IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 18 - 19, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday, January 18, 1995, at the Ramada Inn, Westmark Ballroom III, 1250 -74th Street, West Des Moines, Iowa. Commissioners present were: Chair, Richard Canella; Vice-Chair, Rita Sealock; and members Lorraine May, Del Van Horn, and Nancy Whittenburg.

Chair Canella called the meeting to order at 8:30 am and entertained a motion to approve the agenda. Commissioner Whittenburg moved to approve the agenda, and Commissioner Sealock provided the second. The motion carried unanimously.

Chair Canella then entertained a motion by Commissioner May to move into Executive Session for the purpose of reviewing background investigations. Commissioner Sealock seconded the motion which carried unanimously.

Following Executive Session, Chair Canella entertained a motion to approve the minutes from the November 18, 1994 Commission meeting. Commissioner Whittenburg made a motion to approve the minutes as submitted which Commissioner Van Horn seconded. The motion carried unanimously.

The next item on the agenda was a request for approval of sale of share of Greater Dubuque Riverboat Entertainment Company, LC (GDREC) to Donald Iverson by John Schegan. Chair Canella called on John Sandre who represents Mr. Schegan. In early November, the Commission was provided a copy of an agreement between Mr. Iverson and Mr. Schegan which outlined the terms of the sale. Mr. Sandre indicated they are seeking the Commission's approval of this transaction under the terms of a Commission Order dated July 5, 1994, which stated that Mr. Schegan could sell his shares to a licensed third party. Brian Kane, attorney for Mr. Iverson, and Mr. Sandre are putting together an Addendum which will not affect the terms or conditions of the contract, only the implementation of the terms and the timing of the closing, etc. The four shares in questions were plead into the District Court in Cedar Rapids by Joe Zwack due to pending litigation. Mr. Zwack filed a position disclaiming any ownership of the shares. Mr. Zwack approves of the release of those four shares. This would allow the transfer of those shares out of Court. The parties are trying to juggle momentary ownership and the transaction would be an assignment from Mr. Zwack to Mr. Iverson for the benefit of Mr. Schegan or whether it will be a momentary transfer from Mr. Zwack to Mr. Schegan to Mr. Iverson. Mr. Schegan notified United Gaming of their right to exercise an option to purchase the shares; however, they did not elect to exercise their option, and their rights under the option were terminated.

Chair Canella called on Doug Gross who represents the unit holders of GDREC regarding the transaction in the July 5th Commission Order relating to the suitability for licensure. The Order further indicates that the party would be suitable to the extent that the legal ownership interests are found to be created by virtue of those documents and the interest properly obtained pursuant to the Operating Agreement. GDREC's concern was whether or not the interest had been properly obtained pursuant to the Operating Agreement which requires that the unit holders pass on any transfers. The unit holders have not received any requests regarding the transfer from Mr. Zwack to Mr. Schegan or any subsequent transfer from Mr. Schegan to Mr. Iverson. He requested that the portion of the Order and Operating Agreement be complied with prior to any transfer taking place so they do not have any compliance problems with the Commission.

Commissioner May made a motion to approve the sale subject to compliance with the Operating Agreement. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-1)

Chair Canella asked Mr. Gross to provide the Commission with an update of what has occurred in Dubuque since the last meeting. Mr. Gross stated that there were three pending litigation matters which were as follows:

1) Mr. Schegan filed a suit in Federal District Court against GDREC and Mr. Zwack alleging several items. They have a Motion to Dismiss on file which has not been ruled upon; however, they have proceeded with the discovery process. They are waiting for an answer on the Motion to Dismiss.

2) Mr. Alfredo filed a suit in District Court in Dubuque County, There is a trial scheduled for September 12, 1995.

3) United Gaming filed a suit against GDREC, Mr. Zwack, etc. This case has been settled and dismissed. The settlement documents are being circulated. United Gaming will no longer play a part in GDREC.

There are Administrative Appeals by Mr. Schegan and Mr. Alfredo regarding the July 5, 1994 Order. GDREC has intervened on behalf of the Commission on both of those. The briefing schedule has been extended at Mr. Schegan's and Mr. Alfredo's request.

Chair Canella asked Mr. Gross and Carl Bolm if an agreement had been reached between GDREC and the Dubuque Racing Association regarding the split from the slots. Mr. Gross indicated that a joint request for arbitration has been filed. They are close to an agreement regarding the arbitrator and hope to proceed relatively quickly. The arbitration will be binding.

The next item on the agenda is the Request for Exclusivity on the Missouri River by the Sioux City Riverboat Corp./Belle of Sioux City. Chair Canella called on Arlene Curry, representing the Belle of Sioux City regarding exclusivity. The Belle of Sioux City, in its license application, requested that the new license be the only license issued effective prior to January, 1996 for an excursion gambling boat on the Missouri River. The former license holder had been granted exclusivity for a three-year period when the license was issued in August of 1992. Ms. Curry encouraged Commission members to refer back to their brief submitted in August, 1994. She further indicated that exclusivity could be a moot point as most of the applications for the Council Bluffs area do not have start-up dates prior to January 1, 1996. She requested that her comments and the comments of the following individuals be considered as part of the public comment which the Commission will receive on January 26th in connection with the Council Bluffs/Carter Lake license applications. She further indicated that it is her belief that the criteria the Commission is to consider in granting license applications gives the Commission the authority to delay the start-up until January. Ms. Curry stated that Sioux City has not and will not take the position that there should not be a riverboat in Council Bluffs; but does take the position that the Belle of Sioux City should have an opportunity to develop a reputation and a customer base prior to the start-up of a competing boat on the Missouri River. Ms. Curry introduced several individuals as follows:

John Pavone, General Manager of the Belle of Sioux City: Has been involved in the market in the hospitality industry for several years. The question regarding the viability of the Omaha/Council Bluffs market as it pertains to gaming is a two-level question, as it also takes into consideration tourism. He stated the Omaha market has always been a large marketing target for them. During the months of November and December, the group and tour passenger count was 4,297 people, and 3,220 or 75% came from the Omaha/Norfolk/Columbus area. During a random sampling of license plates over a 7-day period, they counted 536 out-of-state plates of which 61% were from Nebraska, and of those 61%, 33% came from the Omaha area. During promotional give-aways during the month of December, they had registrations of 12,724 of which 2,000 or 16% came directly from the Omaha/Council Bluffs area. The Belle of Sioux City also faces competition from land-based casinos located in South Dakota and Onawa, Iowa. Their passenger counts are averaging between 50,000 - 60,000 per month. Commissioner Sealock commended them on the advertising they are doing in the Council Bluffs/Omaha area.

The statistics covered by Mr. Pavone were submitted to Jack Ketterer, Administrator of the IRGC, for distribution.

Ms. Curry introduced Jerry Hanson from the Community Development Board for the City of Sioux City. The City has contributed $1.2 million toward the docking facility for the riverboat. That dollar amount does not include any improvements beyond the riverboat facilities. During the original development agreement, the City's reliance on the exclusivity provision played a major role in

determining their probability of recovering their investment in the project. Any modification to the exclusivity provision at this time places the City's investment in the project at risk.

Ms. Curry introduced Betty Strong, president of the Missouri River Historical Development - the non-profit group for Sioux City. She stated that last year the non-profit was able to provide funds to other non-profit groups. They distributed funds in the amounts of $45,000, $30,000, and $82,000. In February, they will start the process and will distribute funds in June.

Ms. Curry stated that the City has repaid 25-30% of the city's original investment; and 1995 is going to be a very important year for the city of Sioux City in recouping their original investment. It is expected that the non-profit organization will have between $300,000 and $400,000 to distribute this year.

Bill Wimmer, of the Wasker Law Firm, spoke on behalf of The President Riverboat Casinos. He indicated that the issue came about at the time the legislature removed the betting limits and other changes which prompted a renewed interest in gaming in Iowa. He commended the Commission for their patience in listening to all of the arguments from both sides. Mr. Wimmer indicated that both parties would accept the Commission's decision as final.

Jeff Farrell, the Commission's attorney, analyzed the issue from a legal standpoint in four different areas:

The first issue was whether the prior granting of a license to the Sioux City Riverboat Corp. had any effect on the decision before the Commission today. He found that it should have no effect on their decision as that licensee does not exist today. Any prior reliance would have terminated with the license, this is a new license, and therefore, the prior decision can not be binding on the Commission.

The second issue dealt with whether or not the Commission has the legal authority to make a decision to grant such a license. This issue did not arise the first time around as no one questioned the Commission's ability to grant exclusivity. The statutes do not address this issue one way or another; however, it does state that the Commission does have the authority to decide the number, location, and type of excursion boats licensed under this chapter. This gives the Commission a wide discretion and gives them the ability to limit the number of licenses.

The third area dealt with the criteria used by the Commission in deciding whether to grant or deny a license. Some of the factors which could be relevant in determining whether or not an exclusive license should be granted are economic development, jobs, and whether or not the area will become saturated with boats. Those criteria apply to pending licenses; however, he feels the

Commission, in their wide discretion, has the ability to grant an exclusive license. His legal opinion is that the Code and statute do give the Commission that authority, although not very clearly.

However, Mr. Farrell also stated his opinion that the Commission should not grant exclusive licenses as their authority to do so is not clear, but also because the Commission can make that decision when determining pending licenses. As an example, the Commission has recently granted new licenses for riverboats in the Ft. Madison and Marquette area - neither of which asked for an exclusive license. If they had, the Commission could have determined that the market would be saturated because they are newer, smaller markets, and that those boats needed some sort of protection. However, if the boats' record indicate that the market could support another boat, the Commission could grant the license.

Mr. Farrell stated that he did not feel the Commission should grant exclusive licenses from a policy standpoint. He also addressed Sioux City's request. He feels the original application (1992), there was no opposition to the exclusivity, and it was a small community, small boat and operation. There was reason to grant the exclusivity then; however, he does not feel there is a need to continue the exclusivity now. There is no indication that the Sioux City market interferes with the Omaha market although they do receive some revenue from that market. The new Sioux City license has a better financial background, and there is very little time left in the exclusivity period.

Mr. Farrell referred to Ms. Curry's request that the Commission consider their request as part of the application process for Council Bluffs. He feels that the Commission can take that into consideration in determining the start-up date for the boat(s) in Council Bluffs.

In response to a question from Commissioner Whittenburg as to whether or not the exclusivity agreement survived the relicensing, Mr. Farrell stated that the Commission made a point of that in the hearing in August, that the identity of the licensee had changed even though the same non-profit and the city were still involved.

Mr. Ketterer indicated he felt the Commission needed to remove this issue from the table and deal with the Pottawattamie County license applications on their merits, separately from the exclusivity issue. The Commission is sensitive to Sioux City's concerns and will take those into consideration when considering the Pottawattamie County license applications.

Commissioner May made a motion to deny the request for exclusivity on the Missouri River by the Sioux City Riverboat Corp. and the Belle of Sioux City. Commissioner Van Horn seconded the motion. The motion carried unanimously in a roll call vote. (See Order No. 95-2)

After a short break, the next item on the agenda was the request by Riverbend Regional Authority and Lady Luck Bettendorf, L.C. for a license to operate and conduct gambling games on a riverboat

in Bettendorf. Bob Ellis, corporate counsel for Lady Luck Bettendorf, introduced several individuals from the non-profit group, Lady Luck Bettendorf, and the City of Bettendorf, who addressed various aspects of the proposed riverboat, land-based development, and financing. The project, which will have an 1890's theme, will be completed in three phases as follows: 1) The first phase would include the porte-cochere, guest pavilion, parking, and 76,000 sq. ft. of the outlet mall. They hope to have everything completed except the outlet mall by March 1, 1996. 2) Complete the outlet mall and have it leased by late-September to early October. 3) Enlarge the outlet mall and build a RV park if the need is there. The site contains 90 acres, but the initial development will only utilize 25 acres. There will also be an amphitheater, with seating for between 500 and 1,000, which will be used for a variety of attractions, and will also be available to the city for their use.

Mayor Ann Hutchinson indicated that Lady Luck has agreed to begin paying taxes on the value of the outlet mall, which has an estimated value of $10 million, in September, 1996 whether or not the outlet mall is built.

The first level of the boat will contain the majority of the games - approximately 780 slot machines and 40 tables games. The second gaming deck will contain additional table games and a poker room. This deck also contains a room which can be used for individual group parties, etc., and a gift shop. The top deck is an outdoor area, and the under 21 arcade which can be accessed without entering the gaming area.

As this is a 50/50 joint venture, Chair Canella asked how disputes would be resolved. The format of the company is an Iowa Limited Liability Company composed of the Lady Luck Quad Cities, Inc. and BRDC (Mr. Goldstein's family). There will be a management team consisting of three members elected by each partner. The management team controls the management company under the Articles of Organization. To the extent possible, they have attempted to anticipate any situation that might arise and lead to a deadlocked decision in a Casino Management Agreement within the Limited Liability Company structure. Management roles have been very clearly defined - the Lady Luck people will ensure that the boat is managed and run properly and BRDC is the consultant and manager in charge of the land-base developments and marine issues. Management team members will not participate in issues regarding their particular area of management in order to remove any conflict of interest. There is no arbitration process.

Chair Canella asked if Lady Luck was willing to take a license on the condition that if the outlet mall was not built, that the license would not be renewed. Lady Luck indicated that they would be willing to do so, and pledged to complete the project as close to the drawings as possible, pending approval by the Commission.

Mr. Ketterer asked if Lady Luck was willing to accept a license conditioned upon the completion of the pavilion and porte cochere, and staff inspection and approval of the facilities and machines

prior to the opening, with the understanding that it is a one year license to expire on March 31, 1996, with the further understanding that the renewal of the license will be conditioned upon completion of the outlet mall and a report on the status of the decision to build the RV park and hotel. Lady Luck agreed to the conditions.

Chair Canella asked if the square footage of the mall referred to in the motion was 75,000 or 160,000. The motion is for completion of the 75,000 square feet.

Commissioner May inquired about fines that were issued by the Illinois Gaming Board. She wondered if those fines were levied, and whether or not they should affect this Commission's decision on granting or denying a license. The fines were levied against individuals and did not deal with the integrity of gaming or the casino itself. The fines were paid in order to avoid a lengthy year-long process and based on the express condition that there would be no admission made of any kind of liability. The individuals who paid the fines retain licenses of good standing in Illinois, and have received licenses in other states. The underlying allegation occurred with the staging of a training school for the Par-A-Dice boat in 1991. They felt they got caught in a cross-fire as to which regulatory agency had jurisdiction of the training schools at that time.

Commissioner May moved to grant a license conditioned upon the completion of the pavilion and porte cochere, and staff inspection and approval of the facilities and gaming equipment prior to the opening, with the understanding that renewal of the license will be conditioned upon the completion of the outlet mall and a report on the status of the decision to build the RV park and hotel. The license would be effective from March 1, 1995 to March 31, 1996. The motion was amended to show that only 76,000 square feet of the outlet mall is to be completed within the first year of the license. The license is also granted on the satisfactory completion of background investigations. Commissioner Whittenburg seconded the motion. Commissioner May amended her motion to show that the license would be effective January 18, 1995; and the term "outlet mall" was changed to "commercial center" as all tenants may not be outlet tenants. Commissioner Whittenburg seconded the amendment. The motion carried unanimously on a roll call vote. (See Order No. 95-3)

Chair Canella then moved to the next item on the agenda - Negotiations between Iowa West Racing Association and Iowa Greyhound Association to supplement purses from gaming revenues. Commissioner May has been acting as a mediator for the two groups. Jerry Crawford represents the Iowa Greyhound Association and Lyle Ditmars represents Iowa West Racing Association. Commissioner May indicated that progress has been made in reaching an agreement; however, she indicated that she felt the Commission should establish a deadline of January 31, 1995 for the parties to negotiate a contract or come before the Commission at the next regularly scheduled meeting. Commissioner May made a motion to set January 31, 1995 as a deadline for the two parties to reach an agreement. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-4)

The Commission broke for lunch. Upon reconvening, they went into Executive Session for the purpose of reviewing background investigations. Following Executive Session, Chair Canella recessed the meeting until 8:30 am on January 19, 1995.

Chair Canella reconvened the January 18, 1995 meeting of the IRGC at 8:30 am on January 19, 1995.

Chair Canella brought up the next item on the agenda which was the Pottawattamie County license applications. Each applicant was limited to a thirty minute presentation to be followed by thirty minutes for questions from the Commission. All groups making presentations were sworn in by the Chair at the beginning of their presentation.

The first group to make their presentation was The President Riverboat Casinos. Doug Johnston, Vice President of the Pottawattamie County Gaming Association - the non-profit organization for The President, opened the presentation, and introduced Ed Ellers, President of President Riverboat Casinos, who gave the remainder of the presentation. Their presentation included drawings and a short video of the proposed project and what it would look like when completed if granted a license. Others available to answer questions were Bill Wimmer, legal counsel in Iowa; Gary Armentrout, Vice President of Gaming Development; Terry Eugenis, Director of Marine Operations; Gary Zeliner, Vice President of Marketing; Jim Carter, Financial Analyst; and Joe Emanuel, architect with Davis & Associates out of Atlantic City, as Vice President of Corporate Development. A written version of their presentation was submitted to the Commission.

Chair Canella asked Mr. Ellers how much of their economic impact would be in Nebraska rather than Iowa because of the location. Mr. Ellers indicated that in terms of vendors and purchases, they will use Iowa vendors and make their purchases in Iowa when rates and services are available and competitive. Chair Canella asked Mr. Ellers if The President would be willing to accept a license based on the condition that the license would not be renewed after one year if the project was not developed as presented. Mr. Ellers indicated they would.

The Commission took a short break to allow Boomtown to set up their presentation.

Doug Gross, Iowa legal counsel for Boomtown, Inc., opened the presentation. Mr. Gross then introduced the following individuals: Robert List, Senior Vice President and Director of Corporate Counsel, former Governor and Attorney General of Nevada; Richard Irvine, Senior Vice President of Marketing and Entertainment; Frank Pechacek, Council Bluffs legal counsel; representatives from Leo Daly, traffic engineers; representatives from Smith Barney to answer financing questions; and Tim Parrott, Chairman and CEO, who gave the presentation. Their presentation included a video and slides of their various sites, and the proposed project for Council Bluffs. A written version of their presentation was submitted to the Commission.

Mr. Parrott addressed the concerns of Cargill regarding traffic congestion and safety. They propose the development of an underpass which would connect their parking area with the boat complex which they feel mitigates that issue.

Mr. Parrott also touched on their announcement that they were acquiring National Gaming Corporation, which announced about a month ago that they were acquiring Par-A-Dice. The acquisition is being done through a stock exchange. Boomtown will be the surviving company; he will remain as CEO; and management will continue in their current roles. The acquisition has been approved by the Board of Directors of all companies involved, and is subject to regulatory approval in the appropriate state. They expect to close the transaction in March or April, 1995.

Chair Canella asked about the two scenarios in their application - one with a hotel and one without a hotel. Mr. Parrott stated that, regardless of the number of licenses issued, it would be desirable for them to build a hotel, and have stated so publicly.

Commissioner Sealock asked Mr. Parrott how Boomtown was going to handle the problems presented by Cargill. Mr. Parrott indicated they planned to construct an underpass for pedestrian traffic, and erect a sound barrier wall and landscaping to separate the two properties. Mr. List indicated that permits for the underpass had not been obtained, but they did not anticipate problems with either Cargill or the railroad. The underpass will have security lighting and cameras.

Chair Canella asked Mr. Parrott if Boomtown was willing to commit themselves to the project as presented to the Commission, and in the event that it was not developed as presented, the license would not be renewed at the end of the one year period. Mr. Parrott indicated they typically add enhancements to their projects, and had no problem with the stipulations.

Mr. Ketterer asked how the construction of the underpass and the merger would affect the opening date. Mr. Parrott indicated that the merger would have no impact on the anticipated opening date, nor would the underpass.

Mr. Parrott stated that since the merger has not been completed, it was Boomtown's opinion that each project should be considered on its own merits.

The Commission took a short break to allow Par-A-Dice to set up their presentation.

The non-profit sponsoring organization for Par-A-Dice is the Iowa West Racing Association. Jerry Crawford, legal counsel for Iowa Par-A-Dice, opened the presentation and introduced the following individuals: Mark Sterbens, President and Chief Operating Officer of Par-A-Dice; Mary Jo Schettler, Director of Sales and Marketing; and Sam Curley, an Iowa investor and principal in the Iowa Par-A-Dice project. The following were also available to answer any questions: Bob Long, project engineer;

Gary Griffis, Council Bluffs business person and Par-A-Dice investor; Mike Winter, Council Bluffs attorney and Par-A-Dice investor; and Bob Kingsley, President of National Gaming. Mr. Crawford indicated that the Par-A-Dice shareholders authorized him to inform the Commission that if granted a license they would begin work on the project on February 1, 1995; and that Par-A-Dice would post $9 million dollars of equity with the Commission or Iowa West Racing Association and forfeit the funds if they do not complete the project. The Par-A-Dice presentation included a short video featuring some of their employees from the Peoria boat, as well as a written version of the presentation. Mr. Sterbens gave the presentation.

Chair Canella asked Mr. Crawford how many local investors there were, and the percentage of ownership. Mr. Crawford asked Mr. Curley to respond. He indicated there were three local shareholders, which represent about 10% ownership up to the first $20 million dollars of the project, or a $2 million dollar investment. Commissioner May asked what financial contribution each shareholder had made to the project. Mr. Curley indicated that the $2 million dollars came from a loan from Par-A-Dice Gaming Corporation. Mr. Curley indicated that in addition to the initial purchase of stock, the three investors have contributed about $2,500 total. Chair Canella asked if the loan was a forgivable loan or if it had to be paid back. Mr. Curley indicated it was a non-recourse loan.

Commissioner Sealock asked Mr. Sterbens about the announcement by Boomtown on January 18th regarding the purchase of National Gaming. She wondered if the Par-A-Dice project would become another Boomtown. Mr. Sterbens indicated he has received assurances from Mr. Parrott of Boomtown indicating that he does not anticipate making significant changes in Par-A-Dice, and the agreement states that they will continue with Par-A-Dice projects as presented.

The Commission broke for lunch, and Chair Canella indicated the meeting would reconvene at 1:30 pm to take up the Ameristar presentation.

The non-profit sponsoring organization for Ameristar is Iowa West Racing Association. Lyle Simpson, of Dreher, Simpson and Jensen Law Firm in Des Moines, opened the presentation and made the following introductions: Craig Neilsen, President and Chairman of the Board of Ameristar Casinos; Ken Edmunds, Vice President of Development; Tom Steinbauer, Vice President of Finance; and Jeff Terp, Director of Governmental Affairs. Mr. Edmunds gave the majority of the presentation which included slides depicting the history of the company, copies of which were included in the written version of the presentation. Mr. Terp discussed the economic impact and revenues various governmental agencies for the state, county and city would receive from Ameristar if they were granted a license.

Chair Canella asked if their application contained two hotels and whether or not they would be able to control the development of the second hotel through Kinseth Hospitality Services. Mr. Terp stated

that Ameristar has entered into an agreement with Kinseth Hospitality Services. The Kinseth hotel will be built as a part of the full Ameristar development.

Commissioner May asked if the commencement of a riverboat facility in Council Bluffs would have a negative impact on Sioux City, even if operations did not begin before February, 1996. Mr. Tero stated that Ameristar does not anticipate pursuing the Sioux City market; however, they will cut off some of the Council Bluffs/Omaha market that has been driving to Sioux City.

Chair Canella asked if Ameristar would be willing to accept a license based on the condition that if the project were not completed as presented, the license would not be renewed after one year. Mr. Edmunds and Mr. Terp indicated that Ameristar would accept a license based on those stipulations.

The Commission took a short break to allow Harvey's to set up their presentation.

Harvey's presentation included a video, and a written submission. Those speaking on behalf of Harvey's were Mary Ann Garfield, Director of Business Development; Thomas Yturbide, President and CEO of Harvey's; Chuck Share, Senior Vice President of Finance; and Thomas Hanafan, Mayor of Council Bluffs. Mr. Yturbide gave the main presentation. Mr. Hanafan described the city's process for developer selection, the depth of community support for the project and why Harvey's proposed site is the best site in Pottawattamie County for a riverboat. Mr. Share described the financial aspects of the project and the economic impact. Jay Kornmeier, Senior Vice President and Manager of the Gaming Division for First Interstate Bank, made a short presentation to the Commission regarding the relationship between the bank and Harvey's.

Chair Canella asked if Harvey's was willing to accept a license based on the condition that if all of the project and development as presented to the Commission was not completed within one year, the license would not be renewed. Harvey's did not have any objections to the conditional license.

Mr. Ketterer asked if there was a commitment that the financing for the Council Bluffs project will be completed and funds available from the credit facility would be dedicated to this project, in light of the fact that Harvey's has had cost overruns at two other projects. Mr. Yturbide referred to the cost overruns as budget enhancements - improved the value of the facility and the product that was offered. Harvey's has certain criteria that it follows when considering expansion - a market in which it has the ability to dominate and the ability to go into an existing position with a niche which can be purchased.

The Commission took a short break to allow CasinOmaha to set up their presentation.

Richard Hoeks, a board member of Pottawattamie County Gaming Association, made the opening

statement and introduced the other members of the presentation team: Arnie Harlan, Treasurer of the Omaha Tribe and Chairman of the Director's Committee for the joint venture and Joe Massa, General Manager of CasinOmaha and Chief Executive Officer for the joint venture. The following individuals were not part of the presentation, but were available to answer questions: Moe Shanley, business advisor for the Omaha Tribe and Chief Operating Officer for the joint venture; and Ray Hillenbrand, Director's Committee member of the joint venture and manager of MOM, Inc. He also recognized members of the Omaha Tribal Council; Bill Blankenship, Mayor of Carter Lake; members of the City Council and Pottawattamie Gaming Association; and Mike O'Bradevich, attorney for Carter Lake.

