, that the dates should be April 27-July 7, 2001, not 2000. He also advised that Bob Farinella, General Manager at Prairie Meadows Racetrack & Casino (PMR&C) had requested that they be allowed to add a contract with regard to changing the racetrack surface to the agenda for approval. The surface needs to be changed prior to the beginning of the harness meet. Mr. Ketterer asked Mr. Farinella to address the issue.

Mr. Farinella apologized for the late request, but stated that the business side of the effort took longer. As part of the harness meet, PMR&C is required to remove the thoroughbred track surface. The original bids for performing the work were high in PMR&C's opinion, and they sought additional bids in an effort to get a lower bid. A bid was sought from a local company who eventually indicated they could not bid on the project. Mr. Farinella stated that the work has to be completed prior to the beginning of the harness meet on October 9th. The last day of the current meet is September 30th.

Chair Hansen asked if there were any objections to adding the contract to the agenda. Mr. Ketterer indicated that in the past the Commission has given a licensee permission to proceed with the work, conditioned upon the contract coming before the Commission at the next meeting and receiving proper notice. The Commission could approve the contract at that time. Mr. Ketterer indicated the Commission should determine whether the contract is with a related party, and whether or not it is an Iowa vendor. Chair Hansen stated the Commission would proceed on that basis, and returned to the approval of the agenda.

Commissioner Hassenfritz moved to approve the agenda as amended. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen moved to approval of the minutes from the August 17, 2000 Commission meeting. Commissioner Hassenfritz moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer provided the following information regarding upcoming Commission meetings:

- October Commission Mtg. – October 12th, Best Western Pzazz Motor Inn, Burlington
- November Commission Mtg. – November 16th, Holiday Inn University Park, W. Des Moines
- December – No Meeting
- January Mtg. – January 9, 2001*, Holiday Inn University Park, W. Des Moines (Change in Date – Originally scheduled for January 11, 2001)

Chair Hansen moved to the rules before the Commission for final adoption. Mr. Ketterer stated that the rules have been before the Commission previously. Input was solicited from the various horsemen's associations and PMR&C. The Commission received no significant, or no input at all. Mr. Ketterer recommended approval.

Hearing no discussion concerning the rules, Chair Hansen requested a motion. Commission Mahaffey moved to approve the final adoption of the rules as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-114)

Chair Hansen moved to the next agenda item – Objections to Contracts between Specialty Diving, Inc. and Ameristar, Belle of Sioux City and Harveys. Mr. Ketterer stated that Michael Baxter from U.S. Inland Marine Surveying had filed objections to the above-mentioned contracts via his attorney, Daniel DeKoter.

Mr. DeKoter stated that he was appearing on behalf of Mr. Baxter, the only certified marine surveyor in Iowa. He indicated that Mr. Baxter has raised the objections because he had been denied the opportunity to bid on the three contracts entered into for hull examinations on the three riverboats located on the Missouri River, namely Ameristar, Belle of Sioux City (BSC) and Harveys. Mr. DeKoter referred to the Iowa vender law. He stated that Mr. Baxter is fully qualified to perform the work.

Mr. DeKoter stated that the three riverboats are required to undergo a hull examination in order to extend their dry dock requirements under U.S. Coast Guard regulations. Under the contracts submitted to the Commission, a hull examination would take place this year with annual inspections over the next five years. The contracts represent approximately $600,000.00. The Coast Guard requires the hull inspections in order to insure the safety of the vessel. All three licensees have contracted with Specialty Diving, Inc. a Louisiana-based company. Mr. DeKoter alleged that Specialty Diving represented to the licensees that they were the only company that could provide them with the hull examination service, and they were the only company that could provide the examination on a five-year extended basis opposed to a 30-month basis. Based on those statements, Ameristar and Harveys submitted contracts to the Commission for approval at previous Commission meetings, and BSC's contract is before the Commission today. All three contracts indicate Specialty Diving is the only company that has a Remotely Operated Vehicle (ROV). Mr. DeKoter stated that the ROV is subcontracted from another company, Imetrix from Massachusetts. He reported that he had correspondence from

Imetrix stating they were willing to work with any company on a mutually acceptable business basis. Mr. DeKoter again asked why Mr. Baxter was not being given an opportunity to submit a bid to perform the work. He pointed out that the use of the ROV is fairly new in the industry, and that Mr. Baxter has been preparing for the changes in the industry. He has hired an individual trained in the use of the ROV.

Mr. DeKoter stated that the contracts submitted to the Commission by Ameristar and Harveys, and previously approved, also indicate that Specialty Diving is the only company that can provide an ROV inspection. He noted that the statements have not been corrected, and is not sure why. He advised the Commission that Mr. Baxter has been in touch with all three facilities over the last three or four months in an attempt to obtain an opportunity to participate in the hull inspections as the primary contractor or the third party examiner who verifies the results of the primary surveyor.

Mr. DeKoter asked the Commission to deny approval of the BSC contract with Specialty Diving, as well as appropriate action regarding the contracts with Ameristar and Harveys. He indicated they would like to see the approvals rescinded, and the contracts rebid.

Commissioner Mahaffey stated that he had some indication from the licensees that they were not aware of Mr. Baxter or his firm. He asked what information the licensees had regarding Mr. Baxter's ability to perform the required inspections, and when did they know about him. Mr. DeKoter asked Mr. Baxter to answer the questions.

Mr. Baxter advised the Commission that he has been a marine surveyor for 22 years. The third party marine surveyor is charged with the responsibility of insuring that the hull inspection is conducted properly.

Mr. DeKoter asked Mr. Baxter when he first contacted the riverboats. Mr. Baxter stated that the captain of Harveys contacted his company several times, asking them to be the third party examiner on all their hull examinations commencing in 2000. Mr. Baxter's firm, U.S. Inland Marine Surveying, indicated they would stay in touch with him and would perform the work. Commissioner Mahaffey asked when that contact occurred. Mr. Baxter stated that it was January 1999.

Mr. Baxter further stated that the Coast Guard policy letter specifies that the third party examiner has to be a member of a nationally accepted marine surveyor association or a previous Coast Guard Marine Inspector. He stated that if any of the licensees had contacted the Coast Guard to learn how to get in touch with the Marine Surveyors Association, of which he has been a member for over 12 years, they would have found a listing for him. Mr. Baxter stated that it is very simple to find out about him and his company. He stated that he has served as the third party marine surveyor for three of the riverboats on the Mississippi. He further noted that the boat owners attend the same meetings, and should be aware of who is available in the state. Mr. Baxter stated that being placed in a position of writing a summary that determines whether or not a vessel receives a dry dock extension makes it hard for him to go door-to-door to sell his services

without breaching the trust placed in him. It is his opinion that doing so is like suggesting that the company will write whatever letter is needed. Mr. Baxter reiterated that his firm would like an opportunity to bid on the work to be performed on the Missouri River boats because of the new technology. He noted that the contracts make reference to a 5-year contract, which has not been approved by the Coast Guard at this time. The maximum time allowed between hull inspections is 30 months. Mr. Baxter stated his firm cannot compete with false contracts.

Commissioner Hassenfritz asked what type of response Mr. Baxter received from the Missouri riverboats. Mr. Baxter stated that starting approximately 2 months ago he left four messages and wrote several letters to the Marine Director at Ameristar, and never received any response. He advised the Commission that one of the Council Bluffs boats was scheduled to begin their inspection this week, and the other the next week. He feels his company still has the ability to perform some of the work as a third party examiner if the Iowa vendor law is enforced. The third party surveyor accounts for approximately $27,000 of the overall $185,000 contract. Mr. Baxter indicated that proposed rules would do away with the third party examiner, but at this time the Coast Guard has not adopted those rules.

Commissioner Hassenfritz advised Mr. Baxter that the Commission has a strong background in requiring the licensees to use Iowa vendors whenever possible; that there was no intent by the Commission to preclude him from the process. He asked to hear what the licensees had to say on this issue. He feels there is a gross misunderstanding.

Commissioner Hamilton stated that she also wanted to hear from the licensees as to when they learned about Mr. Baxter, his firm and the services he provides.

Commissioner Mahaffey pointed out that Mr. Baxter stated that the licensees were aware he was in the state of Iowa and the services he provided, in part due to conversation with the Marine Director at Harveys in January 1999. He asked how vendors learn that these types of contracts are out there for bidding. Commissioner Mahaffey asked Mr. Baxter if he was indicating that he learned about the contracts after the fact. Mr. Baxter indicated that was correct. He stated that he started calling the boats again early this summer looking for more work. When he spoke with Harveys, he was advised they were no longer interested in his services, and that they had a contract ready to do a five-year hull examination, which is not allowed under the current Coast Guard regulations.

Mr. DeKoter explained that in December the Coast Guard published proposed regulations in the Federal Register that would allow a 60-month extension if an ROV was used. When the rules were brought up for final approval, they were not approved. The hearing docket remains open regarding these rules.

Commissioner Mahaffey asked Mr. DeKoter if the proposed rules, if or when they are approved, would be approved retroactively so that if someone had a five-year contract they would be covered.

Mr. DeKoter stated that the Coast Guard issued Policy Letter 07/2000 on February 28th of this year, which addressed that issue. The letter stated in part: "Until Commandant changes its current policy, or new regulations are finalized allowing 60-month extensions, vessels are limited to a maximum dry dock extension of 30 months. The Commandant may consider granting a 60-month extension retroactive for those vessels that use an approved diver/ROV hull exam process." Approval would be discretionary on the part of the Coast Guard, and at this time, the Coast Guard has given no indication as to what action they will take with regard to the proposed rules.

Commissioner Mahaffey asked Mr. Baxter if he could provide the same services as the Specialty Diving. Mr. Baxter responded "Better".

Chair Hansen called on Jeff Terp, Vice President of Business Development for Ameristar. Mr. Terp stated that if Ameristar were to put on their marketing hats and understand how one is to try to find out about companies in Iowa, there is a marketing process. Usually, the business process is that you have to be told that there is a company out there that can provide a service you need. Ameristar receives Statements of Qualifications from companies on an ongoing basis that want to provide a service. The underwater hull examination process is no different. Pro Dive, another company that bid, and Specialty Diving submitted numerous Statements of Qualifications, made numerous contacts and went through the competitive bid process. Mr. Terp stated that Ameristar was totally unaware of the existence of Mr. Baxter or his firm. To this date, they have not received any documentation as to his qualifications. Mr. Terp concurred with Mr. Baxter's statement that he did not contact them until approximately 2 months ago. He stated that the first time Ameristar was aware of Mr. Baxter and his company was in July after they received a fax copy of a letter Mr. Baxter had sent to John Pavone, General Manager of the BSC. Mr. Terp stated Ameristar received their first direct correspondence from Mr. Baxter approximately one week to ten days ago with regard to the services his company is able to provide. He pointed out that Ameristar has a strong history of using or attempting to use Iowa vendors. He stated that Ameristar had contacted the Coast Guard, as well as other companies that have used these services; they will work with the company(s) recommended to them. Mr. Terp stated that Specialty Diving provided them with a responsive bid, which was submitted to the Commission, and approved.

Commissioner Mahaffey clarified that Ameristar had received some bids and requested additional bids. Mr. Terp stated that Ameristar had received Statements of Qualifications from several companies, who were then asked to submit bids. He asked Mr. Tetreau of Specialty Diving how many competitors they have. He indicated there are only 3 or 4 reputable companies. Mr. Terp stated those companies contact them on a regular basis, and those are the companies that were asked to submit bids. Commissioner Mahaffey asked Mr. Terp if companies other than those that had submitted Statements of Qualifications were asked to submit bids. Mr. Terp stated that Ameristar requested bids from every company they were aware of that was qualified to perform the examination and had contacted Ameristar previously. Commissioner Mahaffey asked why Ameristar

was not aware of Mr. Baxter's existence if he had contacted someone at the facility in January 1999. Mr. Terp stated that Mr. Baxter had contacted Harveys, not Ameristar. Commissioner Mahaffey stated that Ameristar's first contact with Mr. Baxter was in July 2000. Mr. Terp indicated that Ameristar's first awareness of him was a letter faxed to Ameristar's Marine Division by Mr. Pavone, but their actual first contact from Mr. Baxter was a letter received approximately a week to ten days ago. Mr. Terp indicated that he could not address the issue regarding the telephone calls, because he had not heard of it prior to today.

Jeff Farrell, Assistant Attorney General, asked Mr. Terp when Ameristar's contract was approved. Mr. Terp advised that the contract was submitted in May, and approved at the June Commission meeting. Mr. Farrell asked what actions Ameristar has taken to further the contract – expended money, any work been done, etc. Mr. Terp stated that he had a detailed timeline with him, but was not sure how much money has been expended to this date.

Chair Hansen called for a representative from Harveys to address this issue. Tom Brown, Director of Marine Operations, stated that he had written a letter to Mr. Ketterer addressing some of the issues that have been discussed today. Mr. Brown agreed that he did have a telephone conversation with Mr. Baxter in January 1999 regarding the upcoming hull inspection. At that time, Mr. Baxter was asked to provide Harveys with information/material regarding his company and his qualifications. Harveys obtained their initial list of companies from contacting other vessels that had already undergone the underwater hull inspection. During that process, Mr. Baxter's firm came up and Harveys contacted him. There were also a couple of other companies that contacted Harveys on their own. Mr. Brown stated that Harveys did not receive any information from U.S. Inland Marine Surveying. They proceeded to ask for bids from those firms that did provide them with information regarding their qualifications. He stated that Harveys' first contact with Mr. Baxter subsequent to the January 1999 telephone conversation was a letter of July 8th. By that time, Harveys had signed a contract, which was submitted with their license renewal and approved by the Commission at the March 2000 Commission meeting. Mr. Brown stated that there was some confusion on his part as to what services Mr. Baxter was interested in providing; he assumed it was the third party administrator. However, in the same letter, Mr. Baxter raised the issue of a dry dock examination. Additionally, in his July letter, Mr. Baxter requested videotapes and other material from Harveys. Harveys received another letter from Mr. Baxter in August regarding the hull inspection; but by that time they had signed the contract. Mr. Brown stated that he spoke with Mr. Baxter in August at which time Mr. Baxter asked to be allowed to perform the duties of the third party administrator. Mr. Brown advised Mr. Baxter that he was more than welcome to submit bids for the next year for annual hull inspection, but that at that time Harveys was committed to another company for the 30-month hull inspection.

Commissioner Mahaffey asked Mr. Brown if Harveys' contract was for 30 months. Mr. Brown stated that was correct, but that Harveys has opted to use the ROV for the inspection in the event that the Coast Guard would approve the proposed rules.

Referring to the previous discussion on other bids, Commissioner Mahaffey asked if Harveys only solicited bids from those companies who had submitted written information to Harveys. Mr. Brown stated that he was not positive, but he felt that was an accurate statement, and or had contacted Harveys by phone. Commissioner Mahaffey pointed out that Mr. Baxter had also contacted them by phone. Mr. Brown stated that Harveys had contacted Mr. Baxter in January 1999, not the other way around. At that time, Mr. Baxter was asked to submit any information regarding his company's qualifications to perform hull inspections, his qualifications, etc. Mr. Baxter never provided any information.

Mr. Ketterer asked if there would be any changes to Harveys' contract with Specialty Diving if the Coast Guard would approve the 60-month extension. It is his understanding that should the rules be approved, it simply means that instead of having to repeat the hull inspection in 30 months, they would not have to have it done for five years. Mr. Brown indicated that was his understanding as well, but the annual inspections would still be required.

Mr. DeKoter pointed out that the Request for Transaction Approval form states in part: "For all related party and out of state transactions, were additional bids obtained?" Harveys' contract indicates additional bids were not submitted, and that Specialty Diving is a special source. Mr. Brown indicated that he did not submit the contract, but stated that at the time Harveys was preparing the bid; they were unable to locate a qualified individual/company in Iowa. He reiterated that Harveys never received any information from Mr. Baxter regarding his qualifications.

Mr. DeKoter asked Mr. Brown if Harveys received a bid from J. F. Brennan and Company to perform the work. Mr. Brown indicated they did. Mr. DeKoter asked the amount of the bid. Mr. Brown stated that the bid for a non-ROV inspection was $105,000. Mr. DeKoter asked Mr. Brown if he knew whom the third party examiner was that J. F. Brennan intended to use. Mr. Brown indicated that he did not. Mr. DeKoter questioned why Harveys would accept a $200,000 bid over a $105,000 bid. Mr. Brown stated that Mr. DeKoter was comparing the costs of a non-ROV and an ROV- assisted hull inspection. He noted that Specialty Diving's non-ROV inspection was more

Hearing no further questions for Mr. Brown, Chair Hansen called on a representative of Specialty Diving. John Pavone, General Manager addressed the Commission at this time. He indicated that he was going to attempt to put the facts in a chronological order and shed some light on the issue. With regard to the Iowa vendor issue, he stated that the licensees have demonstrated their ability to keep business in Iowa, that the number of Iowa vendors exceeds 75% for all of the licensees submitting contracts at today's meeting. He stated that he was not aware of U.S. Inland Marine Surveying, their

existence nor did BSC have any contact with them until the first or second week of July this year.

Mr. Pavone stated that during a boat show in New Orleans in 1997, Argosy first met with Specialty Diving and Imetrix, the company who pioneered the use of the ROV. The use of an ROV during the hull inspection insures the integrity of the vessel as it provides a much more thorough process. Discussions continued with the company, and Specialty Diving performed a hull inspection on an Argosy vessel in Baton Rouge, Louisiana. Following that inspection, Specialty Diving established a pricing structure with Argosy Gaming Company for all of their vessels. Subsequently, BSC decided to contract with Specialty Diving in January of this year.

Mr. Pavone stated that when Mr. Baxter contacted him in July, he informed Mr. Baxter that had BSC known of his company; they would have accepted a bid from his company. In a letter to Mr. Pavone, Mr. Baxter has asked that BSC cancel their contract with Specialty Diving, as well as alleging that Specialty Diving made misrepresentations to the licenses with regard to the contracts. Mr. Pavone stated that Specialty Diving has an excellent working relationship with the licensees, and has never misrepresented the fact that the 60-month ROV still had to go through the Coast Guard's approval process.

With regard to the allegation that Mr. Baxter's firm was denied the opportunity to bid, Mr. Pavone stated that when Mr. Baxter first contacted him, he asked to supply the ROV, the underwater hull inspection, the entire process. Mr. Pavone indicated that he never was clear on whether Mr. Baxter's firm had a contract for an ROV or owned one. Following several discussions and many letters, Mr. Pavone understood that Mr. Baxter was going to bring in a company by the name of Brennan out of Wisconsin to actually perform the ROV work. Mr. Pavone stated that he could not address any issues concerning Brennan's contract with Imetrix or any other firm. At that time, Mr. Pavone advised Mr. Baxter that Argosy/BSC had signed a legally binding contract with a firm that had performed well for the company, and that they had received a straight forward price. He expressed concern about backing out of a legally binding agreement. Mr. Pavone reiterated that he has received several communications from Mr. Baxter, but they are never quite clear in setting out what functions Mr. Baxter is seeking to perform. Mr. Pavone read a portion of a letter he received dated August 5th, noting that his first conversation with Mr. Baxter was in mid-July. The letter states that cost for a diver is around $16,000; mileage and travel would be approximately $3,000, and goes on to state that he thinks he can get them to contract for a 30-month for about $130,000. Mr. Pavone stated that if the letter was supposed to serve as a bid, Argosy/BSC would never accept such a bid. Additionally, the letter states, "That should you need a 60-month quote, we can furnish this and no ROV is required to additional paint coating and other readings unless vessel has bad problem and is 50 years old." In Mr. Pavone's opinion, the issue is very simple – BSC had signed a contract with Specialty Diving for the following reasons:

- Because of the integrity the ROV offers for vessel safety. The ROV actually goes through and insures a higher level of integrity and safety regarding the vessel.
- Specialty Diving approached the company three years ago and diligently negotiated with them. Argosy/BSC signed a contract with them believing it was the best way to inspect the vessel and possibly keep it in service for five years, although the initial contract is only for 30 months if the Coast Guard approved this process.

Mr. Pavone stressed that Mr. Baxter nor anyone else from US Inland Marine Surveying had contacted Argosy or BSC until July of this year. He stated that if they had, they would have been happy to accept a bid from him.

Mr. Pavone introduced Guy Tetreau from Specialty Diving. He stated that Mr. Tetreau could answer questions regarding the hull inspection process, the ROV, and Specialty Diving's relationship with Argosy.

Commissioner Hassenfritz asked Mr. Pavone if BSC had a standard bid request document that they provide to vendors. Mr. Pavone indicated they do, but they did not take bids in this case as indicated by the contract submission because of the pricing structure with Argosy.

Commissioner Hassenfritz stated that he was just trying to ascertain if BSC had such a form to give vendors that would set out the scope of the required services. Mr. Pavone stated that it would depend on the type of service being offered. Commissioner Hassenfritz asked if they had a form for technical/construction bidders. Mr. Pavone answered in the affirmative.

Mr. Farrell asked why the contract was just now being submitted for Commission approval if it was signed in February. Mr. Pavone stated that the contract was signed in February and then returned to the corporate office for review by legal counsel before it was submitted to the Commission. In addition, he missed a couple of Commission meetings. He accepted responsibility for the fact that it had not been submitted sooner.

Commissioner Mahaffey asked Mr. Pavone if Argosy/BSC had a previous relationship with Specialty Diving. Mr. Pavone stated that Specialty had performed the underwater hull inspection for Argosy at their Baton Rouge facility, providing BSC with a level of comfort.

Mr. Baxter asked Mr. Pavone if he was aware that Coast Guard regulations allow the vessel owner to change the third party designation up to within two weeks of the actual time the inspection occurs. Mr. Pavone indicated he was. Mr. Baxter stated that his firm was simply asking to have BSC name them as the third party examiner when they contacted them two months ago. Mr. Pavone pointed out that Mr. Baxter originally asked to perform the ROV hull inspection for a 30-month period. He stated that when that

failed, Mr. Baxter contacted him stating that he wanted to bring in J. F. Brennan to perform the ROV inspection at which time Mr. Pavone advised Mr. Baxter that he had a signed contract. Approximately one month ago, Mr. Baxter submitted a letter requesting to be the third party administrator if he could not perform the ROV hull inspection. Mr. Pavone stated that when Mr. Baxter first contacted him he told him: "If you want to do business with us, call me. I'll buy you lunch. Let's sit down and we'll talk about it." Mr. Pavone informed Mr. Baxter that it is inappropriate for him "to come to the party late and tell him that he has to cancel a contract with somebody that has done business with our company just because you are an Iowa company". He stated that BSC gives Iowa companies every benefit.

Mr. Baxter pointed out that five-year inspections are not allowed. Mr. Pavone indicated they understood that. Mr. Baxter asked Mr. Pavone how he was supposed to know to contact BSC about a five-year hull inspection when they don't exist. Mr. Pavone informed Mr. Baxter that BSC's contract is for a 30-month inspection with the possibility of a 30-month extension. Mr. Pavone stated that BSC submitted a maximum 5-year contract. If the Coast Guard approves the 5-year inspection, they will proceed. If the Coast Guard does not approve the regulatory piece currently in the works, the parties to the contract are aware that it will be a 30-month contract.

Guy Ayers-Berry of Lambourne Environmental Diving Service, L.C. in Hiawatha, Iowa, asked Mr. Pavone if he was correct in assuming that BSC made no attempt to contact any Iowa company before Specialty Diving's bid was accepted. Mr. Pavone indicated that was correct. Mr. Ayers-Berry stated that he would assume that the licensees would make some attempt to determine whether or not there were any Iowa companies that could provide the required service. Mr. Pavone asked Mr. Ayers-Berry if he had a Coast Guard certified ROV to do the required hull inspection. Mr. Ayers-Berry stated that he would do the same thing as Specialty Diving – contract an ROV from another company. Mr. Pavone asked Mr. Ayers-Berry if he had a contract for an ROV at this time. Mr. Ayers-Berry indicated that he did not. Mr. Pavone reiterated that it is BSC's policy to use Iowa vendors whenever possible. Mr. Ayers-Berry pointed out that BSC made no effort to determine if there were any companies in Iowa that could provide the same service as Specialty Diving. Mr. Pavone stated that it was BSC's understanding at that time that no one in the state of Iowa could have produced an ROV to perform the hull inspection.

Commissioner Mahaffey asked about expenses. He asked if the 30-month contract becomes a 60-month contract if that means the vessel is certified, or the examination is good for a period of five years rather than 30 months. Mr. Pavone stated that it guarantees the five-year inspection. Commissioner Mahaffey asked why BSC signed a contract for five years rather than 30-months since there is an extra cost. He wondered why the contract didn't include a provision allowing BSC to rebid at the end of the 30-month period. Mr. Pavone stated that if BSC had to do a 30-month with the yearly surveying, and then another 30-month inspection with two additional years of annual surveying, the cost of the contract would almost double. It is cheaper to do it all at once over a 5-year period with a third party surveying company with the ROV. Commissioner

Mahaffey asked if the 30-month contract is cheaper than the 5-year contract. Mr. Pavone stated that it is initially.

Commissioner Sealock stated the Commission does not like contracts to be submitted for approval several months after they are signed. Mr. Pavone indicated that he was aware of that. Commissioner Sealock pointed out that if the contract had been submitted timely, this situation would not have been before the Commission today.

Commissioner Hamilton asked if it is common practice for casino operators to go out and look for companies, like Mr. Baxter or Specialty Diving, to fulfill their contracts, or is it their job to approach the casino operators and indicate that they are able to provide a service. Mr. Pavone stated that if BSC is aware there is a vendor in the area that can provide a service, BSC lets them know they would like to do business with them. Mr. Pavone further stated that it is impossible for general managers to know how many companies provide that service/product in Iowa.

Commissioner Hassenfritz asked Mr. Pavone if BSC had received any information from other bidders explaining their history and qualifications to perform the examination. Mr. Pavone stated that Mr. Baxter has forwarded considerable information on his background and certification over the last six weeks. About a month ago, Mr. Baxter also provided Mr. Pavone with a brochure on the J. F. Brennan Co., a Wisconsin-based company, which would be contracted to provide the ROV, if he is understanding Mr. Baxter's information. Mr. Pavone stated that he had not seen any material from Mr. Ayers-Berry or Lambourne, who had previously indicated that he had been at the facility approximately two months ago.

Commissioner Hassenfritz stated that it sounded as if Mr. Baxter is an honorable and professional individual. In business specialty areas, he has found that companies are either right under your nose without your knowledge, or you feel that anyone should be able to provide the service. He suggested that everyone should be given the benefit of the doubt in this situation, but suggested that it is incumbent upon the marine companies to make themselves known to the riverboat licensees. Commissioner Hassenfritz noted that the licensees have several requirements to satisfy when submitting contracts to the Commission for approval. He does not feel that the licensees purposely excluded anyone from the bidding process.

Commissioner Sealock clarified that the Commission does not force the licensees to use Iowa vendors. If all factors are equal, then the Commission would expect the licensees to choose the Iowa vendor. Commissioner Hassenfritz pointed out that the licensees are consistently asked if there is an Iowa vendor that could provide the service.

In an effort to bring this issue to closure, Chair Hansen reminded everyone that the issue before the Commission is that the Commission acted improperly in approving two contracts between Specialty Diving and Ameristar and Harveys, and should not approve their contract with BSC.

Mr. Tetreau stated that he did not learn of this issue until the day before, and would be addressing the various issues from memory. He concurred that the hull inspection is a safety issue. Mr. Tetreau indicated that he would address comments made by Mr. DeKoter, and discuss why a company that is interested in safety and wants the best quality inspection to insure the safety of the vessel would select Specialty Diving above all of its competitors. Mr. Tetreau stated that Specialty Diving doesn't really have any competitors, that they are in a class of their own when its comes to providing these services.

Mr. Tetreau was surprised by the fact that it appears some individuals feel it is the vessel's job to seek out individuals located within the state that can perform the hull inspection. He stated Specialty's biggest problem is marketing and getting out to the vessels on a routine basis to provide them with information on the types of services they can provide. They don't expect the companies to come to them.

Mr. Tetreau stated that Mr. Baxter has indicated that he is a qualified marine surveyor. There was another comment that a hull inspection is not "rocket science", that anyone could do the job. Mr. Tetreau indicated that he disagrees with both of those statements. He indicated that the hull inspection is very technical in nature, and it is critical that it be done to the highest quality standards possible to detect any problems on the vessel's hull to insure that the vessel is safe. He noted that another comment was made that the Coast Guard is allowing less frequent dry dock inspections of these kinds of vessels. Mr. Tetreau disputed that comment, indicating that these types of vessels are required to maintain a 5-year dry dock schedule; however, if a vessel uses an underwater survey in lieu of the dry dock inspection, they have to be inspected every 30 months under the current regulations. Specialty Diving believes that these vessels will be given a 5-year credit under the proposed regulations that were published on November 15, 1999.

Mr. Tetreau stated that Specialty Diving never misrepresented themselves by indicating that they had a lock on Imetrix' technology. He stated that Specialty Diving helped Imetrix get the technology approved by the Coast Guard by using the process on two boats in Baton Rouge, LA. Specialty Diving is the only company to use Imetrix in a commercial application. He further indicated that Imetrix is a difficult company to work with and requires significant negotiation to work out a contract. Imetrix is a very busy company and they only have one Coast Guard approved ROV.

Mr. Tetreau advised the Commission that if Mr. Baxter had contacted Specialty Diving and indicated that he was a qualified marine surveyor, they would have been happy to have a third party examiner in Iowa. He indicated that just because Mr. Baxter is a marine surveyor, it doesn't mean he is qualified in his opinion. He would be asking for experience and background information. Commissioner Hassenfritz asked Mr. Tetreau if Specialty Diving would allow Mr. Baxter to work as the third party surveyor, assuming that he is qualified. Mr. Tetreau stated that he couldn't speak for the president of the company. He stated that he would be willing to talk with Mr. Baxter and Mr. Ayers-Berry regarding their qualifications, and possibly work out some type of arrangement.

Mr. Tetreau stated that he had been with Specialty Diving for 1½ years. He joined the firm after retiring from the Coast Guard in July 1999 after 21 years. He specialized in the inspection and repair of vessels, and also taught the marine inspectors at the Coast Guard Training Center in Virginia. Prior to his retirement, he was the Deputy Chief of Marine Safety of the Coast Guard's largest district in New Orleans, and had oversight responsibilities for 27 states. While he held the title of Chief of Compliance, he became aware of Specialty Diving and their efforts to develop a process that would allow vessels to be inspected in the water. It is his understanding that industry representatives contacted Specialty Diving because of their reputation to determine if a procedure could be developed that would allow the vessels to be inspected in the water rather than going to dry dock. Specialty Diving indicated that they thought such a procedure could be developed. At that time, Specialty Diving contacted the Coast Guard to learn about the hull inspection process. Mr. Tetreau stated the Coast Guard was very interested in helping Specialty Diving in developing the process as they felt it would have great value and provide a valuable service to their customers. Mr. Tetreau's office worked closely with Specialty Diving to work out some of the finer details prior to submitting the procedure to Washington, DC for approval. The process was further improved in 1999 with the introduction of a remotely operated vehicle (ROV). Specialty Diving sought out Imetrix, visited with them and liked the technology, and worked with them to get the ROV approved by the Coast Guard by using the ROV on two jobs in Baton Rouge. He reiterated his belief that Specialty Diving is the only firm to have used Imetrix in a commercial application, that most of their work is with the Navy. Following the inspection of the two vessels in Baton Rouge, the Coast Guard indicated the inspection was at least equivalent to a dry dock inspection. Mr. Tetreau stated that a diver will only take 3,000 shots of the hull when performing an inspection, while the ROV takes a shot of the vessel's hull every 6". He indicated that the two processes could not be compared. Mr. Tetreau reiterated that Specialty Diving does not have a lock on Imetrix' technology.

With regard to the allegations of misrepresentation of the 30-month and 60-month inspections, Mr. Tetreau stated that Specialty Diving has never misrepresented the contracts. Clients have been advised that they would get a 30-month extension with another 30-month retroactively given once the final rules are published. Specialty Diving expects the final rules will be published prior to the end of the year with no change to what the Coast Guard has offered, which is a 5-year dry dock extension if an approved ROV is used.

Mr. Tetreau stated that Specialty Diving has approximately 50 permanent employees with offices in six states, as well as 60 divers. They offer strong customer service both before and after the job is completed. He stated that Specialty Diving has been upfront and honest with all of the licensees they have contracted with. In his opinion, if the Commission were to reverse the contracts, it would be detrimental to the safety of the vessels.

Commissioner Hassenfritz thanked Mr. Tetreau for the presentation, but recommended that Specialty Diving look at the qualifications of Mr. Ayers-Berry and Mr. Baxter.

Mr. DeKoter stated that when the Coast Guard was going through its regulatory process, J. F. Brennan, a diving company out of LaCrosse, Wisconsin, submitted comments to the Coast Guard. I-Metrics wrote to J. F. Brennan regarding their comments, which included a statement that use of the ROV seemed to be with Specialty Diving, and stated that they were working with three contractors on a non-exclusive basis in the United States. Imetrix indicated they had been contacted by other companies, including J. F. Brennan regarding a business relationship. The letter further stated I-Metrics was willing to work with any company on a mutually acceptable business basis. The letter also indicated that Specialty Diving was the first company to approach them about performing laser underwater inspections, and presently works with them as a subcontractor.

With regard to Mr. Baxter's qualifications, Mr. DeKoter stated that Mr. Baxter had served as third party examiner during the hull inspection of the Miss Marquette. Mr. Baxter's participation would have been approved by the Coast Guard.

In response to the licensee's comments that they were not aware of Mr. Baxter's firm, Mr. DeKoter asked why they couldn't locate someone with the availability of the Internet. He stated that if the words "marine surveyor" are entered, the searcher will get information back. Under Iowa, there is one listing – Michael R. Baxter, with his address and phone number. Mr. DeKoter also stated that he contacted three different Coast Guard offices asking for marine surveyors in Iowa.

Mr. Tetreau stated that being "fully qualified by the Coast Guard" means that Mr. Baxter meets the minimum qualifications to be a marine surveyor.

Mr. Farrell asked Mr. Tetreau what work has been done on the Sioux City contract. Mr. Tetreau stated that not much actual work has been done, but have done a tremendous amount of marketing. Mr. Farrell asked if he was talking about marketing prior to receiving the contract. Mr. Tetreau stated that was correct. Specialty Diving routinely visits all of the Iowa riverboats and all across the country. He has held meetings with the Coast Guard with regard to the Council Bluffs vessels. Mr. Farrell stated that he was simply addressing the Sioux City contract. He asked Mr. Tetreau what hardship if any would be placed on Specialty Diving if the Commission did not approve this contract and required BSC to bid the contract. Mr. Tetreau stated that it would have a tremendous financial impact. He indicated there is not a lot of mark up. The company makes projections and spends money and does marketing with the anticipated income from a 30-month hull inspection. Mr. Tetreau stated that Specialty Diving is counting on the income from the BSC inspection, and at this time, is in a negative cash flow for the year. It is anticipated that income from these three projects will bring them back to a zero balance, with future projects putting them in a positive balance for the year. Mr. Farrell asked Mr. Tetreau if Specialty Diving was aware that the contract had to be approved by the Commission. Mr. Tetreau indicated they did.

Commissioner Hassenfritz stated that he understood the contracts were 30-month contracts with the stipulation that if the rule changes, the option would be a 60-month

contract. Mr. Tetreau indicated that was correct, and stated that there would be no additional costs to the licensees. The licensee is paying for the inspection, and is guaranteed a 30-month extension with the possibility of a 5-year extension retroactively. Mr. Tetreau stated that the contract itself is a five-year contract, which means Specialty Diving will perform the initial hull inspection plus four subsequent annual inspections. There is a difference between the five-year contract and the five-year extension on the hull inspection. Commissioner Hassenfritz stated that the Commission approved the 30-month contract. Mr. Tetreau stated that the Commission approved a five-year contact with the Council Bluffs vessels to perform the survey and four subsequent annual surveys.

Commissioner Mahaffey asked Mr. Farrell for his thoughts regarding the Council Bluffs contracts and the BSC contract. Mr. Farrell stated that the Council Bluffs contracts have already been approved, both contracts were bid based on information available to them at the time provided by the other company. The BSC had a prior relationship with Specialty Diving, felt they were a reputable company, but did not take bids on the service. Additionally, the BSC contract is before the Commission for approval at this time, giving the Commission the opportunity to look at all of the information provided and apply the Iowa vendor law that would at least require BSC to consider an Iowa vendor. He noted there were some issues that could have been resolved had the contact been bid.

Commissioner Sealock noted that the contract stated in part: "For this fixed price we will provide a fully qualified Third Party Examiner acceptable to the Coast Guard, ...". She asked what that part of the contract was worth, or if the Commission could remove that part or include a caveat that Specialty Diving would bid out that portion of the contract. Mr. Tetreau stated that he would have a problem because Specialty Diving bids the service as a one-stop service. They write all of the letters to the Coast Guard, take care of meetings to get the process approved and scheduled, and hire a third party examiner that is acceptable to the Coast Guard. When the third party writes their report, Specialty Diving reviews the report for accuracy. Mr. Tetreau stated that he would have a problem if the Commission attempted to force a third party examiner on them that they were not comfortable with. Commissioner Sealock stated that her question was whether Specialty Diving would look at everyone interested in performing the third party examiner services at BSC, including the Iowa people, then make a decision and advise the Commission of their decision. Mr. Tetreau stated that on face value it appears to be acceptable, as long as Specialty Diving is comfortable with the individual selected. Commissioner Hassenfritz advised Mr. Tetreau that the Commission was not mandating that Specialty Diving select an Iowa vendor, but provide them with an equal opportunity to provide the required third party examiner services. Mr. Tetreau stated that time was of the essence regarding the BSC contract.

Commissioner Sealock reiterated her earlier comment to Mr. Pavone that if the Commission had reviewed the contract in March, they would not be in this situation now. Mr. Pavone advised the Commission that the decision to use Specialty Diving was driven by the technology available to them. Mr. Farrell asked Mr. Pavone if there would be a

timing problem in getting the work completed on time if the Commission were to require BSC to bid the project. Mr. Pavone indicated that he did not know the answer; that he would have to review his records to determine when the Coast Guard certificate expires. He indicated his bigger problem was that BSC has entered into a contract with a company that was negotiated in good faith, and feels they are being asked to break the contract. Commissioner Hassenfritz disagreed, and stated that the Commission was talking to the contractor to determine the possibility that some of the subcontracting could be with an Iowa vendor. Mr. Tetreau stated that Specialty Diving needed to get on the boat immediately to do a preliminary examination, and that there is probably cleaning that needs to be done prior to winter. He indicated that the survey would be completed after winter. Commissioner Hassenfritz asked Mr. Tetreau if Specialty Diving had a signed contract with a third party examiner for the BSC contract. Mr. Tetreau indicated they did not.

Mr. DeKoter pointed out that the contract before the Commission includes annual inspections, which Mr. Baxter is qualified to perform.

Chair Hansen stated that the issues before the Commission are as follows: 1) The Commission has failed to fulfill its responsibilities in approving the contracts of Ameristar and Harveys; 2) should not approve the pending contract of BSC, and 3) Someone may want to tack on comments regarding future bids. He called for a motion at this time.

Commissioner Hassenfritz asked for clarification regarding the BSC contract. Chair Hansen stated that this issue revolves around a contract being submitted for approval by BSC, and he does not want to review this information at that time. He would like the Commission to act on that contract at this time.

Commissioner Sealock moved to approve BSC's contract with Specialty Diving, Inc. with the understanding that since Specialty Diving has not already subcontracted with a third party examiner; at the time they do, Specialty Diving will open that position to any and all bidders, review their qualifications and make their decision. Commissioner Hassenfritz seconded the motion.

Chair Hansen asked Commissioner Sealock if she wanted to address the contracts with Ameristar and Harveys. Commissioner Sealock stated that she had a problem going back since the contracts had already been approved, and were bid. Mr. Farrell indicated that issue could be handled in a separate motion.

Chair Hansen called for the vote on the above motion. The motion carried on a 4-1 vote, Commissioner Mahaffey voting no. (See Order No. 00-115)

Chair Hansen returned to the issue of whether or not the Commission failed to fulfill its duties when they approved the contracts with Ameristar and Harveys. Commissioner Mahaffey asked if there was anything that needed to be done since the contracts have

already been approved unless the Commission was going to move to rescind the contracts. Mr. Farrell stated that the Commission could take no action, and the contracts would stand, or the Commission could move to rescind them. Commissioner Hassenfritz asked why the Commission would do that when it appears everything was done according to the rules.

Commissioner Hamilton moved to do nothing with the contracts between Specialty Diving and Ameristar and Harveys. Commissioner Sealock seconded the motion.

Mr. DeKoter asked if the third party examiner had been selected for those contracts. Mr. Tetreau answered in the affirmative.

Chair Hansen called for the vote on the above motion. The motion carried unanimously. (See Order No. 00-116)

Following a short break, Chair Hansen moved to the Contract Approvals, and called on the Isle of Capri Bettendorf (ICB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Pratt Audio-Visual & Video – Audio-Visual Equipment
- Premier Linen – Linen Service
- TMI – Employee Training
- System Source – Casino Management Software

She asked to amend the TMI contract to show that it is an Iowa vendor as the trainer resides in Iowa, and some of the funds will be coming back to Iowa. Commissioner Sealock indicated she was going to ask about that issue, noting that both Isle of Capri facilities had submitted contracts with TMI, and one indicated it was an Iowa vendor and one did not.

Hearing no objections, the amendment was allowed. Hearing no further discussion, Chair Hansen requested a motion. Commission Sealock moved to approve the contracts as presented. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-117)

Chair Hansen called on Harveys. Verne Welch, General Manager, presented a contract with Otter Tail Energy Services Co. to provide natural gas. Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-118)

Chair Hansen moved to the contracts submitted by BSC, noting that the Commission has already acted on the contract with Specialty Diving. Mr. Pavone presented the following contracts for Commission action:

- Argosy – Intercompany Charges for June 2000
- Argosy – Intercompany Charges for July 2000
- Specialty Diving, Inc. – Five-Year Hull Inspection
- Silicon Gaming – Three Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-119)

Mr. Pavone introduced James Butler, new outside legal counsel for Argosy. Mr. Butler has been the Vice President General Counsel for Harrah's Gaming for 15 years in Nevada and Atlantic City. He developed Harrah's Project 21 program. He has joined Argosy as outside counsel responsible for legal and regulatory issues for all of Argosy's facilities.

Mr. Butler assured the Commission that future contracts will not take 3 or 4 months to be approved by legal counsel, and will ask whether the contract has been bid.

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

- Collins Outdoor Advertising, Inc. – Billboard Signs
- Kuhlman Design Group, Inc. – Renovation Designs
- Time Management International (TMI) – Employee Training
- US Office Products – Supplies, etc.

Hearing no questions concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-120)

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

- Foothill Capital Corporation – Revolving Line of Credit
- Mayer, Brown & Platt – Legal Fees Relating to Purchases of Company and SEC Regulations
- Remax – Property Purchase

Commissioner Hamilton asked about the contract with Mayer, Brown & Platt, indicating that she felt it was high. Ms. May indicated this amount was in addition to previous approvals. She explained that the fees are a result of the initial registration of the bonds that were sold. Ms. May stated that Mayer, Brown & Platt have a unique knowledge of the background, and educating another company would increase the costs even more.

Commissioner Sealock asked about the location of the property being purchased from ReMax. Ms. May indicated that it is a house being purchased for the new manager of the Diamond Jo so that he will reside and have a presence in Dubuque. Commissioner Mahaffey asked if Peninsula Gaming was purchasing the residence. Ms. May indicated they were at this time. Commissioner Mahaffey asked if the house would be sold to him, or what. Ms. May indicated those details were still being worked out.

Hearing no further discussion concerning the contracts submitted by DDJ, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-121)

Chair Hansen moved to the Mississippi Belle II (MB II). Dan Kehl, representing the MB II, presented a contract with Silicon Gaming, Inc. for the lease of five Family Feud slot machines.

Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-122)

Chair Hansen called on Ameristar. Mr. Terp presented the following contracts for Commission approval:

- Hawkins Construction – Restaurant Construction and Renovation
- Omni Engineering – Paving, Asphalt and Sidewalk Work, Parking Lot Resurfacing

Mr. Terp distributed pictures of the new Atrium Lounge, new VIP Lounge and Services area, and new center bar on the third deck.

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-123)

Chair Hansen moved to the Application for License and Approval of Live and Simulcast Racing Dates for 2001. He called on the Dubuque Racing Association (DRA). Bruce Wentworth, General Manager, advised the Commission that 2001 would constitute the 17th year of racing at Dubuque Greyhound Park & Casino (DGP&C). DGP&C is requesting live race dates from April 28, 2001 through October 28, 2001 with six performances per week. Evening performances and post times requested are Thursday, Friday and Saturday at 7:30 PM. Matinee performances and post times requested are Wednesday, Saturday and Sunday at 1:00 PM. Additional holiday performances and post times are requested for Monday, May 28th, Tuesday, July 3rd and Monday, September 3rd.

All performances will take place at 1:00 PM. DRA also requested to continue year-round simulcasting.

Mr. Wentworth presented the following six contracts for Commission approval:

- Atronic Casino Technology – Slot Machine Replacement
- Mikohn Gaming – Slot Machine Lease (Replacement)
- IGT – Slot Machine Lease (Replacement)
- McCullough Creative – Advertising
- Sysco of Iowa – Food Items
- Weber Paper – Paper Products

Chair Hansen called for any questions regarding the license renewal. Commissioner Sealock commented on the increase in income. Mr. Wentworth advised that DGP&C has grown the business consistently for the past five years, and feels they are topping off. They are currently preparing next year's budget, and feel that it will mirror this years. Commissioner Sealock noted that the Auditor's Report in the application was not signed. Mr. Wentworth stated that it was a copy of the Auditor's Report submitted to the Commission's office in February.

Chair Hansen commented on the significant increase in charitables from $1.2 million to $2.1 million. Mr. Wentworth stated that charitables received almost $2.2 million as a result of increases on the casino side of the operation, and a reduced debt burden. DRA will be making charitable distributions at the end of November. Last year 267 different organizations from various cities and counties received funds.

Chair Hansen commented on the attendance, noting that it had increased from 692,000 to approximately 900,000. Mr. Wentworth stated that DGP&C had budgeted for a 3% increase in attendance during the current budget year, which ends on November 30th. They don't feel it is a growth pattern that will be sustained in the upcoming year. He stated that there are over 2 million visitors to the racetrack and riverboat.

Mr. Ketterer asked Mr. Wentworth to address the possible challenge from a tribal casino in Wisconsin. Mr. Wentworth advised the Commission that there has been considerable discussion about establishing a tribal casino in southwestern Wisconsin. The casino would be on a piece of property that would be designated as tribal trust land instead of reservation land. Establishing a casino on tribal trust land is a slower process, and is subject to the approval of the Department of Interior and Bureau of Indian Affairs. Additionally, the tribe is negotiating with a group that is within 40 miles of DGP&C, the Green Bay area, including a spot in Pompano, Wisconsin, where a racetrack was located in 1990, but later failed.

Chair Hansen stated that it was his understanding that Wisconsin, in lieu of a tax, extracts a fee from the Native American casinos. It is his understanding that the fee is in exchange for Native American casinos not permitting general casino gaming. Mr.

Wentworth stated that Wisconsin has entered into compacts with the tribes just like other states. The people of Lafayette County are facing a budget shortfall due to a reclassification of agricultural land, which causes some justifiable concern. They are also going to continue discussions with the tribes regarding infrastructure costs that they will have to absorb as well. The tribe has proposed paying Lafayette County alone $4 million over the next 20 years. Mr. Wentworth stated that the general sentiment of residents is that the government should hold a referendum. They have some concerns about the tribe coming in and requiring more land, removing land from tax roles, the lack of jurisdiction, the sovereign nation status, and whether the tribe will live up to its promises when the County doesn't have any recourse. Mr. Wentworth feels DGP&C could see a 35% decline in their business similar to what happened when five racetracks opened up in Wisconsin in 1989. He stated that 50% of the visitors to the track come from Wisconsin and Illinois.

Chair Hansen asked if there were additional questions, and whether other Commission members wanted to act on the license renewal and contracts at the same time or separately.

Commissioner Mahaffey moved to approve the license renewal and contracts as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-124)

Chair Hansen called on the Racing Association of Central Iowa. Bob Farinella, General Manager of PMR&C submitted the following requests for live racing dates for Commission approval:

- Thoroughbred race dates from April 27 – July 7, 2001 with 4 performances per week in April and 5 performances per week in May/June. Post time will be at 5:30 PM on Monday, Tuesday, Friday and Saturday. Matinee performances will be held on Sunday at 2:00 PM and on Wednesday, July 4th at 5:30 PM. There will be no live racing on July 2nd.

- Mixed Thoroughbred/Quarter Horse Meet race dates from July 21 – October 6, 2001 with 4 performances per week on Monday, Friday and Saturday at 5:30 PM. The Sunday performances will be at 2:00 PM.

- Standard Bred Meet race dates from October 14 – November 17, 2001 with 4 performances per week on Monday, Friday, and Saturday at 5:30 PM. The Sunday matinee performances will be at 2:00 PM.

The following contracts were also submitted for Commission approval by PMR&C:

- Delta Dental Plan of Iowa – Employee Dental Insurance
- John Deere Health Care – Employee Health Insurance
- Mikohn Gaming, Inc. – Lease Agreement for 10 Additional Yahtzee Games

- Principal Financial Group – Employee Short and Long-Term Disability Ins.
- Secure Care of Iowa – Employee Health Insurance
- Thomas Bus Sales of Iowa, Inc. – Eldorado Aerolite Bus

Chair Hansen called for any questions concerning the license renewal, request for live racing dates or contracts. He commented on recent newspaper articles, which addressed a decline in attendance and a 50% decline in handle due to the loss of simulcasting revenue from California. Additionally, the current request for live dates and simulcasting states that PMR&C would be losing simulcast contracts and/or audiences in New York, New Jersey, Arizona and Florida due to their revised post times. Chair Hansen asked Mr. Farinella why, if they are already experiencing a loss in simulcasting revenue, does their new schedule further reduce revenue from simulcasting outlets. Mr. Farinella stated that when PMR&C was formulating its plans for next year one of the first things they looked at was their ability to provide significant entertainment value for the residents of Polk County. The change in post times will allow the residents of Polk County who work during the day to visit the facility in the evening. With regard to the simulcast revenue, two years ago PMR&C specifically targeted Mondays and Tuesdays as an opportune time to export their race program nationally because there was a dearth of signals available in the early time slots. Since PMR&C has chosen to do that, there have been nine or ten racetracks that have altered their racing times to enter the same time slots in the afternoons on Mondays and Tuesdays, essentially removing the niche market. PMR&C anticipates that moving to an evening program will provide them with a niche market in other areas. Chair Hansen returned to the fact that PMR&C would be cut out of the New York, New Jersey, Arizona and Florida markets. Mr. Farinella conceded that New York is a significant market, but stated that it has been significantly reduced due to the other tracks that run in the afternoon. He noted that the New York OTB is for sale, and may be purchased by one of the large conglomerates. PMR&C, as well as other small tracks, anticipate a great deal of consolidation within the industry.