Mr. Massa gave the main presentation. The presentation included a handout and two videos - one of which was an infomercial advertising western Iowa and CasinOmaha and the other dealt with the history of the Omaha Tribe. There was also a letter which addressed issues raised by Commission staff during a meeting on January 11th; and twelve unsolicited letters from mayors from surrounding cities in Pottawattamie County indicating their support of the location for a riverboat in Pottawattamie County. Mr. Harlan addressed issues relating to the involvement of the Omaha Tribe in the project in Carter Lake.

Chair Canella asked if they were willing to accept a license subject to the license not being renewed after one year if they did not complete the project as presented. They indicated they would.

Commissioner May asked how many tribal members there were. Mr. Harlan indicated there is an enrollment base of approximately 5,000 members from infants to the elderly throughout the United States. Commissioner May then asked how many were Iowa residents. Mr. Harlan did not have an accurate number, but admitted that it could be less than 250. She then asked in which state the largest settlement is located. Mr. Harlan indicated that it was on the Omaha Reservation. She also asked how many acres were in Iowa; Mr. Harlan indicated they had 1,900 acres and that the total acreage was close to 100,000 acres.

Commissioner May asked if the Omaha Tribe was involved in negotiating a compact with the state of Nebraska to establish a casino. Mr. Harlan indicated they were not, but were monitoring the situation. They currently feel the situation in Iowa is better suited to their needs.

Commissioner May asked Mr. Harlan to describe a few of the things the tribe has been able to accomplish with gaming revenues. Mr. Harlan indicated that they have an annual clothing allowance for their children, improved several areas of their infrastructure, and purchased a dialysis machine for their membership, and anticipate spending approximately a half-million dollars to build a structure to house the machine which is currently operating out of a mobile unit.

Chair Canella brought up the fact that the Tribe is not required to pay taxes to the state on their

current casino operation, approximately 20% of gross revenues, giving them a competitive advantage over the riverboats, and that possibly they could use those funds for promotions or increased payouts. Mr. Massa indicated that by the time wages and operating costs were paid, they were operating in a deficit.

Commissioner May asked where the money distributed to tribal members was spent - in Iowa or Nebraska. Mr. Harlan indicated that the majority was spent in Sioux City where a majority of tribal members do their shopping. She also asked if any capital improvements had been made to the tribal grounds located in Iowa, or if they had all taken place in Nebraska. Mr. Harlan indicated that the tribe has 2,000 acres of farmland surrounding the casino. They have installed a new grain bin and have purchased new equipment to farm the ground. They have also had some land appraised adjacent to the tribe's land as area individuals have expressed an interest in selling land to the tribe.

Chair Canella asked if the tribe anticipated unemployment at CasinOmaha as a result of a riverboat in Council Bluffs and if there was any reason tribal members could not be employed by other licensees if the tribe was not successful in getting a license. Mr. Massa indicated there could be a transportation problem as several do not have cars; they currently run shuttle buses for the employees at CasinOmaha.

Commissioner Van Horn asked Mayor Blankenship if the Abbott group was the city's first choice for a license in Carter Lake. Mayor Blankenship stated that the City endorsed both the Omaha Indian Tribe and The President Riverboat casino. The City would receive better revenues from the Omaha Indian tribe license than The President as the tribe is leasing city property.

Mr. Ketterer asked Mr. Blankenship to explain the city's position regarding no hotel as one of the goals of the riverboat gambling bill was to benefit river towns and spur economic development and tourism. Mr. Blankenship indicated there were several major hotels close to Carter Lake. The city's criteria was to get a nice land-based facility which would provide entertainment and draw tourists, and that if a hotel was needed, it would come. The City has many infrastructure needs that need to be addressed such as sewers and drainage, paving of streets, replacement of city equipment, etc.

Commissioner May indicated she had read newspapers articles in which Mr. Blankenship expressed his concerns regarding the manner in which the Commission was addressing the licensing issue and additionally questioned the credibility and integrity of the Commission during the licensing process. She asked that he voice any such concerns while he was before the Commission so they could address his concerns. Mr. Blankenship indicated that he is a very outspoken person, and that he had vented some of his frustration at the Nonpariel following a news article in that paper, and that the Nonpariel had then printed another story quoting him following his phone call. Commissioner May specifically asked him about a quote in which he talked about having an investigation conducted on the

Commission. Again Mr. Blankenship indicated that was not the case, that in news articles he felt it was already determined that one particular company was going to be granted a license. Commissioner May indicated that she was not taking the comments as a personal attack as much as she wanted it clearly understood that the Commission had gone to great lengths to make the process as independent, objective and analytical as possible.

Mr. Ketterer informed those present that the Commission meetings the following week were going to be held on Thursday and Friday, January 26th and 27th. Thursday will be staff presentations on the Pottawattamie County applicants, as well as a representative from Christiansen and Cummings. The remainder of the day will be set aside for public comment. The public comments will be taken in the opposite order of the presentations, so the order will be: Abbott, L.C. - MOM, Inc.; Harvey's Iowa Management Co.; Ameristar Casino Council Bluffs; Iowa Par-A-Dice; Boomtown Iowa; and President Riverboat Casino. Individual comments will be limited to two minutes; while those representing a group will be limited to five minutes. There will be time allowed for general, non-specific comments regarding a riverboat in Pottawattamie County. A decision is to be made following the close of public comment on January 26th. The Commission does have a meeting on January 27th, there are no items relevant to the applications on the agenda. These meetings will be held in the same location - Ramada Inn Westmark, Westmark III.

The date for the March 16th meeting has been changed to February 28th.

Commissioner May made a motion to adjourn the meeting at 5:30 p.m. Commissioner Whittenburg seconded the motion which carried unanimously.

MINUTES TAKEN BY JULIE D. HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 26 - 27, 1995

The Iowa Racing and Gaming Commission met on Thursday, January 26, 1995 at the Ramada Inn, Westmark III Ballroom, 1250 - 74th Street, West Des Moines, Iowa. Commissioners present were Chair, Richard Canella; Vice-Chair, Rita Sealock; and members Lorraine May and Nancy Whittenburg. Chair Canella announced that Commissioner Van Horn was unable to be present as he was in the hospital.

Chair Canella called the meeting to order at 8:30 am and entertained a motion to approve the agenda. Commissioner Sealock made a motion to approve the agenda. Commissioner May seconded the motion which passed unanimously.

Chair Canella moved to the next item on the agenda - approval of the minutes from the January 18 - 19, 1995 Commission meeting. This item was deferred.

Chair Canella called on Jack Ketterer, Administrator of the IRGC, to make the staff presentation regarding the Pottawattamie County riverboat applications. Mr. Ketterer began his presentation by outlining the timelines during the process: Legislation was changed in April to remove the betting limits; local referendums were held in May, including Pottawattamie County, to allow for expanded gambling; interest in Pottawattamie County peaked in June and during the June meeting, the Commission announced the application process for the Pottawattamie County riverboats. All applications were to be filed with the Commission office no later than September 19, 1994; and once the applications were filed, no amendments were allowed except for requests for clarification from IRGC staff. The Commission indicated they expected to make a decision sometime during the winter. A letter was sent to all interested parties on July 28, 1994. The Commission received six applications on September 19th. The market study performed by Christiansen and Cummings, commissioned by the IRGC to determine what the approximate gaming revenues for the area were, was completed in November, 1994. The Commission also asked each applicant to address what they felt the gaming revenues for the market would be in their application, but felt the Commission should have an independent opinion. In November, 1994, the Commission announced the following meeting schedule: DCI background investigations would be received in Executive Session on January 18, 1995; the applicants would make their presentations to the Commission on January 19, 1995; and there would be public comment and a decision made on January 26, 1995. Early in January, IRGC staff met with each applicant for approximately one hour and reviewed the applications and cited areas which needed to be clarified or were incomplete in order to provide additional information to the Commissioners, but also to help the applicant make the best possible presentation. The goal throughout the entire process was to have a fair and equitable process for all of the applicants so they would have an opportunity to put their best foot forward and tell Commission members why their

proposal was the best for Pottawattamie County. IRGC staff, as well as Commission members, have spent numerous hours reviewing the applications and information provided. Mr. Ketterer presented a comparison of the applicants based on the applications as submitted and material requested by IRGC staff. Commission members are bound to base their decision on the information in the application. Mr. Ketterer indicated that some of the information is objective and geared toward satisfying a requirement in the statute; while some information is subjective in nature - such as site location. Mr. Ketterer stated that the Commission had been receiving letters in support of specific applicants which had been distributed to the Commissioners to show the support for the applicants, and that public comment is a big part of the process as well. It will allow the Commissioners to hear comments that reflect information which they may not have learned up to this point.

The Christiansen/Cummings market survey and projection talked about "AGR - adjusted gross revenue" which is what the casino has left after they have paid winning players, but prior to paying any 20% taxes to the state, operational expenses, taxes, etc. The study referenced what the total market and what the projections would be for a specific operation. The adjusted gross revenue for the Council Bluffs/Carter Lake area is projected at approximately $165 million with a per capita wager of approximately $45-$55. It is anticipated there will be approximately 3.3 million annual gaming visits. This is a tool which can be used by the Commission in determining the number of licenses to be issued. Industry standards indicate that a certain number of gaming positions will produce a certain amount of revenue. When that revenue is divided into the AGR, you arrive at the number of gaming positions the market will handle. That number can be compared with the number of gaming positions available on each riverboat which would give an indication of the number of boats which might be licensed. There are several factors which will play a part in determining the number of riverboats to be licensed.

Mr. Ketterer introduced Eugene Christiansen and Will Cummings, who are well known throughout the gaming industry. Mr. Christiansen has been a executive and consultant in the commercial gambling industry for over 20 years. He has had several articles published on casinos, pari-mutel, racing and lotteries. He also does the annual analysis of the gross wager of the United States for the Gaming and Wagering Business which is a very comprehensive and complex study of gaming throughout North America, and is often referred to by individuals involved in the gaming industry. Mr. Christiansen graduated from the University of California at Berkeley.

Mr. Christiansen stated that Christiansen and Cummings has worked with the State of Iowa since gambling was legalized in 1983. Mr. Christiansen presented the Commission with some policy issues that need to be considered when issuing gaming licenses. Iowa law gives the Commission the power to decide the number of riverboat licenses which some other licensing authorities do not have. However, with the power goes responsibility. Some of the issues raised in determining the number of licenses to be granted which have been encountered in other jurisdictions include:

1) Gaming is authorized for a purpose or multiple purposes - one of which is the intention to generate revenue from gambling taxes or license fees; economic impact - creation of jobs, attract capital investment and usually stimulate the local economy; redevelopment of decaying urban and rural environments, and stimulating tourism which was a specific purpose for the gaming law in Iowa. These are reasonable goals; however, they are not always consistently mutual goals. Actions taken by regulatory agencies, including decisions on the number of licenses to grant, may make the realization of one or more of these goals difficult or impossible to reach.

2) Commission actions are governed by Iowa laws and economic laws equally, especially by the law of supply and demand. In deciding how many licenses to grant, the Commission will shape the competitive environment of Iowa riverboats. This environment is further shaped by the casinos in other jurisdictions. If the Commission severely limits the number of licenses in Iowa, the supply of table games and slots could be considerably less than the demand. In such circumstances, the riverboats will have large profits, therefore, paying higher taxes. Casinos that operate in a monopoly or quasi-monopoly are much more likely to be able to invest in hotels, convention centers, theme parks, etc., as well as making financial contributions to non-commercial, cultural activities.

3) Casinos operating in markets where competition is constant or limited are likely to be more financially stable which is in sharp contrast to jurisdictions where the market forces are allowed to determine the number of casinos. Bankruptcies or defaults by licensed entities can cause severe problems for the jurisdiction in which they were licensed.

The Commission could let the market determine the number of licenses to be issued if the goal is to create a maximum number of jobs; however this raises different issues. Casinos operating in fully supplied markets put pressure on tax rates, and force legislators to decide whether or not to lower the gaming tax rates. Narrow operating margins wipe out a casino's ability to invest in hotels, theme parks, convention centers, museums, art, etc. Unlimited gaming can also cause the displacement of families from homes and non-gaming businesses.

Jobs created during the expansion phase of gaming development may be lost during a consolidation phase if the number of casinos exceeds the demand for such gaming. Industry downsizing is not inevitable in allowing the free market policy to determine the number of licenses.

Mr. Christiansen's final statement to the Commission was that the issues he presented to them are not questions with right or wrong answers, but choices from which they have the power and obligation to choose. Each choice will have consequences - some good, some bad. These issues all go back to the same question from which all gaming law and regulation should start: "What policies do gaming serve and what actions are likely to serve those policies?"

Mr. Ketterer then introduced Will Cummings, who has also been involved in management and consultation in the gaming industry for approximately 20 years. He was involved in the feasibility

study for the track at Dubuque. He has Bachelor's and Master's degrees from the Sloan School of Management and Massachusetts Institute of Technology.

Mr. Cummings described how they arrived at their market projections. In conducting their study, they looked at the range of casino and related gaming device markets across the United States, particularly at the Iowa markets and those close to Iowa, as well as Colorado and New Jersey. The result of the analysis from other jurisdictions and the demographics from the market surrounding Council Bluffs and Omaha is that the average resident of the local area will spend approximately $180/year on casino gaming under the conditions assumed for the Council Bluffs area. Income and competitive figures were also taken into consideration. The study also assumed that there would be no competition from similar facilities, casino-style gaming or machine-gaming in Nebraska. They estimate an annual gaming win, assuming a reasonable - if not extreme - supply of casino tables and gaming devices in the market, of $147 million in adjusted gaming revenues. Mr. Cummings indicated it was their opinion that the factors balancing the considerations of providing a competitive market within the region, but also providing a reasonable return on the investment in the facilities, and the associated financial stability against the down-side risk, the average rate of utilization would be around $150/day/machine and $1,500/day/table. Divide those figures into the $147 million figure and you get a rough estimate of 67 table games and 2,000 gaming devices for the total market, a portion of which will be captured by the casino at Bluffs Run.

Chair Canella asked if the study took tourism into consideration. Mr. Cummings indicated that the study assumed a modest increment of the business would be generated totally outside the Nebraska/western Iowa area. In addition, some component of the visitation from part of Nebraska and western Iowa would also be considered as tourist trade. They also assumed 5% of the visitors would be from outside the area.

Commissioner May asked whether a statement made to the Commission the previous week which indicated that the video poker games have a higher usage than the old reel concept slot machine was correct. Mr. Cummings indicated that both machines were attractive in different ways, and that relative usage will depend upon the relative numbers of each type of machine available at a location, as well as the take-out rates. In most instances, video poker has a lower take-out rate than the spinning reel-type machines.

Chair Canella asked about the win rate of $45-$50 stated by most applicants and Christiansen/Cummings. He indicated that a win rate of $35 was high for the boats on the Mississippi. Mr. Cummings indicated that it related to supply and demand. If there is a lot of capacity in the market, then local patrons can visit at will and spend less per visit; however, if there is a restricted supply, then there is a higher rate of spending per visitor. Competition also plays a role.

Mr. Ketterer thanked Mr. Christiansen and Mr. Cummings for their report, as well as all of the applicants for the professional manner in which they conducted themselves throughout the process.

Chair Canella thanked the IRGC staff for all the time and effort put forth in dealing with the Pottawattamie County applications.

After a short break, the Commission heard public comment regarding the six applicants. Individuals were allowed two minutes, while organizations were allowed five minutes.

The following individuals spoke on behalf of the Casino Omaha riverboat: Dr. Rudi Mitchell, Chairman of the Omaha Tribe for the states of Nebraska and Iowa; Valentine Parker, Tribal Elder; Nate Parker, Secretary of the Omaha Tribe; Doug Johnson, Vice President of the Pottawattamie County Gaming Association; Carl Harrison, President, Paxton Verling Steel; and Mike O'Bradovich, Carter Lake City Attorney. These individuals addressed the economic and social impact a license would have on the Omaha Tribe, as well as the economic impact to the City of Carter Lake and Pottawattamie County. Mr. Johnson addressed the goals of the non-profit organization.

Chair Canella asked for the pubic comments for Harvey's. The following individuals spoke on behalf of Harvey's application: Tom Colbert, Chamber of Commerce of Council Bluffs; Delmar Goos, Pottawattamie County Supervisor; Sheila Amdor, Mayor Pro Tem and City Council member; Scott Bell, Past President of the Council Bluffs Parks & Recreation Board; Judy Long, City Council; Emil Pavich, Mayors' Committee member; Phyllis Alt, Mayors' Committee member; Marcia Hastings, Historical Society of Pottawattamie County; Sue Johnson, Tourism and Promotion; Dan Jordan, Council Bluffs City Council; Patty Smith, Smith's Office Machine Co.; Terry Rogers, Greater Council Bluffs Board of Realtors; Delbert R. Burdick, individually and as a fire consultant; Jim Kaiser; Sharon White, Council Bluffs Board of Realtors; Tim Wichman, Council Bluffs Business Association; Dean Sharp, Fraternal Order of Police Lodge #1; John Tabor, OMNI Centre Business Park; Thomas Hanafan, Mayor of Council Bluffs. They all addressed the economic benefit to Pottawattamie County, the state and local governments. Several addressed the fact that Harvey's has been a corporate citizen in Council Bluffs for over five years, have contacted local businesses regarding supplies for their riverboat in the event they are granted a license, have become active on local committees, and made major contributions to several projects designed for community betterment. Mr. Colbert indicated the Chamber of Commerce was recommending that a second license be issued on the condition that the licensee make a commitment to the community and business community to hire local Iowans; local contractors and subs; local suppliers; have a desire to promote tourism; work with the Chamber to promote economic development for the entire area; and create attractions to draw people to Council Bluffs and the surrounding area. He also requested that licensees consider using Iowa Western Community College for training purposes. Mr. Goos indicated the Pottawattamie County Supervisors recommend land-base development, entertainment, an amusement park and convention center. Other speakers stated having these facilities would enable Council Bluffs to compete for conventions, conferences, meetings and trade shows which seek interesting activities to increase attendance. It is anticipated that the sports complex could have an economic impact of least $3.5 million dollars.

Chair Canella then moved to the public comments pertaining to Ameristar. The following individuals spoke on behalf of the Ameristar application: Sue Dunkley, Kids Quest; Leslie Kinseth, Kinseth Hotels; Randy Archer; Keith Skinner; Sean Davis; Peter Reed, General Manager, AGRI Grain Marketing; Bart Rule, resident of Harrison County; Martin Wolfe, Vice President of Instruction Services at Iowa Western Community College; Linda Skinner, owner and manager of the Best Western Crossroads; Chuck Biddison, representing the mayor of Atlantic and a small business owner; David Messersmith; John Malloy, Habitat for Humanity; Dennis Eichman, Vice President for Community Service at Iowa Western Community College; Dorothy Wenninghoff spoke on behalf of the senior citizens; and Charles Boan, Koch Fuels. Ms. Dunkley spoke about Ameristar's commitment to establish a 10,000 square foot area for children from ages 6 weeks to 12 years. Mr. Kinseth owns and operates Kinseth Hotels which Ameristar has approached to build the second hotel in connection with their casino operation, and the economic benefits of granting a license to Ameristar.

Mr. Reed spoke against the Ameristar location due to its proximity to the Cargill operation in Council Bluffs. He stated that a major grain operation and gambling casino would not make good neighbors due to the differences in operations. He felt one or the other business would suffer. Mr. Reed submitted petitions signed by patrons and suppliers, as well as cooperative and elevator managers. Chair Canella asked Mr. Reed why AGRI was so late in bringing this matter to anyone's attention. Mr. Reed's response was that they were concerned about developing an adversarial relationship with a potential neighbor; were in the midst of the largest harvest in Iowa's history; and were not aware of specific proposals or the size of said proposals. Chair Canella asked where they would locate if they sold their facility to Boomtown, and whether they would relocate to Omaha. Mr. Reed indicated they would remain in the business of serving western Iowa farmers, hopefully finding a suitable site in Council Bluffs, in addition to finding other means of transporting grain from western Iowa to other destinations. Locating in Omaha would not give them access to Iowa grain. Chair Canella indicated that Mr. Reed's letter to the Commission raised objections against the Boomtown proposal versus the Ameristar proposal. Mr. Reed replied that the same objections would apply to both applications as both are proposing to develop an entertainment complex which would change the entire complexion of their business area. Commissioner May asked Mr. Reed about the impact of the new Western Trails project that will be developed south of their location. Mr. Reed did not know many of the details surrounding this project, but felt that it would not have as much of an impact on their business as the development proposed by Ameristar.

The representatives from Iowa Western Community College prefaced their statements by stating that the college did not endorse a specific applicant; however, Ameristar was the only applicant to approach the college about existing programs and the possibility of setting up additional programs to meet their training needs. They indicated it was their hope that any of the applicants granted a license would be willing to work with the college regarding training programs.

Following a lunch break and the conclusion of the Ameristar comments, the Commission received the public comments regarding Par-A-Dice. The following individuals spoke on behalf of Par-A-Dice: Linda Meyer, family business; Tim Wichman, Council Bluffs Business Association; Judy Long; LeRoy Kadel, Pottawattamie County Conservation Board; Butch Harper, President of Omaha Hotel, Inc.; and Dr. DeBord, a member of the Par-A-Dice Board of Directors. The Council Bluffs Business Association stated it was their belief that two projects with hotels would have a detrimental effect on the existing hotel/motel industry. Additionally, two major projects in close proximity would do little to spread potential growth and development around the community. Mr. Kadel stated that granting a license to Par-A-Dice would help rejuvenate the Narrows Park area and help to eliminate the illegal dumping that is occurring in that area. Mr. Harper felt that the market should determine the need for additional hotels/motels versus a regulatory agency requiring hotels/motels to be included in a project. Dr. Debord addressed the various purchase transactions involving Par-A-Dice. Both transactions require approval by Boards and regulatory agencies.

Chair Canella moved to the public comments for Boomtown. The following individuals spoke on behalf of the Boomtown application: Peter Reed, General Manager, Agri Grain Marketing; Marcia Hastings, Historical Society of Pottawattamie County; and John Tabor, OMNI Business Center. Mr. Reed informed the Commission that Boomtown and Cargill had reached an agreement in which Cargill agreed to sell their facility upon the issuance of a license to Boomtown for $14 million. Ms. Hastings stated that it was their belief that Boomtown would help to encourage tourism to various historic sites which were important in the pioneer days.

Chair Canella moved on to the public comment for The President. The following individuals spoke on behalf of The President application: Doug Johnson, Vice President of the Pottawattamie County Gaming Association; Lori Bailey; Sheryl Williams; Wanda Rosenbaugh; Mary Ellen Chamberlain; and Representative Dave Millage. Ms. Rosenbaugh, a member of the Carter Lake City Council and serving as Mayor Pro Tem, asked the Commission to seriously consider a license for Carter Lake. Ms. Rosenbaugh went on to state that despite Carter Lake's physical separation from the state of Iowa, it has tried to play a vital role in community programs. Mary Ellen Chamberlain, President of the Riverboat Development Authority - non-profit partner of The President Riverboat in Davenport, played a videotape for the Commissioners which featured various community leaders from the Davenport area.

Chair Canella moved to the general public comments. The following individuals spoke: James Campbell, representing the Iowa West Racing Association; Tom Colbert, as a banker and citizen of Council Bluffs; Bob Mundt, President of the Council Bluffs Chamber of Commerce; and Dick Wade, City Attorney for Council Bluffs. Mr. Wade indicated that the City of Council Bluffs would like any license issued in Council Bluffs to be conditioned upon substantial completion of the land-base development prior to the effective date of the license, and upon the completion of the development

of what is being proposed within one year of the effective date of the license. He also indicated that throughout the process, Council Bluffs was working under the premise that none of the licenses would be operational prior to January 1, 1996.

Chair Canella then gave each applicant five minutes to make additional comments. Chair Canella called on Ed Ellers of The President. Mr. Ellers indicated that the Commission was picking a partner. The boat will represent an area, not a specific city. Tom Yturbide from Harvey's was next. He indicated that Harvey's has been in the Council Bluffs area since 1989, and enjoyed every minute of it. Moe Shanley spoke on behalf of Abbott/MOM, Inc., and thanked the IRGC staff for their help and the Commission for giving them the opportunity to compete for a license.

Chair Canella called on LeRoy Kadel to address the Commission. He indicated that he was not aware of the Cargill proposal prior to today, and was not sure who he was upset at - Cargill or Boomtown. He comes from a farming community. If the facility at Council Bluffs is closed, it will have severe economic ramifications on the farming community as Cargill handles one-half of the grain that is moved in the western part of the state.

Chair Canella called on Sam Curley on behalf of Par-A-Dice who thanked the IRGC staff for their help throughout the process, and the chance to compete. Tim Parrott of Boomtown was next and addressed the issues surrounding Cargill. They feel they have a unique situation as their site would be contiguous with the Western Trails Center. Jeff Terp from Ameristar followed, and addressed some of the issues surrounding Cargill. He stated that Ameristar has 40 years of experience in the gaming industry. Upon questioning from Chair Canella, Mr. Terp discussed various issues relating to traffic, pedestrian safety, railroad spurs, etc. which were covered in a letter to Bill Swensen. The Ameristar development is totally self-contained. Ameristar is willing to negotiate with Cargill and give assurances that are within their power to give.

The Commission took a short break and reconvened at 3:00 pm.

Chair Canella asked for comments from the Commissioners. Commissioner Whittenburg began by stating that all were qualified applicants and that she was impressed with their willingness to comply with requests from staff and to comply with the rules and regulations throughout the application process. Each application will be able to bring economic development and tourism to the state, some better than others, and it is the Commission's job to determine which applicant can do the best job. Each applicant has one aspect of their application which is unique to them. She highlighted the following from each application:

Harvey's: Commitment to the community of Council Bluffs and Pottawattamie County for the past five years, and their land-base development.

Ameristar: Impressed with their policy of Iowa first, the fact they contracted with Kinseth Hotels for the ancillary hotel development, and the fact that they came with firm agreements from some of the companies involved in their development.

Boomtown: Liked their theme, family orientation, and marketing ideas. Had a good and positive impression from Mr. Parrott.

President: Commitment to Iowa and working to change the legislation in Iowa. Liked their ideas for the pavilion and land-based facility.

Par-A-Dice: Sound financial ability to bring the project forward; marketing ability

Omaha Casino Queen: Proven track record at the casino in Onawa; sound financial structure

Commissioner Sealock made her comments next: She indicated that during this process, she was looking for a "neighbor", someone that she could work with for the rest of her life. She had received assurances from individuals involved with the gaming industry that all of the applicants were known for their high integrity and reputation in the industry.

Harvey's: Entrenched in the community. Several management people have taken the time to become involved and well-known in the Council Bluffs community, and become involved with local committees and organizations.

Ameristar: Respected the process, came in early and were decisive. Offering a complete facility, and referring to it as a destination resort. Have an excellent site.

Boomtown: Impressed with their people; exciting marketing presentation.

Par-A-Dice: They do what they say they will do; have a quality product.

President: Proud of their operation in Davenport, they have done everything they said they would in Davenport. Liked their building, could picture it perched on the side of the river.

Casino Omaha Queen: Enjoyed the presentations, enjoyed learning about the community; proud of the way they presented themselves.

Commissioner Sealock also addressed the large number of letters the Commission has received in support of the various applicants. She indicated the letter received from the County Board of Supervisors was the most compelling as it represented 85,000 people, and came from elected officials, only one of which lives in Council Bluffs. She felt that letter represented a broad spectrum of Pottawattamie County.

Commissioner May made her comments next. She indicated one of the dangers of highlighting aspects of each application was the implication that you liked one particular aspect of each application better than the others by omission. She indicated that was not the case, that all were excellent applications. The Commissioners have had to deal with a large amount of information and spend a great deal of time in reviewing the applications to determine what is best for the community and the State of Iowa.

Casino Omaha Queen: Met the individuals during the Gaming Study. Opportunity to meet people she might not otherwise have met; gained respect for their operation and commitment to the state.

Harvey's: Outstanding community involvement; quality project. Has all of the qualities that riverboat gaming was supposed to bring to the state.

Par-A-Dice: Has a successful history in a market that is not markedly different from the Council Bluffs market. Tremendous marketing success. Have done a good job of dealing with corporate change issues facing them.

Ameristar: Has done an excellent job in responding to issues which have been raised with their location. Appreciative of their tourism plan, and using Kids Quest to set them apart from the rest.

Boomtown: Dynamic; corporate culture and attitude would fit very well in the community and with Commission staff. Application has undergone considerable changes since originally submitted; however the application will be considered as it now stands, and the Commission is aware of the commitments made by Boomtown.

President: Came with a very well known track record, have met their commitments to Iowa; have a quality product which would be completed with nothing less than excellence.

She also commented on the two non-profits involved in the application process: Iowa West Racing Association and Pottawattamie County Gaming Association. She has consistently been impressed with their ability and desire to what Iowa law and common sense require. They have not isolated themselves from the community. They have done a great deal to make sure that the economic impact from the dog track has made it into rural Pottawattamie County, as well as outside Pottawattamie County, and even Nebraska. The Pottawattamie County Gaming Association is new to the Commission, but applauded the approach they brought to the plan. She particularly liked their statement that no one is served well by becoming dependent upon funds that may not be available in the future.

It has not been an easy process to determine who should be nominated for licenses when you have the number of applicants and the number of licenses which can be granted. If more than one license

is issued, the two top applicants, in isolation, may not be the best in combination; so the synergy between the applicants also needs to be taken into consideration which will require a great deal of balance, and ultimately, a great deal of judgment.

Chair Canella then made his comments. He stated that he agreed with the comments made by his fellow Commissioners; and that Pottawattamie County should be proud to have any one of the applicants operate a riverboat in their community. Living in the southeast corner of the state; he is very much aware of the economic and tourism impact that a good operation can have on the local economy, as well as what a bad operation can do. He went on to explain how he determined who he would vote for. He congratulated each applicant and stated he felt they would be a credit to the state of Iowa and the community of Council Bluffs, and were a credit to the entire gaming industry.

Chair Canella indicated the first thing the Commission should do is determine the number of licenses that should be issued. He called for a discussion or a motion. Commissioner Sealock made a motion to grant two riverboat licenses in the Council Bluffs/Carter Lake/Pottawattamie County market. Commissioner May seconded the motion. Hearing no further discussion, Chair Canella called for a roll call vote. The motion carried unanimously. (See Order No. 95-5)

Chair Canella asked if there was any further discussion regarding the applicants or if there was a motion to nominate an applicant for a license. Commissioner Whittenburg stated that she felt the Commission should discuss what conditions might be placed upon a licensee prior to any motions being made. She felt one of the conditions was whether or not the applicants would be willing to accept a license based on the condition that if the project was not substantially complete by the opening date or effective date of the license, then the license would be subject to non-renewal. All of the applicants were agreeable to the condition during the presentations.

Commissioner Whittenburg went on to state that the City Attorney for Council Bluffs requested that as a requirement of the license, any licensee be required to have the project as presented to the Commission and in their application 100% complete twelve months after the opening date. All Commissioners were in favor of the condition as well. This condition would be subject to some discretion on the Commission's part based on mitigating circumstances beyond the control of the licensee.

Commissioner May indicated the Commission has made an effort to have all of the riverboat licenses end on the same date - March 31, 1997. This gives the Commission some ongoing authority to insure that the commitments of the licensee are being met.

Commissioner May went on to address two other issues which were of concern to her. One being that the non-profit organization continue to look at the broad community, and look at the needs of some of the applicants and individuals who made presentations to the Commission in the event that they do not receive a license, to be certain that there is some equity in the region. There were several

comments made as to what effect a license could have on the communities, and she felt the sponsoring non-profit needed to be aware of the needs outside of their immediate realm. The Commission has historically requested information concerning the recipients of grants from the non-profit and monitored those; and she anticipates they will continue to do so.

Subject to the two conditions previously stated, Commissioner Whittenburg made a motion to nominate Harvey's Iowa Management Company, Inc. and their co-applicant, Iowa West Racing Association, be granted a license to operate excursion riverboat gaming in the State of Iowa in accordance with and under the provisions of Chapter 99F of the Iowa Code for the purposes set forth in that chapter at the location defined and set forth in their application made to the Commission which would expire on March 31, 1997. Commissioner Sealock seconded the motion.

There was a brief discussion as to whether or not both licenses should be granted in one motion. Chair Canella determined that they should be done separately.

Chair Canella asked for further discussion on the previous motion. Hearing none, he asked Harvey's if they had any problems with the conditions stipulated previously. They indicated they did not. Chair Canella called for a roll call vote. The motion passed unanimously. (See Order No. 95-6)

Commissioner May moved to grant a license to Ameristar subject to the same conditions and with the understanding that the license would expire on March 31, 1997. She went on to state that she was acutely aware of the fact that the motion leaves no license in Carter Lake which was part of the reason she made her earlier statements about viewing the area as a community and being aware of the concerns of Carter Lake. She further stated that she is acutely aware of the impact these licenses may have on the Omaha Tribe's casino; and strongly encouraged any licensee to work closely with the Omaha Tribe to determine whether or not they can mitigate any negative employment impact on their community and work with the tribe to get employees in Council Bluffs. Commissioner Whittenburg seconded the motion. She went on to say that she agreed with Commissioner May's statements regarding the employment situation. She further stated she was very impressed with the efforts made by Ameristar with the Iowa Western Community College to develop a curriculum for the gaming industry; and she hoped that each licensee would take into consideration the employment opportunities available through the college's current curriculum.

Chair Canella asked if there was any further discussion. Hearing none, Chair Canella asked Ameristar if they had a problem with any of the conditions attached to the license. They indicated they did not. Chair Canella called for a roll call vote. The motion passed unanimously. (See Order No. 95-7)

Commissioner May made a motion to deny the license applications of Boomtown, The President, Par-A-Dice and Abbott, L.C./MOM, Inc. based solely upon the market conditions. Commissioner Sealock seconded the motion. Hearing no further discussion, Chair Canella called for a roll call vote. The motion passed unanimously. (See Order No. 95-8)

Commissioner Sealock made a motion to recess the meeting until 8:30 am on Friday, January 27, 1995. Commissioner Whittenburg seconded the motion.

Due to severe weather conditions, the IRGC meeting did not reconvene until 10:00 am on Friday, January 27, 1995. Commission members present were Chair, Richard Canella; Vice-Chair, Rita Sealock, and Commission member Nancy Whittenburg.

Chair Canella indicated the agenda would be changed to take care of the appeal hearings for Jody McCullah and Timothy Wedhe first so that they could start their trip home early due to the weather. He turned the floor over to Jeff Farrell. As Mr. Wedhe was present, Mr. Farrell proceeded with his appeal hearing first.

Mr. Farrell indicated that Mr. Wedhe and he had reached a mutual agreement allowing Mr. Farrell to inform the Commission as to what occurred before the Administrative Law Judge (ALJ), after which Mr. Wedhe would present his argument and additional testimony. In the hearing before the ALJ, Roy Paradise, Gaming Representative on the Belle of Sioux City, testified that when he was reviewing Mr. Wedhe's application he discovered that Mr. Wedhe had several alcohol related offenses which were fairly old; however, Mr. Wedhe had been ejected from the Belle of Sioux City (Sioux City Sue) twice in the year previous to his application. At least one of those times occurred during a period when he was employed by the riverboat, during his off hours. Mr. Paradise felt there could be a negative impact on the integrity of the gaming industry to have someone ejected from the boat due to an alcohol-related disturbance on one day and then have a patron see them the following day dealing cards on the boat. Based on that information, Mr. Paradise decided that Mr. Wedhe should not be licensed at this time, which was upheld by the ALJ. Mr. Paradise and the ALJ are cognizant of the fact that at some future point Mr. Wedhe may be able to show that he is eligible for a license.

Chair Canella called on Mr. Wedhe to make his argument. Mr. Wedhe indicated that at the time of the first incident, he and his wife were asked to stop drinking alcoholic beverages and drink coffee instead. He was not employed by the boat at the time of this incident. He indicated they left on their own and were not ejected from the boat. He indicated the second incident did not involve either the DCI or boat security, but one of his supervisors. He was eligible for re-hire, but was not an employee at that point. He does not feel that he was ever formally ejected from the boat due to drinking, nothing was ever written down. He stated that he did not feel that the DCI agent who recommended denial of his license had the right to do that. He had been given a license by the state prior to being rehired by the boat, only to have it taken away two hours later based on the DCI agent's recommendation. He indicated that he did have letters of recommendation from various supervisors and fellow employees from the boat which he submitted to the Commission.

Commissioner Whittenburg asked Mr. Wedhe if he did acknowledge that there were two incidents in 1993-94 involving himself and parties employed by the boat or the state which involved alcohol. He stated that, in his opinion, there was only one incident. Chair Canella asked Mr. Wedhe whether

he felt he had a drinking problem. Mr. Wedhe indicated that he did not. Chair Canella asked Mr. Wedhe if he had ever participated in a course or treatment for alcoholism. Mr. Wedhe indicated that he had done so in 1988 as a requirement due to a DWI arrest.

Mr. Farrell explained the fact that Mr. Wedhe had been given a temporary license which is conditioned upon completion of the background check by the DCI, at which time Mr. Paradise made the decision to pull the license.

Mr. Ketterer indicated that the gaming industry is very closely regulated. The Commission is responsible for maintaining the integrity of gaming in the state. Mr. Ketterer went on to explain that he has reviewed numerous cases which are similar, and one of the things he looks for, as well as other individuals charged with maintaining the integrity of the gaming industry, is evidence of rehabilitation. His opinion is that the one-year period to show rehabilitation is reasonable on the ALJ's part.

Mr. Wedhe explained that under new guidelines issued for boat employees, they are not allowed to drink or gamble on the boat, nor are they allowed on the boat during off-duty hours without explicit approval.

Commissioner Whittenburg stated that the Commission needed to deal with the facts in the time period they occurred and the rules in effect at that point in time; and whether or not the misconduct under the circumstances appeared to be objectionable, obnoxious or detrimental. She made a motion to uphold the ALJ's decision. In her opinion, the actions discussed are objectionable and detrimental to the gaming industry. Commissioner Sealock seconded the motion. Commissioner May joined the meeting at this time, and after a brief discussion, elected to abstain from voting on the issue. Commissioner Whittenburg stated that the motion would not preclude Mr. Wedhe from applying for a license at some future date. Commissioner Sealock agreed with the statement. Chair Canella called for any additional discussion. Hearing none, Chair Canella called for the vote. The motion passed unanimously, with Commissioner May abstaining. (See Order No. 95-9)

Mr. Wedhe asked when he would be able to reapply for a license. Mr. Ketterer indicated that he could apply in October, 1995.

Chair Canella moved to the appeal hearing for Jody McCullah. No one was present on behalf of Mr. McCullah. Mr. Farrell requested that the record show that proper notice was provided; and he was not aware of any reason why the hearing should not proceed. He was not aware of a request for a continuance due to the weather.

Mr. Farrell presented the following material to the Commission members: Mr. McCullah had a record of a theft charge on which he had received a deferred charge, a conviction on a conspiracy charge, an assault charge and miscellaneous traffic violations. Mr. McCullah did not mention the theft or conspiracy charges on his license application. The license application contains several specific

questions regarding convictions, deferred judgements, etc. Further, the license application states that if the applicant does not truthfully answer the questions, the applicant is guilty of a serious misdemeanor. During the hearing before the ALJ, Mr. McCullah stated that he did not feel he had to report the deferred sentence.

Mr. Farrell explained the difference between a deferred sentence and a deferred judgment. A deferred sentence is a conviction. All that means is that the sentence is deferred until probation is completed. A deferred judgement means that if probation is completed, the record will be expunged as far as the criminal record is concerned. A deferred sentence will go on the record as a conviction. Mr. Farrell explained that even if Mr. McCullah had received a deferred judgment, he would have been required to show that on the license application. Mr. McCullah failed to mention the conspiracy charge as he forgot about it; however, he had shown specific dates regarding traffic violations.

Based on the above information and the fact that Mr. McCullah was not truthful on his license application, Mr. Paradise denied the license application. Mr. Farrell stated that at some point in the future, Mr. McCullah may be able to reapply for a license provided he can show evidence of rehabilitation; however, the ALJ made the right decision at this time based on the information presented.

Chair Canella called for a motion. Commissioner Sealock indicated she would be willing to make a motion, but expressed concern as to what would happen should the Commission proceed and learn at a later date that Mr. McCullah had attempted to be present but was unable to be there due to weather conditions. Mr. Farrell indicated that he would not have an objection to taking this issue up at the February meeting provided Mr. McCullah had a viable explanation for not being in attendance. Mr. Ketterer stated one of the questions was whether or not Mr. McCullah had new evidence to present; also whether or not he had received a deferred judgment or a deferred sentence. Mr. Farrell stated that irregardless of whether it was a deferred sentence or deferred judgment, the license would still be denied based upon the conspiracy charge and failure to note the convictions on his license application.

Commissioner Whittenburg stated that for fundamental fairness, the issue should be continued until the February 28th Commission meeting. She conceded that Mr. McCullah may not appear at the February meeting, but there was no way of knowing if he simply chose not to appear or was hampered by the weather conditions on January 27, 1995.

Commissioner May made a motion to sustain the Findings of the ALJ effective February 28, 1995. Mr. McCullah could request a rehearing at that point in the event that he was unable to be present at the January 27th meeting due to weather conditions. Commissioner Sealock seconded the motion. The motion passed unanimously. (See Order No. 95-10)

Chair Canella called on John Parker of the Miss Marquette to tell the Commission about the success of the boat since its opening. Mr. Parker indicated they have been very pleased with the opening weeks. He indicated that approximately 20% of their business has been coming down from LaCrosse, as well as the whole southeast corner of Minnesota.

Chair Canella asked Terry Hirsch, Director of Riverboat Gambling, to address the contracts submitted by the Miss Marquette for approval. Mr. Hirsch indicated there were two contracts with changes which have occurred since the beginning which might be of interest to the Commission - one being The Mississippi Inn and the other is the escrow mortgage loan agreement which is just a continuation. Most of the contracts are routine except for the one dealing with some subsequent financing. They have also made some different arrangements for repaying Sodak.

Mr. Parker quickly ran through the list of contracts shown on the agenda:

- The Mississippi Inn is the hotel located up on the rocks which they have purchased;
- $100,000 has been placed in escrow with the City of Marquette at the Central State Bank and at the end of ten years, the City of Marquette will repay the money;
- Cummins-Allison is a lease on the coin counting equipment;
- Empire Gas - propane;
- Gelco - Purchase of two shuttle busses;
- J. G. Johnson, Inc. d/b/a Bridgeview Marina - Purchase of the marina to use as boat parking to draw the recreational boater on the river to the Miss Marquette. The marina will also provide additional parking for guest cars as it directly across the street.
- Lifeline Amplification Systems is for the installation of sound and lighting hardware and the necessary training;
- Lodging Systems is a contract for the computer software and hardware for the boat and portside;
- Mikhon Gaming Corp. is the signage and labor for the reader boards, etc.;
- PDS Financial Corp, for miscellaneous fixtures, furniture and equipment;
- Sodak Gaming Inc. - borrowed additional money just prior to opening. Made arrangements with Sodak to keep 100% of the money until they are repaid in full. The original loan was for $4.5 million. Mr. Parker obtained an additional loan of $2.5 million, an still later obtained another one-half million dollar loan, making the mortgage promissory note $7.5 million. The other debts have to be repaid first, and Sodak will get 100% of whatever is left.
- Tri City Equipment - restaurant equipment;
- Armstrong Systems & Consulting, Inc. - for software and graphics which they will be using;
- Sodak Gaming - modifications to the mortgage related to the promissory note.

At the present time, the Miss Marquette has done $2.4 million in table games, and $2.6 million on the slots. Traditionally, slots will out-perform live table games by a much larger margin.

Chair Canella asked Randy Lenth about the non-profit organization. Mr. Lenth indicated that he thought the DCI investigations had been started. They still have nine members, but had some problems getting a few board members to get the paperwork completed. He indicated there were no major problems at this point.

Commissioner Whittenburg made a motion to approve the above contracts as presented by the Miss Marquette. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95- 11)

Mr. Hirsch presented the following contracts submitted by The President. The contracts under agenda item 4A were submitted to finish up the 1994 fiscal year; while the contracts submitted under 4B are new contracts submitted for fiscal year 1995. Mr. Hirsch stated that all of the contracts were standard contracts.

The contracts under agenda item 4A for The President were:

- Dixie-Narco, Inc. - Automated change machines;
- Angelica Uniform Group - Apparel for uniform program;
- Apex Systems, Inc. - Computer hardware and supplies;
- Chicago Sun Times - Advertising space;
- Davenport Medical Center - Drug tests and employee injuries;
- Directions in Design, Inc. - Interior design & supplies for M/V President;
- Flynn Beverage Co. - Beer;
- National City Processing Co. - Collection services;
- St. Louis T's, Inc. - T-shirts and sweatshirts;
- GDC, Inc. - Metal gaming tokens.

The contracts under agenda item 4B for The President were:

- C.J. Investments, Inc. (The Liquor Shoppe) - Liquor;
- Chesapeake Advertising, Inc. - Production, creative consultations for ads, signage, etc.;
- Coca Cola Bottling Co. of Mid-America - Beverage & CO2;
- Colonial Coach Lines - Line Run Charter Services;
- Dav-N-Port Meat & Poultry, Inc. - Meat & poultry products for restaurants;
- Deloitte & Touche - Auditing, tax & management advisory services;
- Dimensional Graphics & The Printery - Printing;
- Directions in Design, Inc. - Interior design services & furnishings for M/V President;
- Fidlar Companies - Office supplies and printing;
- George C. Matteson Co., Inc. - Playing cards;
- Hawkeye Food Systems, Inc. - Food, small wares & equipmnet;
- IGT - Slot machines, components, player tracking system;
- Inlander-Steindler Paper Company - Paper products, plastic cups;
- Parker Distributing Company - Diesel fuel;

- Rock Island Distributing - Candies, sundries & cigarettes;
- Rutland Simmons - Creative services, consultations, typesetting, color separations;
- Thoms Proestler Company - Food, small wares, paper products, equipment;
- Vanguard Distributing Corp. - Beer;
- The Walter Latham Company - Direct mail services;
- Wolfe Beverage Company - Beer.

Commissioner Whittenburg made a motion to approve the above contracts submitted by The President under agenda items 4A and 4B. Commissioner May seconded the motion which passed unanimously. (See Order No. 95-12)

Chair Canella moved on to the employment contracts for Robert Farinella and Thomas Timmons submitted by the Racing Association of Central Iowa (RACI). Neither Mr. Farinella and Mr. Timmons were present at the meeting. Commissioner Sealock made a motion to defer action of Mr. Farinella's employment contract. Chair Canella requested that Mr. Ketterer inform Mr. Farinella that his presence was requested at the next Commission meeting. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-13)

Chair Canella then called for a motion regarding Mr. Timmons' employment contract with RACI. Commissioner May asked if there were any issues to be discussed with Mr. Timmons' contract. Mr. Ketterer explained that Mr. Farinella's contract contained a provision which stated that it would become effective upon approval by the Polk County Board of Supervisors and the Iowa Racing and Gaming Commission, but it is not included in Mr. Timmons' contract. He felt the same provision would apply to Mr. Timmons' contract as it is over $50,000 per year. Chair Canella asked where the other contracts for the casino at Prairie Meadows were - that he did not want to receive them the night before the meeting. Mr. Ketterer explained that he had had a conversation with Tom Flynn and Eliza Ovrum regarding contracts the County was entering into regarding the facility at Prairie Meadows and whether or not they had to be approved by the Commission. Mr. Ketterer indicated he advised them that since the County was not the licensee, approval by the Commission would not be required. Chair Canella indicated that the slot application from RACI d/b/a Prairie Meadows states that all contracts for which they are responsible would be submitted to the Commission by December 15, 1994. None have been submitted to date. Commissioner May made a motion to approve the employment contract of Mr. Timmons. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-14)

Chair Canella called on Mr. Hirsch to present the contract submitted by the Dubuque Racing Association (DRA). Mr. Hirsch indicated that Bruce Wentworth, General Manager of the Dubuque Diamond Jo, would handle the presentation. The contract is to cover one-half the costs of a covered canopy at the Ice Harbor. The DRA supported this project, and agreed to pay one-half of the costs,

not to exceed $70,000. The total cost of the project is estimated at $140,000. Commissioner Whittenburg made a motion to approve the contract. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-15)

Mr. Ketterer brought a contract to the Commission's attention for The Durrant Group relating to the architectural design and construction management services for the renovation of the Dubuque Greyhound Park facilities for the addition of the casino. This contract was inadvertently left off the agenda. Mr. Wentworth indicated the group has been retained and they are in the process of looking at various floor plans. Mr. Wentworth stated that he wanted the Commission to be aware that they were working with the group. Action on the contract will be deferred until the next meeting.

Chair Canella asked if the DRA & Greater Dubuque Riverboat Entertainment Company (GDREC) had started the arbitration process to determine the slot revenue split. Mr. Wentworth indicated that it has not started; however, an arbitrator has been selected. Mr. Wentworth feels that the addition of the Gaming Development Group (GDG) as managers will help the process. The arbitration will be binding on all parties. Mr. Wentworth stated that it was his goal to short circuit the arbitration process and work with GDG on behalf of GDREC so that it is not necessary to go to arbitration.

Chair Canella asked Mr. Wentworth if a new chairman had been named for the DRA. Mr. Wentworth stated that Larry Cramer had been named president at the January meeting. He has been on the DRA board for approximately two years. Two new board members have also been named. The DRA board is working on the GDG and GDREC issue as well as several other issues. Chair Canella asked Mr. Wentworth how many slots they anticipate installing at DGP. He indicated the last drawing showed 550.

Mr. Hirsch asked the time frame for a settlement to be reached once arbitration has started between DRA and GDREC. Mr. Wentworth indicated that he did not have a time frame, but that it had taken two months to reach the present status. Mr. Wentworth indicated that he was now in a better position to be involved in the process since the DRA is no longer the interim manager of the Dubuque Diamond Jo.

Chair Canella asked if there was any further business to be discussed by the Commission. Mr. Ketterer indicated that there was Administrative Business. Prairie Meadows was shown under Administrative Business to show the specific racing dates. Racing dates had been approved at the November 18, 1994 meeting, but were within a specified window of dates. Prairie Meadows has informed the IRGC that their racing season will commence on Thursday, April 27, 1995 and go through Sunday, August 6, 1995. Racing will be conducted on a Thursday through Sunday schedule, with holiday performances secheduled for Monday, May 29, 1995; Monday July 3, 1995; and Tuesday, July 4, 1995. No racing is scheduled for Thursday, July 6, 1995. Post time will be 6:30 pm Thursday through Saturday, and 2:00 pm on Sunday. No action was required on this item.

The next item under Administrative Business was the Request for Proposals for the Horse Promotion Fund. Linda K. Vanderloo, Director of Racing/Administration, indicated that the purpose of this agenda item was to make various entities aware that they should submit their request to receive these funds. The monies available from the fund has increased each year. Annually, the Commission is required to "approve a non-profit organization to receive the funds which are to be used for research, education and marketing of horse racing in the state, including public relations, and other promotional techniques." The March 13, 1994 motion, stated that the Iowa Racing Quarterhorse Association (IRQA), Iowa Thoroughbred Owners and Breeders Association (ITOBA) and the Iowa State University, Racing Chemistry Lab meet to determine how the funds could be utilized for mutual beneficial research. By this notice, the IRGC staff requested an accounting of how the 1994 funds were utilized. Commissioner Sealock asked what would happen if no one applied for the funds. Ms. Vanderloo stated the Code requires the Commission to approve a non-profit organization each year. This item did not require any action.

Chair Canella called for a motion to adjourn the meeting. Commissioner May so moved, and Commissioner Sealock provided the second. The motion passed unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

RACING AND GAMING COMMISSION
MINUTES
FEBRUARY 28, 1995

The Iowa Racing and Gaming Commission met on Tuesday, February 28, 1995, at the Adventureland Inn, Meeting Room 3, I-80 at Highway 65, Altoona, Iowa. Commissioners present were: Chair, Richard Canella; Vice-Chair, Rita Sealock; and members Lorraine May, Del Van Horn, and Nancy Whittenburg.