Chair Hansen noted that PMR&C's revised marketing plan shows the collective purses from the three types of races goes from $17,900,000 up to $21,000,000. He asked if that was correct. Mr. Farinella indicated that the purses would increase to that figure through 2002 based on the existing contracts with the horsemen's associations.

Chair Hansen asked if the revised marketing plan, simulcast time slots and higher purses were designed to develop greater revenue for the track. Mr. Farinella stated that it was to increase on-track participation, as that generates higher revenues than simulcast. He indicated that for every dollar generated from on-track wagering, it would take $10 in simulcast wagering to generate the same revenue. PMR&C hopes that Polk County residents will come to the facility in the evening for the races and other activities offered.

Chair Hansen noted that PMR&C was showing a $10 million drop in revenue. Mr. Farinella noted that they had reviewed their market for this year and taken into consideration the additional gaming operations within the community and the additions to the Native American casino in Tama. He advised the Commission that PMR&C had a

banner year in 1999, and business was up approximately 17%, normally it has been 2-3% per year. This year there is additional gaming venues available within the market, and PMR&C is in the middle of a major construction project. Mr. Farinella stated that through the end of August, PMR&C is still about 9% ahead in casino revenues of where they were in 1998. He indicated that the operation is still very strong.

Chair Hansen noted that the application contained a comment about the turf track at Canterbury, but that PMR&C had deferred construction of their own turf track. Mr. Farinella stated that RACI's decision was made based on the availability of cash flow and the amount of time the turf track would be able to be used. He indicated that even if construction had been started, the track would not have been able to be used prior to 2002-2003 to give the grass time to grow.

Commissioner Sealock noted that reference was made to the 5-year plan and what has been accomplished. She noted that it had taken IRGC & PMR&C a considerable amount of time to work out a 5-year plan. She complimented PMR&C on the progress, but indicated that she would have liked to see the turf track pushed up.

Commissioner Hassenfritz asked the if decline in attendance was attributable to the construction project. Mr. Farinella stated that it has made it difficult to get into PMR&C all summer. Construction of the parking lot commenced in April just prior to the Thoroughbred meet. He indicated that construction of the west wing is on schedule, and have started using a portion of that wing already.

Commissioner Sealock asked about the openings on the RACI Board. Mr. Farinella stated there are currently two openings on the RACI Board that were vacated by original members. He indicated the RACI Chair was in the process of filling those positions.

Chair Hansen asked Mr. Farinella about the amount of the contract PMR&C finally received to convert the racetrack surface. Mr. Farinella indicated the low bid would be approximately $212,000 to remove the existing surface, refinish the limestone base and then refinish the limestone base and replace the sand at the conclusion of the harness meet. Chair Hansen asked if that would cost an additional $212,000. Mr. Farinella indicated the $212,000 would cover the cost of removing and then replacing the existing surface. PMR&C had estimated approximately $150,000 for each process.

Commissioner Hamilton asked Mr. Farinella how PMR&C recoups those funds. Mr. Farinella stated that the costs are considered part of the operational expense, just like maintaining the regular surface, which has to be renewed every few years. These expenses are incorporated into the overall budget for the facility. Chair Hansen stated that the figure is in addition to the $750,000 paid to the county, and $600,000 for on-track purses.

Mr. Farinella advised the Commission that during the 6-day harness meet at PMR&C last year, the on-track wagering exceeded their expectations. He noted that there is a lot of

enthusiasm for the harness meet this year, and anticipate that the meet will draw patrons from a much larger area. PMR&C has received preliminary applications for over 300 horses for the harness meet so far.

Chair Hansen asked Mr. Farinella if there was just not as much enthusiasm for running the harness races at the State Fair. Mr. Farinella stated that he could not speak for the Harness Association, but stated that in conversations PMR&C has had with them, they are concerned about being associated with a racetrack facility that is geared up and set to run a full race meet like PMR&C is.

Hearing no further questions concerning RACI's license renewal application and contracts, Chair Hansen called for a motion. Commissioner Sealock moved to approve the license renewal application, and the contracts as submitted. Commissioner Hassenfritz seconded the motion.

Mr. Ketterer asked Chair Hansen if he intended to address the contract concerning the racetrack surface. Chair Hansen asked Mr. Ketterer to repeat the option available to the Commission concerning that contract. Mr. Ketterer stated that there have been instances where a licensee has been allowed to proceed with a contract with the stipulation that it will be brought before the Commission at the next meeting for approval.

Commissioner Sealock amended her original motion to allow PMR&C to proceed with the track resurfacing contract with the condition that it be brought before the Commission for approval at the October meeting. Commissioner Hassenfritz concurred. Hearing no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 00- 125)

Chair Hansen then moved to the license renewal application of Iowa West Racing Association (IWRA) for Bluffs Run Casino (BRC). Tony Payne, Executive Director of IWRA, and Verne Welch, General Manager of BRC, presented a request for live race dates at BRC from January 1 through December 31, 2001 with seven performances per week. Evening performances and post times requested were Sunday, Tuesday, Wednesday, and Thursday at 4:00 PM, and Friday and Saturday at 7:15 PM. A matinee performance will be held on Saturday at 1:30 PM. Holiday performances and post times requested were Monday, May 28th at 4:00 PM, Monday, September 3rd at 4:00 PM and Monday, December 31st at 7:15 PM.

The following contracts were also submitted for Commission approval:

- Silicon Gaming, Inc. – Lease of 11 Video Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase of 21 Video Slot Machines (Replacements)

Commissioner Hamilton noted that IWRA's application indicated that the greyhound industry has not expanded as much as they would have liked, but indicates they will continue to work with the greyhound kennel operators. She asked Mr. Welch what ideas

BRC has for expanding the industry. Mr. Welch stated that it is a difficult issue, noting that several tracks around the country are facing the same issue. He stated that BRC is continuously working to improve attendance at the track. BRC's purses are the largest in the country. Mr. Welch stated that BRC has a billboard located at Horsemen's Park in Omaha advertising BRC's simulcasting. He stated that Horsemen's handle has grown steadily since they opened their new facility, and is at approximately $65 million so far this year. Horsemen's has had a definite effect on BRC. Mr. Welch stated that patrons are looking for more instant gratification. Commissioner Hassenfritz stated that BRC might need to look at other options/venues to draw more customers to the facility.

Mr. Payne stated that Harveys has been the new manager at BRC for approximately 10 months. He stated that both sides need to sit down and determine whether there is a better way to merchandise and "romance" their product. Mr. Payne stated that he is happy working with Harveys.

Chair Hansen asked Mr. Welch if he felt the track surface problem at BRC had been corrected. Mr. Welch indicated that he felt it had. He indicated that professionals had been brought in to analyze the track and they made several recommendations. Some worked; some didn't. Mr. Welch stated they are almost back to where they were originally. He indicated there have been very few problems or injuries in the last month. Mr. Welch stated that Rory DeSantiago, Racing Director, has been working with the Trainers' Committee to correct problems with the track surface. He further indicated that when you have larger purses, they attract better dogs, which are faster.

Commissioner Sealock referred to the information contained under Tab 11B of the license renewal relative to the Trainers' Committee and improvements at the track. She asked if the information provided occurred since the individual from Dubuque looked at the track. Mr. Welch stated that some of the equipment purchases were a result of recommendations made by the Dubuque individual, but other improvements are ongoing.

Commissioner Sealock asked if the Trainers' Committee has met since changes were made to the track surface, and if they were satisfied. Mr. DeSantiago stated that a meeting was held, but that some of the changes recommended had just been implemented. He stated the next meeting was scheduled for the second Thursday in October, but that it would probably be held on Wednesday because of the Commission meeting. Mr. DeSantiago stated that he had been in contact with several of the kennel owners since the changes have been made, as well as the trainers that are at the track on a day-to-basis, to get their input on the changes. Commissioner Sealock asked about the feedback he had received, as the Commission is still hearing about problems.

Mr. DeSantiago stated that the trainers and owners were not happy during the month of August. BRC followed the recommendations of the individuals brought into look at the track surface, and the number of injuries actually increased. He indicated that further changes have been made within the past week that were the result of conversations with the President of the National Greyhound Association and some of his own ideas.

Commissioner Hamilton pointed out that a letter the Commission had received from Dr. Sally Prickett, the state veterinarian, stated there were disagreements between kennel owners as to the status of the track surface. She asked how he sorted out those types of statements. Mr. DeSantiago stated that he used his own judgment.

Commissioner Hamilton asked if the number of injuries had decreased. Mr. DeSantiago stated that they had decreased within the last week due to some recent changes based on Mr. Koerner's recommendations and some of his own recommendations. Commissioner Hamilton asked to receive an update regarding the track surface/injuries at the next Commission meeting. Mr. DeSantiago stated that he is in constant communication with the state stewards and veterinarians regarding their opinions on the racing surface.

Mr. Ketterer stated that he agreed with Mr. DeSantiago's statements, and feels that no one has worked harder than him to find the answers to this problem. He noted that ultimately it is BRC's responsibility as the license holder. Mr. Ketterer, noting that Piers Bank, former Director of Operations at BRC, has left, stated that he wanted to insure that Mr. DeSantiago has the support and resources needed in order to do his job and maintain the track. He noted that a track can be in perfect condition, but that it is a moving target and requires constant supervision and maintenance. Mr. Ketterer stated that he has the support of IRGC staff, stewards and veterinarians.

Chair Hansen called for further questions regarding IWRA's license renewal. Bob Hardison, Vice President of the Iowa Greyhound Association (IGA) and a kennel operator at BRC, informed the Commission that he appreciated the track's efforts in working with them regarding the track surface. He stated that he can't address issues over the last week, but agreed that the month of August was bad. He indicated that he was not sure why. Mr. Hardison stated that the owners don't care if the track is fast or slow as long as the dogs are not injured. He stated that the track surface was really good for a couple of weeks after the initial changes, but no one is sure what happened after that. Mr. Hardison stated that the IGA needs to continue working with BRC as there are still issues to be resolved. Mr. Hardison asked what the overall composition of the track surface is, and whether it has been tested recently. Mr. DeSantiago stated that the surface would be tested at the end of September. He indicated that he had established a program with a GLI testing firm to come in on a quarterly basis to test the surface. Mr. DeSantiago advised the Commission and Mr. Hardison that the track surface is approximately 9.5% silt/clay content, but that he has blueprints recommending 11%. DGP&C's surface is 15%. He stated that every track surface is different due to various factors.

Commissioner Hassenfritz suggested that extremely hot weather could have played a part in changes to the track surface.

Mr. Hardison asked if the kennel owners and IGA would be advised of the results of surface testing. He also asked Mr. DeSantiago if he had specs showing the banking of the turns at the track as the banking affects how fluidly the dogs take the turns. Mr.

DeSantiago stated that when Mr. Koerner visited BRC he measured the banking on the turns and advised him that the banking was at a1½" rise per foot, which was where it needed to be.

Commissioner Sealock asked if the IGA had a representative on the Trainers' Committee. Mr. DeSantiago indicated they did, but was not sure who it was at this time as Kelly Rider was no longer on the committee. Mr. Hardison stated that the two representatives are Darlene White, the trainer for the Richard Wilhite Kennel, and Joe Osborne, the trainer for the Diamond Kennel. Commissioner Sealock asked if they were IGA members. Mr. Hardison stated that Ms. White is, but was not sure whether Mr. Osborne was but indicated that he was qualified to be on the committee.

Chair Hansen asked for any further comments regarding IWRA's license renewal application or contracts. Brad Schroeder, appearing on behalf of Jerry Crawford, legal counsel for the IGA, stated that he agreed with Commissioner Hamilton's request for a follow-up report at October's Commission meeting regarding the track surface and injuries, as it has been an ongoing problem. He indicated that he was not sure if IGA Board members are always aware of the situation; but hoped they were. Mr. Payne asked if there was cyclical pattern to the injuries, a seasonal pattern, or if they were related to the weather. He wondered if there was any historical information available to help resolve this situation.

Commissioner Sealock asked Mr. DeSantiago if there were other tracks with heating coils under their racing surface. He indicated there were. Commissioner Sealock asked Mr. DeSantiago if he had compared BRC to those tracks. Mr. DeSantiago indicated that he had not, that when Mr. Koerner came he recommended that BRC fill the racetrack and go 5½ - 6" deep. Commissioner Hassenfritz asked if the heating coils run parallel to the track. Mr. DeSantiago indicated that they did, that they go back and forth. Commissioner Hassenfritz clarified that when he said parallel, he meant did they run in the shape of the track. He was advised they did not.

Chair Hansen call for any further questions. He stated that it was a given that when Commissioner Hamilton requested an updated report on the track surface at the October meeting, that it would occur, as well as a review of past records to determine if there is a cyclical pattern. He suggested those items should be included in the motion.

Commissioner Hamilton moved to approve the license renewal application and the contracts. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-126)

Chair Hansen called on Harveys Casino Resort regarding their acquisition of Pinnacle Entertainment. Mr. Welch introduced Paul Alanis, President and CEO of Pinnacle Entertainment, Wade Huntley, Chairman of Colony Capital, and Gary Armentrout, from Harveys. He indicated Harveys and Colony are before the Commission seeking approval of their purchase of Pinnacle Entertainment.

Chair Hansen asked whether the acquisition decision would impede the pending capital improvements at the Harveys' Council Bluffs facility. Mr. Alanis stated that the transaction is a merger between Harveys and Pinnacle in which the shares of Pinnacle are being purchased for cash. Members of Pinnacle's management team will integrate with the Harveys' management team, and go forward as a merged company. He will be the CEO of the new merged company. Mr. Alanis stated that it is their commitment to continue the philosophy that has prevailed in the past with respect to Harveys. He stated that his background is as a developer, and has developed a number of projects for other casino companies over the last several years. He pointed out that ultimate control and ownership is not changing in this transaction, Colony and an entity of Colony Capital will remain the controlling shareholder of Harveys. Mr. Huntley concurred with Mr. Alanis' comments. He stated that Harveys is an extremely important component of Colony's gaming company, and will be going forward. In his opinion, the acquisition of Pinnacle will make the company even stronger. Mr. Huntley stated that the acquisition will have no impact on Colony's plans for Iowa in the future.

Commissioner Sealock noted that in a previous management chart Harveys' management had 2.5% in voting control and financial ownership. A new chart shows them with 1.7%. She stated that Harveys has shared a lot of plans with the Commission, which have been approved, and she hopes those will come to fruition. Mr. Huntley assured her they would. Mr. Alanis stated that he did not foresee any changes at the property level, and indicated that everyone is cognizant of the fact that the Commission has a comfortable relationship with those individuals that have been appearing before them.

Hearing no further questions concerning Harveys' acquisition of Pinnacle Entertainment, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the acquisition of Pinnacle Entertainment by Harveys. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-127)

Following a short break, Chair Hansen moved to the distribution of the Greyhound Promotion Fund, which was continued from the August meeting, and called on Linda Vanderloo, Director of Racing/Administration for IRGC. She advised the Commission that the IGA and DRA had reached a purse supplement agreement. The agreement will go before DRA's full board at their September meeting.

Chair Hansen stated that one of the issues the Commission needs to address is the selection of the arbitration panel, and noted that each party had submitted their nomination for the third arbitrator.

Mr. Schroeder stated that the IGA's recommendation for the third member of the arbitration panel would be a member of the Commission. He noted that the arbitration statute specifically provides for a member of the Commission to serve as a member of the arbitration panel. The statute reads in part: "If the two parties can not reach agreement each party shall select a representative and the two representatives shall select a third person to assist in negotiating an agreement. The two representatives may select the

Commission or one of its members to serve as the third party. Alternatively, each party shall submit the name of a proposed third person to the Commission who shall then select one of the two persons to serve as the third party. All parties to the negotiations, including the Commission, shall consider that the dog racetracks were built to facilitate the development and promotion of Iowa greyhound racing dogs in the state and shall negotiate and decide accordingly". Mr. Schroeder introduced David Ungs, President of the IGA and a member of the negotiating team at Dubuque, and Bob Hardison, Vice President of the IGA and a member of the BRC negotiating team. Mr. Schroeder stated that last year at this time the IGA asked the Commission to get involved at that time, but the Commission declined to do so. They also determined that they did not want to go back and review the Arbitrator's Decision and tinker with what had already happened. The IGA is requesting that the Commission get involved in the process earlier and have a presence during the negotiations so that more of what the IGA is about is getting back to the Commission. Involvement in the negotiation process would also provide the Commission with a better feel for the parties, their relationship and issues.

Mr. Ketterer advised the Commission that the representative the IGA has selected is Rick Olson, an attorney from Des Moines that served on the arbitration panel last year, and the IWRA has selected Lorraine May, another Des Moines attorney who also served on the panel last year. IWRA has suggested David Blair, a Sioux City attorney who also served on the panel last year, as their selection for the third member of the arbitration panel.

Mr. Schroeder stated that he was not sure why the IGA and DRA are able to reach an agreement every year while they end up in arbitration with IWRA every year. He indicated that if the arbitration panel remains the same as it was last year, the parties will end up in the same situation and will not move toward a better relationship between the IGA and IWRA. He feels the Commission's involvement would get the parties out of their rut and bring a new perspective to the situation.

Mr. Hardison stated that the IGA does not appear before the Commission as frequently as the racetracks and casinos. It is their feeling that a Commission member on the arbitration panel would give them an opportunity to become better acquainted with the Commission as well as having someone on the Commission a little more educated as to the issues being dealt with. He indicated there has been a tendency to have Commission members on the panel, noting that Ms. May and Mr. Blair have both been on the Commission.

Commissioner Sealock pointed out that when she first joined the Commission, the IGA was present and addressed the Commission at every meeting. She stated that the IGA members were welcome at the meetings and that she would like to hear from them. Mr. Hardison stated that he was simply noting that the IGA does not have as many issues that the others have. In addition, she advised Mr. Hardison that Ms. May and Mr. Blair did not serve on the arbitration panel while they were on the Commission. Mr. Hardison clarified that his statement was that the arbitration panel has included former Commission members, which is why the IGA feels it is appropriate to have a current Commission member serve on the panel.

Lyle Ditmars, legal counsel for IWRA, noted that the arbitration process is long and arduous, accompanied by voluminous documents, and is argued strenuously by both parties. He noted that IWRA's nominee, David Blair, is a former District Court Judge, is a mediator/arbitrator by profession, and a former IRGC Commissioner. He noted that Mr. Blair was the initial arbitrator that wrote the Arbitration Decision that created the escrow fund. Mr. Ditmars stated that, in his opinion, the best way to educate the Commission of the issues is to work with them on a regular basis rather than waiting until the parties are in an adversarial situation. He quoted a statement by Chair Hansen during this process at last year's Commission meeting: "I want this done, and I want it done once and for all", which he feels indicates a desire for consistency. Mr. Ditmars stated that there are no three individuals who know more about the process than Ms. May, Mr. Blair and Mr. Olson at this time. He stated that he had checked with Ms. May and Mr. Blair's office, and has ascertained that both have numerous days available in October to work on this issue.

[Although Mr. Schroeder did not specifically name a commission member during the Commission meeting as their choice to serve on the arbitration panel, the IGA's choice was Commissioner Hamilton. At this time, Commissioner Hamilton declined to serve on the arbitration panel for personal reasons.]

Hearing no further comments, Chair Hansen requested a motion. Commissioner Sealock moved to appoint David Blair to serve as the third party on the arbitration panel.

Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-128)

Chair Hansen stated that one other dimension of the situation is the debate over the escrow fund. He stated that Commission members have received numerous documents on this subject.

Commissioner Hassenfritz moved to have the State Auditor perform an audit on the fund, and defer any decision regarding the Greyhound Promotion Fund. Commissioner Sealock seconded the motion.

Mr. Farrell stated that he was sure the State Auditor would have the authority to audit a private account. He does have the authority to audit state agencies, and other government agencies.

Commissioner Hassenfritz stated this would be a request. The Commission does have some fiduciary responsibility for the account, even though it is somewhat segmented. Mr. Farrell reiterated that he not know for sure whether he had the ability; that he had quickly reviewed the statute setting out his authority and did not see it in there unless there was another authority that he was not aware of. Mr. Farrell stated that he just wanted the Commission to be aware of that possibility when they consider the motion on the floor.

Chair Hansen asked if it would be appropriate for the motion to include the caveat that if the State Auditor is unable to perform the audit, that a private auditor would be selected to audit the escrow account. Mr. Farrell stated that he felt a private auditor would be within the realm of the Commission's authority to order due to the Commission's involvement with the process as set out by the Code. Commissioner Hassenfritz stated that the fund is semi-public fund because of the entities that place money in the fund, and the Commission is trying to oversee it, and feels an audit is the place to start.

Commissioner Hamilton stated that she felt the Commission was acting in haste; that they should request the statements, and then request the audit if there are questions. Commissioner Hassenfritz advised that the statements being received are not audited, and that there is no feel for how the account has been maintained. He indicated that the audit would be strictly procedural. Commissioner Sealock pointed out that every other entity the Commission does business with submits an annual audit; and doesn't know why anything less should be expected with regard to this fund. She stated that the Commission has not received any information about the account.

Mr. Ditmars stated that IWRA has taken the position that the series of arbitration decisions created the trust, which has two co-trustees – the IWRA and the recipient of the dog racing promotion fund, which up to this time has been the IGA. IWRA feels they have a fiduciary responsibility to insure that the fund has been properly managed in all aspects. He noted that the Iowa Legislature recently passed a Uniform Trust Act, which applies not only to trusts that come into existent after it passage, but also any existing trusts, and sets out a number of fiduciary responsibilities. Mr. Ditmars stated that IWRA, as a licensee of the Commission, wants to make sure they have discharged their fiduciary responsibility, and feels the beneficiaries of the trust are those individuals who may race dogs at BRC, either in the past or future, and the Iowa greyhound industry. He stated that in order for IWRA to do their job; they need full and complete disclosure regarding the account. He noted there has been some disclosure with sporadic monthly reports, but have had no response to their request for withdrawal information. Mr. Ditmars advised the Commission that he had contacted both of the brokerage firms seeking information. One of the firms wrote back indicating that Mr. Schroeder had told them not to provide him the information, that he should get it through Mr. Schroeder. The other broker failed to respond. It is his understanding that letters have been sent to both brokers, one in New York City and the other to Milwaukee, Wisconsin. He stated that IWRA doesn't even know who the signatories are on the account, and feels their name should be on the account.

Mr. Payne stated that he does not know what the investment policy is for the accounts, or what the asset allocations are, how the investment managers are selected, or how the fee basis is arrived at. He indicated that they receive sporadic reports regarding the yields and receipts, but doesn't have any information regarding disbursements, how or when the account is rebalanced. Mr. Payne emphasized that as a co-fiduciary of the account he needs to know all of the above information.

Mr. Ditmars stated that IWRA wants the IGA to acknowledge that the funds are in a trust, that the money belongs to the individuals that will race greyhounds at BRC in the future, and the Iowa greyhound industry in general; that IWRA and IGA are simply caretakers of the fund for those individuals.

Mr. Schroeder stated that IWRA does not have a job with respect to the fund, they are not co-fiduciaries of the fund, and that the money belongs to the IGA by virtue of the 1996 arbitration decision, which reads in part: The Iowa Greyhound Association will have sole control over the manner and type of investment. Decisions with regard to the investment of the fund will be made based upon the primary goal of retaining the principal endowment." He stated that the IGA has done what was asked of them in the arbitration decision. When the fund was initially established, proposals were accepted, and the fund managers were approved by the Commission. Mr. Schroeder indicated there has never been any question that anything improper has been done with the funds, and that it is absurd for IWRA to assert that they are a fiduciary with respect to the fund. He stated the fund is not a trust in the legal sense; it is simply an escrow account for the benefit of the individuals running greyhounds in Iowa.

Commissioner Hassenfritz asked Mr. Schroeder who owns the account. Mr. Schroeder stated that the IGA owned the account. Commissioner Hassenfritz asked if IGA was the sole owner. Mr. Schroeder answered in the affirmative. Commissioner Sealock asked if IGA was the only name on the account. Mr. Schroeder stated that the name on the account actually says IGA and IWRA, but the signature cards are only in the name of the IGA, all of which was approved when the fund was initially set up.

Commissioner Hassenfritz stated that trust regulations are very strict, and require an annual audit. Mr. Schroeder pointed out that Commissioner Hassenfritz was referring to a legal trust, where as the fund being discussed is an escrow account. Commissioner Hassenfritz advised Mr. Schroeder that the fund he was referring to was a health insurance fund.

Commissioner Sealock, noting that Mr. Schroeder had read part of the 1996 Arbitration Decision, read the following into the record from the same decision: "The principle shall be used for the sole purpose of supplementing purses in the future but may not be expended without the approval of the Iowa Racing and Gaming Commission." Commissioner Sealock, expressing concern regarding the Commission's role, stated that she did not know if that requirement had been followed. In addition, the decision states all expenditures of interest must be approved by the Commission. She stated that she doesn't have any idea what the expenditures from the account have been, and that she has not approved any expenditures.