Chair Canella called the meeting to order at 9:00 am. Jack Ketterer, Administrator of the Iowa Racing and Gaming Commission (IRGC) announced that the April meeting had been changed to April 27th.

Chair Canella stated there were two amendments to the agenda:

- Move the discussion on limiting the number of riverboats (#11) so that it comes after the applications to conduct gambling games at racetracks (#6); and
- Combine agenda items 4 & 5

Chair Canella called for a motion to approve the amended agenda. Commissioner Sealock so moved, with Commissioner May seconding the motion. The motion carried unanimously.

Chair Canella called for a motion to approve the minutes from the meetings held January 18-19, 1995, and January 26-27, 1995. Commissioner Whittenburg made a motion to approve the minutes as submitted. Commissioner May seconded the motion, which passed unanimously.

Chair Canella called on Terry Hirsch, Director of Riverboat Gambling, to address the following contracts submitted by Ameristar Casino Council Bluffs:

- Omni Centre - Office Lease Agreement;
- Rodney Lay & Associates - Replica Sidewheel Casino Vessel Engineering Proposal;
- LEEVAC Shipyards, Inc. - Vessel Construction Contract; and
- HDR Engineers & Architects, Inc. - Professional Engineering Services

Jeff Terp from Ameristar was available to answer questions regarding the contracts. Commissioner Sealock moved to approve the Ameristar contracts. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-16)

Mr. Terp stated that Ameristar hopes to provide the Commission with a month-to-month construction schedule at the April meeting. Ameristar will also be making videos at different stages of the construction which they will share with the Commission.

Chair Canella then called on Mr. Hirsch to address the contract submitted by Harveys Iowa Management Co., Inc. Mr. Hirsch indicated the contract with Atlantic Marine, Inc. was for construction of the Kanesville Queen for approximately $15 million. Mr. Hirsch recommended approval of the contract. Commissioner Van Horn so moved, with Commissioner Whittenburg seconding the motion. The motion passed unanimously. (See Order No. 95-17)

Chair Canella moved to the next item on the agenda - contract approvals for Lady Luck Bettendorf. Mr. Hirsch indicated that all of the contracts were standard contracts. Spencer Geissinger, General Manager, quickly went through the list of contracts submitted and their purpose.

Chair Canella noted that all but nine of the contracts were with companies outside the state. Mr. Geissinger stated that was due to the fact that there are no manufacturers in Iowa for most of the equipment needed for the boat and casino. He did note that all of the construction will be performed by Iowa companies. Chair Canella asked for additional comments. Hearing none, Chair Canella called for a motion to approve the contracts. Commissioner Whittenburg so moved, and Commissioner May seconded the motion. The motion carried unanimously. A page listing the approved contracts is attached to the Order. (See Order No. 95-18)

The next item on the agenda was a contract approval for the Mississippi Belle II (MB II). Mr. Hirsch stated that he did not have any problems with the IGT contract. He then called on Ken Bonnet, President of the MB II, to provide further input regarding the contract. Mr. Bonnet explained they are changing the configuration of the main casino floor by removing some table games and adding twelve slant tops (slot machines). Commissioner May moved to approve the contract with IGT for slot machines. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-19)

Chair Canella moved to the contracts submitted by Catfish Bend Casino. Mr. Hirsch recommended approval of the contract and then called on Dan Kehl, manager of Catfish Bend, to address the Commission. Mr. Kehl stated that the boat is due for its five-year hull inspection, and they would like to move the boat from Burlington to Ft. Madison approximately one week earlier and place the boat in dry-dock. They plan to begin the summer cruising schedule on April 28, 1995. No order was required on this issue. Mr. Kehl further explained they are purchasing twelve additional slot machines from IGT-North America for the casino. These will be installed prior to beginning the summer cruising schedule. Commissioner Whittenburg moved to approve the contract with IGT-North America. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-20)

Chair Canella then called on Mr. Hirsch to review the following contracts submitted by Miss Marquette:

- R. J. Kool Company - Laundry equipment; and
- Mosler, Inc. - Cash handling equipment.

Mr. Hirsch stated these were regular contracts and recommended approval. Commissioner Van Horn moved to approve the contracts. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-21)

Chair Canella then called on Mr. Hirsch to address the contracts submitted by The President. Mr. Hirsch indicated that Mark Lohman, General Manager of The President, was present to discuss the contracts. Mr. Lohman presented the following contracts to the Commission:

- Mikhon Gaming Corp. - Lease of Caribbean Stud and Super Bucks 21 games;
- Universal Distributing of Nevada - External bill validators & installation; and
- Bally Gaming, Inc. - Bill validator units for Bally upright games.

Chair Canella called for any other discussion; hearing none, he called for a motion. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-22)

Chair Canella then moved to the contracts submitted by the Dubuque Racing Association (DRA). Linda K. Vanderloo, Director of Racing/Administration, asked Bruce Wentworth, General Manager of the Dubuque Greyhound Park (DGP), to address the Commission. Mr. Wentworth presented the following contracts to the Commission:

- The Durant Group - Architectural design and construction management in connection with the casino planned for DGP, and
- Termination of a 1984 Lease Agreement between DRA and ARAMARK Corporation.

Chair Canella asked if the DRA and GDREC had reached an agreement regarding the split of slot revenues. Mr. Wentworth indicated that an agreement had not been reached, and that the arbitration process is a very slow moving process. He is still seeking ways to circumvent arbitration. Commissioner May moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-23)

Chair Canella then asked Mr. Ketterer to address the issue of the employment contract between Racing Association of Central Iowa (RACI)/Prairie Meadows and Robert Farinella. Mr. Ketterer indicated that Tom Flynn, legal counsel for RACI was present. Mr. Flynn indicated the contract is

straight-forward. They have provided the Commission with the bonus criteria mentioned in the contract. Commissioner Sealock moved to approve the employment contract of Mr. Farinella. Commissioner May seconded the motion which passed unanimously. (See Order No. 95-24)

Chair Canella asked Mr. Hirsch to address the excursion gambling boat license renewal for Riverboat Development Authority/The Connelly Group (The President). Mr. Hirsch stated that the Riverboat Development Authority amended their by-laws and their by-laws are incorporated into the license renewal application. The payment guarantee bond has been increased to $680,000 due to unlimited gambling. The gift shop has been moved from the main level to the first level of the boat. Mr. Ketterer added that The President has been fined for violations of the alcoholic beverages laws, but that they have taken some very positive steps to prevent any future problems which are to everyone's satisfaction.

Mary Ellen Chamberlin, President of Riverboat Development Authority, stated they had awarded over $1 million in grants during fiscal year 1994. She further stated that March 1 is the deadline for applying for the April grants which are expected to total between $750,000 and $900,000. They have completed their obligation to help fund the River Center Place which will be an asset in marketing the city of Davenport. They have pledged $600,000 to Scott Community College to help them develop urban campuses. The Riverboat Development Authority is also building an endowment reserve which is approaching $2 million, with a goal of $2.5 million which they hope to reach within the next year. One third of the projects which are awarded grants are outside of Davenport. Ms. Chamberlin estimates approximately $4 million in grants have been awarded to date. Ms. Chamberlin indicated that the Riverboat Development Authority will begin seeing major changes in its board members next year as terms begin to expire.

Commissioner Sealock moved to approve the renewal of the license for Riverboat Development Authority/The Connelly Group (The President). Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-25)

Chair Canella then moved to the license renewal for Clinton County Gaming Association, Ltd./Mississippi Belle II, Inc. (Mississippi Belle II). Mr. Hirsch stated their payment guarantee bond had increased due to unlimited gambling. He indicated there were several contracts contained within the license renewal, two of which are inter-related party contracts which the Commission has approved previously - one being the extension of a loan agreement with the Kehl Riverboat and the other a lease arrangement on the vessel itself with Roberts River Rides which increases the lease payment. Mr. Bonnet stated they are paying approximately $70,000 per month to their non-profit organization which has made significant grant awards. He indicated the United Way goal in 1994 for Clinton County was $500,000; the MB II has contributed more than that to the Clinton County

Gaming Association. Chair Canella called for a motion to approve the renewal of the license and the contracts contained therein. Commissioner Whittenburg so moved, with Commissioner Sealock seconding the motion. The motion carried unanimously. (See Order No. 95-26)

The Commission took a short break to allow Iowa West Racing Association (IWRA) time to set up their presentation for a license to conduct gambling games at racetrack enclosures. When the meeting reconvened, Dennis Reed, President of IWRA, started the presentation by distributing a packet to the Commissioners which contained letters of support from the community for the project. The packet also contained a summary of what IWRA and the Racing Commission have accomplished over the last nine years. Mr. Reed stated that the original management agreement called for AIM, Inc. and IWRA to each own 50% of the slots. The agreement was amended by the board, and the slots will be 100% owned by IWRA. Mr. Reed introduced IWRA board members; key Bluffs Run staff; Sam Phelps, a principal of AIM; Barry Sevedge, Director of Operations of the combined facility; Walt Pyper, general manager of the combined facility; Neil Ingram, Controller; Jack Parkinson, operations manager; Doug Okuniewicz, slot operations manager; Terry McClauskey, slot shift manager; Mike Controse, slot manager; and Eric Wilson, director of compliance. Mr. Reed compared the current project with the original Bluffs Run project, and indicated that he felt there was quite a difference between the two projects in that the organization is much more mature and gives them a good position for the future. From the operation and marketing standpoint, there are three key components: 1) They are going to have the friendliest people in the Midwest; 2) Provide a very high payout; and 3) Food service - two or three different venues, one of which will be a buffet.

Gary Bowlsby, a partner in Bahr Vermeer & Associates and project manager, discussed the physical aspects of the building. He stated that carpet is being laid in one section of the facility, and painting and light fixtures are being hung in another section of the facility. The goal was to create a high-grade, first-class, top caliber casino integrated with the existing greyhound track which will be upgraded to the standards of the casino resulting in a top-notch, unified facility. The greyhound park building will be reskinned and resigned to blend in with the casino. They will be able to park approximately 3,500 cars which equates to approximately 8,000 - 10,000 people. There is parking for buses and recreational vehicles with hookups. The new addition is 32,400 square feet, and 50,400 square feet of the existing building will be remodeled.

The entire facility will be accessible to persons with disabilities. All services to the present facility, except for electricity, were adequate to handle the addition. Additional electric service was required due to the high usage required in the casino. Mr. Bowlsby explained what was located on each floor of the new and remodeled facility. The heating and cooling systems are designed to be virtually smoke-free. The casino will accommodate 1,100 slot machines. There was a sketch which showed what the interior of the casino will look like.

Mr. Sevedge indicated that one of the goals was to create jobs in Iowa. They have maintained a high percentage of Iowa employees even though they are in a very tight employment market. Approximately 37 employees have been promoted to new positions which would not have been available without the casino. They have only recruited seven major employees with specific casino experience from outside the state. Employees will receive benefits which were not previously available, such as health and life insurance. Additional benefits will be added when they are able to determine the total number of employees.

They expect to retire the majority of the project debt within the next two and one-half years. The projections indicate that a substantial grant program is possible. The grant program in place for the last nine and one-half years has not met the expectations of the IWRA board. It is anticipated that the casino project will generate approximately $36 million in tax revenues in five years, which is what it took them ten years to generate with the track.

With the revenue IWRA will receive from the slots, they will be able to offer additional purses, make capital improvements to the facility; infrastructure corrections, more amenities to customers, and the potential to gain new customers. Mr. Sevedge indicated they would like to open the casino to the public on St Patrick's Day, March 17th, after doing a soft opening on Wednesday, March 15th.

Chair Canella asked Mr. Sevedge about the plans for upgrading the track. Mr. Sevedge stated they are going to address the compaction problem with the track by changing the ratio of the sand and silt in the track.

Chair Canella questioned Mr. Sevedge about the grant program. The financial projections only show $250,000 to cover the non-profit overhead plus grants in the fourth and fifth years after all of the debt has been retired. He does not feel that this indicates any definite planning for the increase. Mr. Reed stated that the grant program is an issue that the IWRA board is constantly thinking about. He indicated that once the debt has been paid down, they would like to increase the awards on a year-to-year basis. They are also considering taking some of the funds and placing them in a trust account to establish a long-term grant program that is endowed with a sum of money in the $5 - $10 million range. They are not sure if that is feasible due to the competition in the area, but that is what they are hoping. Mr. Sevedge indicated that when the net projections were prepared, any net income left over would be utilized for the grant program. Mr. Ketterer clarified that the profit of $5 - $6 million which the projections show in the fourth and fifth years, after the debt has been repaid, IWRA will receive 60% of the profit, or roughly $3 million and with IWRA being a non-profit corporation qualifying under the rules of the IRS, they would have to distribute the money either in the form of foundations or grants.

Chair Canella asked Commissioner May to give a report on the negotiations between the Iowa Greyhound Association (IGA) and IWRA regarding purse supplements from the gaming revenues.

Commissioner May stated that the statute requires that the licensee and the IGA negotiate the amount of purse supplement to be given to the purses at the track from the gaming revenues/slot revenues. The goal of the two parties was to promote Iowa Greyhound racing, and continue to support that industry in the state of Iowa. The agreement is premised upon two key issues, one being the fact that within the next two years, the debt at the track must be retired. At that point in time, several changes will take place. The second issue the parties agreed on was an additional supplement beyond a general purse supplement to Iowa greyhounds themselves and to support that particular program. One of the concerns is that the number of Iowa-whelped dogs at the track is approximately 40%; however, Iowa-whelped dogs win approximately 15% less than the percentage would indicate when comparing the number of wins in "A" and "B" races. They are not, at this point, performing, at the same level as non-Iowa whelped dogs at Bluffs Run. It is hoped that this incentive program will continue to improve the Iowa-whelped dogs so that they will become more competitive.

Jerry Crawford, counsel for the IGA, praised Commissioner May for her effort in assisting the parties in reaching an agreement. Mr. Crawford explained why the IGA is disappointed with the agreement. In 1994, twelve of fourteen kennels doing business at Bluffs Run lost money. In 1987, Bluffs Run had an adjusted gross income of approximately $16 million, and paid purses of approximately $4 million. In 1995, according to Bluffs' projections, they will have an adjusted gross income of at least $28.8 million, and will pay purses of approximately $3 million. He feels the debt incurred as a result of adding the casino will be repaid much quicker than anticipated, at which time the IGA will request that a new agreement be negotiated with Bluffs Run. The Legislature stated that 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, and shall negotiate and decide accordingly.

Mr. Ketterer explained that IRGC staff had met with various Bluffs Run personnel who will be involved with the casino. There has been almost daily communication with them regarding the amount of time IRGC staff will need to do the final testing of the reels and the slot information system. He requested that as a condition of the license that the staff be given an opportunity, within the parameters agreed to with Bluffs Run, to perform the tests and make sure from a regulatory standpoint that they are ready to open by the opening date.

As there was no further discussion, Chair Canella called for a motion. Commissioner Van Horn made a motion to issue a gaming license to Bluffs Run with the condition that IRGC staff will be given sufficient time to make sure that the casino is ready to open from a regulatory standpoint. Commissioner Whittenburg seconded the motion. The motion carried unanimously. It was determined that the motion would also include approval of the purse supplement agreement. Any contracts submitted by Bluffs Run as part of the gaming license application were approved with the granting of the license. The approved contracts are listed on the order. (See Order No. 95-27)

The Commission took a short break to allow Racing Association of Central Iowa (RACI)/Prairie Meadows time to set up their presentation.

Chair Canella called on Robert Farinella, General Manager of Prairie Meadows, to make the presentation to the Commission regarding RACI's application for a gaming license at the track. A short video showing the renovations and construction required was shown. Bally Gaming has developed a game called the "The Quarterhorse" which will be available to only Prairie Meadows. Two other games "Discovering Gold at Prairie Meadows" and "Winners Circle" which will feature thoroughbreds have been developed.

Mr. Farinella went on to state that everything is on schedule to open on April 1, 1995. They anticipate the arrival of their first shipment of slot machines, pending approval of the license, from IGT on March 6th, with subsequent deliveries on March 8th. The games from Bally will arrive on March 15th. They have addressed staff's concerns regarding the Under 21 facility and debt service. Prairie Meadows has established two goals: 1) to retire the outstanding debt on the facility, both old and new; and 2) to improve the quality of horse racing in Iowa. The business plan has been worked to satisfy the completion of these two goals. The current debt structure includes the old debt of $38.8 million; the new renovation debt financing of $26.5 million, and as part of the reorganization, there is a debt of $17 million. The business plan shows all of this debt being retired within the next five years. The Operating Agreement requires that the bond issue be retired prior to funding community projects through the non-profit organization.

For bond purposes and funding of the revenue bonds, RACI/Prairie Meadows requested that the racing and gaming licenses be approved for a three year period. Two contracts were submitted: one for the purchase of Bally gaming equipment and the other for IGT equipment. Due to the nature of the funding for the renovation project, the procurement contracts go through the county's procurement cycle so RACI is not the direct procurer, but will have and be in direct control of all gaming equipment.

The five-year plan for the facility includes a modest capability each year from $1 million to $1.8 million to do renovations, maintain the facility, and limited upgrading. They have placed an emphasis on hiring Iowa natives.

Chair Canella asked about the organization chart which shows two individuals in marketing - one for pari-mutuel and one for slots. Mr. Farinella stated that Prairie Meadows has several different venues to be marketed, but it will be marketed as one facility.

Mr. Ketterer addressed the request for a three-year gaming license. The Commission has issued three-year gaming licenses to the riverboats in the past. However, in order to extend the racing license to coincide with the gaming license, the Commission would still need to approve certain areas

each year. Some of those areas would be the racing dates, racing schedule and wagering format, the simulcasting format, racing officials, security plan, performance bond, purse supplement for Iowa-breds, annual agreement with the horsemen concerning the purse supplement from gaming revenue required by statute, and approval of the budget under the Operating Agreement with Polk County. Once the outstanding debt has been retired, RACI will be expected to show significant revenues toward charitable contributions as contemplated by the statute and towards additional purses to enhance the racing operation.

Tom Flynn, legal counsel for RACI, sent a letter requesting that the license be renewed in 1997; however, Mr. Ketterer stated that the present Commission could not bind a future Commission.

Chair Canella asked about the background checks. Mr. Ketterer indicated that some individual background checks have been completed; however, if individuals do not pass the background check, they need to be replaced or the license is in jeopardy. Mr. Ketterer also stated that the surety bond has to be increased from $140,000 to $400,000 to reflect the additional revenues and tax revenues that will be at risk.

Chair Canella stated that any motion for approval should include the contracts which were submitted as part of the application. Mr. Ketterer indicated that the motion would also need to contain language which states that IRGC staff will be provided sufficient time to test the machines prior to opening to insure that everything is ready from a regulatory standpoint.

Commissioner Sealock made a motion to issue a three-year gaming license and extending the racing license subject to annual approvals as outlined by the Executive Director. This license will be effective February 28, 1995, and expire on December 31, 1997. The license is also conditioned upon IRGC being provided with a realistic window for examination of all equipment, and that the surety bond will be increased as required by statute and the contract. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-28)

The Commission took a short break.

The next item on the agenda was a discussion regarding the possibility of limiting the number of excursion boat licenses that should be issued in Iowa. Chair Canella called on Mr. Ketterer for initial comments, prior to each Commissioner voicing their opinion.

Mr. Ketterer stated that this was a discussion-only item, but felt that it was appropriate for the Commissioners to express their thoughts on this issue for the benefit of the public and prospective applicants for riverboat licenses. The goal of the Legislature in passing legislation allowing slot machines at the tracks was to help with debt retirement, and then supplementing the purses with gaming revenues. In regard to the riverboats, the Legislature has indicated that economic

development and revitalization of some of the river towns was foremost in their mind, and the tax revenues. The Commission has a great deal of discretion in this area due to the language used by the Legislature, which allows the Commission to determine the number, location and type of licenses to be issued. Mr. Ketterer feels this is an area which the Commission will have to address at some point to insure they do not abuse the discretion or responsibility granted by the Legislature.

Mr. Ketterer then summarized some of the comments made by Eugene Christiansen at the January 26th meeting regarding the differences between a free market where there are unlimited licenses, and the ramifications of a free market versus limiting the number of licenses. When there are a limited number of licenses, as some states require, larger operating margins are somewhat insured for the riverboats. Those boats are able to pay higher taxes, afford investments in non-gaming facilities or endeavors in the communities where they exist, and should be financially stable. When there is a free-market environment with casinos being heavily regulated, at some point the regulatory agency will have to deal with bankrupt casinos. A free-market maximizes the number of boats in the state, and the number of jobs. If those are the goals of the legislation, then a free-market is preferable; however, it will drive the operating margins down causing pressure on the Legislature to lower the tax rates, reducing the ability of the licensees to invest in non-gaming venues, and eventually downsizing will occur which will create unemployment situations. Mr. Ketterer stated the Commission needs to keep in mind the policies and goals of the Legislature in passing the riverboat legislation, and what is the best way to achieve those policies and goals.

Chair Canella called on Commissioner Whittenburg for her thoughts. Commissioner Whittenburg stated that this is an issue which the Commission has to address - either through a direct policy or statement, or they will have to address the issue each time a new application is submitted. In her conversations with individuals in her profession, and other areas of the business world, the word she hears most often is "saturation". There are certain criteria that need to be taken into consideration. This will be a difficult decision for the Commission.

Chair Canella then called on Commissioner Van Horn for his comments. Commissioner Van Horn stated that he thought Iowa needed the revenues and taxes generated by the riverboats, and that if interior, rural Iowa communities desired, and voted, to put a riverboat on lakes and/or rivers, the Commission should not stand in the way. He asked why river towns should be the only ones to benefit from the revenues generated from the boat which are distributed as grants by the non-profit organizations. He also stated that the Commission had not expressed concern over competition for existing pari-mutuel tracks or riverboats when deciding whether or not to issue licenses in Council Bluffs or Dubuque.

Commissioner Sealock stated that she agreed with Commissioner Whittenburg in that the Commission needs to look at the overall impact riverboat gambling has on the state. She went on to state that when she was appointed to the Commission the Governor told her that the original vote by

the Legislature indicated that one-half of the state did not want casino gambling, and did not want to emulate Nevada or New Jersey. The goal was to create an industry that could co-exist with Iowa people and values, and not interfere with the lives of citizens who were not interested in gambling. She stated that she would like to see successful operations with solid tax bases able to make community contributions, rather than several small entities fighting each other to survive.

Chair Canella proceeded with his comments. He stated that it was his opinion that the Commission was charged with insuring the integrity of racing and gaming in the state. He further stated that with fifteen gaming operations the time had come when the Commission needed to look at the possibility of saturation. Chair Canella stated that he would like to see the Commission request an independent study verifying the projections provided by the applicant as to their ability to succeed and the impact they would have on other licensees. He reiterated Commissioner Sealock's statement on quality operations that are financially viable.

Chair Canella then called on Commissioner May for her views. Commissioner May stated that she was not aware of any vote taken by the Commission which did not take into consideration the market and impact the applicant would have on existing licensees and their ability to survive with additional competition. The original riverboat license applications, as well as the original pari-mutuel license applications, required that the applicant provide the Commission with a market study. The Commission needs to determine whether gambling institutions and the creation of gambling institutions was the goal or whether gambling serves another goal. In her opinion, the legislation creating gambling was a means to an end, not the end in and of itself. The goal of the legislation was to create economic development, job creation, and land-base development. A proliferation of gambling was not the goal to be served by the passage of the legislation.

Chair Canella then called on Mr. Ketterer for any additional comments. Mr. Ketterer stated that this issue had been on the agenda as early as last fall. Mr. Ketterer further went on to state that in determining the number of riverboat licenses to issue in Pottawattamie County, the Commission did take into account the number of slot machines that would be available at Bluffs Run. Mr. Ketterer did agree with Commissioner Van Horn that there indeed comes a time when the Commission will have to determine whether to have a wide-open policy or have a limited policy. The purpose of this agenda item was to give the public and prospective applicants an idea of what action they are going to take. Mr. Ketterer agreed with Chair Canella that the criteria used in determining whether or not to grant a license are changing. Some of those criteria are: the population the boat will serve; the limited number of licenses that the Commission has the ability to select from; and if there is more than one applicant, the one that fits the need of area. These criteria will play a more important part in the future. Mr. Ketterer stated that he felt it was important for the public and prospective applicants to know that this should be a priority issue for the Commission, and in going forward with their applications, that they address this issue in such a way that they feel the concerns expressed by Commission members will be resolved..

Chair Canella then called on Mr. Hirsch to address the following rules which the IRGC intends to file:

- Admin. Rules 5.16 and 25.19 are parallel rules, one in racing and one in gaming. This rule will not require the operator to obtain the name of the person being ejected from the boat for the evening, but reporting will still be required.

- Admin. Rule 13.6 was omitted accidentally when the rules were combined in Chapter 13. It deals with the licensee having to be financially responsible in terms of court-ordered debt.

- Admin. Rule 13.11 specifies the area of the facility in which a vendors license would be required. Deliveries made to the loading area of a boat or racing facility would not necessarily require a license, only when an individual would be entering a restricted area.

- Admin. Rule 22.14 deals with the issuance of manufacturers and distributors licenses. Currently the Administrator has the ability to issue a 30-day license with backgrounding and the necessary time frame to check out the licensee. This is being increased to 90 days because it is a more realistic time frame between when the temporary and permanent license could be issued.

- Admin. Rule 25.18 deals with conducting an investigation of signature chips on slot machines. Currently, machines paying out jackpots of $10,000 or larger require an agent or gaming representative to remove the "E-Prom" chip from the machine and verify that the correct chip is in the machine when a jackpot is won. The potential for that large of a jackpot is greater in the unlimited environment; therefore, the proposed rule increases the amount to $50,000 as a threshold for requiring that type of check.