Mr. Farrell pointed out that the decision specifically states the account will be in the name of IWRA and IGA. He stated Mr. Schroeder's assertions regarding IGA's control over the account and the type of investments were correct. He stated that since IWRA is a name holder on the account, they should receive information regarding the account.

Mr. Farrell noted that the Arbitration Decision states that if the IGA should cease to be the annual recipient of the Greyhound Promotion Fund as determined by the Commission, then their role with regard to the escrow account will cease and whoever receives the funds will take over control of the fund and managing the investments. He asked Mr. Schroeder if there was an issue with IWRA receiving the information. Mr. Schroeder stated that IGA does not have a problem with IWRA being provided with the information going forward, but don't feel they have a fiduciary responsibility. He indicated that he had looked up the word "fiduciary" in Webster's Dictionary, which states that a fiduciary is one who holds in trust for the benefit of another. Mr. Schroeder stated that is not what IWRA wants to do with the money. He indicated that they have no interest in benefiting the IGA with respect to the funds. He alleged that IWRA would have the funds expended the next day if the IGA allowed them to do so. Mr. Schroeder asserted that the IGA is the one holding the funds in trust, that IWRA has no interest in looking out for the interests of the IGA and never has.

Commissioner Sealock asked Mr. Farrell to explain the Commission's role with regard to the funds. Mr. Farrell stated that what Commissioner Sealock read was right – the Commission has the authority to approve expenditures from the fund, but didn't know what that process was. He asked Mr. Schroeder if the IGA had been submitting expenditures from the fund to the Commission for approval. Mr. Schroeder stated that every expenditure from the account has gone before the Commission for approval. He indicated that Ms. Vanderloo could vouch for that as well. Ms. Vanderloo stated that she does know some expenditures have come before the Commission, one being the IGA's web page, but is not aware of any other expenditures approved by the Commission. Mr. Schroeder stated that the only other expenditures have been those dictated by arbitration decisions.

Mr. Schroeder referred to the situation that occurred when Waterloo closed - $400,000 belonging to greyhound owners was lost when the track filed for bankruptcy. He referred to the escrow account as the future of the IGA and the greyhound owners. Mr. Schroeder indicated that the IGA was somewhat defensive in having to come before the Commission to defend their actions when the Commission has approved everything, and monthly statements regarding the account have been provided to the Commission with respect to funds going in or out of the account.

Commissioner Sealock asked Ms. Vanderloo if she had been receiving the monthly statements. Ms. Vanderloo stated that she started receiving the reports about a year ago, but doesn't have any other correspondence relating to the statements. She stated that Mr. Schroeder has been sending in his own reports with regard to expenditures, but they are not audited expenses. There is no verification from an outside source. Chair Hansen asked Ms. Vanderloo if she was receiving a balance statement. Ms. Vanderloo stated that the reports show the activity for the month, but not what the withdrawals were for. Commissioner Hassenfritz asked if the reports show a beginning and ending balance. Mr. Schroeder stated that he thought the reports did show withdrawals, but would not show what they are for, as the investment firms don't know what they are for. He stated

the IGA does not have any problem opening the account up, noting that the IWRA has always had the ability to work through the Commission to get copies of any information provided to the Commission. He feels IGA has made an honest effort to keep the Commission advised via regular account statements, which they felt was sufficient as they had the same information. Mr. Schroeder stated that letters had been sent to the investment firms instructing them to provide the IWRA with any information they request.

Commissioner Hassenfritz stated that no one was accusing anyone of wrongdoing. He is not taking sides, but is attempting to find out about the escrow fund and who has responsibility for it. He stated the Commission has a responsibility to provide correct answers when questions are asked. He stated that he is still does not know what the fund is – a trust or an escrow account, whether it is tax-free or a non-profit.

Mr. Schroeder concurred that the Commission has oversight responsibilities regarding the fund, which is why IGA insured that the Commission was on the mailing list to receive the monthly statements. Commissioner Hassenfritz asked what tax code the fund fell under. Mr. Schroeder indicated that he did not know.

Commissioner Sealock asked Mr. Schroeder if the IGA had a problem with having the account audited. Mr. Schroeder indicated they did not, but were surprised by the request, as they did not feel there was a problem. Commissioner Hassenfritz stated that no one was asserting there was a problem, just a lack of information concerning the account. He indicated the audit would be to everyone's benefit.

Mr. Ketterer noted that Mr. Schroeder had indicated the IGA was not opposed to having an audit from today back to the beginning of the fund. He referred to a proposal faxed to the Commission on Wednesday setting out eight proposals, which basically states the IGA is willing to provide anything the Commission wants going forward. He asked Mr. Schroeder if the IGA would object to a motion that included an audit from today back to the beginning of the fund, and one going forward. Mr. Schroeder stated that he could not legally state that the IGA did not have objections to the State Auditor reviewing the account. That is an issue that would have to be discussed with the IGA board. He feels the more prudent course would be the IWRA to obtain the documents they want, review them and raise any questions they might have.

Commissioner Sealock stated that there was a motion on the floor.

Chair Hansen called for any further comments regarding this issue. Mr. Payne stated that if IWRA's name is on the account, and if there is any chance that they could be named in a lawsuit somewhere down the road, he wants the opportunity to review any documents pertaining to the account unless someone absolves the IWRA of any responsibility. Commissioner Hassenfritz stated another option would be to remove IWRA's name from the account.

Mr. Ketterer stated that he felt the Commission needed to determine whether they want an audit in any event, or if the State Auditor or someone else should perform the audit. He reiterated that the audit would cover the time frame from the fund's inception to today. He doesn't feel there is much disagreement concerning disclosure of information going forward from either party. The Commission office is in receipt of both parties' proposals, and they basically say the same thing. Mr. Ketterer stated the Commission would look for complete disclosure regarding the fund going forward.

Commissioner Hassenfritz reiterated his motion to have an audit performed on the escrow account by the State Auditor, if possible, and if not, by an outside auditor. Chair Hansen, noting that Commissioner Sealock had seconded the original motion, asked if she had any objections to this motion. Hearing no further discussion, Chair Hansen called for the vote. The vote was 3-2. Chair Hansen requested a roll call vote. Commissioners Hamilton and Mahaffey voted nay. (See Order No. 00-129)

Following another short break, Chair Hansen called on the Isle of Capri (IOC) regarding their acquisition of The President Riverboat in Davenport. The following contracts were submitted in relation to the proposed acquisition:

- Master Addendum between IOC Davenport, Inc. and City of Davenport
- Operator's Contract between IOC Davenport, Inc. and the Riverboat Development Authority
- Assignment and Assumption Agreement between Isle of Capri Casinos, Inc. and IOC Davenport Inc. of the Vessel Purchase Agreement

Mary Ellen Chamberlin, President of the Riverboat Development Authority (RDA), the qualifying sponsoring organization for The President Riverboat Casino, asked the Commission to approve the acquisition of The President by the Isle of Capri Davenport (ICD) and the Operator's Agreement between the RDA and ICD. She indicated there was some sadness in the request as the RDA has taken great pride in being the longest, continuously operating casino in the country, and community pride in having a national historic landmark on the riverfront. Over the last several years, it has become apparent that the parent company is undercapitalized due to corporate management, and the Davenport boat has continued to lose market share. Ms. Chamberlin stated that while negotiating with IDC on the acquisition and RDA's contract, RDA tried to keep two or three things in front of them: 1) Maximize the use of the license to the RDA and the economic development and charitable programs that they support within the community; 2) Maximize the license for the City of Davenport, Scott County and the State of Iowa; and 3) the 900 employees of the casino. The new agreement increases RDA's base guarantee by $600,000 and have enhanced their cash flow so that the RDA rather than the casino will be earning interest on the money. The agreement also includes some guarantees that address some of the concerns expressed by Davenport residents.

Commissioner Mahaffey asked Ms. Chamberlin if there was broad-based community support for the acquisition, including the Mayor and City Council. She stated that she

had two letters, one from the Mayor of the City of Davenport, and the other is from Dan Huber, President and CEO of DavenportOne, which serves as Davenport's Chamber of Commerce and Community Development Group. Ms. Chamberlin indicated that she is a member of DavenportOne, and the business community is behind the planned acquisition. Mr. Ketterer advised that he had received the letter from Mr. Huber, but had not received the letter from the mayor. Ms. Chamberlin stated that there were questions surrounding the city's issues and leases that would be addressed later in the presentation.

Chair Hansen stated that one of the main concerns of the Commission is that there will continue to be two boats and two separate entities, and that it will not create a monopoly. Ms. Chamberlin stated that Davenport's competition is Casino Rock Island, and have seen more and more of their market share going to Illinois. She indicated the boats are on opposite ends of the bridge and visible to each other. Ms. Chamberlin stated that one of her main concerns as the sponsoring organization is the difference in the law between Iowa and Illinois. When the market share shifts to Illinois, not only does the non-profit community lose out, but so does the State of Iowa. RDA and the principals of Isle of Capri have held extensive talks, and the RDA has been assured that the Davenport operation will remain a separate operation with its own staff and management. There are agreements in the contract about continuing the service of a boat in Davenport, and there are provisions making the contract null and void if there is a certain lapse of operation in terms of time.

As there were no further questions for Ms. Chamberlin, she introduced Bernie Goldstein, Chairman of the Isle of Capri. Mr. Goldstein stated that he is happy to be rejoining the business community in Davenport. He stated that IOC's contract with The President allows them to use The President's name for two years, but does not feel they will need to do so. It is anticipated that sometime next year the name will be changed from The President to the new name. Mark Lohman, General Manager of The President, will discuss the new vessel. At this time, Mr. Goldstein turned the floor over to Jack Galloway, President and CEO of IOC, stated they would be creating a second brand called the Rhythm City Casino. The new logo was just approved. He stated that IOC has already purchased a new vessel, and approved a budget of $20 million for the vessel. They will spend approximately $11 million on redoing the boat, approximately $6 million on casino equipment, and $1 million on hotel renovations. Mr. Galloway stated that design work has commenced on the hotel, and anticipates that work will be completed some time in the spring of 2001.

Mr. Galloway stated that the ICD and the Isle of Capri Bettendorf would be managed separately, and that it is their goal to grow the market and take business away from Illinois. Each facility will have its own general manager and staff, and will report to a regional vice president who supervises six casinos. They will work together on some promotions, and there will be some overlapping of customers and their databases.

Commissioner Hassenfritz noted that IOC's parent company is traded on the NASDAQ. He asked how many outstanding public shares there were. Mr. Galloway indicated there

are approximately 30 million. Commissioner Hassenfritz asked if that was non-officer or director ownership. Mr. Galloway stated that the Goldstein family owns approximately 45-50% of those shares. Commissioner Hassenfritz stated that he saw where IOC was offering stock options to their employees. Mr. Galloway indicated that was not correct, that they offer that option to approximately 200 management people. Employees do receive bonuses. He indicated there is a stock option plan for the employees, but admitted that IOC is looking at changing it in the fall.

Hearing no further questions, Mr. Galloway introduced Mark Lohman, who will serve as general manager of ICD. Mr. Lohman advised the Commission that IOC has purchased the former Queen of Red, which was constructed by Horseshoe Entertainment and used as their Shreveport/Bossier City property until two years ago when it was replaced by a larger vessel. He stated that he had spent a great deal of time over the last year and half looking at vessels on the market with an eye toward the replacement of The President. Mr. Lohman stated that this was the best vessel available on the market. He stated that he had not seen any vessels that matched the history and elegance of The President until he saw this vessel. Mr. Lohman stated the boat contains in excess of 30,000 square feet of casino space on three decks, which are flat, square and for the most part, unobstructed. He stated the current staff is very excited to see what they can do on a vessel that was constructed to be a casino, unlike The President, which was designed to be a floating ballroom. The President Riverboat has reached the point where it needs to be retired or replaced by a new vessel in order to compete in the market. Mr. Lohman stated the new vessel can house approximately 1,200 slot machines, but the final configuration is still under discussion.

Mr. Lohman advised the Commission that the vessel would need some modifications to get it off the Red River, and they are currently underway. ICD would like to have the new vessel in the Davenport area, primarily above the I-280 bridge, which is approximately five miles downstream from The President's location, prior to the river closing. He stated that the top deck of the vessel has to be removed from the Red River and get it down to Morgan City where the hull will be inspected and the Certificate of Inspection renewed prior to coming to Iowa. They expect delivery some time in December, at which time they will proceed with the retrofitting of the vessel. Mr. Lohman stated that The President's current Certificate of Inspection expires on March 5, 2001, and that it would require an extensive cash outlay to renew the inspection. There have been discussions regarding other uses for The President, but nothing has been decided at this point.

Mr. Goldstein assured the Commission that a use would be found for The President, that it would not be destroyed. He indicated that it probably would not cruise.

Hearing no further comments or questions, Chair Hansen requested a motion regarding the proposed acquisition and related contracts. Commissioner Sealock moved to approve the acquisition of The President by IOC, and the related contracts. Commissioner Hamilton seconded the motion.

Mr. Ketterer advised that the motion should include the condition that the old license be surrendered upon closing and that the new license would be effective through March 31, 2001. Commissioner Sealock agreed to include those conditions in her motion. Commissioner Hamilton approved the amendments. The motion carried unanimously. (See Order No. 00-130)

Mr. Lohman thanked the Commission for their deliberation on this issue, and Mr. Goldstein for his vision, leadership and stepping forward and making the offer to acquire the Davenport operation from President Casinos. He thanked Ms. Chamberlin for her hard work and dedication on this issue. He stated that everyone is looking forward to joining the IOC family. Mr. Lohman thanked the employees in attendance for their enthusiasm, dedication and interest in the process.

Chair Hansen moved to Administrative Business. Mr. Ketterer advised there was none at this time.

Chair Hansen then moved to Public Comment. He stated that the Commission has clarified the statements regarding Public Comment that appear on the agenda. He noted that Public Comment is intended for individuals that wish to address the Commission on issues outside of agenda items to make a brief public statement. Chair Hansen stated that Public Comment is not to be used as a forum for making unsupported claims or maligning individuals. It is the Commission's intent to keep the meetings free of rancor.

Chair Hansen called on Phil Pritchard. Mr. Pritchard stated that the IRGC has been delegated a trust by the Governor, Legislature and the people of Iowa to serve the best interests of the entire state of Iowa. He indicated that a strong flourishing gambling industry in Iowa is not in Iowa's best interest. He stated there is no need on the Commission's part of congeniality between the Commission and industry; it is the Commission's job to keep a lid on the industry. He indicated that the gambling industry is attempting to gain control of the statehouse. Mr. Pritchard stated that before attending the meeting in Clinton and this meeting, he met with some well-respected clergy who made the following points: 1) IRGC is in the pocket of the gambling industry; and 2) He was wasting his time and energy as a common citizen has no chance of influencing the Commission. He stated that he would not be attending future meetings.

Chair Hansen asked for any other public comment. Hearing none, he requested a motion to adjourn. Commissioner Hassenfritz moved to adjourn the meeting. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
OCTOBER 12, 2000

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 12, 2000 at the Best Western Pzazz Motor Inn, 3003 Winegard Drive, Burlington, Iowa. Commissioner Members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton and Jim Hassenfritz. Commission member Mike Mahaffey was absent.

Chair Hansen called the meeting to order at 8:10 AM. He stated the Commission had received a late submission for another agenda item. Chair Hansen stated the issue could not be resolved by the Commission as the issue before the Commission is how to resolve the parliamentary question of resurrecting a resolved issue and bring it back before the Commission a second time. Roberts' Rules of Order sets out two procedures for doing so. One is a motion to reconsider that is timely made at the subsequent meeting and the second is a motion to rescind the previous action. Chair Hansen stated that if a Motion to Reconsider was made, the issue would be put on the table and the Commission could take no action until the November meeting due to the Open Meetings Law, which requires that every issue before the Commission be set out on the agenda. The Motion to Rescind would be out of order at this meeting for the same reason. Chair Hansen stated that the parties could address the Commission under Public Comment if they desired. Chair Hansen asked the Commission members if anyone wanted to make a motion to reconsider Commissioner Sealock's motion from the September 15, 2000 Commission meeting regarding the contract between the Belle of Sioux City and Specialty Diving as set out on page 16 of the minutes. Hearing none, Chair Hansen moved to the approval of the agenda as presented. Commissioner Sealock moved to approve the agenda as presented. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen called on Mr. Rheinschmidt, Chairman of Southeast Iowa Regional Riverboat Commission (SIRRC), the non-profit organization for Catfish Bend Casino (CBC). Mr. Rheinschmidt welcomed the Commission to Burlington. He introduced Tim Scott, the mayor of Burlington, who also welcomed the Commission to Burlington. He suggested that the Commission take an opportunity to look at the improvements to the riverfront, which have been paid for by the proceeds from the riverboat.

Mr. Rheinschmidt advised the Commission that SIRRC was comprised of three members each from Fort Madison, Burlington and Keokuk. He thanked CBC for being a good community citizen, sponsoring programs, and assisting with various projects. He noted that all three communities have benefited from the proceeds of CBC.

Chair Hansen moved to the approval of the minutes from the September 15, 2000 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen moved to the announcements and called on Linda Vanderloo, Director of Racing/Administration, to make staff introductions. IRGC staff present from the Burlington area were Todd Ollendick, Kathy Howard, and Coette Gida.

Chair Hansen made the following announcements regarding upcoming Commission meetings:

- November Commission Mtg. – November 16th, Holiday Inn University Park, W. Des Moines
- December – No Meeting
- January Commission Mtg. – January 9, 2001* – Holiday Inn University Park, W. Des Moines (*Change in date)

Chair Hansen stated that the November meeting would not start until 10:00 AM.

Chair Hansen stated there was a motion at the September meeting to have either the State Auditor or a private auditor perform an audit of the Greyhound Escrow Fund. He advised those in attendance that the Commission has been advised that the State Auditor will proceed with the audit.

Additionally, Chair Hansen advised that requests to appear before the Commission and material submissions must be submitted to the Commission office 10 days prior to the meeting, rather than seven as previously set out in the Commission's rule.

Chair Hansen stated that two licensees submitted late contracts during the September Commission meeting. Per Commission rule 491-5.4, all contracts are to be submitted on a timely basis. He informed the licensees that the Commission intends to firmly interpret the rule. He reminded them that the Commission previously fined a licensee $40,000 for late contracts.

Chair Hansen moved to the Rules before the Commission for final adoption. They were:

- Amend 491-Chapter 1 by adopting new rule
- Amend 491-Chapter 1, implementation sentence
- Amend 491-Chapter 3, title
- Amend 491-Chapter 3, introductory paragraph
- Amend subrule 3.3(7), paragraph "c"
- Rescind 491-Chapter 7 and adopt a new Chapter 7
- Adopt the new 491-Chapter 11
- Adopt the new 491-Chapter 12
- Rescind 491-Chapters 22, 24 and 26

He provided the following summarization:

- Item 1 is the process to follow in pursuing exceptions to the rules
- Items 3, 4 and 5 update the Commission's version of the Fair Information Practice
- Item 6 – Chapter 7 incorporates all of the greyhound racing rules
- Item 7 adopts a new Chapter 11, which incorporates the Rules of the Game and Manufacturers and Distributors, which were formerly in Chapters 22 and 26.
- Item 8 adopts a new Chapter 12.
- Item 9 is the formal rescinding of Chapters 22 and 26, which are now contained in Chapter 11, and Chapter 24, which is the new Chapter 12.

Chair Hansen stated that in all cases there have only been minor changes, and no substantive changes. He called for any comments or questions regarding the rules. Hearing none, Chair Hansen requested a motion. Commissioner Sealock moved to approve the final adoption of the rules as presented. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-131)

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

- Argosy Gaming – Intercompany Charges for August 2000 (RP)
- Williams Gaming – 2 Slot Machines (Replacements)
- Firstar Bank – Office Space Rental for 2 Years

Hearing no discussion concerning the contracts, Chair Hansen 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. 00-132)

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

- Innovative Incentives – Promotional Items
- KXKT Radio – Radio Advertising

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-133)

Chair Hansen moved to the contracts submitted by the Isle of Capri Bettendorf (ICB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- RDI – Database Marketing
- Mosler – Purchase of Soft Count Equipment and Additional Supplies

- Osborne Coinage – Slot Tokens
- Chesapeake Advertising – Advertising Agency

Commissioner Hassenfritz asked about the contract with RDI for database marketing. Ms. Donovan stated that it is a firm that reviews players' base and determines their value to the facility, which helps them establish their levels of comps/points. He asked if there were companies in Iowa that could provide the same service. Ms. Donovan indicated there were, but this is a company that Isle uses at all of their properties. She stated that Iowa companies would be given an opportunity to bid on the process when the contract comes up for renewal.

Commissioner Sealock noted that Ms. Donovan had made similar statements regarding other contracts going to non-Iowa companies with regard to the changeover. She indicated that she feels it would be difficult for Iowa-vendors to compete with companies that are able to provide a company-wide service, instead of to just a specific location because of Isle of Capri's size. Ms. Donovan stated that she felt the Iowa companies would be able to compete, depending on what the items are.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-134)

Chair Hansen called on Isle of Capri Marquette (ICM). Barron Fuller, Senior Director of Operations, advised the Commission that ICM would like to withdraw the contract with Dell Receivables. Mr. Fuller presented a contract with Isle of Capri Kansas City for the transfer of 59 slot machines to that property.

Commissioner Hamilton asked if the Dell Receivables would be presented at a later time. Mr. Fuller stated ICM intends to resubmit it at the November Commission meeting.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted by ICM. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-135)

Chair Hansen called on Lakeside Casino Resort. Joe Massa, General Manager, presented a contract with Jennie Edmundson Memorial Hospital for Lakeside's employee assistance program.

Commissioner Sealock moved to approve the contract as submitted. Commissioner Hassenfritz seconded the motion. Chair Hansen called for any discussion. Hearing none, he called for the vote. The motion carried unanimously. (See Order No. 00-136)

Commissioner Sealock asked how Lakeside selected Jennie Edmundson from Council Bluffs since it is much further from Osceola than Des Moines. Mr. Massa stated that they solicited bids from several groups. He also indicated that they are responsible for the

gamblers treatment program in that area. Additionally, Jennie Edmundson does have an office in Osceola.

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

- US Office Products – Office Products, Equipment and Services
- IGT Iowa – Participation Agreement for Addams Family Slot Machines

Ms. Bell noted that the contract with US Office Products indicates it is an Iowa vendor with an Omaha billing address. She stated that all of the product would be coming from a warehouse in Waverly, Iowa.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-137)

Ms. Bell advised the Commissioners that Ameristar has been holding old coins and damaged tokens in their vault for the last 4½ years, as they did not have a way to dispose of them. With the permission of Terry Hirsch, Director of Riverboat Gambling, Ameristar placed them in rebar and then covered them with concrete. Security was provided for 24 hours while the concrete hardened. She distributed pictures of the process.

Chair Hansen called on IOC Davenport. Mark Lohman, General Manager, and Curt Beason, legal counsel, were present to answer any questions. Before presenting IOC Davenport's contract, Mr. Lohman provided the Commission with a brief update regarding the transition from The President to IOC Davenport. He stated that the sale was closed during the early morning hours of Tuesday, October 10th, and that the transition went very well. He indicated that the new vessel, the Queen of the Red, which has been renamed Treble Clef, is currently in a shipyard in Louisiana for its hull inspection and installation of navigational equipment. It is hoped the boat can begin its journey to the Quad Cities area in early November.

Mr. Beason submitted an Amendment to the Master Agreement between IOC Davenport and the City of Davenport for Commission approval. He noted that the Master Agreement was approved at the Commission's September meeting. Subsequent to that meeting, there were additional meetings with City of Davenport representatives in which they requested to make the Master Addendum more in line with the agreement with the Riverboat Development Authority (RDA). Mr. Beason highlighted some of the changes:

- Change the extension of the contract term from indefinitely to a specific termination date of 2097.
- Change the renewal term to 8 years to coincide with the required referendums as set forth in statute.

- The default provisions were added to mirror the RDA license agreement.
- The City requested that the paragraphs pertaining to Admission Fees and Payment in Lieu of Taxes be added to the Master Addendum to provide some guarantees with regard to income from the facility.
- Mr. Beason noted that the Redstone Parking Ramp is very important to the future development of downtown Davenport. The City requested that IOC Davenport commit to leasing the parking ramp to be used for after-hours parking in order to insure the viability of the ramp.

Mr. Beason stated that the City Council has approved these amendments to the Master Addendum.

Hearing no questions of Mr. Beason, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the Addendum to the Master Agreement as submitted by IOC Davenport. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-138)

Chair Hansen moved to the next agenda item - IOC Bettendorf's request to add 210 additional slot machines, which was deferred at the July Commission meeting. Mr. Beason advised the Commission that he had sent a letter to Mr. Ketterer summarizing the request to reconfigure the gaming positions on the Bettendorf vessel. He stated that the application submitted to the Commission regarding the reconfiguration was done as a precautionary measure due to some of the substantial modifications, including the removal of the poker room at IOC Bettendorf. Mr. Beason stated that the table game and slot machine reconfigurations would not increase the number of gaming positions, but simply allow them to reconfigure their gaming space to meet patron demand. Since the application was filed, IOC entered into negotiations with The President to acquire the facility in Davenport. Because of that issue and others, IOC Bettendorf asked that the matter be tabled. Mr. Beason noted that a Master Development Plan has been established which calls for a poker room on the Davenport vessel. He reiterated that the reconfiguration would not increase the number of gaming positions authorized by the Commission, which is 1,599 positions. Based on those facts, Mr. Beason requested that the Commission consent to their request to withdraw their reconfiguration request. Mr. Beason stated that he had conferred with Mr. Ketterer and IRGC's legal counsel, Jean Davis, on this issue.