- Admin. Rule 26.22 would provide general rules to conduct keno in Iowa should the Commission choose to allow that game.

Chair Canella asked if the Commission had the ability to approve keno without legislative approval. Mr. Hirsch stated that the Commission has the authority to approve any game. The President and Mississippi Belle II have requested approval for keno to be played on the boats. Commissioner May moved to file the Notice of Intended Action regarding the proposed rules as outlined above. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-29)

Chair Canella then called on Tom Timmons, Vice-President of Pari-Mutuel Operations for Prairie Meadows, to address the 1995 Season Approval package. He indicated that the purses for thoroughbreds is increasing from $2,000 to $2,500, and the quarter horse minimum purse is going from $1,000 to $1,700 with the exception of some trial races. Any time an Iowa-bred horse finishes first through fourth, that horse will receive an additional 60% of their original winnings.

They are expanding the racing season from 60 races to 62 races. The season will open on April 27th and run through August 6th, with nine races per performance - 7 thoroughbred and 2 quarter horse. A list of simulcast signals which they anticipate receiving was submitted; however, this may change as the year progresses, and they are open 24-hours a day, seven days a week. The security plan will remain the same as in the past two years. Their bond will increase to $400,000 effective April 1, 1995.

Mr. Ketterer asked Mr. Timmons to address the costs associated with sending their racing signal out to other tracks. Mr. Timmons stated the cost of the signal was approximately $1,600/day/4 hours satellite time per card. This cost is recovered by charging anywhere from 2.5% to 5% of the handle wagered at the receiving track; sometimes reciprocal agreements are reached. With those figures, they would need to have $50,000 - $60,000 in mutuel handle to meet the costs of sending out the signal. Mr. Ketterer inquired if they would continue to simulcast if they did not meet those figures. Mr. Timmons indicated that they have entered into a contract to simulcast 62 races, and would finish out the season, upon approval of the simulcast signal by the Commission.. Mr. Ketterer indicated he would condition the Commission's approval of the simulcast signal upon Prairie Meadows' submitting the information to IRGC staff as soon as it is available in terms of contracts with other tracks and how calls from other racetracks regarding problems will be handled.

Ms. Vanderloo stated that the motion needed to indicate the background checks have not been completed. Further, the steward will need to provide the necessary eye examination results. The security plan will be reviewed by the DCI and gaming representatives at the track after the casino opens to insure that the plan is still viable.

Chair Canella asked for additional comments. Hearing none, he called for a motion. Commissioner Whittenburg made a motion to approve the 1995 Season Approvals for Prairie Meadows conditioned upon the completion of background checks and the proper test results be submitted to staff, and subject to the licensee providing all of the required information deemed necessary to follow through on the simulcasting. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-30)

Chair Canella then called on Ms. Vanderloo to address the distribution of the horse promotion fund. The Commission requested that the three parties applying for the funds get together and determine if there was a project that would be mutually beneficial to all of them. This has not occurred. During the January 27th meeting, IRGC staff requested that the applications for these funds, and distribution of the funds from 1994, be submitted by February 13th. The request from the Diagnostic Lab at Iowa State University was received by our office in December. The requests for the funds and distribution information from the Iowa Thoroughbred Breeders and Owners Association (ITBOA) and Iowa Quarter Horse Racing Association (IQHRA) came in on February 20th and 23rd, respectively.

Gary Lucas, President of the ITBOA, and Gary Osweiller, Director of the Diagnostic Lab at Iowa State University, addressed the Commission regarding the distribution of these funds. Commissioner May suggested that the three parties meet and return with a uniform approach to present to the Commission at the April meeting. Commissioner Sealock stated that next year the Commission would follow the guidelines and award the funds to those parties who filed their requests in a timely manner. This matter was tabled until the April meeting.

Chair Canella then called on Frank Biagioli, Manager of the Iowa Gambling Treatment Program, who complimented the Commission on its approach to problem and pathological gambling. The Iowa Gambling Treatment Program provides counseling to families and gamblers experiencing difficulties as a result of problem and pathological gambling. Mr. Biagioli stated that the Iowa Gambling Treatment Program appreciates the cooperation of the IRGC staff and licensees. It is very important since they have had limited funding over the last few years. Racing and Gaming Commission Policy Letter No. 19 states the IRGC's support for this program. Licensees are required to make information available and prominently display sources of assistance for problem gamblers and those affected. Mr. Biagioli stated that packets of material were available for the licensees and general public to take with them, and that he would be visiting each licensee in the coming months.

Chair Canella asked if there were any public comments. Hearing none, he called for a motion to adjourn the meeting. Commissioner May so moved, and Commissioner Whittenburg seconded the motion. The motion passed unanimously.

This was Commissioner May's last meeting.

MINUTES TAKEN BY JULIE HERRICK, CPS

THE IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 27, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 27, 1995, in the Auditorium of the Wallace State Office Building, Des Moines, Iowa. Commission members present were: Chair, Richard Canella; Vice-Chair, Rita Sealock, and members Del Van Horn, Nancy Whittenburg and Bradley Peyton.

Chair Canella called the meeting to order at 8:35 AM, and welcomed Commissioner Peyton to the board.

Chair Canella then called for a motion to approve the agenda. The following amendments were made to the agenda: 1) Delete item number 16(F)3; and 2) Add the pledge of Membership Interests in Lady Luck Bettendorf as 16(E)A(6). Commissioner Whittenburg moved to approve the agenda as amended. Commissioner Van Horn seconded the motion which passed unanimously.

Chair Canella then called for a motion to move into Executive Session for the purpose of reviewing background investigations. Commissioner Peyton so moved, and Commissioner Whittenburg provided the second. The motion carried unanimously.

Following Executive Session, Chair Canella called for a motion to approve the minutes from the February 28, 1995 Commission meeting. Commissioner Whittenburg moved to approve the minutes as submitted. Commissioner Van Horn seconded the motion which carried unanimously.

Chair Canella then called on Jack Ketterer, Administrator of the IRGC, regarding rule filings pending before the Commission. Mr. Ketterer stated that a Notice of Intended Action had been filed regarding Admin. Rule 25.18 at the February 28th meeting, and that there had been no comment at either the public hearing or upon publication of said rule. This rule is still pending as noticed. He further indicated that the Administrative Rules Committee was notified of this Emergency Filing. The purpose of this rule is to change the jackpot amount from $10,000 to $50,000 before an investigation would need to be performed on the signature check of all electronic chips in slot machines or video games of chance jackpots. The change was due to the increase in slot machine denomination jackpots and unlimited gaming. This is a benefit to the general public as they will not have to wait to collect their winnings if a Gaming Representative is not on duty, and the licensee will not have to disable the machine for jackpots less than $50,000. Mr. Ketterer recommended approval of the rule for emergency adoption and implementation. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-31)

Chair Canella then moved to the next item - the licensure of Greater Dubuque Riverboat Entertainment Company (GDREC). This item is on the agenda due to the Order to Show Cause issued against GDREC last May. There have been several discussions regarding the concerns of the Commission and the licensee's concerns as they related to areas of responsibility. This issue was

Commission and the licensee's concerns as they related to areas of responsibility. This issue was resolved with GDREC agreeing to pay $175,000 to the Commission. This settlement agreement does not affect the Commission Ruling in the Determination of Claimed Ownership Interests of GDREC shares that was entered into by the Commission on July 5, 1994, should a court of law determine that William Alfredo had ownership interests in GDREC during its licensure or that Alfredo had obtained control of any ownership interests or option during its licensure. Should that occur, the Commission would immediately schedule a hearing regarding the revocation of the license of GDREC. Mr. Ketterer stated that both parties agreed with the settlement agreement, and asked the Commission to approve such. Commissioner Sealock moved to approve the settlement agreement with GDREC, and Commissioner Peyton seconded the motion. The motion carried unanimously. (See Order No. 95-32)

The Commission then moved to the proposed settlement agreement regarding the licensure of Joseph Zwack. Mr. Ketterer stated that this agreement was also the result of ongoing discussions between Commission staff, Mr. Zwack and his attorney. Mr. Zwack voluntarily surrendered his management license and has agreed that he will not make any ownership claim in the 17.5 shares in GDREC that is claimed by William Alfredo in litigation against GDREC and Mr. Zwack. Mr. Zwack has also agreed that he will not be involved with the management of GDREC at any time in the future, and will not accept any management fees. Both parties have agreed that this settlement agreement will resolve any issues raised in the Show Cause Order issued last May as they pertain to Mr. Zwack. Mr. Ketterer recommended approval of this settlement agreement. As there was no further discussion, Commissioner Whittenburg made a motion to approve the Settlement Agreement regarding the licensure of Joseph Zwack. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-33)

Chair Canella then moved to the Petitions for Declaratory Rulings and Motion to Consolidate which were filed by Dubuque Racing Association (DRA) and GDREC involving three different issues, and a motion to consolidate the declaratory rulings filed by GDREC. Mr. Ketterer asked Jeff Farrell, Assistant Attorney General for the Commission, to summarize the results of a meeting between all parties involved, after which the attorneys for DRA and GDREC would make their comments. DRA filed the first petition and asked whether GDREC could purchase or own, directly or indirectly, the slot machines to be installed at DRA's Dubuque Greyhound Park upon the Commission's approval of the casino. This issue was raised in the arbitration process in which DRA and GDREC are involved in an attempt to enter into a management agreement. He feels the Commission does have the authority to issue a declaratory ruling in this matter. The Commission's position as stated by Terry Hirsch, Director of Riverboat Gambling, in a letter to legal counsel for GDREC, is that GDREC can not own and operate machines at the Dubuque Racing facility for the following reasons:

- DRA is the licensee at the Dubuque Greyhound Park. Chapter 99D, which governs horse and dog racing, restricts operation of both the races and gambling games to the licensee.

organization has to operate the track; therefore, they would have to operate the games.

- GDREC could manage the slot machines at the track under Chapter 99D. The distinction between operating the games and managing the games is that the licensee at the facility in question would have to own the games.

There was a discussion as to slot ownership at Prairie Meadows.

- There is also the question as to whether or not GDREC could supply the slot machines to DRA to operate. This is in conflict with Chapter 17 of Code Section 99F which prohibits a licensee from being a distributor or manufacturer. GDREC is licensed to operate the Dubuque Diamond Jo Riverboat, and come under the definition of a "licensee" as defined in the Iowa Code. If GDREC would sell, give or lease slot machines to DRA, they would be in violation of Section 17.

Mr. Farrell pointed out that in GDREC's petition for declaratory ruling they state there is nothing in the Iowa Code which prohibits them from owning the machines and holding them at different places; however, that does not deal with the operation of the machines. The licensee can not give up operation of the machines to another entity. There is a fine line between what is considered management and what is giving up control of the license.

Doug Gross, attorney for GDREC, started is presentation by bringing up the ownership issue regarding the slot machines at Prairie Meadows. He does not feel that Polk County could issue bonds for the slot machines if they did not have ownership of those machines. This would indicate that the Commission has made the decision, directly or indirectly, that someone other than a licensed entity at a particular site can own gambling machines. He stated that if GDREC would be allowed to own the games at the Dubuque Greyhound Park, the Commission would have more control than they do at Prairie Meadows as GDREC is a licensed entity which would give the Commission the authority to take action against their license if necessary. Mr. Gross referred to Iowa Code Section 99F.17(2) which states that an entity has to be a licensee in order to own gambling games. The statute does not designate the venue in which the licensee has to be located in order to own the gambling games.

GDREC and DRA entered into an operating agreement prior to the limits were raised, and after the original riverboat had left Dubuque. The operating agreement stated that if the limits were ever raised, and slots were allowed at the tracks, that GDREC would have the authority to manage that operation, and supply the personnel and equipment related to that operation. The question is whether or not GDREC can comply with that portion of the operating agreement. Their ability to comply with this section is an important part of the arbitration process in determining the profit split between GDREC and DRA from the slot machines at Dubuque Greyhound Park. It is DRA's argument that if GDREC can not comply with that portion of the operating agreement, then the revenue split

should also be changed. It is GDREC's position that Iowa statute allows them to own the machines at Dubuque Greyhound Park, and that the precedent has been established elsewhere to allow that. In the alternative, they request the ability to finance or guarantee the financing of the slot machines which would allow them to maintain the financial arrangements set forth in the operating agreement.

There was additional discussion regarding the ownership and various provisions in the Operating/ Management Agreement between Polk County and RACI.

Steve Krumpe, attorney for DRA, stated it is still their opinion that the basic issue falls under Iowa Code Section 99F.7(2)a which states the applicant shall not by lease, contract, understanding, or arrangement of any kind grant, assign or turn over to a person the operation of a system of wagering described in Section 99F.9. He indicated that DRA and GDREC entered into a contract before land-based slots were legal. In allowing land-based gambling, the legislature tied those operations to pari-mutuel wagering. Further, a portion of the revenues generated from the slot operations are required to go to the pari-mutuel industry to supplement racing purses.

Mr. Gross suggested that it might be beneficial to everyone to defer the decision as to whether or not GDREC could finance or guarantee the financing for the slot machines, as well as whether or not they could own the slot machines if the Commission was uncomfortable answering those questions given any precedent that may have been established with Polk County/RACI, until such time as both questions could be answered at the same time. Mr. Ketterer agreed with that recommendation. Mr. Krumpe also agreed with the issue being deferred, and suggested that the additional issues with regard to DRA should also be deferred. Commissioner Van Horn moved to defer action on item 7A until the May meeting. Commissioner Sealock seconded the motion was carried unanimously. (See Order No. 95-34)

The next issue before the Commission was a request for a Declaratory Ruling submitted by GDREC. At a meeting of the various parties held the week previous to the Commission meeting, an understanding was reached as to what the Commission could provide as a declaratory ruling of the issues raised by GDREC. Mr. Farrell summarized the issues raised by GDREC are as follows: 1) Whether the arbitrator's final decision is subject to Commission approval; and 2) whether GDREC could statutorily perform the scope of the management contemplated by the Management Agreement.

The answer to the first question is "No"; however, it is a qualified no in that the Commission has previously approved the Operating Agreement between GDREC and DRA, as well as the arbitration process to determine what revenue percentage would be paid to GDREC to manage the slots at DGP. It was determined that the arbitrator's job is to determine what percentage would be paid to GDREC from DRA for managing the slot operations. Should the arbitrator issue a ruling which would impact a regulatory issue, the Commission could consider that portion of the decision. It is also understood between the parties that the arbitrator's decision regarding the Operating Agreement will more than

likely result in a Management Agreement which will have to be submitted for Commission approval, as well as any other issues resulting from the Management Agreement.

The answer to the second questions would be a qualified "yes", but only to the extent that the Commission would recognize GDREC as an entity that could be a management contractor with DRA. The statute does provide for management agreements; however, the Commission is not in a position at this time to determine whether or not any management agreement would be approved as it has not actually been presented to the Commission.

Mr. Gross indicated the purpose for requesting the Declaratory Rulings was to give the arbitrator some direction as to his scope of authority. Mr. Krumpe stated DRA's purpose in filing the request for Declaratory Ruling was to show the arbitrator that any agreement reached by the parties has to comply with the regulations and laws for the industry.

Hearing no further discussion, Commissioner Whittenburg made a motion requesting that Jeff Farrell and Jack Ketterer prepare a ruling to respond to the requests for Declaratory Ruling made by GDREC on issues discussed above.

Mr. Farrell indicated that he would prepare a ruling based upon the discussion of the issues raised by GDREC that would be submitted to the Commission for review at the May meeting. At the same time, he will prepare a proposed ruling on the issues raised by DRA which could be considered along with any additional information the parties may be submitted or other information discovered by the May meeting.

Commissioner Whittenburg amended her motion to direct Jeff Farrell of the Attorney General's Office to prepare a ruling responding to the Petition for Declaratory Ruling filed by GDREC and also prepare a proposed ruling on the Request for Declaratory Ruling filed by DRA. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-35)

Chair Canella then moved on to the request by GDREC and DRA for approval of a new boat to replace the Dubuque Diamond Jo (DDJ). Carl Bolm, General Manager of DDJ, explained that when Gaming Dev. took over management of the DDJ, they evaluated the operation, and came up with a list of tasks needed to be done in order to improve the operation. The first was to get a new boat as there are waiting lines on the weekends or during special promotions. The DDJ is currently the smallest boat operating in the state. The second task is to remodel the portside facility to meet the needs of the operation under the current riverboat gambling laws. Mr. Bolm explained that they had a letter of intent with The President Riverboat casino to purchase the vessel which was at Moon Landing in Mississippi. GDREC, upon Commission approval, would bring the boat to Iowa by July 21, 1995. The boat is currently undergoing a five-year Coast Guard inspection, and will be totally refitted with gaming equipment, signage, etc. The new boat would have total square footage of

52,000, approximately 18,000 square foot of gaming space, food and beverage facilities would take 3,400 square feet. There will be room for 620 slot machines, as well as tables, including some new table games that the present DDJ does not have - Caribbean Stud, Texas Hold'em Poker, etc. for a total of 887 gaming positions, and a total capacity of 1,400 including crew. The boat is 66' wide and 305' long. They are actively pursuing the sale or leasing of the current boat. Mr. Bolm gave a brief description of the changes that would take place in the portside facility.

Bruce Wentworth, General Manager of the DRA, indicated they have some responsibilities as co-licensee which have been communicated to GDREC. They have requested additional information from GDREC in several areas which would allow them to make a decision based on the best information available to them. and will delay their decision until that time. Mr. Gross responded by stating that GDREC and DRA were meeting after the Commission meeting at which time additional information would be provided which he hoped would give DRA the comfort level needed to make a decision. Mr. Ketterer recommended that this matter be deferred until the May Commission meeting. Commissioner Sealock moved to defer this matter, and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-36)

The next issue before the Commission was an amendment to GDREC's Operating Agreement. In reviewing the operating agreement, several issues were found to be unworkable - such as requiring 90% of the members to physically be in attendance at a meeting before any action could be taken. Modifications have been made to allow for proxy voting, changed the 90% requirement to 75%, included a provision to allow for tax distribution, etc. The amendments were unanimously approved by the unitholders. Commissioner Whittenburg moved to approve the amended Operating Agreement. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-37)

Chair Canella then moved to the amendment to the Management Agreement between GDREC and Gaming Development Group, Inc. The current management agreement between GDREC and Gaming Development states that the manager, Carl Bolm, must be on site. There are several other Gaming Development personnel which are on site, and this is reflected in the amendment. Commissioner Van Horn moved to approve the amended Management Agreement. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-38)

Chair Canella then called on Mr. Wentworth to present Dubuque Greyhound Park's 1995 season approvals to the Commission. Mr. Wentworth stated that DGP would open its live racing season on Saturday, April 29, 1995. Michael Holton, Director of Racing, was present to answer any specific questions. Linda K. Vanderloo reviewed the staff's recommendation regarding the material submitted by DGP for the racing season. Many of the requests have not changed from past years. Ms. Vanderloo requested that Mr. Holton address issues relating directly to the live meet. Mr. Holton indicated they have nine Iowa-based kennels signed on for the current racing season. He further

indicated that he has seen an increase in the quality of greyhounds that are racing and in the breeding. The industry has seen an immediate impact stemming from the opening of the casino at Bluffs Run. There were several standard contracts submitted with the request for season approvals. Commissioner Peyton moved to approve the season approvals for DGP. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-39)

Chair Canella moved to the next item on the agenda - the payment guarantee bond for the Belle of Sioux City. Mr. Hirsch stated he thought this item was referenced in the application, but was not fully approved by the Commission at that time. The bond is in the amount of $165,000. Commissioner Whittenburg move to approve the payment guarantee bond, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 95-40)

After a short break, the Commission meeting was reconvened, and Chair Canella called Ms. Vanderloo to address the distribution of the horse promotion fund. The item was deferred at the February 28th Commission meeting. Ms. Vanderloo stated that the various parties involved had met and discussed various approaches as to the distribution of the fund. Due to an agreement reached during said meeting, Dr. Walter Hyde of the ISU Diagnostic Lab agreed to withdraw his request for the funds. The staff recommended that the funds be distributed to the Iowa Quarter Horse Racing Association ($668.93) and the Iowa Thoroughbred Breeders and Owners Association ($5,996.78). Commissioner Whittenburg noted that the people ultimately receiving the funds did not apply for the funds in a timely fashion. The statute states that the Commission shall approve a "nonprofit organization" to receive the funds. It does not specify that it has to be a horseman's group who receives the funds. Commissioner Sealock made a motion to approve the distribution of the horse promotion fund as presented. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-41)

Chair Canella called on Jane Bell from Ameristar Casinos in Council Bluffs to provide a progress report on their Council Bluffs project. She stated that it is anticipated that the keel will be launched in approximately 10 days and hope to have a video to show the Commissioners at the next meeting. She provided the Commissioners with a copy of Ameristar's Annual Report. She issued an invitation to the Commissioners and IRGC staff to attend their groundbreaking ceremonies scheduled for May 17, 1995, at 4:00 PM. Chair Canella reminded her that Iowa-based vendors are to be used whenever possible. Ms. Bell listed several purchases made by Ameristar from Iowa vendors, such as office furniture, supplies and equipment, vehicles, and the remodeling of their office space.

Chair Canella then called on Gary Aiazzi, Director of Property Development for Harveys, to give an update on their project. There have not been any changes in the financing presented to the Commission. The construction is being managed by Harveys - trees were cleared in February, storm drains were added in March, and boat slip activity was started in March. Mr. Aiazzi announced that the project construction and engineering will be a joint venture between Perini Building Company and

Andersen Construction Company of Council Bluffs. Mr. Aiazzi then gave the Commission a run down on the construction time line regarding the various projects included in Harveys' project. He indicated that the goal is to be substantially complete by January, 1996, and completed by April, 1996.

Commissioner Sealock asked Mr. Aiazzi about the rumors circulating which indicated that the Harveys' project would not be completed until June, 1996. Mr. Aiazzi stated there was no substance to the rumors.

Mr. Aiazzi informed the Commission that Harveys' had completed the purchase of some property from Union Pacific Railroad. This purchase was completed on April 13, 1995. This is a small piece of property which separates Westwood Golf Course and the construction site.

Chair Canella called Mr. Hirsch to present the excursion schedules for the Belle of Sioux City, Catfish Bend Casino, Dubuque Diamond Jo, Lady Luck Casino, and Miss Marquette. All, except Miss Marquette, will begin their excursion seasons in May and cruise for the minimum 100 days. Any cruising after that point will depend on each individual boat's game plan for the fall. Miss Marquette has some restrictions due to the fish and wildlife in their area which prevent them from moving the boat too early in the season. They anticipate beginning their cruise season in July and cruising through October. Commissioner Van Horn moved to approve the excursion schedules as submitted. Commissioner Peyton seconded the motion which carried unanimously. The cruising schedules for The President and Mississippi Belle II were approved with the renewal of their licenses. (See Order No. 95-42)

Chair Canellla asked Mr. Hirsch to proceed with the contract approvals. Mr. Hirsch started with the contracts submitted by Belle of Sioux City, many of which stem from when the Belle of Sioux City began operations in December. He indicated all were standard contracts, and recommended approval. Commissioner Whittenburg moved to approve the contracts submitted by the Belle of Sioux City. Commissioner Van Horn provided the second, and the motion carried unanimously. (See Order No. 95-43)

Mr. Hirsch then proceeded to the contracts submitted by Catfish Bend Casinos. Mr. Hirsch recommended approval. Commissioner Sealock moved to approve the contracts. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-44)

The next contracts for discussion were submitted by Dubuque Diamond Jo. The contracts involve the remodeling and redesign of the existing portside facility; the purchase of slot machines for the larger boat which has not been approved; and a contract with Gaming Development Group, Inc. for independent consulting on architectural and administrative services regarding the new vessel, remodeling of the portside facility, and general administration. Mr. Bolm stated that even if the larger

vessel was not approved by the Commission, they did need to proceed with the remodeling and redesign of the portside facility. He requested that the Commission approve the purchase of the slot machines for the new vessel due to the time constraints involved in outfitting the new boat at DDJ's risk. Commissioner Sealock moved to approve the contracts listed as C1(Design Associates), C3 (Gaming Development Group, Inc.), and approve C2 (International Game Technology) subject to the approval of the new boat. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-45)

Mr. Hirsch then addressed the contracts submitted by Harveys which pertain to the vessel itself. Harveys is making owner purchases rather than going through the shipbuilder. Mr. Hirsch recommended approval. Commissioner Van Horn moved to approve the contracts; and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-46)

Chair Canella asked Bob Ellis to present their contracts which had been submitted for approval by Lady Luck Bettendorf. Mr. Ellis began by providing the Commissioners with a copy of an add taken out by the Lady Luck in the Quad City Times to thank all of the local vendors, approximately 200, from which they had made purchases. Mr. Hirsch recommended approval of the six new contracts submitted by Lady Luck Bettendorf for approval. There was a brief discussion regarding the Financing Pledges which were added to the agenda. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 95-47)

Mr. Hirsch then presented the contracts from Miss Marquette. Both are related party contracts involving the two principals of Gambling Supply Management Company. The first contract provides a cash machine which allows third party credit transactions, and phones on the boat. The second contract covers the lease of a partial building in Marquette which is utilized as a training school and laundry. Mr. Hirsch recommended approval. Commissioner Sealock moved for approval of the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-48)

Chair Canella called on John Parker to give the Commission a brief update. He began by introducing Wayne Wallace as the general manager. Currently, approximately 2,700 people are boarding the boat per day, and expect better numbers with the coming of spring and summer. Chair Canella asked how Marquette was handling the traffic problems. Mr. Wallace responded that the Marquette Police Department worked very well with the Miss Marquette security, and they were experiencing no major problems.