Chair Hansen clarified that the issue before the Commission is IOC Bettendorf's request to withdraw their prior request for additional machines. Commissioner Sealock, noting that there had been drastic changes to the situation since the submission, moved to approve IOC Bettendorf's request. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-139)

At this time, Chair Hansen called on Bluffs Run Casino (BRC) for an update regarding the number of injuries occurring at the track. Lyle Ditmars, legal counsel, and Rory DeSantiago, Director of Racing, were present to answer any questions. Mr. Ditmars

advised the Commission that Mr. DeSantiago is an example of BRC's commitment to the safety of the racing greyhound, noting that he spends approximately 60 hours per week at the track. He indicated that he is present for, and works, all schooling races.

Mr. Ditmars, referring to materials provided to the Commissioners, advised that there are three main types of injuries that occur at the track. These statistics were compiled by reviewing spreadsheets prepared by Mr. DeSantiago detailing every injury by date, owner, kennel operator, the type of injury and any comments that may have been made to him concerning the injury. Mr. Ditmars stated that Mr. DeSantiago gets this information from the state veterinarian at the track. Additionally, a state steward reviewed every tape of every race in which there was alleged to have been an injury to make sure the comments shown on the information presented to the Commissioners is correct.

The three types of injuries are:

- Accident-related – 40.2%: These are injuries where the vet and/or steward have indicated that there was some type of mishap on the track – a bump, or a tail hitting the rail and breaking. Something very obvious that could not be connected to the track surface in any way.
- Other – 19.6%: All other types of injuries – a broken fibula, tibia, muscle sprain, or any other type of injury reported to the state vet.
- Broken right hocks – 40.2%: Caused by the greyhounds running counter-clockwise and placing so much pressure on the right leg. This is the most frequent injury throughout the greyhound racing industry.

Mr. Ditmars stated it is the nature of the sport that some injuries will occur, even if everything were perfect. The frequency a greyhound runs also plays a part in the number of accidents, and is something that can be corrected. Dr. Peter Muir, a veterinary with the University of Wisconsin Madison, has written several papers on this issue. While doing his research, Mr. Ditmars learned that the University of Wisconsin Madison has some of the most outstanding individuals in the country in this particular area on their staff, and have undertaken several studies. Dr. Muir advised Mr. Ditmars that a right hock fracture is usually the result of stress or fatigue caused by the intense training and racing. The right hock can develop microcracks. If the microcracks are not given sufficient time to rest, the injury worsens.

Mr. Ditmars presented the following example: A greyhound raced in a Grade C race and won by 5½ lengths, was then moved to Grade B and won by a head. The next time the greyhound raced, he lost by 15 lengths.

Mr. Ditmars advised the Commissioners that BRC has no control over how often the greyhounds are raced. If the kennel operator and/or trainer leave them on the active list, the greyhound is subject to being scheduled to race. Commissioner Hamilton asked what the usual time lapse is between races for the greyhounds. Mr. DeSantiago advised that it was four or five days, depending on the grade of the race. Grade D greyhounds have as

many as seven or eight days between races, while Grade A greyhounds may only have four or five days. Commissioner Hamilton asked if all aspects of when the greyhound raced were up to the trainer. Mr. Ditmars stated that BRC has limits as to when the greyhound can be drawn back in to the racing schedule. He noted that each kennel operator has 70 crates allowing them to have that many dogs at the track. Mr. Ditmars reiterated that whether a greyhound is on the active list, and can be drawn in to race, is up to the trainer and kennel operator.

Returning to his previous example, Mr. Ditmars stated that the kennel operator and/or trainer made the decision to leave the greyhound on the active list. The next time that greyhound raced, it suffered a fractured right hock. The injury was caused by the frequency the greyhound was raced, not the track surface. Mr. Ditmars noted that Dr. Muir has stated that frequency of racing is critical in right hock injuries, and that this is an area in which BRC has no control.

Another issue is the competitive nature of the greyhound. Mr. Ditmars stated there is enough interest in racing at BRC, that all of the kennel operators could be replaced if BRC desired to do so.

Commissioner Hamilton clarified that each kennel operator has 70 crates. Mr. Ditmars indicated that was correct, but that it did not necessarily mean all of them were occupied. BRC encourages the kennel operators to bring as many dogs as they want so BRC will not run short on dogs to fill the races and help to cut down on the number of injuries. Commissioner Sealock asked if BRC had a minimum number of dogs the kennel operator was required to bring. Mr. Ditmars stated they are required to bring a minimum of 40 dogs per their contract with the track.

In March, when the big stakes races were finalized, as well as the increase in purses, some of the best greyhounds in the country came to BRC to race. These greyhounds are very competitive, and are bred to win. Dr. Muir has written in a letter to Mr. Ditmars, and in previous articles, that the higher the grade of the greyhound, the more competitive the dog is, the more apt the dog is to become injured. Mr. Ditmars stated that the statistics would show that the increase in the competitive nature of the dog is directly proportionate to the slight increase in injuries at BRC over the past couple of years.

Mr. Ditmars stated that another part of the picture is the care provided by the trainer and kennel operator. He stated that BRC does not have any control in this area. Mr. Ditmars clarified that he is not making any comments one way or the other regarding the care provided at BRC. He advised there are methods available to determine whether a greyhound has a propensity toward injury, but does not know if any of them are being utilized by the trainers or kennel operators at BRC. Genetics also play a part in the rate of injury.

The final issue that plays a part in greyhound injuries is the track surface. Mr. Ditmars stated that prior to taking the consultant's advice regarding the track surface, BRC had an

injury rate of .02 injuries per race. While they were following the consultant's advice, the injury rate increased to just over .04 injuries per race. The injury rate has decreased to approximately the prior rate since Mr. DeSantiago has gone back to making the decisions regarding the track surface.

Commissioner Hamilton asked Mr. Ditmars if he felt weather affected the track surface. Mr. Ditmars stated that he did not know, but in an article provided to the Commissioners regarding the study of the five tracks in Wisconsin, the researchers used the weather as one of the variables they checked, but determined that weather was not a factor in their study. Mr. Ditmars stated that he could see the weather being a problem in Iowa due to the weather variations. He then proceeded to describe the procedures BRC goes through on a daily basis to maintain the track surface. Mr. Ditmars advised there were three things that changed that affected the track surface:

- BRC started using a different drag at the request of the trainers. They had been using the same drag for a number of years, and the trainers didn't feel it was doing a good job. BRC purchased a new drag, which did not perform as advertised, so they went out and purchased yet another drag.
- Went with more frequent and regularly scheduled track testing. BRC utilizes an independent engineering firm to check the density and composition of the track four times a year. Track materials are always ordered to spec.
- The third change is the competitive nature of the greyhound.

Referring to the previously referenced graph on track injuries, Mr. Ditmars stated that it illustrates the fact that the track surface can make a difference, as well as the fact that BRC was doing a good job on track maintenance before and after the changes. BRC has had the same track people for the past two years.

Mr. Ditmars stated that they had attempted to compare their injury rate per race with the Dubuque greyhound track. He stated that on an overall basis, the injury rate at Dubuque and BRC are very close. He noted that Dubuque would not have the influx or competitive draw experienced at BRC. Additionally, he indicated that there had been a 23% increase in injuries at Dubuque; however, if the schooling races, which traditionally have an extremely low injury rate, then Dubuque has a higher injury rate for 2000 than BRC. Mr. Ditmars stated that he was not implying that Dubuque was doing anything wrong. He indicated that if the Commissioners compared BRC's injury rate to the tracks used in the Wisconsin study, they would find that BRC is doing a good job.

In conclusion, Mr. Ditmars stated that he feels the information presented indicates that BRC has done a good job in the past, and will continue to do a good job in the future. He noted that greyhound injuries are a complex issue with many factors. Mr. Ditmars advised the Commissioners that BRC is very comfortable with their efforts concerning the track surface, and will continue doing what they are doing, and will continue to work on this issue.

Mr. Ditmars stated that Mr. DeSantiago has an open door policy. If a trainer feels they have a problem, they can call him and set up a meeting. BRC has a Trainers' Committee that is supposed to meet monthly, but have been cut to one every two months at the trainers' request. Mr. Ditmars stated that only one kennel operator comes to the track on a daily basis to work with his dogs, the others depend on their trainers. There has been no increase in kennel operators at the track since the alleged injury problem began. He feels that if there truly were a problem, the kennel operators would be at the track discussing the matter with Mr. DeSantiago. Mr. Ditmars reiterated that BRC is very comfortable with their actions in this matter. He stated that he was aware of a recent letter indicating there was a lack of commitment on BRC's part, but that it was not true. Mr. Ditmars informed the Commissioners that BRC's records are open and available for review at any time.

Chair Hansen called on Ms. Vanderloo to relay a message from Jerry Crawford, legal counsel for the IGA. Ms. Vanderloo advised the Commissioners that she had received a phone call from Mr. Crawford advising that he would be unable to attend the meeting. He requested that she inform the Commission that the IGA feels the condition of BRC's track has not improved over the last ten days. Commissioner Hassenfritz asked if Mr. Crawford had provided any more specific information. Ms. Vanderloo stated that he did not.

Mr. Ditmars advised the Commission that the state stewards, veterinarians and Mr. DeSantiago's staff monitor the statistics on a daily basis. He stated that in the past few days, during the official races and schooling races, there had only been one injury, which had occurred the previous evening.

Commissioner Sealock, noting that the IGA is represented on the Trainers' Committee, asked if those members had indicated unhappiness with the track at BRC. Mr. DeSantiago indicated they have not. He reiterated that when the trainers asked to change the committee meetings to every other month instead of every month, he advised them that they could contact him at any time and request a meeting. He indicated that neither had contacted him to schedule a meeting.

Commissioner Sealock noted that the cover of a recent issue of the Greyhound Review highlighted a stakes race a BRC, which an Iowa-bred greyhound won. The article provided excellent coverage for both BRC and the IGA. Another article in the same issue provided coverage of the race card in which two national records were set. She stated that neither article mentioned any problems with the track at BRC.

Commissioner Hassenfritz asked Mr. DeSantiago how much communication he had with the other trainers. Mr. DeSantiago advised that several of the greyhound owners attend the races on a daily basis. Some owners he talks to on a daily basis, others maybe once a week. He reiterated that he sees the trainers on a daily basis. Commissioner Hassenfritz clarified that he had direct communication with the owners. Mr. DeSantiago stated that he did. Commissioner Hassenfritz asked about their comments. Mr. DeSantiago advised

that during the time BRC was following the consultant's recommendations, an owner called and asked for a meeting. Mr. DeSantiago met with him in his office, and then they walked the track, at which time Mr. DeSantiago advised him of the changes he wanted to make to the track, and explained why. The owner agreed with Mr. DeSantiago's proposed changes. Commissioner Hassenfritz asked if there had been numerous complaints from owners. Mr. DeSantiago stated there had not.

Commissioner Hamilton asked if there was any chance that the trainers and/or owners were afraid to complain for fear of being asked to leave the track. Mr. DeSantiago stated that he did not think that was the case, as many of the trainers and/or owners don't have a problem talking with Mr. DeSantiago.

Mr. Ditmars stated that his appearance is a break in BRC's tradition of having BRC individuals speak on behalf of BRC. He stated that he is addressing the Commission because the track surface issue originated with a complaint from a lawyer, which puts the issue in a legal arena. BRC would prefer that issues relating to the track surface be handled by the Trainers' Committee. Mr. Ditmars stated that it is impossible for Mr. DeSantiago to perform his duties if he is constantly dealing with rumors and innuendos. If he receives a complaint indicating the track isn't good, that doesn't provide him with much information to make corrections. Mr. Ditmars noted there is an opening on the Trainers' Committee that hasn't been filled. Mr. Ditmars stated that Mr. DeSantiago advised him that Mr. Ketterer had informed him that he was responsible for the track, and that he intended to be responsible. He stressed that problems, supported by facts, should be taken to the Trainers' Committee so that BRC can take corrective action. Mr. Ditmars also noted that Ms. Vanderloo is concerned about the care of the greyhounds.

Chair Hansen asked if there were any other comments. Commissioner Hassenfritz stated that he would prefer to hear from the Trainers' Committee directly rather than attorneys. Commissioner Sealock concurred.

Hearing no further action, Chair Hansen asked that the record show that BRC had submitted a comprehensive report regarding greyhound injuries.

Following a short break, Chair Hansen moved to the renewal of the racetrack enclosure gambling licenses. He called on Iowa West Racing Association (IWRA)/BRC. Tony Payne, Executive Director of IWRA, and Verne Welch, General Manager of BRC, were present to answer any questions concerning the renewal of the gambling license for 2001.

Commissioner Sealock asked about the security and surveillance, noting that in 1998 BRC had 18 on their surveillance staff, which was considered fully staffed. At this time, there are only 12 on the surveillance staff. Mr. Welch stated that he was not sure why there were only 12, but added that several surveillance cameras have been added. Commissioner Sealock concurred that they have had few instances of minors gaining entry to the casino, but indicated that she was trying to determine why there were fewer employees in the surveillance area. Mr. Welch stated that it would be the Security

Department that is responsible for ensuring that minors do not get into the casino, not surveillance. He noted that BRC has added two steps to their entry procedures. One is that they have installed a system which reads the magnetic stripe that some states are putting on the back of their licenses to determine whether or not it is a valid license. They now also record on video tape those individuals who are asked to provide ID along with the ID provided in the event a different ID is presented later on.

Chair Hansen called for any additional questions. Hearing no, he requested a motion. Commissioner Hamilton moved to approve the IWRA/BRC's renewal application for the racetrack enclosure gambling license for 2001 and the accompanying contracts. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-140)

Chair Hansen called on Dubuque Racing Association (DRA)/Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, was present to answer any questions concerning their license renewal application. In addition to the renewal application, Mr. Wentworth presented the following contracts for Commission approval:

- Silicon Gaming – Lease 10 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase 11 Slot Machines (Replacements)

Chair Hansen asked Mr. Wentworth what was happening with the proposed Native American casino in Wisconsin. Mr. Wentworth stated that he felt it was becoming more of a reality. He indicated that the tribe is still actively talking to the people in Lafayette County, as well as several other communities. It appears the tribe is receiving more support from the people of Lafayette County than other areas. Mr. Wentworth stated that DRA is monitoring the situation at the local and federal levels, and will keep the Commission informed. He indicated that it will be a long process, and that a lot of politics are involved.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve DRA/DGP&C's license renewal application to conduct gambling games at a racetrack enclosure in 2001 and the accompanying contracts. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-141)

Mr. Wentworth distributed the Dubuque's City Focus, a quarterly report prepared by the city. In the center of the brochure is a short piece on what the DRA means to the city, and the projects that have been realized due to funds received from the DRA.

Chair Hansen called on Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C). Bob Farinella, General Manager, was present to answer questions concerning their application to conduct gambling games at a racetrack enclosure in 2001. In addition, he presented a contract with McAninch Corp. for resurfacing the track for the harness meet.

Chair Hansen stated that he had a series of questions, and some observations. He noted that casino income started out at $129,988,000, increased to $149 million, which was reduced to $140 million. On August 15th, RACI announced that August revenue was down 12% and attendance was down 24%. He asked for their latest revenue projections. Mr. Farinella stated that PMR&C is projected to be just over $139 million for the year.

Chair Hansen stated that he was troubled by some of the expenditure increases in light of the fact that revenue is down. He noted that travel expenses have doubled, while others have tripled. There were contracts with two firms, KVI and Secure Care, which had increased by $500,000. He asked Mr. Farinella to comment on those increases.

Mr. Farinella stated that the insurance contracts had gone through the bidding process, and premiums are based on the track's experience levels. With regard to the amounts attributed to a specific vendor, Mr. Farinella stated the figures shown on the contracts are estimated amounts for the upcoming year. In some cases, vendors have been consolidated. Mr. Farinella assured Chair Hansen that PMR&C was operating within its budget parameters.

Chair Hansen noted that legal fees had tripled, but there was no change in legal representation. Mr. Farinella stated they anticipated increased fees because of the tax case pending in District Court, and made some allowances for that.

Chair Hansen stated that he pursued issues pertaining to the profitability of the casino because it is so vital to the existence of the racetrack. He wondered if the "goose had stopped laying the golden egg", and whether the track was in a free fall as there are reports indicating that simulcast and thoroughbred handle have plummeted anywhere from 21% to 33%. Chair Hansen stated that the Commissioners had received information from the office showing that Ellis Park in Kentucky experienced a 32% increase in attendance and 15% in track handle; Canterbury Park in Minneapolis had an increase of 5.2% in on-track betting; Arlington's was up 44%, and Fairplex experienced an increase of 2.5%. He compared those to a 14% decrease in thoroughbred handle and a 33% decrease during the mixed meet at PMR&C, which suggests that the track is going to become more and more dependent on the casino. He is concerned about the drain on the casino revenue.

Mr. Farinella stated that PMR&C has looked at some of the simulcast trends in the industry nationwide. Some of their biggest decrease is due to their inability to sell their signal this year due to the saturation of the market on Friday and Saturday, PMR&C's major race days. He noted that some major shifts are occurring in the simulcast market. Their focus is to be able to optimize their on-track and simulcast handle. Mr. Farinella advised the Commission that Lone Star experienced a decline in handle during their recent meet, as did a few other tracks. Mr. Farinella stated that he felt the fact that PMR&C has been under construction has had a major impact on their attendance, but that it will increase once the construction is completed.

Commissioner Sealock noted there was an article in the Association of Racing Commissioners' Bulletin that indicated the days on which PMR&C was racing, and the times, were part of the problem at PMR&C. She asked if they were adjusting their schedule to solve the problem.

Mr. Farinella stated PMR&C has tried various ways to optimize attendance and handle and educate the public about their product. He stated their current philosophy is to promote PMR&C as the home of a major sporting event in the Des Moines area. Mr. Farinella called horse racing a professional sport, noting there are no other professional sports in the area outside of some minor league teams. PMR&C is taking a closer look at its post times for next year to better accommodate the schedules of residents in the metro area, county and surrounding counties. He also indicated they would be addressing the starting time inconsistencies, due to accommodating the simulcast signal to export markets. Three years ago, they were able to fill a niche in the New York market on Mondays. At that time, PMR&C was one of two or three tracks that were able to provide a signal on that day. Today there are twelve tracks that are running on Monday.

Chair Hansen stated that he was troubled by the fact that PMR&C is losing some of its major simulcast markets as several of the tracks he mentioned earlier accomplished their gains due to increased simulcast handle, not on-track handle. He noted that PMR&C has off-track handle of $233,000, and is averaging $92,000 during the thoroughbred meet. If they were to replace the $233,000, PMR&C would have to see an increase of $29,000 in on-track handle, or a 31% increase. They would need to see a 40% increase in on-track handle during the mixed meet to compensate for lost simulcast handle. As there were additional decrease in handle following the Labor Day holiday, they would need a 60% increase in on-track handle. Chair Hansen noted that PMR&C's marketing plan talks about a 10% increase in on-track handle, but according to his calculations, they would need to see increases anywhere from 30% to 60%.

Mr. Farinella stated that PMR&C is still in the process of working out its simulcast contracts for next year. He noted that some states, like Arizona and New York, can not take export signals after a certain time of day, however, they are attempting to get their signal into Florida and New Jersey at the times they are racing. If they are successful, PMR&C would have a smaller percentage of simulcast revenue to make up.

Chair Hansen stated that he raised the questions due to the interdependence of the track and casino. He noted there is one other issue that will impact PMR&C over which they have no control, and that is the practice of offering rebates on wagers, which pulls individuals away from on-track betting. Chair Hansen indicated that Nevada has banned the practice of offering rebates on wagers, while Iowa has not done so. He referred to an article whish stated that there is a $1,000 betting window at the Meskwaki Casino in Tama. It further states they have reserved two tables, with telephones, in their sports betting parlor for those individuals placing $1,000 bets. The writer concludes that the Meskwakis have agreed to some type of a rebate arrangement. Chair Hansen stated that

if the policy of offering rebates were to take off and prosper at the Meskwaki Casino, it could pose a serious threat to on-track betting at PMR&C.

Mr. Farinella concurred with Chair Hansen's comments. He stated that the availability of Internet wagering is a concern to the whole industry. He noted that PMR&C belongs to several national organizations, and that all of them are dealing with the issues of rebates and Internet wagering. Mr. Farinella stated that as long as there is no jurisdictional control over these areas, they are just one more hurdle for them to contend with. Chair Hansen stated that he feels they pose a real threat to on-track betting. Mr. Farinella noted that another area of concern is telephone betting, where the individual does not even have to be present to place a wager.

Commissioner Hassenfritz asked if the phone wagers, such as those placed on the Internet, are done with a credit card. Mr. Farinella answered in the affirmative. Another option is for the individual to establish an account

Mr. Farinella pointed out that PMR&C is currently limited to sending its signal to three locations in Iowa. He lamented the fact that PMR&C does not have the ability to offer its signal in Dubuque or other areas of the state. Commissioner Hassenfritz asked if there were restrictions as far as putting satellite simulcast signals in metropolitan areas. Mr. Farinella stated that he did not know if it was forbidden, but that it was not permissible to have off-track betting locations in Iowa. He noted that other states do permit off-track betting. Commissioner Hassenfritz asked if off-track betting was economically feasible if it were ever to become legal. Mr. Farinella stated that it would be as the operating margins for such a facility would be very low, and the revenues would support the operation.

Chair Hansen called for any further questions or discussion concerning PMR&C's renewal application or contracts. Hearing none, he requested a motion. Commissioner Sealock moved to approve PMR&C's license renewal application to conduct gambling games at a racetrack enclosure and the accompanying contracts. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-142)

Mr. Farinella provided a brief update on the construction project at PMR&C. He stated that the project is coming along, and they are occupying approximately 90% of the additional space at this time. They have not exceeded their threshold of 1,264 machines. It is anticipated the front entrance of the facility will be completed by October 30th. Mr. Farinella stated that the air handling equipment is working very well. Once the new entrance is completed, the old entrance where the stairwells and escalators were located will be walled off and a new floor installed. That project should be completed by the end of November, at which time the construction project will be essentially completed.

Mr. Farinella noted there were two issues pertaining to the harness meet that were open from the previous month's Commission meeting – the starter and a starting gate. He advised the Commission that both have been contracted for and are in place.

Last, Mr. Farinella stated that they have been removing the existing carpet that has been in place for 5½ years. He estimated that approximately 18 million individuals have walked on the carpet. He brought a piece of the new carpet and one of the old carpet, which came from England. Commissioner Sealock asked where the new carpet was from. Mr. Farinella advised her that it was being manufactured by one of the carpet mills in the United States. He hopes the quality of the new carpet is as good as the old carpet.

Chair Hansen called on Wes Ehrecke, Executive Director of the Iowa Gaming Association, who provided an update on their recent activities. He advised the Commission that the Association is very committed to supporting the Commission's mandate of using Iowa vendors. They will be holding their third Iowa Vendor Fair on Wednesday, November 1st at the Des Moines Convention Center. Mr. Ehrecke stated that ads placed in various newspapers have generated a fair amount of interest. He indicated the Association has heard from several vendors who have participated the past two years that have established a good relationship with the licensees and do not plan to attend this year's fair. He expects participation may be down somewhat because of that.

Along that same line, Mr. Ehrecke provided the Commissioners with a report showing the amount of agricultural products purchased by the licensees on an annual basis. He indicated the Association would be meeting with the commodity organizations on an individual basis.

In a previous report to the Commission, Mr. Ehrecke advised the Commission of the possibility of forming an alliance among several organizations that have an interest in curbing problem gambling, or providing assistance to problem gamblers. At this time, he informed the Commission that a meeting is scheduled for later this month with several groups to discuss the concept and the possibility of forming such an alliance. Of the individuals and/or organizations contacted, only one has elected not to participate. If the alliance is formed, it would have the following objectives:

- To work together to have the premier gambling treatment program that will also emphasize awareness and prevention initiatives. That 100% of the funds provided by the gaming and lottery industry would be earmarked for this area.

- To strongly advocate opposition to underage gambling, as well as unauthorized or unregulated forms of gambling such as the Internet or sport wagering.

- To review peer-approved researchers and reports studying various issues concerning the gaming industry for the Alliance to better understand and agree on the facts vs. myth. This would include percentages for pathological and compulsive gambling disorders as well as other statistics.

- To jointly co-host future Iowa Responsible Gaming Education Weeks and other conferences or sessions that would be determined by the Alliance to have merit to specific identified targeted audiences.

Commissioners Hassenfritz and Sealock commended the Association for their efforts in working with the agricultural commodity groups. Chair Hansen commended them for their efforts relating to the restoration of the funding of the gambling treatment program. He noted that he met with several legislators last March, but was unsuccessful in stopping the raiding of the fund. Chair Hansen indicated his intent to have a Legislative Report at the November meeting, and that issue would be one of the main topics. He stated that he is troubled by the fact that earmarked funds, a tax specifically collected for treatment purposes, are diverted to other uses. Chair Hansen added his commendations for the Association's work with the commodity organizations.

Mr. Ehrecke stated it is possible the Alliance will have another meeting prior to the November Commission meeting, and indicated one of the goals was to establish a budget to show how they would spend $2.9 million.