Chair Canella then called on Mr. Hirsch to present the contract submitted by Mississippi Belle II to

rent Caribbean Stud Tables for their casino. Mr. Hirsch recommended approval. Commissioner Whittenburg moved to approve the contract as submitted, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 95-49)

Chair Canella asked Ms. Vanderloo to present the contracts submitted by Dubuque Greyhound Park to cover costs associated with the renovation of the facility to incorporate casino gambling. All are Iowa-based vendors. Ms. Vanderloo requested that Mr. Wentworth come forward and address the Commission regarding the time lines of the project. The casino will have a Victorian theme. It is anticipated that all renovation will be completed by late August - early September. Ms. Vanderloo recommended approval of the contracts as submitted. Commissioner Van Horn moved to approve the contracts. Commissioner Peyton seconded the motion which carried unanimously. (See Order No 95-50)

Chair Canella called Randy Lenth, City Administrator of Marquette and a board member of Marquette Gaming Corporation, forward to give his opinion of how things were going in the Marquette area.

Chair Canella called on Mr. Ketterer to address the proposed Commission meeting dates for fiscal year 1996. Most are scheduled for the third Thursday of each month except for February and December. Four meetings have been scheduled for other locations around the state - Bettendorf, Marquettte, Ames, and Council Bluffs. Hearing no additional comments, Chair Canella called for a motion. Commissioner Van Horn moved to approved the meeting dates and locations for fiscal year 1996. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-51)

As there was no further business to come before the Commission, Chair Canella called for a motion to adjourn. Commissioner Whittenburg moved to adjourn the meeting. Commissioner Sealock seconded the motion which carried unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 18, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, May 18, 1995, in the Sky Suite at Bluffs Run Casino, Council Bluffs, Iowa. Commission members present were Chair, Richard Canella; Vice-Chair, Rita Sealock, and members Del Van Horn, Nancy Whittenburg, and Brad Peyton.

Chair Canella called the meeting to order at 9:00 AM, and called for a motion to approve the agenda. Commissioner Sealock moved to approve the agenda. Commissioner Whittenburg seconded the motion which passed unanimously.

Chair Canella asked for a motion to approve the minutes from the April 27, 1995 Commission meeting. Commissioner Whittenburg so moved, and Commissioner Sealock seconded the motion. The motion passed unanimously.

Chair Canella then called on James Campbell, attorney for Iowa West Racing Association (IWRA), to address the various items on the agenda regarding Bluffs Run. The Management Agreement approved by the Commission in June, 1994, indicated that the construction of the casino would be a joint effort between IWRA and AIM, Inc to provide for the purchase the necessary equipment. In the end, it was determined that it would be better for IWRA to purchase and license all of the machines which necessitated the change in the Management Agreement. The change required that IWRA assume an additional $4,000,000 in loans to pay for all of the slot machines. Mr. Campbell stated that construction costs reached $23,000,000, and that has been paid down to $11,000,000. However, the original $5.2 million which was carried over from the 1984 bonds for the original construction has not been paid, and will be the last to be paid off.

Hearing no further discussion, Chair Canella called for a motion to approve items 3A-E - Request for Approval of Amendment to the Amended and Restated Management Agreement of June2, 1994; Commercial Loan Agreement, also referred to as the Equipment Note; Continuing Guaranty Agreements by AIM, Inc., Greene Group, Inc., Paul W. Bryant, Jr., Sam M. Phelps, and A. Wayne May; First Amendment to the Loan Agreement, and Amendment to Security Agreement. Commissioner Peyton so moved, and Commissioner Sealock provided the second. The motion carried unanimously. (See Order No. 95-52)

Chair Canella moved to the next item under Bluffs Run - Request for approval of remodeling plan. Gary Goldstein, Project Architect from Bahr, Vermeer, Haecker Architects, stated that this request was to complete the remodeling on the existing three floors of the original building. This would

expand the casino to the south, adding approximately 140 machines. This area would also include support facilities for the added machines. The balance of the first floor will be devoted to a remodeled grandstand area of approximately 5500 sq. ft., including a relocated teller counter, deli and seating area. Inside seating will be able to accommodate approximately 250 people. The first floor will also contain remodeled offices of approximately 6500 sq. ft. The state offices will be located in the area of existing offices. The remodeling of the first floor encompasses approximately 20,000 sq. ft.

The remodeling of the second floor will include an employee break room and dining room, installation of windows in the west wall; offices and kitchen support areas. Locker rooms will be added for the employees. The second floor remodeling encompasses approximately 3500 sq. ft.

The third floor remodeling will include a large storage room for all users of the facility, a printing shop, another small office and offices for IWRA. Other than redecorating, the existing Grandstand area will not be affected by the remodeling.

Additionally, an RV parking lot will be constructed on the far east side of the north lot, resurfacing the parking lots, re-skinning the building, and a new sign on the south end of the property to replace the existing sign.

Chair Canella indicated that IRGC staff had raised several questions, and asked if all issues had been addressed. Mr. Goldstein stated that he felt all issues had been addressed. Jack Ketterer, Administrator of IRGC, indicated that several meetings had been held and that several revisions had been made to the plans in order to address those concerns.

Commissioner Whittenburg inquired about the anticipated completion date. Mr. Goldstein indicated they hope to have the interior completed within 90 days, and the exterior will take about 30 days longer.

Commissioner Sealock asked Barry Sevedge, Director of Operations for Bluffs Run, to address the various entrances available to the public. Mr. Sevedge stated there would be an entrance on the north side, one on the west side of the new building, and another on the west side which goes into the old building. There will be no additional entrances on the outside of the building into the casino.

Hearing no additional comments, Chair Canella called for a motion. Commissioner Whittenburg made a motion to approved Item 3F - Request for Approval of Remodeling Plans - on the agenda. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-53)

Chair Canella then called on Mr. Campbell to address the Commission on a project which will have a major impact on Council Bluffs. IWRA has been asked to participate in the National Western

Historical Trails, Inc. The project will commemorate and memorialize the Midwest trails from Council Bluffs to the mountain area from the 19th century. The cost of the project is approximately $3.7 million, of which local in-kind donations will be $1.9 million, another $1.8 million from pledges from 50 companies and individuals within the Council Bluffs area. IWRA has been approached by the bank consortium, as a charitable entity, to guarantee one-third of the loan, approximately $445,000.00. The Commission was unable to take action on this matter as it was not noticed on the agenda.

Chair Canella called on Mr. Ketterer to address the Final Adoption of various rules filed by IRGC. The Notice of Intended Action for these rules was filed in February, and have been through the necessary process. There have been no changes due to public input. These rules would be effective 30-35 days after final adoption if they hold up through the remainder of the administrative process. One question was raised with respect to keno games. Keno would be approved for use at racetrack enclosures that had a gaming license. This issue will be determined when an actual request is received from a racetrack. Mr. Ketterer stated that he did not see anything in the statute that would prevent a racetrack enclosure from conducting Keno as an authorized game that the Commission has approved for the boats. The exception for racetrack enclosures is limited to gambling games, which do not include table games of chance or video machines. Commissioner Sealock made a motion to adopt the rules listed in Item 4A-G inclusive: Admin. Rule 5.16 - Ejections & Exclusions; Admin. Rule 13.6 - Outstanding Obligations; Admin. Rule 13.11 - Vendor's License; Admin. Rule 22.14 - Issuance of Certificate at Administrator's Discretion; Admin. Rule 25.18 - Conduct an investigation of signature chips on slot machines; Admin. Rule 25.19 - Ejections & Exclusions; and Admin. Rule 26.22 - Rules of the Games - Keno. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-54)

Chair Canella moved on to the Petitions for Declaratory Rulings filed by Dubuque Racing Association (DRA) and Greater Dubuque Riverboat Entertainment Company (GDREC). Mr. Ketterer stated that during the April Commission meeting, a consensus was reached as to a Proposed Ruling, which has been prepared by Jeff Farrell, Assistant Attorney General. The motion also instructed the Administrator and counsel to develop a proposed ruling for the Commission's consideration relative to two other issues. Meetings were held with GDREC and DRA which resulted in an additional brief being filed by GDREC and the proposed ruling. Mr. Farrell made a few comments regarding the Ruling which deals with the two issues raised by GDREC in their Petition for Declaratory Ruling, and attempted to draft the Ruling in accordance with that consensus. No comments were received from the parties prior to the meeting regarding the Ruling. Commissioner Whittenburg made a motion to approve the Ruling as prepared by counsel for signature by the Chair. Commissioner Van Horn seconded the motion which was approved unanimously. (See Order No. 95-55)

Mr. Farrell stated the second ruling is a Proposed Ruling in response to the Petition for Declaratory Ruling filed by DRA dealing with the issue of whether or not GDREC may purchase or own, directly or indirectly, the slot machines to be installed at DRA's Dubuque Greyhound Park. In reviewing this issue, it is presented in a simplified manner than at last month's Commission meeting. One of GDREC's arguments is that they are licensed to operate games at Dubuque Diamond Jo and; therefore, they can own gambling devices in Iowa. The dispute is not with the fact that they can own and store gambling games elsewhere in the state; but whether or not those same machines are operated and used in different locations around the state. The license issued to GDREC does not permit them to operate or use machines anywhere other than at the Dubuque Diamond Jo. Mr. Farrell further stated that GDREC can not transfer machines to DRA because they are a licensee and there is a statute (99F.17) which prohibits a licensee from being a distributor; and prevents a track or riverboat licensee from acquiring machines from other licensees. GDREC is in a bad position from their standpoint because they can't own and operate the machines at the track, nor can they transfer machines to DRA to be operated at the track. This situation differs from Prairie Meadows in that Polk County is not a licensee; therefore, theoretically, they could transfer machines to the licensee. In Council Bluffs, AIM, Inc. is not a licensee, and could; therefore, theoretically transfer gaming machines to the licensee. Mr. Farrell stated that the ruling does include the provision that GDREC could guarantee or somehow participate in the financing for DRA, which would be more in line with what occurred with Polk County/Prairie Meadows. Polk County does not have a distributors license, however, the Commission did approve that transaction under the condition that Polk County never received the machines. They were always in the possession and complete control of the licensee so the Commission approved the financing arrangements with Polk County being involved. Under that precedent, the Commission could approve a similar arrangement with GDREC, remaining consistent with the statutes, rules and past precedent.

Doug Gross, attorney for GDREC, stated that the issue deals with the enforceability of a particular portion of a contract that was entered into in good faith with another party, and the Commission approved the contract at the time. The contract relates to the financial and economic relationship between GDREC and DRA with regard to the split of the revenues at the proposed slot operation at the racetrack enclosure. Mr. Gross stated that the request was made in an attempt to have an impact on the economic relationship to the extent that the arbitrator would rule one way or another in what the split should be. Ownership of slots represents financial risk, financial investment in a particular facility which the arbitrator will need to take into account when determining the split of the respective profits or revenues resulting from said operation. Mr. Gross stated that in terms of the legal provisions involved, the only provision that relates to who can own slot machines at racetrack enclosures is 99F.17(2) which states that the only one who can "own" them is a licensee, but does not state that it has to be a licensee at the racetrack enclosure. GDREC is a licensee, therefore, they feel they can legally own the machines. Mr. Gross stated that in the analysis that was done, the terms of GDREC's ability to own the machines, two different terms are being mixed. One being the issue of whether or not they can "conduct" gambling games at the racetrack or operate those games

or whether GDREC can own them. He went on to state that Polk County owns the machines which the Commission has permitted because they do not operate the machines or actually conduct the gambling games or control the gambling games. GDREC is simply asking the Commission to determine whether or not they can own the machines. Mr. Gross stated that he could not understand why the Commission would not allow GDREC, a licensee over which they would have control, to own those machines without having control over those machines or ability to conduct the games, when Polk County, a non-licensee, is allowed to own the gambling games at Prairie Meadows without control or conducting the games themselves. He pointed out that it would seem the Commission would have more protection for the public in GDREC's proposed relationship with DRA than they have in the Polk County situation. Mr. Gross stated that GDREC is simply asking if they can own the machines at the racetrack enclosure. In the same situation with Polk County, the Commission granted that right to a non-licensee as long as they did not control the machines. He anticipated that any management agreement presented to the Commission would reflect the fact that GDREC did not control the machines at the racetrack. It is Mr. Gross' opinion that it is very important for the Commission to make the distinction between control, operation of the machines and ownership of the machines. Further, he feels the Commission has already set the precedent that the issues are distinct and that ownership is possible by a non-licensee; and therefore, under 99F.17(2) states that the only persons who can own gaming machines is a licensee, then GDREC should be able to own the machines also.

Mr. Gross then moved to the sub-question of whether or not GDREC could guarantee the gaming machines. He repeated Mr. Farrell's comment that they could take a security interest in the machines, which is what occurred in the Polk County situation. The entity which holds the security interest in the Prairie Meadow's machines is the Trustee for the bondholders. Polk County has to own the machines since they have to own the collateral. Mr. Gross stated that GDREC is not asking if they can take a security interest in the machines, but could they unconditionally guarantee the financing of the machines. He stated that the question for GDREC was whether or not they could preserve their economic interest in that entity. At the time the contract was entered into with DRA, was that GDREC would provide all of the equipment, employees and manage the operation. Mr. Gross indicated that it appeared as long as GDREC had the ability to own, or unconditionally guarantee the financing of the equipment, without the control of the operation, they could preserve their economic interest which would allow both parties to go to the arbitrator with an agreement.

Steve Krumpe, attorney for DRA, responded to two specific comments made by Mr. Gross. He indicated that, in general, he did agree with Mr. Farrell's Proposed Ruling. The first issue he addressed was the Commission's job, which is not to facilitate the arbitration, not to review the arbitrator's decision; nor is it to try and allocate the economic relationship between the parties. The Commission's job is to interpret what some of the statutes mean. Mr. Krumpe stated that GDREC's entire case rests upon the interpretation of 99F.17(2) which they interpret to mean that GDREC could own slots at the Dubuque track, Bluffs Run, and any other boat in the state. If that

interpretation was followed, DRA could own slots at any of the other tracks or riverboats also. It is Mr. Krumpe's contention that 99F.17(2) does not give any authority to a licensee to own anything. That section is entitled "Distributors and Manufacturers" which regulates distributors and manufacturers. This particular section says that: "A licensee shall acquire all gambling games or implements of gambling from a distributor licensed pursuant to this chapter. A licensee shall not sell or give gambling games or implements of gambling to another licensee." Mr. Krumpe's interpretation of the statute is that licensees' have to acquire all of their gambling games or implements of gambling from a distributor and they can not sell or give gambling games or implements of gambling to another licensee. Mr. Krumpe distributed a copy of legislation introduced in the last legislative session on behalf of GDREC which did not pass; however, had this legislation passed, it would have allowed GDREC to own and operate gambling games at other facilities. This would have constituted a substantial change in that rule. (Copy attached to Order No. 95-56)

The sections which state who can purchase gaming equipment are 99F.3 which authorizes a boat licensee to operate games on its own boat, and 99F.4A which allows pari-mutuel licensees to operate gambling games at its own racetrack. Mr. Krumpe then addressed Mr. Gross' argument that since GDREC is a licensee, it is more just that they should be allowed to have security interest in order to guarantee the gambling games than a non-licensee. Iowa Code Section 99F.17(3) states that a licensee can not act as a manufacturer or distributor of gambling games. This type of separation is common in regulated industries.

Mr. Krumpe reminded the Commissioners that when the contract between DRA and GDREC was negotiated, land-based gambling did not exist, and stated that said contract was subject in the Iowa law. When the legislature passed the land-based gaming laws, the intent was to save the Iowa greyhound industry. The statute further states that the pari-mutuel licensee must make substantial payments to the greyhound industry from slot revenues.

In his summary, Mr. Krumpe indicated that GDREC had not indicated what form the guarantee would take, but that any default by GDREC would result in the loss of the gaming machines by DRA, and more than likely the boat owned by GDREC.

Commissioner Peyton asked Mr. Krumpe what would prevent GDREC from having the same type of role that Polk County has with Prairie Meadows and ownership of the gambling games. Mr. Krumpe explained that GDREC could have a security-type interest, but no control and no interest beyond a security interest. He further referred to 99F.17(3) which prohibits licensees, but does not prohibit non-licensees, from being a manufacture or distributor of gambling games.

Commissioner Peyton asked Mr. Krumpe if he was casting Polk County as a distributor of the games for Prairie Meadows. Mr. Krumpe indicated that Polk County's role was more like a bank lender.

Commissioner Peyton disagreed, and stated his opinion that they were more like a seller of real estate on contract in that they did take title to the gambling machines subject to the purchase by RACI. The statute states that a licensee shall not sell or give gambling games to another licensee which would eliminate other possible arrangements. Iowa Code Section 99F.7(2) states that a licensee can not lease, contract, understanding, in addition to selling or giving the machines to another licensee. Mr. Krumpe feels that statute is simply dealing with operational control of the licensed operation, and is not specific to who owns, purchases, or transfers gaming equipment, which he feels is governed by 99F.17 (Manufacturers and Distributors).

Commissioner Peyton felt there were better arguments which could be presented, and indicated he would like a response from both Mr. Krumpe and Mr. Gross as to why 99F.7(2) does or does not apply to the situation. It is his interpretation that the owner of the machine must also be the operator. Mr. Krumpe stated that he does not feel that Polk County owns the gaming machines at Prairie Meadows, but simply has an interest should Prairie Meadows default. Commissioner Whittenburg indicated that Polk County would be in the same position as any other financial institution who lends money to a licensee for the purpose of purchasing gaming machines.

Mr. Gross refuted the previous statements suggesting that Polk County is not the owner of the gaming machines at Prairie Meadows. He stated that the prospectus upon which Polk County purchased the bonds states that Polk County is the owner of that equipment; however, the Operating Agreement between Polk County and RACI states that upon payment of the debt, Polk County would transfer ownership of the machines back to RACI.

Mr. Gross stated that he does not agree with the last paragraph of the Proposed Ruling which states that pursuant to past and present precedent that GDREC could hold a security interest in the slot machines at DRA's facility. He feels that is far more limiting than what the Commission has allowed in the past; and what other entities have been allowed to do that have not been licensed. He thinks that GDREC could provide for the financing, could unconditionally guarantee the financing of the machines which would be more than holding a security interest in the machines.

Mr. Gross indicated that GDREC was disappointed with the fact that these issues were coming before the Commission as the issue is whether or not the parties who entered into a contract can fulfill the terms of the agreement in terms of its intent. Mr. Gross stated that GDREC did not ask for the proposed legislation which would have allowed them to own the gambling games at DRA's racetrack since it is their belief that the only thing which limits the ownership of slot machines at racetrack enclosures is 99F.17(2) which states that the license is limited to a licensee which has to obtain the games from a distributor. He further stated that any declaratory ruling issued by the Commission needs to reflect the understandings and agreements that have previously been approved by the Commission which allowed non-racetrack licensed entities to own the machines, or guarantee financing for the machines at the racetrack enclosures, in the cases of both Polk County (a non-

licensed entity) and Bluffs Run (the management company, AIM, Inc., guaranteed the financing of the machines). If the ruling does not reflect those agreements, Mr. Gross feels the Commission is placing greater restrictions on GDREC's relationship with DRA than have been imposed on other locations.

Commissioner Peyton asked Mr. Gross how he would respond to Iowa Code Section 99F.7(2), and whether or not it applied to the situation. Mr. Gross replied that it did apply. Commissioner Peyton then asked how he would get around the fact that the statute requires that the owner must operate the gaming device. Mr. Gross indicated that GDREC would operate the gaming devices.

Mr. Gross then stated that the last paragraph of the Proposed Ruling would limit GDREC to no more than a security interest; however, as a guarantor of the machines they would not take ownership of the machines. This would then raise the issue of whether or not they could guarantee the financing for the machines unconditionally and do not control or operate the machines. Commissioner Peyton pressed the argument that any licensee could own the games; but Iowa Code Section 99F.7(2) states that the owner can not relinquish operation which would then limit the ownership to those qualified operators which Iowa Code Section 99F.4 qualifies as those licensees who were licensed as of January, 1994. Mr. Gross indicated that the statute does not prohibit a management contract for the facility.

Chair Canella asked Mr. Farrell for his opinion. Mr. Farrell stated it was not his intent in the last paragraph to limit it to different financing arrangements. He stated that the ruling also addresses the fact that the Commission can not determine whether or not it will approve a financing arrangement until such arrangement has been presented to the Commission. Mr. Farrell stated that the wording in the final paragraph could be changed so that it would be broader than a security interest and include other guarantees or financing; but would also have the understanding that any arrangement would have to come before the Commission for approval. Mr. Gross indicated that if the Proposed Ruling were changed in that manner, he would not have any problems with it.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Whittenburg made a motion to approve the Proposed Ruling, subject to the final paragraph being amended to delete the specific types of proposals made therein as to what kind of financial interest GDREC could have in the DRA machines or facility, substituting a more general statement using langugage of the Attorney General's choice, but would allow GDREC to participate in the financial arrangements.

Chair Canella indicated that he did not want to continue this issue to the next meeting, and inquired if there was any way that an amendment could be drafted and approved prior to the next Commission meeting. Mr. Ketterer stated his opinion that the Commission could approve the change pursuant to Commissioner Whittenburg's motion. Mr. Farrell agreed as well. Commissioner Whittenburg stated that her motion was to approve the Proposed Ruling subject to the Attorney General amending

the last paragraph. Commissioner Sealock seconded the motion. Hearing no further discussion, Commissioner Canella called for the vote. The motion carried unanimously. (See Order No. 95-56).

After a short break, Chair Canella moved to the next agenda item - GDREC and DRA regarding a request for approval of acquisition and financing for a new boat to replace the current Dubuque Diamond Jo and purchase the portside facility. Chair Canella called on Mr. Gross to present GDREC's plans. This request occurred exactly one year to the day when the Dubuque Diamond Jo first sailed. In April, they did approximately $2.5 million with the smallest licensed riverboat operating in the United States. Their plans include the purchase of a new boat and renovating the portside facility to turn Dubuque into a destination resort community. The local investors have reviewed all of the plans on numerous occasions and have overwhelmingly approved them. They have received support from the financial community and any others who will be critically important to insure that the plan becomes a reality. The new boat would bring 300 new jobs to Dubuque, and more revenue to the State, Dubuque and the non-profit partner. Carl Bolm, General Manager of the DDJ, and several other representatives from various organizations, gave brief comments regarding the proposed plan and the economic studies which have been completed in support of the larger boat. Mr. Bolm concluded his comments by stating that he could not ask the investors and GDREC to go any further with this proposed project without IRGC approval.

Lynn Carstens of Urban Systems distributed copies of an Executive Summary prepared at GDREC's request. She stated that most of the effect of adding slots at the track and the larger boat for the Dubuque Diamond Jo would be a re-allocation of the current market activity. In other words, they would be able to draw in individuals who are currently going to the Indian casinos, as well as those individuals who are going to the Silver Eagle due to the crowded conditions on the DDJ. A 40% increase in attendance is projected if the replacement boat is approved.

Chair Canella asked Mr. Bolm the importance of May 19, 1995, for the financing and in the proposed project. Mr. Bolm stated it was very important. He stated that it was his hope to be able to leave the meeting, and make the necessary arrangements to execute the pending contracts, and get the various contractors to begin their work. There are approximately $1.5 million to $2.2 million of improvements to be made to the vessel, and this work can not be started until the Commission has given their approval of the new vessel.

Chair Canella indicated it was his understanding that the new vessel would have to be approved by the Commission as well as DRA. Chair Canella asked Mr. Bolm what would happen if DRA did not give their approval of the new boat. Mr. Bolm stated that if he did not receive the concurrence of the non-profit, Dubuque would never, legally, see a new vessel in Dubuque, Iowa. Chair Canella asked Mr. Bolm if he was willing to move ahead with just the Commission's approval, and not the non-profits. Mr. Bolm stated that he would proceed cautiously and continue to seek DRA's approval.

Commissioner Peyton informed Mr. Bolm that he had several concerns on the financial side of the proposed project, and that he was opposed to granting approval. Commissioner Peyton indicated that the assumptions in the financing package were highly dependent upon the sale of the existing boat within the next year, and that the debt service on the existing boat is approximately $3 million per year. Mr. Bolm answered affirmatively. Commissioner Peyton stated that should it take longer than one year to sell the existing boat which is inadequate and in a limited market, the financial projections would not be accurate; and that even if the boat were sold within that time frame, the financial leverage created by the situation is dramatically different. According to his calculations, the current interest coverage is at either 3 or 4 to 1, and could drop to less than 1- 1 overnight. The figures assume the projections on the increased win per passenger hold true. Commissioner Peyton stated that he understood the economic impact on the area, the increased number of job; however, the failure of this situation in the future would destroy what has already been achieved and exists. He stated that he was not confident enough in the figures to support the project. Mr. Bolm stated that the situation at Dubuque is similar to the past situation at Sioux City. He indicated there has been substantial interest in the boat, and that contact had also been made with the state of Washington and had received information indicating the boat could be used for inter-coastal off-shore gaming which creates another market for the boat. Mr. Bolm stated that the current boat would be sold intact. Mr. Bolm indicated that GDREC's figures were very conservative, that comparisons from Sioux City with the increase in payroll and revenue show an increase by 40%, when in actuality the figure was 31.1%. Mr. Bolm stated that he felt the financial projections were the absolute worst case scenario; and that the projected revenues would go through the ceiling once the project was up and running.

Commissioner Peyton indicated that he has a problem with debt equity ratios. The interest rate on the proposed loan is four or five hundred basis points over prime. People who borrow at prime borrow that way because they have strong financial positions. The leverage of the loan greatly increases the risk of failure. The market study also leads him to believe that they will not be exploiting a larger market, but cannaliblizing the existing market which causes him to question whether the economic impact isn't being shifted from one area of the community to another while increasing the risk of failure of the whole venture. Mr. Bolm stated that he did not feel that anything was being cannibalized, that they were recapturing that portion of the market which was going elsewhere due to the inadequacies of the DDJ.

Chair Canella asked Don Iverson, one of the major investors in DDJ, for his comments. Mr. Iverson agreed with Commissioner Peyton's statement about the high interest rate, but that it was a good investment as there were no difficulties in obtaining financing. Mr. Iverson indicated that he had a tremendous amount of faith in the project. Mr. Bolm added that PDS had been actively involved in the financing process. Commissioner Peyton asked whether or not PDS was a broker. If so, they would receive payment regardless of whether or not the project succeeds. Mr. Bolm concurred.