Commissioner Hassenfritz asked if problem gambling counseling could somehow be dovetailed with credit counseling as he feels it is a question of winnowing out individuals with credit management problems from those with gambling problems. After reading the limited data available on the subject, he feels there is a common thread as individuals with "gambling problems" also have credit problems, not attributable to gambling, but they manifest themselves as a gambling problem when times get tough.

Chair Hansen cautioned against trying to tie in credit counseling managed by a private sector individual. He expressed his preference that someone who does not have a for-profit credit counseling service determine the issue of treatment for gambling problems or credit counseling.

Chair Hansen asked if there was any Administrative Business before the Commission. Ms. Vanderloo answered in the negative.

Chair Hansen moved to the Public Comment segment of the agenda, and called on Ray Lasell, representing the Truth About Gambling Foundation. Mr. Lasell spoke to the Commission about "Treasure Tower", a new lottery game, which can be played on personal computers. In his opinion, this is not another way of playing the lottery, but machine gambling – another form of video poker or slot machine gambling. He feels most slot machine players would concur with his assessment of the game. Mr. Lasell asked the Commission to carefully review the law that defines machine gambling and confirm that they have the authority, not the Iowa Lottery, to regulate and control this type of gambling. He provide the following excerpts from a 1995 study, "Gambling and Problem Gambling in Iowa", conducted by Gemini Research for the Iowa Department of Human Services:

- Increases in the availability of gambling leads to increases in the prevalence of gambling related difficulties in the general population.

- Increases in gambling on machines – are particularly associated with the overall increase in lifetime participation in gambling

- The greatest increase in the gambling involvement of problem and pathological gamblers ...is in gambling on machines.

Chair Hansen advised Mr. Lasell that the action that precipitated this action came from a separate and unrelated Board, and that the Commission has no control. He stated that he has already expressed his opinion that the game constitutes a questionable expansion of gambling. This issue also raises the problem of having two separate boards – one that regulates racing and gaming, and one that regulates the lottery. He feels the Legislature should look at the feasibility of placing all issues pertaining to gambling, racing, and gaming under the jurisdiction of one board. Chair Hansen also indicated there is a conflict concerning the gambling treatment program.

Mr. Lasell expressed concern about underage participation in the home. He stated that he feels the Commission would have some regulatory authority over the game, as it is a machine, not a lottery.

Commissioner Hassenfritz also expressed concern about Internet gambling, which he opposes. He clarified that he is not against the Internet, just Internet gambling due to the inability to regulate it.

Chair Hansen stated that the individuals involved with Internet gambling have the prerogative to do as they please, much like those involved with Indian gambling. Mr. Lasell indicated that it is a federal problem. Chair Hansen concurred.

Commissioner Hassenfritz stated that he felt this game should be addressed as Internet gambling.

Commissioner Sealock advised Mr. Lasell that the organization should contact the legislators. He indicated they planned to do so.

Chair Hansen pointed out that the only regulation of the Internet is the 1960 Wire Act, which related to gambling going over telephone wires.

Chair Hansen asked if there was any further business to come before the Commission. Hearing none, Chair Hansen requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
NOVEMBER 16, 2000

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, November 16, 2000 at the University Park Holiday Inn, 1800 50th Street, West Des Moines, Iowa. Commission members present were W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 10:10 AM, and moved to approval of the agenda. He reported that agenda item no. 9, Harveys' request for approval of financing documents pertaining to the Pinnacle transaction, had been withdrawn at their request. Commissioner Mahaffey moved to approve the agenda as amended. Commissioner Hamilton seconded the motion.

Jeff Terp, Vice President of Business Development for Ameristar, requested that agenda item no. 8, request for approval of financial restructuring and acquisitions, be combined with the approval of their contracts due to time constraints. Commissioners Mahaffey and Hamilton did not object to the additional change. The motion carried unanimously.

Chair Hansen moved to the approval of the minutes from the October 12, 2000 Commission meeting. Hearing no additions or corrections, he requested a motion. Commissioner Sealock moved to approve the minutes of the October 12 Commission meeting as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer thanked everyone for the expressions of sympathy relating to the death of his mother. At this time, he introduced Jeff Rethmeier, Richard Woodsmall and Dr. Sally Prickett, the state stewards and veterinarian at Bluffs Run Casino (BRC) respectively.

With regard to upcoming meetings, Mr. Ketterer noted that there is no meeting in December; the January meeting will be held on Tuesday, January 9, 2001 at the University Park Holiday Inn; no February meeting; and the March meeting will be held on March 1, 2001. The location will be announced as soon as it is determined.

Mr. Ketterer reminded the licensees that the renewal applications for the riverboat licenses are due in the Commission's Des Moines office by December 31, 2000. He stated that the applications would be sent out to them either Friday or Monday.

At this time, Chair Hansen called on Teri Goodmann, Development Director of the Mississippi Museum, who gave a report on America's River Project. Ms. Goodmann stated that this project is national and global in scope and will be constructed on 60 acres

located on the 4th Street Peninsula in Dubuque. Their project consists of three major components:

- The River Discovery Center and Aquarium: A 65,000 square foot addition to the current 10,000 square foot Mississippi River museum, a two-acre wetland reintroduced into the Ice Harbor, and an overnight/breakfast boat.
- National Mississippi River Education and Conference Center: An 110,000 square foot educational center for national and international educational forums.
- 200-Room Hotel with an attached 26,000 square foot water park. A four-star hotel, which will be adjoined to the National Mississippi River Education and Conference Center.

The River Discovery Center is an outgrowth of a grant the museum received in 1992, and focuses on the entire Mississippi River. The center will include fifteen aquariums, most 30 x 40 feet. One will be 70' long and 15' high. The Discovery Center will be linked to the Education and Conference Center and to distance learning sites across Iowa and around the world. A partnership agreement is being negotiated with Tulane University in New Orleans. Ms. Goodmann stated that the project has the support of all of the Governors of the states along the Mississippi.

Ms. Goodmann stated that a developer has come forth with matching funds for the 200-room hotel, and a development agreement has been negotiated with the city for a quarter-million dollars.

Ms. Goodmann advised the Commissioners that the project could be started in March 2001 and completed as early as the winter of 2002. All of the buildings have a 12-18 month construction period.

Commissioner Sealock noted that the entrance to the harbor had not been widened. Ms. Goodmann stated there were no plans to do so. They will be building a 20-foot wide river walk on top of the floodwall, providing individuals with a view of the river and the city of Dubuque. She indicated there would be cascading stairs down to the river's edge.

Commissioner Sealock asked how secure the financing was for this project. Ms. Goodmann stated that over the last three years, approximately $30 million has been raised for the river discovery center. Funding has been received from both the private and public sector. Four million has been secured from the federal government. The commercial shipping industry and environmental organizations are also backing this project.

Commissioner Mahaffey asked how much was being requested from Vision Iowa. Ms. Goodmann indicated they would be seeking $65 million. The projected cost for the project is $178 million. She stated that one of the immediate benefits of the Vision Iowa program was that it allowed communities to dream. Ms. Goodmann advised that Dubuque is positioned to be a model project for the Vision Iowa funds. They feel that if

there are some early successes in attracting and retaining workers, and improving the quality of life will help other communities see the benefit of enhancing their cities. (See attached presentation)

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

- Williams Gaming – Revision of previously approved Lease Agreement; Reduce Monopoly from 8 to 4 games; add 4 Puzzler Pays
- Atronic Casino Technology – Purchase of 8 Slot Machines; Parts Inventory (Replacements)
- Lamar Companies – Billboard
- Aristocrat, Inc. – Purchase 6 Slot Machines (Replacements)

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commission Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-143)

Mr. Wentworth provided a brief update regarding the situation in Wisconsin. He referred to a recent article that appeared in the National Gaming Summary, which indicates that Governor Thompson has taken some steps that would allow Dairyland Greyhound Park to become part of an Indian casino complex. He noted there are several procedures to go through before the action is finalized.

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

- AFSCME Council 61, Locals 2051 & 234 – Collective Bargaining Agreement Contract Extensions
- Anchor Games – Lease Agreement on 8 Participation Slot Machines
- Atlantic Bottling Co. – Beverage Products (Increase)
- Atlantic City Coin & Slot Service Co. – Lease Agreement on 8 Slot Machines
- Greater Des Moines Baseball – Iowa Cubs Baseball Sponsorship
- KCCI Television – Television Advertising
- Mikohn Gaming Inc. – Lease Agreement on 10 Slot Machines
- Williams Gaming Inc. – Lease Agreement on 16 Slot Machines

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-144)

Commissioner Hamilton asked Mr. Farinella if he had anything from Polk County regarding PMR&C's desire to reduce the amount of funds paid to Polk County. Mr. Farinella noted there had been some discussion regarding the issue in the media, but was not sure where the information was coming from. He stated that the overall issue of increasing taxes should make it obvious that there is going to be fewer dollars on the bottom, and that it will be necessary to have a discussion as to the distribution of those funds. He reiterated that PMR&C has not released any information regarding this issue, nor has there been any formal discussions with Polk County. He stated that it was his understanding there was to be another article on this issue in the Sunday paper.

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

- Anchor Games – Participation Agreement to Add 2 Wheel of Fortune Games (Replacements)
- Aristocrat Technologies – Purchase of 12 Slot Machines (Replacements)
- Iowa Trust – Agreement and Trust for 4 Elvis Wide Area Progressive Slot Machines (Replacements)
- Mikohn Gaming Corp. – Participation Agreement to add 8 Video Battleship Slot Machines (Replacements)
- Mikohn Gaming Corp. – Participation Agreement to add 8 Video Yahtzee Slot Machines (Replacements)
- Seabury & Smith – Purchase of Marine, Worker's Compensation, Auto, Contents, Water Pollution and Dram Shop Insurance
- ShuffleMaster – Lease of 5 King Shufflers
- Silicon Gaming – Participation Agreement for 8 Family Feud Machines (Replacements)
- Williams Gaming, Inc. – Purchase of 6 "Cast for Cash" Slot Machines (Replacements)

Mr. Kehl advised the Commission that the vessel made its annual voyage to Burlington on November 6. He noted that the City of Burlington commissioned a downtown development task force. One of the recommendations of the task force was that they would like to see a permanent casino in Burlington. Mr. Kehl stated that he had advised them that CBC had a contract with the not-for-profit organization, and it was their intent to continue that contract.

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by CBC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-145)

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

- Per Mar Security – Purchase of Replacement Surveillance Cameras
- Lamar Advertising – Billboard Signage
- PDC Graphics – T-Shirt and Screen Printing Fees for the year
- Hedlund Associates, Inc. – Tour Company
- Best Western Frontier Motor Inn – Hotel Used by Customers w/Players Club Promotion
- Tristate Tours, Inc. – Tour Company
- Pinney Printing Co. – Printing of Monthly Newsletters and Promotional Signs
- U.S. Postmaster – Postage
- Premier/Aladdin Linen – Uniform Rental & Laundry Service
- Harker's Distributing, Inc. – Food
- Hawkeye Food Systems – Food
- Kopps Market, Inc. – Food
- Lodging & Gaming Systems – Computer Support System & Software
- Sauk Trails – Tour Company
- Leach Specialty Sales – Purchase of New 24-Passenger Shuttle Bus
- Dubuque Bank & Trust – Loan Guarantee

Chair Hansen asked about the contracts with the tour companies. Mr. Bonnet stated that most of MB II's customers come from Illinois, and the bus tours normally originate from the customer location. He noted that the tour companies are basically offered the same package.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-146)

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

- Anchor Games – Participation Agreement for 6 Slots (Replacements)
- Aristocrat, Inc. – Purchase of 16 Slot Machines (Replacements)
- Atronic – Purchase of 20 Slot Machines (Replacements)
- Dupey Equipment Co. – Upgrade Buffet Food Bars
- Mikohn Gaming Corporation – New Participation Agreement for 12 Slot Machines (Replacements)
- ShuffleMaster Gaming – Purchase of 8 Slot Machines (Replacements) & Sign
- Waste Connections, Inc. – Solid Waste Disposal
- Williams Gaming – Purchase 20 Slot Machines (Additional) and New Participation Agreement for 12 Puzzle Play Slots (Replacements)
- Wohlerscape, Inc. – Snow Removal Services

Chair Hansen asked if the Commission had any supporting documentation concerning their request for additional machines. Mr. Gubbrud advised Chair Hansen that approval

for the machines was given in July 1999. Chair Hansen asked if these machines were beyond the approval given. Mr. Gubbrud indicated they were not.

Hearing no further discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-147)

Chair Hansen called on the Dubuque Diamond Jo (DDJ). Lorraine May, legal counsel, presented a contract with Gerardy Construction, Inc. to serve as the general contractor for remodeling the inside of the Portside building.

Hearing no discussion regarding the contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted by DDJ. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-148)

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

- Argosy – Intercompany Charges for September 2000
- Altman Software – Computer Tech Support

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BSC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-149)

Chair Hansen called on Isle of Capri Bettendorf (IOCB). Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Brintons US Axminster – Casino Carpet
- Lucent Technologies (AT&T) – Additional Phone Equipment
- Safety Risk Services, Inc. – Third Party Administrator
- Stanley Consultants, Inc. – Marina Consultant
- Stephens Floorcovering, L.C. – Carpet Installer

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by IOCB. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-150)

Chair Hansen moved to the contracts submitted by Lakeside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- ShuffleMaster – Amendment of Current Lease and a New Model
- ShuffleMaster – Lease Agreement on Three Way Action Game

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Lakeside. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 00-151)

Mr. Massa advised the Commission that if the traffic flow holds up and the projections are correct, it is anticipated that sometime between Thursday and Saturday evening, the millionth customer since opening on January 1 will pass through the turnstile.

Chair Hansen called on Ameristar Casino. Jeff Terp, Vice President of Business Development, presented the following contracts for Commission approval:

- Hawkins Construction Company – Restaurant Construction & Renovation (Amerisports Bar)
- Hawkins Construction Company – Restaurant Construction & Renovation (Coffee Shop)
- Charles Vrana & Son Construction – Hotel Pavilion Retro-fit (Renovation)
- Lund Ross Constructors – Casino Retrofit (Renovation)

Commissioner Sealock asked why all of the contracts were with Nebraska contractors. Mr. Terp noted that the information indicated competitive bids were received on all of the projects. He stated that Hawkins Construction Company was the most responsive and cost competitive. Commissioner Sealock asked if any Iowa companies bid on the projects. Mr. Terp indicated they did. Commissioner Sealock asked if there were any specific companies. Mr. Terp stated that different companies responded to different requests for bids. He assured Commissioner Sealock that all companies had an equal opportunity to bid on the projects.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 00-152)

At this time, Chair Hansen moved to Ameristar's request for approval of financial restructuring and acquisitions. The following documents were presented for Commission review and approval:

- Asset Purchase Agreement for the Purchase of Kansas City Station Casino
- Asset Purchase Agreement for the Purchase of St. Charles Riverfront Station Casino
- Asset Purchase Agreement for the Sale of The Reserve

- A Commitment Letter from Bankers Trust Company for secured bank financing of $575,000,000
- An engagement letter from Deutsche Bank Securities, Inc. for the placement of $300,000,000 of senior subordinated debt securities
- A bridge loan/term loan commitment letter from Bankers Trust Corporation that will be used to facilitate a closing of the acquisitions if the senior subordinated debt offering is not completed by the closing date, and
- Three Indemnification Agreements related to the commitment letter and engagement letter agreements

Mr. Terp advised the Commission that Ameristar Casinos, Inc. is purchasing the two Stations Casinos located in Missouri for $475 million. This figures is five times the cash flow, which means these properties are self-funding. Ameristar will also be selling "The Reserve", their property located in Henderson, Nevada for $70 million to Station Casinos. At this time, Ameristar is requesting $875 million in debt, which includes approximately $100 million for the completion of the St. Charles Station facility. Station Casinos never completed the project, despite repeated assurances to the community to the contrary. Mr. Terp stated that Ameristar intends to complete the project, and as part of their commitment to the city and mayor, they want to be able to show city officials that Ameristar was able to borrow sufficient funds to complete the project. However, they actually intend to pay for the completion from the cash flow of the property. When the projects are completed, Ameristar is licensed, and the acquisition is completed, Ameristar will only have $700 million in debt due to the fact that $50 million from the sale of The Reserve will be applied to permanent debt retirement. In the end there will be approximately $300 million of senior subordinated debt and $575 million in a line of credit and term loans that Ameristar has been able to secure. Mr. Terp stated that the proposal would be presented to the Missouri Gaming Commission on December 20th. If Missouri's consideration is favorable, the acquisition of Station would be completed prior to Christmas, and the sale of The Reserve to Station will be completed sometime during the first ten days of 2001. After all of the above is completed, some of the temporary debt will be replaced with senior subordinated debt. Mr. Terp stated that Ameristar hopes to complete the conversion to the Ameristar name at the Station properties in April or May 2001. It is anticipated the remodeling, renovation, and expansion of the St. Charles property will be completed by the end of 2002.

Commissioner Sealock asked what impact, if any, this transaction would have on the Council Bluffs facility. Mr. Terp stated there should be no impact on the Iowa property as the project is self-funded by cash flow from the two Missouri facilities. If there is any impact, it should be positive as Ameristar is more than doubling their cash flow, and the number of slot machines. This acquisition will enhance Ameristar's position in the gaming industry.

Commissioner Sealock wished Ameristar well on the acquisition, noting that Station Casino had been nominated the No. 1 casino in Missouri for the third year.

Commissioner Sealock moved to approve Ameristar's request for approval of financial restructuring and acquisitions. Commissioner Hassenfritz seconded the motion.

Mr. Ketterer asked Mr. Terp if these acquisitions would have any impact on the timing and/or completion of the proposed future capital improvements at the Council Bluffs facility. Mr. Terp stated there would be no impact. He indicated if there were any effect on the timing, it would be the result of other forces, not the Missouri acquisitions.

Hearing no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 00-153)

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

- The No Casino Group – Contribution/Donation
- Dell Receivables – Computer Equipment & Supplies Per Contract Established by Corporate Office
- IGT – Lease 4 Addams Family Wide Area Progressive Machines (Replacements)
- King Food Service, Inc. – Food Item Purchases

Commissioner Sealock asked if the computer equipment from Dell was available in Iowa. Mr. Hardy advised that the corporate office had negotiated a factory-direct discount.

Commissioner Mahaffey asked about the contract with the No Casino Group. Mr. Hardy explained this is a contribution to an organization in Wisconsin working to keep casinos out of the state. He advised the Commission that approximately 22% of ICM's revenue comes from LaCrosse, Wisconsin.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve ICM's contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 00-154)

Chair Hansen moved to the contracts submitted by IOC Davenport. Mark Lohman, General Manager, presented the following contracts for Commission approval:

- Brown Manufacturing – Slot Bases, Pies for Carousel
- Firstar Bank – Master ATM Agreement
- Lamar Companies – Billboard Advertising
- Osborne Coinage Co. – X-Mark Tokens & Comparators
- Paulson Gaming Supplies, Inc. – Custom Playing Cards, Game Layouts & Other Gaming-related Supplies
- The Brandt Company – Direct Mail Printing & Distribution

Hearing no discussion concerning the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOC Davenport. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 00-155)

Chair Hansen called on the Iowa Greyhound Association (IGA). Jerry Crawford, legal counsel for the IGA, advised they requested the opportunity to appear before the Commission to discuss the contractual ramifications of the track condition at Bluffs Run Casino (BRC), and more specifically, the contracts between BRC and the kennel owners/operators. He stated that some individuals would consider this to be a private matter between the track as a business and third parties, but feels that thought process ignores the Commission's responsibility as BRC is a regulated business entity. He pointed out that the Commission determines the amount of money BRC is required to pay in purses to the third party kennel operators. Additionally, the Commission is responsible for monitoring the safety of the track conditions at the facility. Mr. Crawford stated that the track condition has been better on some occasions than others, but that it is not necessary to go back any further than the Commission meeting in Clinton when Verne Welch, BRC's General Manager, stated that two track records had been set in a one-week period. He indicated that the Commission should be concerned as that means the track surface is like asphalt, making it very dangerous for the greyhounds. If the track surface is endangering the safety of the greyhounds, it is creating enormous financial and practical problems for the kennel owners and operators. Mr. Crawford stated that greyhounds are very expensive, and it is difficult for the owners/operators to maintain an active list when they are injuring dogs at a record rate. They are also faced with the economic hardship of replacing those dogs.

Mr. Crawford stated the IGA requested the opportunity to be on the agenda approximately ten days ago in order to discuss what IGA feels is the Commission's responsibility in monitoring whom does and does not get kennel contracts at BRC for 2001. Mr. Crawford advised the Commission that immediately following IGA's request to be on the agenda, BRC started sending out kennel contracts for 2001. He pointed out that some of the current kennel operators have received contracts for 2001, while others have not. Mr. Crawford stated that he had approached Mr. Welch prior to the meeting regarding the kennel contracts and was advised that the announcement naming the kennel operators receiving contracts for 2001 would be made after the Commission meeting adjourned. In Mr. Crawford's opinion, delaying the announcement until after the Commission meeting adjourns allows BRC to determine which kennel operators they like, who they want, who they think is easy to do business with, who they choose to keep or not keep as a result of the past year. Mr. Crawford stated the IGA has been concerned about this issue all year, prompting him to write each of the Commissioners individually on June 14, 2000. The letter stated in part: "Adding insult to injury, the track continues to send threatening letters to kennel operators, telling them that they don't have the requisite number of dogs on their active list, and face termination of their contracts because of their shortage. Respectfully, it is hard to maintain adequate numbers on an active list when track conditions are destroying animals at a rapid rate. Furthermore, the

threat imposed may lead to the unintended result that a dog whose health status is less than 100% may, none the less, be raced for the simple reason that active lists must be strictly maintained. We believe that track management should be prohibited from sending these threatening letters and prohibited from taking any action against these kennel operators for this reason." Subsequently, it was IGA's understanding, based on communication between Mr. Welch and IGA President David Ungs, that the letters would cease. At this point, all IGA knows is that some BRC kennel operators have not received a contract for the coming year. Mr. Crawford informed the Commission that the Arthur and Beverly Yates Kennel is one of the operators that has not received a contract offer for 2001. He noted that the Yates kennel has experienced 20 broken legs so far in 2000, and has had between 10-15 additional greyhounds removed from racing due to other race-ending injuries. In terms of dollars won, they are second from the bottom. This year, money won in stakes' races were not included in kennel standings, which is a variation from previous years. Mr. Crawford stated that the Yates Kennel did very well in stakes races, noting that they had two dogs in the final Iowa Breeders Championship Race. He noted that one of the owners is an officer of the IGA, and BRC has indicated they are critical of them on the topic of the track condition.

Mr. Crawford requested that the Commission establish a timetable in order to review this matter to determine fairness due to the various issues faced by the kennel operators at BRC. He stressed to the Commissioners that it is the members of the IGA, the kennel owners/operators, breeders and trainers, who have suffered the entire financial consequence of what has happened at BRC this year. He questioned whether the Commission should allow these small Iowa-based businesses to suffer the additional financial consequence of being put out of business at BRC.

Mr. Crawford referenced a Commission meeting held on November 20, 1997, in which BRC and IGA had agreed to implement a fair dismissal clause before any kennel was terminated. This was done at the request of Commissioner Harold White. Eric Wilson, a BRC representative, sent a letter to Linda Vanderloo, Director of Racing/Administration for IRGC, stating, "I am also working on language regarding a fair dismissal rule, and a logical and workable 50% rule (meaning 50% Iowa kennels). I will forward same to you and Jerry when it is complete." Mr. Crawford pointed out that the track was sold, but not the license; therefore, the obligation to implement a fair dismissal clause remains. He noted there is no fair dismissal clause in place at this time, even though the Commission indicated it should be in place before any kennel was terminated.

Mr. Crawford stated that the IGA was requesting the Commission to stop the execution of kennel contracts for the coming year. He stated that the IGA is not opposed to a fair and equitable fair dismissal clause that ensures competent performance. The issue before the Commission is what this year has produced in terms of challenges to the kennels, and the fact that there is no fair dismissal clause approved by this Commission that allows for the termination of a kennel. Mr. Crawford stated that they are requesting that a procedure be established to allow this process to be sorted out and that the Commission not allow BRC to do whatever it chooses to do with regard to kennel contracts.

At this time, Mr. Crawford turned the floor over to Mr. Ungs. Mr. Ungs advised the Commission that there are two kennels at BRC who have been plagued by problems at BRC, and they are doing what they can to overcome those problems. He stated they are not trying to prevent other kennels from coming into BRC, but feel the other kennels deserve another opportunity.

Commissioner Mahaffey asked Mr. Crawford to explain the process for determining who the kennel operators will be for the upcoming year; have there been changes in the process, are there oral or written contracts that are entered into on a year-to-year basis; whether or not individuals were being treated differently this year than in the past, and if there is some retribution taking place against those individuals who have been critical of BRC.

Mr. Crawford stated that the kennel contracts are in writing and done on a year-to-year basis, except BRC sometimes offers a 6-month contract in instances where they wish to monitor performance. He noted that kennels have been terminated in previous years that IGA did not contest. IGA is contesting the terminations for next year because of the track conditions and the fair dismissal clause issue.

Mr. Crawford stated the first he or the Yates' heard of the possibility that they might not get a booking for 2001 was on November 15th when the contract did not arrive in the mail, nor did a letter indicating they would not receive a contract. He asked how he was supposed to do a competent job in representing his client when he doesn't know the facts.

Commissioner Sealock noted that the Commissioners had received correspondence from Mr. Crawford regarding the threatening letters. She questioned the statement that the Yates Kennel did not receive a warning. Mr. Crawford stated that other kennel operators received a contract for next year despite receiving numerous warnings, some of which have not been vocal about the problems at BRC. He conceded that some kennels that had been vocal about problems did receive contracts for 2001. He stated that hundreds of letters had been sent to the kennel operators about maintaining their kennels at the appropriate levels.

Commissioner Sealock stated that she had a vague recollection of discussions concerning a fair dismissal rule, but noted at that point in time, new rules were being presented at every meeting by some of the Commissioners. She noted there could have been some discussion of such a rule; however, the Commission has never been involved in telling the tracks which kennel operators can be offered contracts. Commissioner Sealock stated that she is aware the tracks have standards for determining the eligibility of operators for a contract. She asked Mr. Crawford if he was indicating that BRC has not followed their procedures.

Commissioner Mahaffey asked if the kennel operators who do not receive a contract for 2001 receive a letter advising them of their non-renewal, and if the letter would explain why they were not being renewed.

Mr. Crawford stated that he felt BRC was making the rules as they go, and that if the Commission expressed a concern during the meeting that the Yates Kennel or the IGA would receive a letter the next day incorporating the Commission's concern. He indicated that no letter had been received to date.

Mr. Crawford advised Commissioner Sealock that one of the issues before the Commission was the fact that the IGA and BRC had agreed that there would be a fair dismissal clause, said agreement being approved by the Commission. The Commission requested that the agreement of the parties be put in writing, which was done. Then BRC wrote a letter to the Commission stating they were accepting the responsibility for implementing the fair dismissal clause and would forward it to the Commission and the IGA.

Commissioner Sealock asked Mr. Crawford if he had documentation. Mr. Crawford stated that he had copies of all three documents referenced above available.

Commissioner Hassenfritz stated that it was his understanding that Mr. Crawford was indicating that no one has been unfairly dismissed at this time that he is aware of. Mr. Crawford indicated that was correct. Commissioner Hassenfritz noted that Mr. Crawford is addressing theoretical situations. Mr. Crawford advised him the reason the theoretical situations are being discussed is because of the timing. He pointed out that it is very suspicious that a vocal critic of the track conditions has not received a contract offer for 2001 when most other kennel operators have.

Commissioner Mahaffey asked if most of the kennel operators would have received a contract offer by this time. Mr. Crawford stated that the time frame in which the kennel contracts are sent changes year to year. He reiterated that most kennel operators have received their contracts for 2001, while Yates Kennel has not. Mr. Crawford stated that he had not been able to reach all of the current kennel operators at BRC in the past 24 hours, so did not know for sure which ones had received a contract. He noted that one of the kennel operators in attendance had been informed they would receive a contract, but had not at this time. Mr. Crawford stated the kennel operators were afraid to speak to the Commission earlier in the year, and still are, for fear of retaliation on BRC's part. His concern is that the Commission will not meet again until January; well after the kennel contracts for next year have been determined.

Commissioner Hassenfritz stated that it is difficult for the Commission to take action when there is nothing for them to take action on. He noted that the Governor has mandated that the Commission play by the book. Commissioner Hassenfritz stated that he understood the IGA's concerns, but was having a difficult time fitting those concerns into the Commission's rules and regulations. Commissioner Hassenfritz indicated he was not sure whether Mr. Crawford wanted the Commission to hurry up the contract process, re-establish the fair dismissal rule, or establish a timeline for the non-renewal of a contract.

Mr. Crawford indicated that was his intent, but that it be done in time for it to play a part in this year's process. He stated the IGA is looking for an assurance by the Commission that they will review the situation and provide IGA with an opportunity to comment, which is why he is presenting the facts to them at this meeting. Mr. Crawford reiterated his understanding that the names of the kennel operators for 2001 at BRC would be announced later in the day, at which time he would know whether or not he was dealing with a hypothetical situation. He asked the Commission to establish a timeline that would give BRC and IGA a brief period of time to attempt to resolve the issue informally, create an opportunity for the parties to present their arguments to the Commission via a telephonic meeting if BRC and IGA cannot reach an agreement.

Chair Hansen called for any further questions of Mr. Crawford. He stated that if there were none, it was his intent to allow those individuals with an opposing view an opportunity to speak.

Joe Callebro, an Iowa breeder and IGA member, stated that several members of the association feel Mr. Crawford is representing the Yates Kennel. He noted that Mr. Crawford had used the term "my client" when referencing the Yates Kennel and the fact that they had not received a contract offer. Mr. Callebro stated that his feeling as an Iowa breeder attempting to get into BRC, is that the association is not there to represent the Yates Kennel, making sure they keep their kennel booking and keep other operators out. Mr. Callebro informed the Commission that he moved his family to Iowa in 1992, and bought a farm. He feels that everyone should have an opportunity. In his opinion, Mr. Crawford should be representing all IGA members, not just one individual. Mr. Callebro further stated that by representing one individual, Mr. Crawford is attempting to keep other Iowa breeders out of BRC. He pointed out that if Yates Kennel lost their kennel booking, there is no information available indicating that it would not be replaced with another Iowa kennel.

Commissioner Hassenfritz asked Mr. Callebro if he was a member of the IGA. Mr. Callebro answered in the affirmative. He stated that he has paid his two percent, like many others, and is just trying to make a living raising greyhounds.

Commissioner Hamilton asked Mr. Callebro if he could race at BRC without a kennel contract at the track. Mr. Callebro indicated that he could. He further stated that he is raising enough greyhounds to supply a kennel.

Commissioner Sealock noted that Mr. Callebro had made a valid point – that one of the goals of the Legislature was to grow the industry. Mr. Callebro questioned why he should keep putting money into his business if he is never going to get an opportunity to have a kennel at BRC because another kennel operator feels they are not being treated fairly.

Commissioner Mahaffey stated it was his understanding there are 15 kennel operators at BRC. Mr. Crawford confirmed that was correct. Commissioner Mahaffey asked if there

were practical or financial reasons for setting the number at 15, and how competition entered into the selection.

Mr. Crawford stated that one of the issues looked at previously was the amount of purse per kennel that is available on an annual basis in determining what kind of an income the kennels can create for themselves and still provide an adequate number of greyhounds to fill the races.

Mr. Crawford took a moment to address issues raised by Mr. Callebro. He stated that his appearance at this meeting is not on behalf of Yates Kennel, but the IGA. Mr. Crawford noted that IGA's Board of Directors voted unanimously to have him make a presentation to the Commission. He stated that he was using the Yates Kennel as an illustration because of the IGA's concern over what may or may not be happening to them given their role in the situation at BRC. Mr. Crawford further stated that the IGA is not trying to keep other kennels out, noting that Jason Haines had received at booking at BRC just within the last few years. He stated that it was his understanding that Mr. Callebro had been offered a kennel contract for 2001. Mr. Crawford stated that kennel vacancies have occurred in the past in a fair manner, but indicated that the vacancy created by the Yates Kennel not receiving a contract may not be fair.

Commissioner Hassenfritz asked Mr. Crawford if he represented the Yates Kennel personally. Mr. Crawford indicated he did not. Mr. Crawford stated that he personally owns greyhounds that have raced in the Yates Kennel, as well as a number of other kennels. Mr. Crawford stated that he has not even discussed the kennel contract issue with the Yates'.

Commissioner Sealock asked Mr. Crawford if she heard correctly that he owned greyhounds that had raced for the Yates Kennel. Mr. Crawford stated that he owns a number of greyhounds, but can't keep track of which kennels they are in. He indicated they were in various kennels around the country, but did not think any were in the Yates Kennel at the present time.

At this time, Chair Hansen called on Lyle Ditmars, legal counsel for BRC. Mr. Ditmars stated there is no secrecy surrounding the kennels that will be or have been offered contracts for 2001. He advised the Commission that Mr. Welch would not respond to Mr. Crawford's questions because he is represented by counsel. Mr. Ditmars indicated that he would provide the Commission with the names of the kennel operators being offered contracts for 2001. He reminded the Commissioners that none of the kennel operators that have a current contract are being terminated, as they will have completed the time period enumerated in their kennel contract, whether it was six months or a year. Mr. Ditmars stated that eleven of the current kennels at BRC have been offered a one-year contract for 2001; three have been offered six-month contracts. Two other kennels have been offered contracts for 2001 – one different kennel and one additional kennel to bring the total number of kennels to 16.

Commissioner Mahaffey asked if there was a reason that BRC added another kennel. Mr. Ditmars stated that it was for safety reasons. One of the causes of injuries is the frequency of racing. BRC felt one of the best ways to avoid over-racing a greyhound was to add another kennel.

Mr. Ditmars stated that he had sent a copy of his October presentation to the Commission to Dr. Muir, a veterinarian specializing in these types of injuries. Dr. Muir advised Mr. Ditmars that his presentation did not go far enough. Dr. Muir pointed out that while most hock injuries are stress or fatigue related, Mr. Ditmars should have said that most lower limb injuries are fatigue related.

Mr. Ditmars also touched on the following issues raised by Mr. Crawford:
1) Threatening letters: He does not consider the letter to be threatening when it is advising the kennel operator that they were not in compliance with their contract. It is necessary for the kennel operators to maintain a certain number of active greyhounds in order to fill the race card.

2) Quote on number of injuries: Mr. Ditmars stated that he felt the Commissioners were receiving a copy of the injury report prepared by the state veterinarian. He noted that injuries are to be reported to the vet, with the monthly report being submitted to the Commission and BRC. This report is the basis for the figures used in Mr. Ditmars' presentations. The injury numbers used by Mr. Crawford are five or six times higher than the numbers appearing on the injury report. Mr. Ditmars stated that injuries could even be reported the following day. Dr. Sally Prickett, the state veterinarian at BRC, confirmed his statement. Mr. Ditmars stated that if an injured greyhound is reported to the vet, it is placed on the vet's list. Before the greyhound is allowed to race again, the vet must sign off that the greyhound is able to race. Mr. Ditmars stated that he is concerned by the disparity in the numbers. If there is an injury problem at BRC, then BRC needs to be provided with the correct data.

3) Timing of the kennel contracts: Mr. Ditmars stated the timing is the same as last year. BRC established a committee that reviewed several criteria in determining who would be offered contracts: ranking of the kennel by number of wins; win percentage; compliance with contract requirements regarding the active list; compliance with contract requirements regarding the number of active greyhounds classified as A and B; residency of the owner; and contacts with the State of Iowa. He noted there have been instances where the kennel operator resided in Iowa, but did not have any Iowa-bred greyhounds in the kennel. Other factors are the willingness of the operator to use Iowa-bred greyhounds; quality of greyhounds maintained throughout the year; participation by the kennel operator in activities and program designed to promote, enhance and improve greyhound racing at BRC; whether the kennel operator participated in activities that are potentially harmful to the operation of racing at BRC or other kennel operators; and the kennel operator's compliance with other contract requirements.

Mr. Ditmars stated that BRC does not discuss who will or will not get a kennel contract with other kennel operators. Mr. Ditmars confirmed that the Yates Kennel was not offered a contract for 2001, and will not be offered one. In 1999, the kennel was in the bottom two or three kennels in terms of performance. They were given a six-month contract. At the end of that contract, even though they remained in the bottom five, they were given an additional six-month contract to give them an opportunity to correct the situation. At this time, the Yates Kennel is second from last in terms of win and third from the bottom in terms of win percentage for the year. Mr. Ditmars stated that the decision was not arbitrarily made. He noted that Ms. Yates was on the Board of Directors for the IGA when they were offered their first kennel contract; Jason Haines was the president of the IGA when he was offered a contract; and Bob Rider, who has had two 6-month contracts and addressed the Commission regarding issues at BRC last year, was offered a new contract for 2001.

Commissioner Mahaffey asked Mr. Ditmars if he was denying that any of the criteria established to determine which kennels would be offered for contracts for next year were based on retribution for voicing criticism regarding BRC. Mr. Ditmars stated they were categorically denying the statement. He stated that documents were available showing the opportunities provided to Arthur Yates, who has the kennel booking. Mr. Ditmars indicated the documents would vindicate BRC.

Commissioner Mahaffey, referring to previous statements indicating the kennel owners/operators were afraid to speak out, asked Mr. Ditmars how he would characterize BRC's relationship with the greyhound owners. Mr. Ditmars stated that he does not speak with the owners regarding business matters. He indicated that Rory DeSantiago, Director of Racing at BRC, is not known for being intimidating, pushy, tough or vindictive. Mr. Ditmars asked Mr. DeSantiago how often he talks to the kennel operators. Mr. DeSantiago stated that he speaks to various kennel operators on a daily basis, some weekly, and some monthly. Mr. Ditmars asked Mr. DeSantiago if he had ever denied a kennel operator the opportunity to talk with him, or threatened them with a kennel booking or lack of a kennel booking because of a conversation. Mr. DeSantiago indicated he had not. Mr. Ditmars asked Mr. DeSantiago if he was aware of anyone else at BRC using a kennel booking as a threat. Mr. DeSantiago indicated he was not.

Commissioner Hamilton referred to the situation as a tangled mess, noting that three different issues had been discussed so far – the condition of the track, injuries to the greyhounds, and the fact that some current kennel operators at BRC had not been offered a contract for 2001. She stated that makes it difficult to concentrate on one issue without talking about the other two because they appear to be intertwined.

Mr. Ditmars indicated that was correct as far as the IGA is concerned. It is BRC's position that they have been doing a good job maintaining the track surface, and except for the time period when they followed the advice of the consultants, the track surface was not a factor in the injuries.

Commissioner Hamilton asked if there were any previous records regarding injury, type of workouts, and last race date for injured greyhounds. Mr. Ditmars reminded the Commission that the only factor BRC can control is the track surface; the trainers and kennel operators are responsible for the health of the greyhounds. He indicated that he would be able to determine the last time a particular greyhound raced by pulling the lines on the dog.

Mr. Ditmars stressed that all injuries have to be reported to the veterinarian. He stated that BRC has been told of five injuries in the Yates Kennel, but Mr. Crawford is indicating there have been thirty. He is concerned about the disparity in the numbers, but emphasized that unless the injuries are reported, BRC won't have an accurate picture regarding the number of injuries.

Commissioner Hamilton asked to hear from the kennel operators in attendance. Bob Rider stated that he had the records Commissioner Hamilton was asking about, and that his trainer is supposed to be telling the veterinarian about injuries.

Commissioner Hassenfritz asked if there is any correlation between the number of injuries and the winning placement of the kennels. Mr. Ditmars indicated there was not with regard to official records. Mr. Rider concurred with Mr. Ditmars.

Commissioner Hassenfritz asked if the number of injuries occurring in the bottom five percent of the kennels were greater than those in the middle or top five percent. Mr. Ditmars stated that he had prepared a chart on the issue. According to the officially reported injuries, the Plum Creek Kennel (Dave Robinette) has suffered 15 injuries and is one of the top three kennels.

Commissioner Sealock asked if the number of injuries was related to the number of greyhounds in the kennel. Mr. Ditmars stated that Mr. Robinette has maintained a high number of greyhounds on his active list. He further stated that the three lowest kennels in terms of officially reported injuries are the Wilhite Kennel; the number one kennel in terms of wins, Woodall Kennel, in the middle of the standings, had 5 injuries, and the Yates Kennel also had five reported injuries. Mr. Ditmars report showed Mr. Rider's kennel with ten reported injuries. Mr. Rider indicated that was probably the number of injuries suffered during races. Mr. Rider stated that he was not aware his trainer was supposed to be informing the veterinarian if a greyhound was injured in circumstances other than an official race, but indicated they would be doing so from now on.

Commissioner Hassenfritz stated that the Commission was trying to determine if there was any correlation between the number of injuries and kennel standings. If that is not the case, the Commission needs to look at different avenues. He indicated one caveat might be the number of dogs in the kennel. Mr. Ditmars stated that the kennel operators are supposed to have 40 dogs on their active list, but that each kennel contains 70 crates. Most operators rotate their dogs in and out.

At this time, Mr. Ditmars addressed the fair dismissal rule. He questioned whom the rule was to be fair to. There are only 15 kennel operators, and BRC receives at least that many applications, and could have two or three times that number if they were to advertise. The concept is not whether one individual is going to race at BRC, but what is good for the racing industry as a whole. In BRC's opinion, that means bringing in those kennels that best meet the established criteria. It is essential that BRC field a competitive race card, as that is what will put BRC on the map.

Mr. Ditmars agreed with Mr. Crawford's statement that there is no fair dismissal rule. He indicated BRC and IGA could not agree on the language; and therefore, no rule was ever submitted to the Commission by either party. Mr. Ditmars pointed out that if Mr. Crawford was concerned about that fact, he could have brought it before the Commission previously. Mr. Ditmars noted there were kennel operators that raced at BRC in 1998 that were not offered contracts for 1999, but the lack of fair dismissal clause was not raised at that time.

Mr. Ditmars stated that the selection of the kennel operators was a business decision for BRC. He reiterated that it is BRC's goal to provide the best possible race card for the betterment of the industry in Iowa, and be fair to the breeders and trainers as well as the operators. He questioned how BRC could run their business if the Commission had the ability to tell them they had to keep a specific kennel, even though that kennel may not be performing well.

Commissioner Hassenfritz asked if the criteria being used were the same criteria established by the previous administration. Mr. Ditmars indicated that it was, or was very similar. Mr. Ditmars stated that BRC feels it is one of the premier greyhound tracks in the country, and therefore, should have 16 of the best kennels in the country. They are pleased with the majority of the kennel operators.

Commissioner Hassenfritz asked about the six-month contracts, and if the contract sets out the areas in which the kennel operator needs to show improvement. Mr. Ditmars indicated that the contracts basically advise the kennel operator that the kennel's performance is not where it should be, and the necessary steps should be taken to improve the performance.

Commissioner Hassenfritz stated that he was trying to ascertain consistency with regard to the contracts, and how they are awarded. Mr. Ditmars advised Commissioner Hassenfritz that last year was Harvey's first year to look at the kennels, and they elected to keep all of the kennels for the next year in order to give them time to better understand everything. Harveys did issue five 6-month contracts. Two of those kennel operators worked themselves out of the bottom five and were not sent another six-month notice.

Commissioner Mahaffey asked if all of the kennel operators had received their notices at this time. Mr. Ditmars indicated that all of the kennel contracts for 2001 had been sent,

and that it is not customary in the industry to send a notice to those kennels that did not receive a kennel booking.

Following a short break, Chair Hansen called on the various owners and kennel operators that wished to address the Commission. Bob Lorber, a contract kennel owner in Dubuque, stated that he has applied for a kennel booking at BRC for the last 9 years, and is still anticipating the arrival of his letter. He advised the Commission that the reason for all of the commotion is that BRC is the third highest paying performance track in the United States, while the track at Dubuque is the fifth highest. Mr. Lorber stated that the higher the purse is, the faster the dogs will be, which leads to more injuries. Injuries occur at all greyhound tracks, not just BRC. He indicated that the Commission meeting was not the proper forum for this discussion.

Mr. Crawford made the following comments in rebuttal to Mr. Ditmars comments:
1) Mr. Ditmars indicated the Yates Kennel was being terminated because of their position in the standings and the number of dogs maintained on the active list.
2) Mr. Ditmars confirmed that kennels ranked lower than the Yates Kennel were being offered contracts.
3) With regard to the active lists, Mr. Crawford stated that he had three from the summer months, which showed that eight, or more than half, of the kennels had less than 40 dogs on their active list. A September list shows ten of the fifteen kennels had less than the required number of 40. The November 1st list shows eleven of the fifteen kennels failed to meet the required number of dogs on the active list.

Mr. Crawford questioned the reasons given for terminating the Yates Kennel when kennels ranked lower than them received contracts for 2001, and over half of the kennels consistently have less than the required number of greyhounds on the active list.

Mr. Crawford also took exception to Mr. Ditmars' statement that the situation at BRC was the same as in past years. In the IGA's opinion, it is not, which is why they wrote to the Commission in June. In previous years, there have not been numerous letters being sent to the kennels with threats regarding the active lists and performance.

Mr. Crawford stated that the issue surrounding the Yates Kennel is not just one of non-renewal. A fair dismissal clause agreement does – it governs situations in which tracks attempt to non-renew a contract. He noted that BRC agreed to a fair dismissal clause in front of the Commission, and reiterated that agreement in writing, and later unilaterally accepted the responsibility for coming forward with language.

With regard to the state vet injury reports, Mr. Crawford pointed out that those reports are only for dogs injured during races. He noted that the dogs don't just race; they work out in the morning on the same track, which could then cause injuries in the evening. Mr. Crawford referred to Mr. Rider's careful answer to Mr. Ditmars' question regarding the number of injuries in which Mr. Rider clarified that those injuries occurred during the

races. Mr. Crawford attributed the difference in injury numbers to the fact that his numbers include all injuries, not just those occurring during official races.

Mr. Crawford requested that a hearing be held to determine what the standards should be, and whether or not they should be able to exclude certain races from the kennel standings.

Commissioner Mahaffey asked if it was common in the industry to have a fair dismissal clause in the kennel contract. Mr. Crawford indicated that it was, and that it was the rule, not the exception at the various tracks.

Commissioner Sealock asked if DGP&C had a fair dismissal clause in their kennel contract. Mr. Crawford asked Mr. Wentworth what the status was, noting that the IGA has never had a dismissal issue at Dubuque. Mr. Wentworth stated that he was not sure how well the dismissal clause was spelled out. He noted that there have been kennels that have come and gone in the past, but usually DGP&C and the kennel operator mutually agreed upon the departure.

Mr. Ditmars reiterated that the Yates Kennel is second from last in the kennel standings. The kennel in last place did not receive a 6-month contract in the previous year, as did the Yates Kennel due to poor performance in 1999.

Mr. Ditmars stated that BRC had conducted a survey of the various states with regard to the fair dismissal clause. The only state with a fair dismissal rule is Texas, where it is called a uniform dismissal rule, mandated by statute.

Hearing no further comments, Chair Hansen asked the Commission members to frame the issue before them. He noted that the agenda stated it was to be a discussion of the contractual and financial ramifications of track conditions at BRC.

Commissioner Hassenfritz stated that he felt the issue was a disagreement between individuals, which is a part of day-to-day business.

Commissioner Sealock stated that BRC is a private commercial company contracting with other private commercial companies. She could not foresee the Commission getting involved unless something unsavory was taking place.

Commissioner Mahaffey asked Commissioner Sealock about her recollections of the discussion concerning the fair dismissal rule, and what, if anything was decided. Commissioner Sealock stated that she did not recall it ever coming before the Commission. She noted that during that time frame, rules were being presented at Commission meeting without prior knowledge of anyone else, including the Chair.

Commissioner Sealock asked Linda Vanderloo, Director of Racing/Administration, if she had any recollection of the discussion. Ms. Vanderloo stated that the issue has been

discussed for a number of years. She wondered if the issue stemmed from the time frame in 1998 when the IGA and BRC did not have an agreement for purse supplements until after the season started. Ms. Vanderloo noted there have been a number of issues the parties have tried to include in the arbitration process, and wondered if the fair dismissal rule was one of them, rather than a formal rule the Commission would have considered for the rulemaking process.

Chair Hansen called for any motion or resolution. Hearing none, the Chair moved to the next agenda item, and called on the Iowa West Racing Association (IWRA)/BRC to present their 45-day plan for the 2001 meet. Rory DeSantiago, Director of Racing, was present to answer any questions concerning the 45-day season approvals and presented the following contracts for Commission approval:

- Anchor Games – Lease of 8 Slot Machines (Replacements)
- Atronic Americas, LLC – Purchase of 24 Slot Machines (Replacements)
- Colorfx – Printing & Mailing of Advertising
- Electronic Engineering Co. – Replacement of Hand-Held Radios on Property
- IGT – Purchase of 24 Slot Machines (Replacements)
- Line True Photos, Inc. – Photo finish & Timing Service for Live Greyhound Racing
- Mikohn Gaming Corporation – Lease of 10 Slot Machines (Replacements)
- Sport View Television Corporation – Extension of Lease of Pari-Mutuel Audio/Visual Equipment
- Waste Connections, Inc. – Waste Disposal
- WMS Gaming, Inc. – Lease of 12 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase of 24 Slot Machines (Replacements)

Chair Hansen noted that the Commission had requests for approval of the 45-day plan and contracts before them. Commissioner Sealock suggested that the motion be inclusive of the season approvals and the contracts.

Mr. Crawford advised the Commission that he had never seen the season approval document and was trying to determine if there was anything in it that would affect the IGA. He asked Mr. DeSantiago and Mr. Welch if the season approval request contained any information that would impact the arbitration process. Mr. Ditmars pointed out that the Iowa Greyhound Promotion Fund has not been awarded for the current year, preventing BRC and IGA from reaching an agreement regarding purse supplements for 2001. The document states that until the fund has been awarded, and an agreement has been reached, BRC will continue to pay purses at their current rate and under the same conditions utilized in 2000. Mr. Crawford stated that Mr. Ketterer had assured him that the arbitration would be retroactive to January 1, 2001.

Mr. Crawford stated that Mr. Ditmars had not really answered his question. He noted that the season approval document contains the proposed point system for the 2001 meet.

Mr. Crawford indicated there has been an interest in changing the point system so that it accurately reflects the way the point system works in most other jurisdictions. He asked that kennel operators be allowed to speak on that issue if it was going to be decided at this time. If it will be revisited at a later time, then he is not as concerned.

Mr. Crawford again asked if there was anything in the season approval that would affect the way the arbitration is conducted or the issues to be decided in arbitration when that process occurs.