Commissioner Sealock made a few comments. She complimented Mr. Bolm on the success of the new Sioux City operation, and stated that a new boat in Dubuque would allow it to recapture any of the gaming market lost due to the inadequacies of the current boat.

Chair Canella asked Mr. Gross if he had any further comments. Mr. Gross stated that what GDREC was asking the Commission to do was what best for the State of Iowa. He stated that if the Commission did not approve the request today, a 3 - 4 month delay would more than likely occur in getting the new, larger boat up to Dubuque, and cost the state, county, city, and the non-profit several hundred thousand dollars. GDREC is very optimistic that they can exceed the projected revenues. He indicated that GDREC would continue to work with DRA in order to obtain their approval of the new boat. Commissioner Sealock pointed out that the decision would be much easier for the Commission if DRA were as excited about the project as GDREC.

Chair Canella called on Bruce Wentworth, General Manager of DRA, for comments on behalf of DRA. The DRA agrees that the present boat is doing well, that a bigger boat would be better, but also agreed that a boat is better than no boat. Part of DRA's concerns deal with the timing of the financing agreement. He received his copy of the agreement on late Monday afternoon, and reviewed and presented it to the DRA Board at a Tuesday noon meeting. The DRA Board decided to meet in two weeks to take action on the financing agreement. Since DRA acted as an interim manager at DDJ for six months of the first year in operation, they are very aware of the inadequacies of the existing boat. DRA is also concerned that the Commission has been asked to make a decision with less than complete information, a situation which has occurred far too frequently. They are also concerned about the viability of the boat, and submitted a report prepared by Will Cummings, Christiansen/Cummings, Inc., in which he states that under current competitive conditions, the revenue is likely to be less than $31 million - a figure which would not allow for any "wiggle" room in what they view as a break-even situation at the present time. DRA did not come before the Commission at this time to deny the project, but their comfort level with the project needs to be raised before they give their approval. Mr. Wentworth also expressed his concern with a conditional approval. In the State of Iowa, the working relationship between the licensee and the non-profit organization has been a good one. He quoted comments made by Chair Canella at the October, 1994 Commission meeting in Ft. Madison, : "When legislation was passed allowing racing and gaming in Iowa, the legislature required that there be a non-profit corporation. In racing, the non-profit corporation holds the license and operates the track. They are allowed to have management contracts and operator contracts, if necessary, however. It is the Commission's position that the non-profit corporation is extremely important to the integrity of racing and gaming in the State of Iowa. It must be the dominant entity at any location that has gambling. The license should never be transferred, sold or assigned, directly or indirectly. The Commission will insist that any agreement between the non-profit corporation and another party must permit the non-profit corporation which holds the

license to be an independent entity and make independent decisions. In the case of riverboats, the non-profit entity has to sponsor an operator and they are co-licensees. The non-profit entity is the first in the line of defense in protecting the integrity of gaming in Iowa."

Mr. Wentworth requested that Jim Kennedy, of McGladrey & Pullen who has been working with all of the numbers provided with respect to the proposed project, address the Commission. Mr. Kennedy stated that DRA would like to have the new boat, but on a very sound financial basis. He stated that with the Christiansen/Cumming projections and the proposed financing, the project will not cash flow. Mr. Kennedy stated that GDREC has not submitted any alternate or safety plans. It was noted that if Urban Systems projections are off by just 10%, and the proposed financing by GDREC is in place, there will be some problems in cash flowing the project.

Mr. Kennedy went on to address the financing agreements presented for DRA's approval is that they are a matter of intent of financing and so provide little documentation of the details of the financing. He stated that it was his opinion that DRA did not have sufficient information at the present time to make a decision. Mr. Kennedy noted that DRA would like to have a bigger boat, but they do need to be certain of the viability of the operation.

Mr. Wentworth reiterated the thought that DRA is committed to the boat, the community and the jobs that go with it. The boat is providing revenues which allow the racetrack some room to continue its live racing season. It is not DRA's intent to turn down the project at this time.

Chair Canella stated that it was his opinion that the situation in Dubuque is atrocious. He has never seen two parties who are less inclined to work together anywhere within the state. As the situation in Dubuque continues to develop, he is concerned that it is not in the best interest of the State of Iowa, and at some point, it will be necessary for the Commission to step in. He is not sure what the Commission would have the legal authority to do, but that the parties should work the situation out between themselves. He was discouraged by the fact that DRA has not offered one word of encouragement to settle the situation. Commissioner Sealock expressed her concern that the Commission was not getting a clear message from DRA, or that Mr. Wentworth could explain it any clearer.

Commissioner Whittenburg indicated that Mr. Bolm had made a good case for a better and larger boat in Dubuque, but she concurred with Commissioner Peyton and his concerns. She also concurs with DRA regarding the financing and the success of the operation. Commissioner Whittenburg referred to Mr. Gross' statement that it was the Commission's job to arbitrate what is good for the State of Iowa. It is her opinion that they have always arbitrated or tried to determine whether any proposal brought before the Commission had adequate financing, as no Commission wants to deal with the consequences of a failed operation. She further stated that the Commission should not make a conditional approval as that undermines the effectiveness and strength of a non-profit, and was not

in favor of passing a resolution based on the condition that a non-profit would take or not take action at a later date.

Chair Canella asked what the two parties were going to do once the arbitrator had issued his ruling -keep fighting? Mr. Bolm stated that whatever happened in arbitration is up to those parties involved in the arbitration. He was specifically addressing the proposed new operation. He stated that Gaming Development Group's role at DDJ is simply as manager at this time. Commissioner Sealock asked Mr. Bolm whose responsibility it was to create the flow of information to DRA. Mr. Bolm responded by stating that he had attempted to contact Mr. Wentworth two different times on Friday. DRA did receive the first fully complete package on Monday by hand-delivery. He did not see much difference in receiving the documentation on Friday versus Monday as it was Mother's Day weekend. DRA should now have the full, completed package to allow DRA to make a decision.

Chair Canella asked Mr. Bolm if there had been any attempt to raise additional capital by the sale of stock. Mr. Bolm indicated that had not occurred to date, and indicated that the need had not arisen as they had not been requested to do so in pursuing the financing for the new vessel. Chair Canella indicated that he agreed with the comments made by Commissioners Peyton and Whittenburg regarding the loan. In response, Mr. Bolm stated that he was not aware of any boat licensed by the Commission which had failed, and that Gaming Development Group has not done anything, nor would it allow or propose anything that they did not feel would be prosperous for the state and non-profit.

Commissioner Peyton asked Mr. Bolm if Gaming Development Group was willing to stand behind the risk posed? He went on to state that if Gaming Development Group was willing to step up to the plate regarding the letter of credit or the risk concerning the debt, he might have a different view. Mr. Bolm stated that with Gaming Development Group operating in three states and looking at opportunities in three other states, their reputation is monumental. Should something go wrong, their reputation would be tarnished, and they would have a tough road to travel. Commissioner Peyton stated that the heart of the problem is that should something go wrong, the ultimate financial risk is on the local community, and the citizens of the State of Iowa. He is not adverse to people taking risk, but is against taking so much risk that the success of the operation is jeopardized which indicates that there could be a problem in servicing the cash flow.

Chair Canella voiced his opinion that this matter could be brought to a close rather quickly. GDREC has to have two approvals - IRGC and DRA. He suggested that DRA have their meeting two weeks from the date of the Commission meeting, and make their decision. If DRA vetoes a new vessel, the Commission will not revisit this issue. If DRA approves the vessel, then the Commission will look at it. Commissioner Whittenburg made a motion to defer until the June 15 IRGC Commission meeting, GDREC and DRA's request for approval for acquisition and financing for a new boat to replace the DDJ and purchase the portside facility to allow the following to occur:

1) GDREC is to provide the Commission and DRA with more details on the financing to allow GDREC to tighten that up if they are able and desire to do so, and provide said information well in advance of the next Commission meeting. The purpose of the information is to raise the Commission's and DRA's comfort level on the issue of financing if they so choose; and

2) DRA to meet at their next scheduled meeting for the purpose of reviewing the information which has been provided to them, as well as any additional information which they receive as a result of the Commission meeting from GDREC, and to take a position on the request before the Commission.

Chair Canella asked if GDREC would consider a telephone meeting, providing DRA approves GDREC's request to purchase a larger vessel. Mr. Bolm agreed to a telephone conference meeting.

Mr. Ketterer stated that it was his feeling that the Commission was concerned about the financial viability and wondered if those concerns would be addressed by DRA's approval of the project. Chair Canella indicated that it was his hope that DRA would have some suggestions regarding the financing. Mr. Ketterer then asked if additional information was provided to DRA if the Commission would then request that information be submitted in a timely manner to allow them to review it prior to the telephone meeting.

Chair Canella voiced his hope that DRA and GDREC would go back to Dubuque and help each other. He suggested that there may be some way in which DRA could help the financing of the new vessel, possibly by reducing their $1.50 admission fee to 75 cents.

Commissioner Van Horn asked Commissioner Peyton if he would vote to approve GDREC's request to purchase a larger vessel, if DRA approved the project, with the current financing. Commissioner Peyton indicated that he would not.

Commissioner Whittenburg stated that she felt it was important for the Commission to remain independent, and that the Commission's decision would not be dictated by DRA's approval or denial of the project.

Commissioner Sealock seconded Commissioner Whittenburg's motion. Chair Canella requested a roll call vote. All members voted Aye. The motion carried unanimously. (See Order No. 95-57)

After a short break, the Commission addressed contracts submitted by Harveys. Gary Aizzi, Director of Property Development, presented three contracts - MFT Construction, Inc.; Negus-Sons, Inc. and Terracon Consultants, Inc. Chair Canella requested confirmation that all were let out for bid, no related parties or conflicts of interest involved. Mr. Aizzi answered in the affirmative.

Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-58).

Chair Canella asked if Mr. Aizzi had any other information which he wanted to pass along to the Commission. Mr. Aizzi informed the Commission that Harveys Casino Resorts had named Gary D. Armentrout as Senior Vice President of Business Development and Government Relations. He will oversee the development and opening of Harveys' Council Bluffs project.

Chair Canella called on Jeff Terp, Director of Corporate Affairs, to discuss the contracts submitted by Ameristar Casinos for approval. Those contracts were HDR Engineering - Task Order 3; HDR Engineering - Task Order 4; and Morris & Brown Engineering - Preliminary Design on pre-construction drawings. Commissioner Sealock inquired whether or not a contract was in place with Morris & Brown. Mr. Terp indicated they did not, but that a contract in the approximate amount $1.6 million for the final construction drawings, with the contracts being let for bid within the next few days. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-59)

Mr. Terp then provided the Commission with a quick update. John Speena has been named as Executive Vice President of Operations. They have moved into their offices in the Omni Centre, and had their ground breaking on May 17, 1994. Boat construction is running approximately 14 days ahead of schedule and will have a video to show the Commission during the June meeting.

Chair Canella then addressed the contract submitted by Lady Luck Bettendorf. Terry Hirsch, Director of Riverboat Gambling, presented the contracts from Arthur J. Gallagher for commercial insurance and Mikohn Gaming Corporation for Caribbean stud games. He recommended approval. Commissioner Sealock made a motion to approve the contracts as submitted. Commissioner Peyton seconded the motion which passed unanimously. (See Order No. 95-60)

Chair Canella called on John Pavone, General Manager of the Belle of Sioux City, to present their contract with Mikohn Gaming for three Caribbean stud games. Chair Canella inquired how the operations were going in Sioux City. Mr. Pavone stated they have made plans to bring a new barge facility to Sioux City, which should arrive in approximately four weeks. The new barge will allow them to increase their restaurant, food and beverage facilities from 90 seats to 350 seats. They are also adding a third floor exterior dining room as well. Commissioner Peyton moved to approve the contract. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-61)

Chair Canella moved to the contract submitted by the DDJ. Mr. Hirsch stated that these contracts - Cummins-Allison Corp., GDC Casino Tokens and Directions in Design Inc. - are in connection with the new vessel for which they are seeking Commission approval. Any approval would be subject

to approval of the new vessel. Commissioner Sealock moved to approved these contracts subject to the approval of the purchase of the new vessel. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-62)

Chair Canella called on Robert Farinella, General Manager for Prairie Meadows, to present the numerous contracts and business arrangements for supplies and products relating to the operation of the track and casino. Commissioner Sealock made a motion to approve the contracts as submitted, noting that only one or two were not with Iowa companies. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-63) (Contracts listed on Order)

Mr. Farinella noted that the original business plan called for 900 employees, but going into the live racing season, they have 1200 employees. He estimated their daily average attendance at 10,000 patrons per day.

Chair Canella asked if there were any items under administrative business, public comment or executive session. Mr. Ketterer indicated there were no items to be discussed. Chair Canella called for a motion to adjourn. Commissioner Sealock moved to adjourn, and Commissioner Van Horn seconded the motion. The meeting was adjourned at 12:42 pm.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 15, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 15, 1995, at the Ramada Inn Westmark, I-80 and 74th Street, W. Des Moines, Iowa. Commission members present were Chair, Richard Canella; Vice-Chair, Rita Sealock; and members Del Van Horn, Nancy Whittenburg and Brad Peyton.

Chair Canella called the meeting to order at 8:30 AM, and called for a motion to approve the agenda. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously.

Chair Canella asked for a motion to move into Executive Session for the purpose of reviewing background investigations. Commissioner Sealock so moved, and the second was provided by Commissioner Peyton. The motion carried unanimously.

Following Executive Session, Chair Canella called for a motion to approve the minutes from the May 18, 1995 Commission meeting. Commissioner Van Horn made a motion to approve the minutes. Commissioner Peyton seconded the motion which carried unanimously. Commissioner Sealock noted that Gary Goldstein, not Barry Sevedge, gave the Bluffs Run presentation regarding the remodeling. The motion carried unanimously.

Chair Canella called on Jack Ketterer, Administrator of the IRGC, to the Notice of Intended Action and Emergency Adopt and Implement of Rules. Mr. Ketterer explained that the changes to Administrative Rule 491-10.5(17)(b) and 491-10.5(17)(c) were minor changes requested by the Horsemens Benevolent Protection Association from Prairie Meadows to reduce the cutoff time for filing a claim on a horse from fifteen minutes to ten minutes before the time of the race. The time between races has been compressed at Prairie Meadows due to simulcasting. Between the time the horses arrive at the paddock and go out to the race, there is not sufficient time for the horsemen to be able to view the horse they are interested in claiming and have time to drop the claim fifteen minutes prior to the race. Mr. Ketterer indicated that he had visited with the Board of Stewards and they were not having any problems in processing the claim, but the decision has to made as to whether or the claim is valid, if the horseman has money in his or her account prior to the race, and the decision made prior to the race as to whether the claim will be valid or not. He felt the change conferred a public benefit on the horsemen and the participants at Prairie Meadows. He recommended approval of the change. The rule is being filed emergency so that it would be effective immediately upon passage. Commissioner Sealock made a motion to approve the change in the rules. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-64)

Chair Canella called on Walt Pyper, General Manager of Bluffs Run, to discuss the request by Iowa West Racing Association to guarantee a portion of the loan for the National Western Historic Trail Center. The guarantee would only take effect if some pledges made did not come through.

Commissioner Whittenburg moved to approve this request. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-65)

Mr. Pyper presented Bluffs Run (BR) request to discontinue greyhound simulcasting as of June 30, 1995, but would continue horse simulcasting, due to a large increase in the cost of satellite time. Their current costs are approximately $47,000/month. This will increase an additional $52,000 on July 1, 1995, for a total cost of approximately $100,000/month. He indicated that BR had looked into the possibility of sending their signal to North Dakota. They have also looked into other sources for satellites. Mr. Pyper had discussed the situation with Waterloo Greyhound Park (WGP) and Prairie Meadows (PM), and both have requests before the Commission to pick up an out-of-state greyhound simulcast signal. Mr. Pyper stated that due to the agreement with the Iowa Greyhound Association (IGA), there would be no effect on purses through 1995 due to the sliding scale of the supplement.

Chair Canella asked Jerry Crawford, representing the IGA, if he had any comments. Mr. Crawford stated the IGA had three reasons for strongly opposing BR's request to discontinue sending the simulcast signal. They are:

- To discontinue sending the signal would do irreparable damage to the greyhound industry in Iowa. If simulcasting is stopped, the size of the betting pools will be dramatically reduced, which will also cause a reduction in the live handle. IGA believes effort should be focused on selling the signal to additional markets rather than reducing the sending of it to existing sites.

- The satellite problem alluded to by Mr. Pyper is a problem that can be overcome, both in the short term and long term. Mr. Crawford stated that while C-band time does cost $1,000/hour with one entity per channel; however that is not how time is sold. Companies batch time, four entities to a channel, and this time was available at the close of business on June 14, 1995, in batched setting, for $300/hour. He feels there are other options available, but has not had an opportunity to look into the matter thoroughly. Mr. Crawford stated that there were Canadian and Mexican outlets available. He further stated there were two new companies who would have satellites in the air in early 1996.

- To discontinue simulcasting would be a breach of the agreement entered into by the IGA and BR which was approved by the Commission earlier this year. Paragraph 5 of the agreement between the two entities states that neither party can make a request to the IRGC to change the purse structure for live handle or simulcast at BR for the remainder of 1995. The IGA feels BR is making a request to change the purse structure for simulcast for the remainder of 1995, which would be a breach of the agreement. Mr. Crawford stated he was not sure what benefit, if any, would come to the Iowa greyhound industry by bringing in an out-of-state signal to PM and WGP.

Mr. Crawford, on behalf of IGA, requested that the Commission deny BR's request to discontinue simulcasting at the end of June; and encouraged that a committee be appointed to begin work immediately on the problem. Said committee would include a representative of the IGA industry or association so that the short term problem could be addressed and preserve the effort directed by the Legislature to focus on the development of the greyhound industry in Iowa.

Mr. Ketterer asked Mr. Crawford if he could identify the provider who had time available at $300/hour. Mr. Crawford stated that it was TrackStar. Mr. Ketterer then asked Eric Wilson, representing AIM, Inc. and works at BR in the simulcasting area, if he had investigated that particular provider. Mr. Wilson indicated that TrackStar is their vendor for the signal BR receives from Gulf Greyhound Park in Texas. Mr. Wilson further indicated that the $300/hour figure was only available if time is batched. The various schedules from different locations can create problems in batching time. TrackStar could possibly batch BR's signal with other signals on a compressed signal on a transponder if there is one available; however, Mr. Stewart of TrackStar does not think this is a feasible solution for BR. Mr. Wilson further stated that Bluffs' 4:00 pm signals on the two matinees created a large problem in attempting to batch overlapping signals as it would require TrackStar to batch a horse signal over another greyhound signal. Therefore, Bluffs is looking at a $300+ charge per hour to simulcast. If two other signals were batched, the charge would be $550 or $600/hour. Mr. Ketterer indicated that if he understood Mr. Wilson's comments, that Bluffs would have five performances /week at $300/hour. Mr. Wilson indicated that TrackStar would not be able to batch the signals as they would be overlapping signals, and could not be placed on the same transponder. Mr. Wilson indicated that he was not sure what signals TrackStar had available, but that the ultimate goal would be to get four signals on one transponder which would cost each company $250/hour. The cost of $1,000/hour is divided by the number of signals on the transponder. Chair Canella asked Mr. Wilson if he needed more time to study this issue further.

Commissioner Whittenburg asked Mr. Wilson the names of the other providers with whom he had spoken regarding this issue. In response, Mr. Wilson gave a brief history of the satellite business. The problems started when a satellite launched by IGT was lost in September, which has caused a crunch in the industry. All horse and dog racing time is considered pre-emptable time. The other big providers are Autotote and one other provider. Costs have increased dramatically within the past two months due to the lack of satellite time, and will not start to decrease until the new satellites come on line. Some of the existing satellites have started to lose their power.

Chair Canella called for any additional comments. Mr. Pyper took this opportunity to provide a rebuttal to the other points raised by Mr. Crawford. Mr. Pyper indicated that Bluffs would not be breaching their contract with IGA as there would be no dollar impact on the purses. Bluffs has been making approximately $20,000 minimum payments per week additions to the purses, with a goal of purses in the area of $55,000. The goal is to increase the live handle, and the best way to do so is to concentrate on promoting live racing. The larger purses will draw better greyhounds which will increase the handle.

Mr. Crawford made three brief points in rebuttal to the above comment. They were:

- Alternative satellite capacities: In his research, he found two active C-band satellites owned by AT & T, six owned by GE & GTE, individually or in concert or joint venture, six owned by Hughes, with a cumulative total of 324 available C-band channels with each channel being able to handle up to four signals in batched-fashion simultaneously. These figures do not include any of the KU-band outlets, nor any of the Canadian or Mexican outlets. He did agree that there is a short-term problem in the simulcasting industry.

- The current revenues and receipts from gaming operations at BR are close to the IGA's prediction during purse negotiations, and much higher than what Iowa West and Bluffs predicted they would be.

- Mr. Crawford feels the decision to cease simulcasting will cause the pools to shrink , the construction at BR as decreased the amount of space allotted to greyhound patrons; therefore, having exactly the opposite effect which Bluffs desires which is to increase the live handle.

- In rebuttal of Mr. Pyper's comments that there would be no effect on purses, Mr. Crawford quoted a letter from Mr. Sevedge to the Commission dated June 8, 1995, that the live handle was stable at approximately $500,000 per week, both before and after the casino opened. Mr. Crawford stated that the handle for 1994 averaged over $700,000, down 21% in 1995.

Chair Canella asked for any further comments. Mr. Ketterer addressed what he felt was the most relevant point made - what happens two or three years into the future as a result of the cessation of simulcasting and what will happen to the live handle. He does not believe there will be a positive impact on the live handle. Simulcasting currently accounts for 40% of the handle; therefore, he sees the handle shrinking. He also appreciates BR attempting to make a prudent business decision based on economics. Mr. Ketterer indicated that he did not feel that all options available had been explored. He suggested that BR commit to continue to simulcast for a short period of time, possibly the end of summer, during which a committee could be established to ascertain that all avenues had been explored and bridge the gap between the two groups. The committee would consist of two Commission members, staff that support the Commission members, an individual from BR, and an individual to represent the greyhound industry.

Chair Canella agreed with Mr. Ketterer's recommendation. If other Commission members are in agreement, Chair Canella would like to appoint a committee, but would like a recommendation from the committee to be brought before the Commission no later than July 1, 1995. He stated his preference for a telephonic Commission meeting to discuss the recommendations of the committee. As all Commission members were in agreement with Chair Canella's statements, he appointed Commissioner Peyton and Commissioner Whittenburg as committee members. Mr. Ketterer is to appoint the staff member.

Mr. Pyper stated that he accepted Chair Canella's decision and that it was a good idea, but requested that the committee members discuss this issue with PM and WGP who are currently receiving Bluffs' simulcasting signal. He requested that the committee look into whether or not there were tracks who were willing to take the signal.

Chair Canella called on John Titler, bankruptcy attorney for WGP, regarding their request to simulcast an out-of-state greyhound signal - Gulf Greyhound Park (GGP). Mr. Titler indicated that it was their preference to continue with the BR simulcast signal should they continue to simulcast. He was not sure of how much lead time they would need in order to switch over to the out-of-state signal. Mr. Ketterer asked Mr. Wilson to address that issue. He stated that Waterloo would be able to get the decoder within two days, and as they are already linked to BR by telephone, they should be ready to simulcast within a day or less. The same would apply to PM. The KU provider needs 30 - 45 days in advance to book the time. If they were to switch their provider to TrackStar, due to the equipment which would have to be installed, it would be approximately six weeks before simulcasting could continue.

Chair Canella then called on Tom Timmons, Vice President of Pari-Mutuels for PM Track & Casino, regarding their request to simulcast an out-of-state signal. Mr. Timmons indicated they would like to proceed with their request; however, they would like to reserve the right to negotiate a price to continue with BR's simulcast, provided it is a financially sound business decision to do so.

Normal dog simulcast fees are anywhere from 2.5% to 3%, however, BR and PM are paying a much higher fee in the form of a reciprocal fee. Gulf Greyhound would not be able to charge PM the same fee.

Chair Canella called for a vote to table BR's request to discontinue simulcasting. Commissioner Peyton so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 95-66)

Chair Canella then asked Mr. Timmons to present their request to receive an out-of-state simulcast signal. He also requested that PM retain the option to also simulcast BR should they continue to do so. Chair Canella asked if WGP wanted the same options. Mr. Titler indicated that Waterloo needed to have a contingency approval to proceed with an out-of-state greyhound signal should BR discontinue simulcasting.

Chair Canella called for a motion regarding Waterloo's request to take an out-of-state greyhound simulcast signal. Commissioner Sealock moved to allow Waterloo to take an out-of-state greyhound simulcast signal should BR discontinue simulcasting. Commissioner Van Horn seconded the motion.

Mr. Ketterer pointed out that DGP is currently taking simulcast signals from both BR and GGP; and therefore, Waterloo and PM should have the same opportunity if they so desire. Commissioner Sealock amended her motion to reflect Mr. Ketterer's statement.

Commissioner Peyton questioned whether the above motion negated the purpose of naming a committee to study the request by BR to discontinue simulcasting. Mr. Wilson indicated that should the other tracks be allowed to accept another simulcast signal, the pool volumes will decrease which would leave very little for the committee to study.

Mr. Crawford pointed out there is one difference between the Dubuque and Waterloo/PM situation. When Dubuque carries the GGP signal, Iowa greyhound racing benefits as they receive a percentage of the proceeds from every wagered dollar; however, if PM or Waterloo receive an out-of-state simulcast signal, no monies will flow to the Iowa greyhound industry.

At this point, Mr. Ketterer suggested that Commissioner Sealock may wish to withdraw her previous motion. Commissioner Sealock withdrew her previous motion, and moved to defer the requests from WGP and PM to receive an out-of-state greyhound simulcast signal. Commissioner Peyton seconded the motion which passed unanimously. (See Order No. 95-67)

After a short break, Chair Canella called on Mr. Pyper to present Bluffs Run Casino's request for a contract approval with American Lift and Sign Co. This contract is for a new sign on the I-80/I-29 interstate which runs by the south edge of their property. He also addressed a contract with U.S. Asphalt for the resurfacing of their auxiliary parking lot, wing parking lot and the main parking. The contract was inadvertently left off the agenda, and can not be acted upon, but Mr. Pyper wanted to make the Commission aware of the contract so that work could proceed. Both bids were let out for competitive bids. Commissioner Van Horn moved to approve the contract with American Lift and Sign Co.. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-68) Chair Canella indicated that all Commissioners had received a copy of the contract with U.S. Asphalt and did not see anything wrong with it, but were not able to take official action.

At this time, Chair Canella called on Argosy of Iowa, Inc. and Clarke County Development Corporation (CCDC) to make their presentation to the Commission regarding their application for an Excursion Boat Gaming license for Osceola, Iowa. Thomas Long, C.E.O. and Vice Chairman of Argosy, and Steven Norton, President and C.O.O. of Argosy, opened the presentation by discussing employee benefits, why Osceola was a better site than other mid-state cities and giving a brief description of the project. Paul Keller, Director of Site Development, informed the Commission of the various time lines involved with the project. Mr. Keller stated that it was Argosy's plan to open with a first class riverboat casino, restaurant and entertainment facilities.

A new sewer line will be installed, and will connect with the existing Osceola sewer system. West Lake is 308 acres of surface water at normal levels, 2.5 feet long, and is 28 feet deep at the dam, with

an average depth of 13'. The boat's draw is seven feet. Argosy controls approximately 305 acres around the lake, but will primarily use the south shore for their development. They will only use three-quarters of a mile of the lake for cruising purposes. This development will only use three percent of the reserve capacity. The development will be served by the Clarke County Rural Electric Cooperative which plans to install a new substation to meet the needs of the project. This substation will make the entire system more reliable than it is currently.

It is Argosy's plan to have a 100-room hotel with an indoor pool and a RV camping facility with 50 hook-ups for utilities ready when the project opens in the late summer/early fall of 1996.
There will be a 43,000 sq. ft. pavilion which will include a 300-seat lake view restaurant, 250-seat banquet center, 60-seat steakhouse, a sports bar & lounge, and administrative and support functions.

The vessel will be assembled on-site. Several companies who have designed vessels for inland waters in the past have submitted bids to Argosy. The boat will have a propulsion and steering system, with 360 degree turn propellers. This vessel will meet the same standards as the other riverboats, and will be inspected by American Bureau of Shipping Inspections. The vessel will also undergo sea trials. The 25,000 sq. ft. casino will hold 800-900 slot machines and 37-50 table games on three gaming decks. The vessel will also have an observation deck.

Mr. Keller indicated they had approvals from EPA and DNR regarding the refueling procedure to be used. When the ship is not cruising, it will be connected to shore power which will enable them to minimize the size of the fuel tanks on the boat. Chair Canella asked to have the approvals from EPA and DNR submitted to the Commission in writing. Mr. Keller indicated that their experience with EPA is that they had to meet their licensing requirements and regulations, but could not get an opinion until the project was completed and they could view the actual hook-ups, etc. This could possibly be a situation in which they can not address the concerns of the Commission at the present time. Mr. Ketterer indicated that someone from DNR would be at the July meeting.

Should Argosy be granted a license, they plan to order the vessel in July, 1995; mobilize on site in August, 1995; begin site work in September, 1995; and begin vessel assembly in December, and propose to open the facility in late summer or early fall of 1996.

Sandy Kale, Osceola Water Board, covered the environmental impact of the boat and the precautions being taken by Argosy to prevent any contamination of the water. She stated it was the opinion of the Osceola Water Board that the lake environment would be improved by Argosy.

Tom Roche and Dean Macomber of Arthur Andersen reviewed the market study performed on behalf of Argosy. This market study shows that the central Iowa market will support gaming revenues of approximately $180,000, with the probability that Prairie Meadows and Argosy would collectively capture 75% of the market. The primary market is the portion of the state that is within 100 miles of

Osceola and Altoona, Iowa. It is estimated that the gaming revenue is approximately $180,000,000, with a worst case scenario of $150,000,000 and best case scenario of $230,000,000.

Sam Lee, Ernst & Young, discussed the economic impact the boat would have on Osceola and Clarke County as well as several surrounding counties. This study looked at five basic components: family expenditure; direct economic impact; indirect economic impact; induced economic impact and gross fiscal impact on the community. Argosy has had a consistent increase in their gaming revenues, Joseph Uram, Vice President and C.F.O., and John Waldron from Bear Stearns, gave the financial presentation relating to the project. Argosy has assets of $233 million, equity of $91 million, and convertible debt of $115 million. They have no other outstanding long-term debt. It is anticipated the Osceola project will cost approximately $57.6 million - $19.9 million for land-based construction; $5 million for the hotel; $24 million for the vessel; $8.5 million for the gaming equipment; and $1 million for the R.V. park.

Ken Baker, President of Clarke County Development Corp.(CCDC), and Becky Lane, Executive Director of CCDC, addressed the economic benefits to Clarke County and the surrounding communities and counties. CCDC will implement a policy that all south central communities and counties will be given an opportunity to apply for grant fund should Argosy be granted a license. Mayor Fred Diehl addressed the support which Osceola has received from the surrounding counties and communities regarding the proposed riverboat.

Mr. Long concluded the presentation by stating that Argosy is very much aware that their request to locate a riverboat on a lake is a unique step for the Commission.

The next item on the agenda was Greater Dubuque Riverboat Entertainment Co. (GDREC) and Dubuque Racing Association (DRA) with a request for approval of an amendment to the Operating Agreement. Doug Gross, representing GDREC, stated that GDREC and DRA had resolved the divisive issues between them. Carl Bolm, General Manager of the Dubuque Diamond Jo (DDJ), recapped the main concerns discussed at the May meeting: the DDJ; PDS and the interest they have in the financing of the new boat; and the window of time for selling the DDJ, which they have left at one year. An updated financial commitment for the entire package, as well as a bridge loan to get through the closing of the financing, has been received to allow GDREC to continue moving forward on the proposed new vessel and not lose valuable time.

Mr. Bolm stated that the projected revenue figures have increased to $600,000. They have removed their request to purchase the portside building which will allow them to cash flow better, and have negotiated a lease agreement in its place.

There are two proposals, with and without the DRA settlement, with the refinements made to the cash flow projections.

The final concern was the lack of approval from DRA for the project.

Steve Krumpe, representing DRA, indicated that the parties had negotiated an agreement in principal, which GDREC's investors have approved, but DRA has yet to take the agreement before their board, which will probably meet on Tuesday, June 20th, 1995. In a poll of the Executive Committee of the DRA, there is substantial support for the agreement. He indicated there are some minor issues which have not been resolved yet, but does not feel they will be a problem.

In a quick overview of the agreement, Mr. Krumpe stated that the win from the track slots and from the boat will go into a pot which is then divided as follows: 32% of the first $30 million to DRA with the rest going to GDREC; 8% of the next $12 million would go to DRA (If there is no competition from Grant County or Jo Daviess County, it would be 8% of the next $16 million.) Above that, there would not be any further distribution to DRA from the combined gaming revenues. Starting April 1, 2000, DRA would also receive fifty cents per head on boat admissions, and there are also agreements about DRA not installing table games should land-based casinos become legal. The agreement also contains some procedures for coordinating the payout rates on the slots. Two additional three-year options have also be granted to GDREC giving them the ability to restrict the number of slots and payout rates.

Chair Canella stated that he was not clear on what Mr. Krumpe was asking of the Commission since an actual copy of the agreement between DRA and GDREC is not available at this time. Mr. Gross indicted that DRA would like the Commission to approve the new boat subject to the final approval of the agreement by the DRA board, and subject to GDREC coming back to the Commission with an approved Operating Agreement which would reflect the new agreement reached by DRA and GDREC. Approval at this time would allow GDREC to move ahead with the new vessel and have it in Dubuque by the end of August, and would allow Dubuque to move ahead with the license application to install slots at the DGP.

Chair Canella stated that this issue was at the same point as one month ago - no agreement. Mr. Gross indicated that it was his opinion that enormous progress had been made. Mr. Krumpe agreed with the statement and indicated that negotiations had been very intense for the past month.

Chair Canella confirmed that GDREC and DRA were asking for approval of the new boat. Commissioner Whittenburg indicated that the new boat would need to be approved with the conditions outlined by Mr. Gross earlier.

Commissioner Peyton asked what would happen if GDREC proceeded with the boat, and all of the approvals necessary were not granted, such as the addition of slots at the track. Mr. Gross stated that the agreement does not go into effect until slots have been installed at the track, but if slots were not approved, the two groups would stay with the current agreement. Mr. Krumpe asked that if the Commission was going to give approval to the new vessel subject to DRA's approval of the

agreement, that it would also note that the existing agreement would remain in effect if slots are not approved for DGP.

Chair Canella moved the discussion to the Commission's concerns regarding cash flow. Bruce Wentworth, General Manager of DGP, and Jim Kennedy of McGladrey & Pullen, came forward to address these concerns. Mr. Wentworth gave the Commissioners a handout which compares the cash flow with the current boat to the projected cash flow of the new boat with the current contract. The agreement reached enhanced the boat's cash flow at approximately $2 million per year. Chair Canella stated that the cash flow would not be adequate if the existing vessel was not sold in one year. Chair Canella also pointed out that the project is undercapitalized with a net worth of approximately $4.5 million and debt of $30 million. Chair Canella asked why GDREC did not sell the 17.5 shares available to sell. Mr. Kennedy stated that the information originally received by accounting firm did not cash flow when using the Christiansen and Cummings projections of $30 million dollars. However, page 6 shows a give-up of approximately $3 million of DRA's money which they would receive under the current contract. At the bottom of the page, they are showing a $1.9 million cash flow, out of the $3 million, they are allowing for a $1 million distribution to investors to pay taxes and also provides for debt servicing.

Mr. Gross responded to Chair Canella's question as to why they did not sell the 17.5 shares available. He stated that those shares are still involved in litigation, and the Court would not look very favorably upon GDREC if they were to go out and sell those shares. Mr. Gross went on to explain the changes made to the cash flow projections since the May Commission meeting. One of the changes is the inclusion of non-casino revenue of food and beverages. The previous projections included the expense but did not include the revenue; and an estimated debt service on the portside facility of over $500,000. This debt service has been removed as a separate corporation is going to purchase the facility, and GDREC will lease the facility. The third major change involves the DRA lines concerning years one through five which previously showed $3.5 million is now zero because under the revised projections GDREC would not be paying DRA any funds from the boat due to the settlement which has been reached. This results in a $4 million change since the previous meeting. Therefore, the net cash flows are significantly greater than they were previously.

David Melray, of PDS, came forward to answer any questions the Commission might have for him. Chair Canella asked if the under-capitalization bothered him. Mr. Melray indicated that the under-capitalization occurs only while GDREC has ownership of two vessels; however, PDS is comfortable with the median and conservative projections.

Commissioner Peyton indicated that the majority of his problems stem from the uncertainty regarding the market value of the existing vessel, and the ability to sell the boat in the range of $9 to $10 million when he has heard there are larger vessels on the market which have sold for less. He asked for someone to explain why it is reasonable to expect the boat to be marketed within the next year within that range. Mr. Melray indicated that there are different markets for different sized boats.

Commissioner Peyton indicated he understood the changes that had been made to the bottom line, but was still concerned about the marketability of the current boat - either it will be sold at a loss, book value, or it will be carried on which will require debt service - and what will happen to the projected financial situation. He stated that a settlement with DRA would allow them to be able to carry the debt service, but is troubled that there is not a settlement yet.

Mr. Gross stated that GDREC is not asking the Commission to approve the boat without the condition that GDREC finalize a settlement with DRA. Commissioner Peyton asked Mr. Gross if the stipulation of DRA settlement was a settlement without contingencies; or if the settlement itself contained contingencies which could throw additional costs back at GDREC. Mr. Gross stated that the only contingency was the approval of slots at the track; however, if slots are not approved, the boat's projections would improve.

Chair Canella asked Mr. Gross if GDREC had considered asking the investors for additional contributions to improve the cash flow. Mr. Gross stated that all options had been investigated. GDREC felt they had three options: 1) attempting to resolve the issue with DRA; 2) selling the current Diamond Jo immediately; or 3) going out and obtaining additional equity. Mr. Gross stated that the Diamond Jo investors were local investors who did not have the ability to invest additional funds in the project with one or two exceptions. Chair Canella indicated that was one of his concerns.

Chair Canella asked why the investors didn't wait at least two years before purchasing a larger boat since they have a successful operation now and build up their equity. Mr. Gross indicated that there is an opportunity in the market place now for both the boat and track.

Commissioner Peyton asked if the settlement agreement was subject to Commission approval. Commissioner Whittenburg stated that would be agenda item 8A - Request for Approval of amendment to Operating Agreement. Mr. Gross stated that when the draft was completed, they would submit a final copy to the Commission for approval. With that assurance, Commissioner Peyton moved to approve the new vessel to replace the Diamond Jo subject to a settlement agreement being reached with DRA with the stipulation that the Commission reserves the right to approve the completed settlement agreement. Commissioner Sealock seconded the motion.

Commissioner Whittenburg stated that she preferred not to approve the new vessel at this time based on Chair Canella's earlier statement in the meeting that the Commission did not do things on a conditional basis. She would prefer to defer the matter, and offer the parties the option of having a telephonic Commission meeting between this present meeting and the next regularly scheduled meeting to take up the agenda items concerning GDREC/DRA. She does not like the precedent if making approvals conditional since the Commission does not know what they may be getting into, and then possibly ending up in litigation. She stated there probably was a procedure by which the motion could be stated which would allow a telephonic conference call to be scheduled upon the initiation of

either GDREC or DRA making contact with the IRGC. If this does not occur, the matter would then continue to the next regularly scheduled Commission meeting in July.

Mr. Gross stated that it would be disheartening to the unitholders if they did not receive the Commission's backing in this matter. Many of the unitholders are not satisfied with the agreement reached with DRA, but were willing to accept the agreement in order to get approval of the new vessel. Commissioner Whittenburg stated that she did not feel it was fair of GDREC to hold that issue over the Commission when the agreement has not been approved by DRA. She further stated that the Commission was very pleased with the progress made by GDREC and DRA in resolving the issues between them and wished that action could be taken. The Commission did not like deferring the matter any more than GDREC. A deferral would also cause problems with the schedule in getting the new vessel up to Dubuque in August in order to capitalize on some of the summer season. Mr. Gross indicated he did not have a problem with a deferral if it related specifically to the outline of the agreement discussed, including the numbers, and that if those were not met that the condition would be gone. What he wants is for GDREC to have the ability to move forward and make the necessary commitments in order to meet their September 1 deadline. Commissioner Whittenburg stated that it was preferable to leave the pressure regarding deadlines with GDREC and DRA rather than with the Commission. Commissioner Van Horn called for the question on Commissioner Peyton's motion. Chair Canella requested that Commissioner Peyton repeat his prior motion. The motion was to move for approval of a new boat to replace the Diamond Jo subject to a settlement agreement being reached between the two parties, and reserving the right of the Commission to approve the final settlement agreement, whatever that may be. Chair Canella asked what would happen if the Commission did not approve the agreement. Commissioner Peyton indicated that it would behoove the parties to reach an agreement in which there would be no conditions, and seek a telephonic Commission meeting. Chair Canella indicated he understood the motion, but wanted to be specific on the conditions that were to be met. It is his understanding the condition Commissioner Peyton wants met is a positive agreement on the proposed agreement before the Commission. It was agreed that if changes were made to the proposed agreement, they would not significantly alter the figures presented to the Commission during this meeting. Chair Canella asked if there was any further discussion, and Commissioner Sealock called for the question. Chair Canella requested a roll call vote. The vote carried 4 -1, Commissioner Whittenburg casting the dissenting vote. In casting her vote, Commissioner Sealock indicated that she did not disagree with any of Commissioner Whittenburg's statements, but felt this situation was different than the situation with Bluffs Run. (See Order No. 95-69)

Terry Hirsch, Director of Riverboat Gambling, stated that there were some matters relative to the financing of the new vessel which the Commission needed to address. The Commission approved the concept, but wondered if the Commission wanted to vote on the financing package for the boat and the interim bridge loan which also required Commission approval. Chair Canella asked about the last half of agenda item 8B which was the purchase of the portside facility. Mr. Hirsch indicated that the issue was now outside of the Commission's authority except for approval or disapproval of any lease arrangement. Mr. Gross indicated that the request for the portside facility could be removed, and that

GDREC would more than likely come before the Commission in July with a lease agreement. The financing from PDS, which included the bridge loan to enable GDREC to continue with the progress being made on the renovation of the new vessel until closing on the actual financing needed to be acted upon. Commissioner Peyton moved to approve the financing package presented for the acquisition of the boat. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-70)

Chair Canella called on Mr. Hirsch to discuss the admission fee schedule for FY '96 submitted by the staff of IRGC. Mr. Hirsch stated the difference in the figures presented to the Commission at this time and those of one year ago is that 65% of the salaries and related costs of the Division of Criminal Investigation is mandated to be paid which is reflected in the figures. The admission fees for FY '95 were $4,250, while the new fee will be $4,732. Commissioner Sealock moved to accept the admission fee schedule as presented. Commissioner Whittenburg seconded the motion. Chair Canella indicated this fee would be in effect from June 26, 1995 through June 23, 1996. The motion carried unanimously. (See Order No. 95-71)

William Wimmer, attorney for The President , requested that the licensees be allowed to see what was going to be presented in the way of admission fees prior to the actual meeting.

Chair Canella called on Jeff Terp, Vice President of Business Development for Ameristar, to present the contracts submitted for Commission approval. Those contracts were with Atlas Foundation Co., Leevac Shipyards, Inc., M & S Grading, Rodney E. Lay & Associates, The Trane Company, and the Credit Agreement. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-72)

Chair Canella asked for an update on the Ameristar project. Mr. Terp stated that the hull had been launched on May 20, 1995. He indicated that 100% of the superstructure should be completed by the end of June. He had a video which he left for the Commission to view. The land-based facility is behind schedule due to the weather.

Chair Canella called on Gary Aiazzi, Director of Property Development for Harveys Casino Resorts, to present their contracts submitted for Commission approval. Those contracts were Eriksen Construction Company; HGM Associates, Inc.; Interior Design International, Inc.; and Omni Center, L.L.C. Hearing no discussion regarding the contracts, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-73)

Mr. Aiazzi indicated that Harveys is ahead of schedule on the west side of the levy. The rain has slowed down the construction of the hotel facility. The boat is on schedule within two weeks of the projected schedule. The boat is expected in Council Bluffs on October 31, 1995. The slip is approximately six weeks ahead of schedule.

Chair Canella called on Mr. Hirsch to discuss the contracts submitted by Lady Luck for Commission approval - Russell Construction Company and SYSCO Food Services of Iowa. Hearing no discussion regarding the contracts, Chair Canella called for a motion. Commissioner Sealock moved to approve the contracts submitted by Lady Luck. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-74)

Chair Canella then moved to the contracts submitted by Miss Marquette. Mr. Hirsch indicated that Miss Marquette is requesting approval to purchase additional slot machines, and to purchase additional riverfront property from CMC Heartland Partners. This property lies on either side of the bridge, and is an attempt to solidify their position on the riverfront. Commissioner Whittenburg moved to approve the contracts. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-75)

Chair Canella called on Ken Bonnet, President of the Mississippi Belle II, to discuss the contracts submitted for Commission approval - A. Thomsen & Son, Harker's Distribution, Inc. and Marsh & McLennan, Inc. The contract with Marsh & McLennan is for insurance coverage, but is not an Iowa vendor. Bids were taken from four major insurance companies, and they were the lowest bidder.

Hearing no discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-76) Mr. Hirsch stated that the warehouse is being built just behind their existing facility.

Mr. Bonnet stated that the Mississippi Belle II had a party to celebrate their fourth year which included a free concert, and various non-profit groups provided food and beverage which sold out.

Chair Canella asked Mr. Hirsch to present the contracts submitted by The President for approval. They were Hy-Vee Food Store, Molyneaux Insurance, and Williams-Kinkaid Group. Mr. Hirsch recommended approval. Hearing no discussion, Chair Canella asked for a motion. Commissioner Whittenburg so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 95-77)

Chair Canella then asked Mr. Hirsch to address the contracts submitted by Dubuque Diamond Jo for Commission approval: Custom Sign Systems Group, Custom Ship Interiors, Inc., J-Tronics, and Myers Elevator Co. Mr. Hirsch stated all of these contracts deal with the renovation of the vessel which will replace the current boat. Commissioner Van Horn made a motion to approve these contracts based on staff recommendation. Commissioner Peyton seconded the motion, which carried unanimously. (See Order No. 95-78)

Chair Canella asked Linda Vanderloo, Director of Racing/Administration, to present the contracts submitted by DRA. Ms. Vanderloo indicated she would like Mr. Wentworth to present the contracts:

Christiansen/Cummings Assoc. Inc.; Herrig & Fritz Insurance, and Steve Sarris Painting & Decorating. These contracts all deal with the renovation of the existing facility to accommodate the casino if their license application to operate a casino is approved by the Commission. The City has given the necessary approvals for the renovation as they own the facility. The construction is on schedule with materials arriving in a timely manner. Mr. Wentworth asked that DGP's license application to operate a casino at a racetrack enclosure be placed on the July agenda. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-79)

Chair Canella then called on Jeff Farrell, Assistant Attorney General for the Commission, to present the two appeal hearings before the Commission - David R. Blackford and Jason John Johnson. Mr. Farrell indicated that Julie Herrick, secretary of the IRGC, could bring the Commission up to date on the David Blackford hearing. During a phone call the week prior the meeting, she received a phone call from Mr. Blackford who stated that he may need a continuance as he had not been able to talk with his attorney. She stated that a letter had been received from Mr. Blackford on June 14, 1995, requesting a continuance. Mr. Blackford had also been informed that the Commission probably would not have a problem granting one continuance. Commissioner Whittenburg felt that it would be proper to grant the continuance based on the fact that he did want to have legal counsel available to him in the hearing before the Commission. Mr. Farrell stated that Ms. Vanderloo had spoken with someone at the Commission's office regarding Jason John Johnson. Ms. Vanderloo stated that Mr. Johnson's attorney, Hank Kleifgen, called the IRGC office at 9:06 am, June 15, 1995, and stated that Mr. Johnson would not be able to make the Commission meeting as he did not have a vehicle. Mr. Farrel stated that he would not make a resistance to the request for a continuance. Commissioner Whittenburg made a motion to grant a continuance to David R. Blackford until the next regularly scheduled Commission meeting to take up the matter of his appeal of the Administrative Law Judge's decision. Commissioner Peyton seconded the motion which carried unanimously. (See order No. 95-80).

Commissioner Peyton asked if both individuals were attempting to exhaust all of the appeal steps available to them before taking their cases to district court. Mr. Farrell indicated that he did not know whether this was the case or not. After further discussion, Commissioner Peyton asked if the Commission could proceed with a ruling without Mr. Johnson being in attendance. He was inclined to do so as the matter was fairly clear cut. Commissioner Whittenburg moved to grant Mr. Johnson one continuance to the Commission's July 20, 1995 Commission meeting, but would not accept lack of transportation as a reason for additional continuances. Commissioner Peyton seconded the motion. The motion carried unanimously. (See Order No. 95-81)

Chair Canella then moved to Administrative Business - Notice of Request for Proposals for Greyhound Promotion Fund. Ms. Vanderloo stated that WGP has contributed $1,326.12 which was not listed on the handout regarding this agenda item. This contribution would raise the total to $10,267.71. The

purpose of this agenda item is to provide notice to any other interested parties that may want to make a request for these funds. No action was required as this was a "notice" item.

Randy Lenth, with the Marquette Gaming Corporation, addressed the Commission during the Public Comment area of the meeting. Mr. Lenth indicated he had not intended to address the Commission until they started granting licenses based on contingencies. He felt the Commission had established a very dangerous precedent. He recalled that during the process of Marquette acquiring their license, they asked that the license be granted based on some contingencies, but their request ws not granted. Chair Canella defended the Commission's decision not to issue the license based on contingencies.

Kevin and Leslie Doorland, of Osceola, informed the Commission that there is one residence in the midst of the proposed Argosy project. They are attempting to resolve various issues with Argosy. They also stated they were not making a statement one way or another as to whether or not a license should be granted to Argosy. Commissioner Whittenburg informed them that time was set aside for Public Comment at every meeting, but that the time granted for those speaking regarding the Argosy project would more than likely be limited at the July 20th meeting due to the number of people desiring to address the Commission. Commissioner Peyton asked if an attempt had been made to rezone the area. They indicated it was a good possibility that the area would be annexed into the city limits.

Commissioner Whittenburg made a motion to adjourn the meeting. Commissioner Sealock seconded the motion which carried unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
TELEPHONIC MINUTES
JUNE 29, 1995

The Iowa Racing and Gaming Commission (IRGC) met by telephone on June 29, 1995, at 11:30 A.M. The public location of the meeting was Hearing Room B in the Lucas State Office Building, Des Moines. Commission members present were: Richard Canella, Chair; Rita Sealock, Vice-Chair, and members Del Van Horn and Brad Peyton.

Chair Canella called for a motion to approve the agenda. Commissioner Van Horn so moved, and Commissioner Peyton seconded the motion. The motion carried unanimously.

Chair Canella moved to the next agenda item which was Bluffs Run's (BR) request to discontinue simulcasting. Chair Canella turned the meeting over to Jack Ketterer, Administrator of the IRGC, and the committee asked to study this issue.

Mr. Ketterer informed Chair Canella that the Conference Operator had not been able to reach Commissioner Whittenburg, but would continue her attempts to reach her.

Mr. Ketterer stated that the committee had a conference call with both parties on Tuesday morning, June 27, 1995, to allow the committee to receive additional information or ask questions on the information which had been submitted by the parties. Just prior to the meeting, the IRGC office in Des Moines received a one-page fax from Barry Sevedge, Director of