Mr. Ditmars stated that BRC feels that the arbitration process is to deal with the same issues as in past years, and doesn't feel that there is anything in the season approvals that would change that. BRC hopes they can reach an agreement with the IGA, but if they can't, then they will proceed to arbitration. With regard to the point structure, Mr. Ditmars stated that BRC is recommending the same distribution of money as in the past and are proposing to use the same point structure used for the last 15 years.

Commissioner Sealock moved to approve BRC's season approval request with the following consideration: that purse supplements from slot revenue remain the same as the 2000 race meet until an agreement has been made and approved by the Commission. The new agreement for the 2001 race meet will be retroactive to January 1, 2001. Commissioner Hamilton seconded the motion.

Jason Haines, a kennel operator at BRC and DGP&C, noted that $20 per point is being withdrawn from the escrow account. He asked if that would remain the same and continue next year. Mr. Haines indicated that he had a good relationship with the personnel at BRC.

Mr. Crawford stated that he understood Mr. Ditmars to say there was nothing about today's presentation or Commissioner Sealock's motion that changes the posture the IGA was in before going to arbitration two month's ago. He indicated that if his understanding is correct, then they are not concerned about the escrow account, as it would be trued up retroactive to January 1. Mr. Crawford stated there are some concerns about the point system, but asked for the right to bring that issue before the Commission at a later time.

Mr. Haines asked where the money would come from if the arbitration decision came back with less money being paid out per point; would the kennel operators have to pay back the money. Mr. Ketterer stated that the payments to the operators would be adjusted for the balance of the year.

Hearing no further discussion concerning the motion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 00-156)

It was brought to the Chair's attention that the motion on record did not specify approval of the contracts submitted by BRC. Chair Hansen asked the Commission members if

there was any objection to changing the motion to show approval of the contracts. No objections were voiced.

Chair Hansen called on Daniel DeKoter, legal counsel for U.S. Inland Marine Surveying, Inc. Mr. DeKoter stated that the real issue is that the casino gambling law says that it is the Commission's responsibility to insure that a substantial portion of the casino's business goes to Iowa businesses where practical. He wondered if that objective is going to include highly skilled individuals. Mr. DeKoter advised that Michael Baxter, the owner of U.S. Inland Marine Surveying, is a certified marine surveyor, and is registered with the National Association of Marine Surveyors. He noted that Mr. Baxter has received glowing recommendations from other individuals within the industry. Mr. Baxter's business is unique in Iowa in that his is the only Iowa-based marine surveying company. He noted that the company is good for the economy, and is a high-paying type of operation. Mr. DeKoter stated that the press and the Iowa Department of Economic Development are always stating that Iowa's objective in economic development should be to draw more high paying jobs, not just the $8.00 an hour jobs.

Mr. DeKoter noted that there was an extensive discussion at the September 15th Commission meeting as to what should happen with the third party examiner on the hull inspection contract for the BSC. It was his understanding that Specialty Diving (Specialty) was to give fair consideration to Mr. Baxter. In their opinion, Specialty has not done so, but has given Mr. Baxter a quick brush off claiming that he is not qualified for the job. Mr. DeKoter stated that Mr. Baxter has ample qualifications, but that it is up to the U.S. Coast Guard (USCG) to determine if he has the necessary qualifications to serve as a third party examiner. Each time a hull inspection takes place, the USCG has to receive a designation of the third party examiner that will be used. They have discretionary authority in each instance to determine whether the examiner is acceptable or not. Mr. DeKoter stated that the USCG is the regulator and supervises the hull inspections. He noted that Mr. Baxter has participated in four of these hull inspections, which were supervised by the St. Louis District of the USCG. Mr. DeKoter requested that the decision as to whether or not Mr. Baxter would be given the opportunity to perform the third party examiner duties be delegated to the agency in charge of the inspection – the USCG. Mr. DeKoter requested that Argosy Gaming be required to submit Mr. Baxter's name to the USCG as the third party examiner for the upcoming hull inspection. If they indicate that Mr. Baxter is not qualified, fine. However, if the USCG indicates Mr. Baxter is qualified, an Iowa business will have gotten the work and economic development has been promoted within the State, one of the objectives of the casino gambling law. In either instance, Argosy Gaming is not harmed as they have a fixed price contract, and the same regulatory process will take place.

Mr. DeKoter stated when Specialty addresses the Commission, they will attempt to shift the debate to Mr. Baxter's qualifications, that they can't work with him, and that he has been difficult to deal with. Part of Specialty's argument is also going to be that the USCG only sets minimum standards. With regard to that argument, Mr. DeKoter stated the following: 1) the preferred standard established by the USCG is for a certified marine

surveyor, which is what Mr. Baxter is. They will accept individuals that are not certified if they have sufficient experience. Specialty is indicating that the USCG cannot be trusted to make the decision as to whether or not Mr. Baxter is sufficiently qualified. Mr. DeKoter stated Specialty demands a higher standard because they are "such a great company", according to Guy Tetreau. He noted that Mr. Tetreau has a right to promote his business, but should not disparage another company in the course of doing so. Mr. DeKoter reiterated that Mr. Baxter has the credentials, has performed the necessary duties a number of times, has been in the business a long time, and has the necessary certifications. He wondered why Specialty was rejecting Mr. Baxter.

Mr. DeKoter reiterated their request that Mr. Baxter be provided an opportunity to serve as the third party examiner on the BSC hull inspection. He asked the Commission to enforce its motion from the September Commission meeting, let the USCG determine whether or not Mr. Baxter has the qualifications to serve as the third party examiner. Mr. DeKoter stated that he does not think the USCG will turn down Mr. Baxter, and that Specialty knows that and is fighting to keep that from happening.

Mr. DeKoter stated that Argosy has invested money in the ROV hull examinations, which have not yet been approved by the USCG for a five-year credit. If the USCG approves the process, the approval will not be given until next year. Mr. DeKoter explained that the ROV inspection costs approximately $75,000 more for each vessel each time than a diver-based inspection. The ROV inspection is only economically efficient if Argosy receives the 5-year credit. Mr. DeKoter speculated that part of Argosy's position is that since they have already spent a substantial sum of money, they need to keep Specialty happy.

Mr. DeKoter stated that the USCG would be present at the inspection, and supervise the actual inspection. He further stated the USCG would be making a decision regarding the ROV inspection, which will be based on their observation of what happens during the inspection. That process will occur regardless of who the third party surveyor is for the inspection. Mr. DeKoter again requested that Mr. Baxter be given a fair opportunity, not a brush off, letters requesting resumes that have already been submitted, letters by snail mail when it has been indicated that time is of the essence.

Commissioner Hassenfritz stated, putting aside regulations and qualifications, and assuming that all other aspects of the contracts are identical, that the issue comes down to money. He stated that it was his understanding that Mr. Baxter's bid was considerably higher than the other third party examiner.

Mr. DeKoter stated that he is aware Specialty is claiming that Mr. Baxter's bid was higher than the other examiner. He indicated Specialty is comparing apples and oranges as the only examinations Mr. Baxter has performed have been diver-based exams with set duties he was required to perform. Specialty, Argosy, nor anyone else, has provided Mr. Baxter with a list of the duties he would be required to perform so that he could provide a

detailed bid. Mr. Baxter's fees for diver-based exams have been between $25,000 - $30,000.

Commissioner Hassenfritz pointed out that there are different levels of expertise, which the different parties could debate all day. The USCG has the ability to establish the various levels at which divers are certified. If there are questions on certification, the USCG can answer them. If the question is whether Mr. Baxter is qualified to operate the ROV, that is a different matter. Commissioner Hassenfritz stated the Commission was established to regulate the law to the best of their ability, not to make business decisions. He noted that although the Commission did encourage Specialty to review Mr. Baxter's qualifications; he questioned whether the Commission should even be involved to the extent it is at this point. In his opinion, when the Commission requested that Specialty consider Mr. Baxter's qualifications, they were already becoming involved in business decisions as Specialty had already been awarded the contract. However, Specialty agreed to do so. Commissioner Hassenfritz pointed out that, despite the fact that they would like to see as much business stay in Iowa as possible, the Commission is not mandated to go back and review past decisions, particularly if it involves a contractor using subcontractors. He feels that if the Commission goes past what they have already done, they will be opening Pandora's box; that there is a fine line the Commission cannot cross. Commissioner Hassenfritz stated that if the Commission does as Mr. DeKoter is asking, they will go from making sure state policy is followed to getting involved in daily management decisions at the various licensed entities.

Hearing no further questions for Mr. DeKoter, Chair Hansen indicated the Commission would hear from other individuals wishing to address them on this issue.

Guy Tetreau, representing Specialty, stated that he responded in writing to Mr. Baxter's letter to Mr. Ketterer dated October 9, 2000. He stated that in preparing his letter dated November 10th to the Commission, he realized that the September 15th minutes indicated that Specialty was to report back to the Commission regarding their decision and consideration of Mr. Baxter as the third party examiner for the BSC hull inspection. Mr. Tetreau stated that Specialty did talk with Mr. Baxter and are still attempting to get information from him. Mr. Tetreau stated that Specialty has attempted to work with Mr. Baxter. He pointed out that Mr. Baxter submitted a packet of material, by mail, fax, and e-mail that was difficult to follow. The material was submitted at different times, making it difficult to tie all of the information together. Mr. Tetreau concurred that a subsequent letter to Mr. Baxter did request a resume, as they had missed it in the material already submitted.

In a letter Specialty sent to Mr. Baxter on September 26th, they requested a list of similar projects that he had completed over the past three years, with a description of his role in each of the projects. Specialty also asked Mr. Baxter to describe how he met the USCG's minimum standard to be considered for the jobs, and a sample of a report he may have prepared in the conduct of his business, which incorporated graphs and/or pictures. Mr. Tetreau stated that Mr. Baxter has refused to submit any of the requested information,

stating that he does not have to convince Specialty of his qualifications, that that is the USCG's job. Specialty disagrees with that stance, as they will be hiring the third party examiner, making them responsible, and liable, for his actions. Mr. Tetreau indicated that Specialty would not hire any third party examiner until they were fully satisfied that the individual is qualified to conduct the inspections and find any deficiencies that may occur beyond the hull.

Mr. Tetreau stated that the USCG does not certify third party examiners as qualified. The USCG establishes minimum qualifications, without which an individual cannot even be considered for this position. Some of the minimum qualifications are to be a member of a national society or three years of experience as a Coast Guard marine specialist, or experience as a classified marine surveyor. Mr. Tetreau stated Specialty believes they know under which conditions Mr. Baxter has been considered previously, but are not sure because he has refused to answer their questions. Mr. Tetreau took exception to Mr. DeKoter's statement that anyone that meets one of the minimum criteria could be considered as qualified. In his opinion, those are minimum standards.

Mr. Tetreau stated that Specialty chose Mr. Prosser for the complex job at the BSC, which has the highest current of any vessel they have inspected to date. Weather will play a part in the inspection, and Specialty is utilizing ROV technology. Mr. Tetreau stated that the BSC job is much more complex than any of the other 20 Specialty has performed. He noted that Commissioner Hassenfritz' earlier comment with regard to price was correct; that their decision was based on price. Mr. Tetreau noted that his November 10th letter to the Commission indicated that if all other aspects been equal, and if Specialty had received the information requested from Mr. Baxter, and determined that he was qualified, Specialty would have started discussions with Mr. Baxter concerning rates. Mr. Tetreau stated that Specialty has never had a discussion with Mr. Baxter concerning rates, but pointed out that the September 15th minutes refer to some figures given by Mr. Baxter at that meeting. Mr. Baxter also included rates in a letter he sent to Argosy. Mr. Tetreau indicated Mr. Baxter's rates were five times higher than what Specialty is paying Mr. Prosser. Mr. Tetreau stated that if Mr. Prosser and Mr. Baxter were equally qualified, Mr. Baxter would not have been offered the position based on his rates. Mr. Tetreau clarified that he was not saying Mr. Prosser and Mr. Baxter were equally qualified.

Mr. Tetreau advised the Commission that he had received another letter from Mr. Baxter dated November 14th which refers to the USCG's responsibility to qualify third party examiners. He reiterated his disagreement with that statement. Noting that he had just retired after spending 21 years in the USCG, Mr. Tetreau stated his last job was as the Number 2 person responsible for oversight of all the USCG's marine safety programs in 26 states. In that time, the USCG has never taken on the responsibility of qualifying anyone for a role with responsibilities of this nature. If the USCG did so, they would be required to accept the liability for that individual's job performance, which is why they establish minimum qualifications only. Mr. Tetreau indicated that the USCG expects

Specialty or whoever hires the third party examiner to insure that they are qualified to perform the required duties.

In a September 14th letter, Mr. DeKoter states that Specialty implies that the USCG marine inspector will not properly supervise Mr. Baxter's work. Mr. Tetreau stated that was an accurate statement as it is not the marine inspector's job to supervise Mr. Baxter's work. In Mr. Tetreau's opinion, the above statement shows a lack of experience concerning the process. Mr. Tetreau advised the Commission that the USCG establishes minimum standards because they do not want to be present when the inspection is conducted. In a normal inspection, which lasts seven to ten days, Specialty expects to see the USCG one day or one and a half at the most.

Mr. Tetreau stated that Specialty sent a letter to Mr. DeKoter indicating that it was very unlikely that Mr. Baxter would be utilized as the third party examiner for the BSC inspection. They again asked him for information, which he had not submitted, in order that they could continue to evaluate his qualifications. Mr. Tetreau reiterated his desire to have a qualified third party examiner that lives in the area. Mr. DeKoter replied that if Specialty had been acting in good faith, an appropriate response, by fax or e-mail, would have clearly stated that the evaluation had to be completed by a specific date, and requested additional information. Mr. Tetreau stated that Specialty has done that, but Mr. Baxter has refused to provide the requested information. Specialty has not been able to complete their evaluation of Mr. Baxter's qualifications, as he has not provided all of the requested information.

Mr. Tetreau pointed out that Mr. DeKoter had stated today, as well as in a letter of September 14th, that Mr. Baxter has completed four alternate hull exams (AHE). Mr. Tetreau stated that he was not aware Mr. Baxter had performed four AHE, as the material submitted to Specialty appeared to include only one exam from an AHE, and two other reports that he did not feel represented AHE examinations upon his first inspection of the documents.

Mr. Tetreau stated that Specialty wrote the policy that the USCG has accepted regarding AHE examinations. The USCG policy is not all-inclusive, but does cover some major points that every company must include in their inspection. Mr. Tetreau stated that every company that performs these examinations does them differently. He pointed out that in the one examination he knows Mr. Baxter performed, on the Miss Marquette, the divers used nylon straps in lieu of metal cables. That is contrary to USCG policy. Since that time, they have issued a statement that that practice would not be allowed in the future.

Mr. Tetreau stated that Mr. DeKoter also stated that Specialty would tend to restrict the surveyor's activities such as making detailed weld maps of the hull. It is Specialty's understanding that Mr. Prosser does not perform this service on a routine basis, while Mr. Baxter does. Mr. Tetreau indicated that Mr. DeKoter's statement is correct in that Specialty does manage the third party and restrict his actions. The third party examiner's actions are restricted only to those actions that are beneficial to the determination of the

condition of the vessel undergoing the inspection. Mr. Tetreau stated that he saw no value in making detailed weld maps as the USCG does not require them, and Specialty has never done one in any of the evaluations they have performed.

With regard to detailed scientific measurements of the cathartic protection, Mr. Tetreau stated that it would be impossible for Mr. Baxter or anyone else to provide the detailed hull examination data, both on the thickness of the metal and cathartic protection effectiveness, using a manual system. The ROV that Specialty is using will provide over 50,000 measurements of the hull thickness and over 10,000 measurements of the cathartic protection. If the measurements were done manually, there probably would be 1,000 measurements of hull thickness and a few hundred measurements of the cathartic protection.

Mr. Tetreau stated that the USCG drafted regulations, or proposed regulations, that stated the alternative hull inspection process using the ROV is the best in-water inspection process that is available and is at least equivalent to an examination conducted in dry dock. Mr. Tetreau noted that Mr. DeKoter's letter mentioned a pending lawsuit that would block the USCG's action if they continue on their proposed course, which is to give twice as much time between inspections if the ROV process is used.

In summary, Mr. Tetreau reiterated that the main issue is safety. He stated that John Pavone, General Manager of BSC, and Argosy should be commended for electing to use the best technology in the world for the BSC's hull examination. Mr. Tetreau stated that many vessel owners are hesitating to use Specialty and the new technology for the fear that hull deficiencies will be discovered. If a vessel owner wanted to hide hull deficiencies, a manual hull inspection is one way of doing so.

Commissioner Sealock asked Mr. Tetreau when Specialty hires a third party examiner if they have narrowly defined responsibilities or if there is a great variance in the duties. Mr. Tetreau indicated that there are variances in the responsibilities. He stated that the process has changed significantly over the past three years, and continues to change. He further indicated that every third party examiner has different things they like to do. When Specialty hires a third party examiner, the parties come to an agreement as to what the scope of the examination will be.

Commissioner Sealock asked if Mr. Baxter had been advised of what would be expected of him if he were selected as the third party examiner for the BSC examination. Mr. Tetreau answered in the negative, since Specialty is trying to determine his qualifications to perform the services. If Specialty had determined that he was qualified, then they would have established a price, and the scope of the examination. Commissioner Sealock stated that she felt the process was backwards as Mr. Baxter would need to know his duties in order to submit a bid. Mr. Tetreau stated that all of the above issues would be tied together.

Commissioner Hassenfritz asked Mr. Tetreau what he felt the ideal situation would be for the two parties to meet and exchange information. In his opinion, there is a communication problem, possibly a personality conflict. Mr. Tetreau stated this is the first time he has encountered a requirement by a Commission to use local personnel to such a high standard. He indicated that it is in Specialty's best interest to have local personnel to work with. Mr. Tetreau stated that he would be happy to work with Mr. Baxter, but indicated that the first time Specialty used him would not be on an AHE examination of this complexity and nature. It would more than likely be on an annual examination, which are less complex, and give them an opportunity to get to know each other. Mr. Baxter reiterated his willingness to work with Mr. Baxter, and his interest in having a local diver.

Commissioner Hamilton stated that she felt there would be trouble no matter what the Commission decided to do. If the Commission requires Argosy to break the contract with Specialty, there will be a lawsuit. She pointed out that Mr. DeKoter has already advised the Commission that if the matter cannot be resolved amicably, he is prepared to file a Petition for Judicial Review.

Mr. Tetreau stated that Argosy's decision to use the ROV for the hull examination is commendable, as the ROV will find any problems that may exist with the hull. He explained that the real issue is safety, not money.

Commissioner Mahaffey stated that he had some concerns regarding Argosy's contract with Specialty at the September meeting, and voted against approval of the contract. He pointed out that he didn't think there was anything the Commission could do at this meeting, but felt that it would have been helpful to have the information just presented available to them at the September meeting. Mr. Tetreau stated that he was at the October meeting with his attorney, but did not get an opportunity to address the Commission.

Mr. Pavone pointed out that the Commission did not charge the USCG, Mr. DeKoter or Mr. Baxter with maintaining the safety of the BSC. Argosy and he were charged with the responsibility. Mr. Pavone stated that if Argosy wanted to do the hull inspection quick, cheap and easy, they would not have chosen Specialty and the most current technology. Argosy put safety first and foremost in order to ensure the safety of the vessel.

Mr. Pavone addressed Mr. DeKoter's comments regarding the economic impact of using Iowa vendors. He stated that he had reviewed the numbers. The intent of the Commission from the beginning was to provide local businesses the opportunity to do business with the gaming industry. Mr. Pavone stated that BSC's contracts with Iowa vendors for the past twelve months exceeds 85%. Business done with local community businesses, which may not be Iowa, is at 90%. He pointed out that BSC spent $2 million on gaming equipment last year. In his opinion, BSC, as well as every other licensee, has far exceeded the Commission's intent of buying Iowa goods and services.

Mr. Pavone stated that every letter he has received from Mr. DeKoter states that Specialty has misrepresented what they are able to do with the five-year inspection. He advised the Commission that was not correct. Mr. Pavone stated that he negotiated the contract with Specialty, and met with them throughout the process. Specialty was up front in advising him that they felt it was the best technology, that it would cost Argosy more money, and there was no guarantee that a five-year extension would be given. Mr. Pavone informed the Commission that James Butler, Argosy's legal counsel, was present if they wished to hear from him on this matter.

Chair Hansen addressed Mr. Pavone's comments regarding the Commission's concern about improving the Iowa vendor situation. He noted that he had the privilege of serving on a sub-committee to determine what steps could be taken to better emphasize and facilitate Iowa purchases. He noted that Mr. Pavone and Mr. Farinella were the industry representatives on the committee. Chair Hansen stated that the committee met on three different occasions during the summer of 1997 setting out the objectives of each and how to get more Iowa vendors involved in the gross purchases of all the licensees. He pointed out that the crux of all of the meetings was to maximize Iowa purchases without removing the competitive nature of the normal business atmosphere under which the licensees were making their purchases. It was simply to encourage Iowa purchases whenever possible.

Chair Hansen noted that purchases from Iowa vendors in the spring of 1997 were in the area of 37%, which prompted the sub-committee. At this time, purchases from Iowa vendors are in the area of 80%. He feels the remaining 20% is for the purchase of gaming equipment, which is not manufactured in Iowa. Chair Hansen stated that the Commission, past and present, has done everything within its power to promote Iowa purchases without hindering the ability of individual licensee's to conduct their business.

At this time, Chair Hansen called for any motion regarding U.S. Inland Marine Surveying's request. No motion was put forth.

At this time, Chair Hansen moved to Administrative Business, and presented a brief summary on the World Gaming Congress. He noted there were over 28,000 delegates in attendance from 103 countries. There were two issues that caught the attention and concern of most attendees – the gamblers' treatment program and regulating Internet gaming. With regard to the Gambling Treatment Program, Chair Hansen stated that Iowa's legislative intent is one of the most superior in the country. He stated that few states mandate a specific amount of money, few mandate a program. He noted that approximately $3.5 million should be going to the Gambling Treatment Program, notwithstanding the Legislature's penchant for siphoning funds, which would make it one of the more impressive amounts in the country.

Chair Hansen indicated that the ability to regulate Internet gambling was one of the greatest concerns, and was at the top of most attendee's to-do list, much as the World Lottery Association has already done by resolution.

Chair Hansen moved to the Commission's Legislative Proposals, which are broken down into three areas: the Gambling Treatment Program, Research, and Internet Gambling. With regard to the Gambling Treatment Program, approximately 46% of the money was taken from this user fee treatment fund tax and allocated to other programs. Chair Hansen indicated the diversion of approximately 70% of the total funds available was unfortunate when counseling service costs increased by approximately 14%, and calls to the BETS OFF number have increased by 5%. He pointed out that the Legislature started diverting funds from the program two years ago. Chair Hansen stated that the Commission would recommend restoring full funding to the treatment program, taking into account past disagreements regarding the level of spending for promotional awareness. Additionally, the Commission seeks a more comprehensive program than is currently in place.

Chair Hansen stated that in order to prevent further siphoning of funds, and create a more functional focus on the gambling treatment program, the program should be placed under the Department of Inspections and Appeals. He suggested that a new advisory committee could be composed of one representative each from the Commission, Lottery, and industry that are imminently aware of what is taking place with regard to problem gambling in the industry, and four at-large members so that the majority is outside of the regulatory bodies or the industry.

Chair Hansen also expressed alarm that the funding for the gambling treatment program was being raided at a time (1994-99) when there was a 1,800% increase in revenue to the state treasury from the gaming taxes. Revenues increased from $8.5 million to $159 million. In the year just completed, gaming tax revenues to the state are expected to exceed $175 million. They are anticipated to reach $186 million next year.

Additionally, the Commission feels that the University of Iowa, which has already received one grant, should receive a supplemental grant from the state treasury to study the addiction problem, which is understudied and under-funded.

Chair Hansen asked the Commission to focus on the eight reasons set forth below that are the basis for establishing regulation of Internet gambling, and what the absence of regulation triggers:

1) No impediment for age restriction
2) No mechanism to impede addictive participants
3) No program for problem gamblers
4) No penalties for improper activity
5) Thwarts Iowa's local referendum elections, which sanction gaming activity
6) Particular games are not reviewed and approved by a regulatory body
7) No tax revenue is collected by local or state governments
8) No tax is collected by governments on capital improvements since none exist
9) It creates unfair competition to established regulated gaming industries.

Chair Hansen stated that the sub-committee consisting of himself and Commissioners Hamilton and Sealock had unanimously adopted the above Legislative Proposals. He noted that Commissioner Hassenfritz was present during the sub-committee's meeting the previous evening. He requested any comments or a motion regarding the proposed Legislative Recommendations.

Commissioner Hamilton moved to forward the Commission's Legislative recommendations to the Legislature. Commissioner Sealock seconded the motion.

Commissioner Mahaffey stated that he didn't understand why the issue of addiction was not in the forefront in addressing problem gambling.

Wes Ehrecke, Executive Director of the Iowa Gaming Association, advised the Commission that the Iowa Gaming Association supports the Commission's legislative agenda, and will be working aggressively in the upcoming session to get the funding restored to the gambling treatment program. The Alliance Group will meet again the following Monday. A letter was sent to all legislators, as well as all the media, regarding the restoration of funding for the gambling treatment program. Mr. Ehrecke stated that the Iowa Gaming Association is supportive of the Commission of its stance on underage and Internet gambling.

Chair Hansen called for the vote on the above motion. The motion carried unanimously. (See Order No. 00-157)

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

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS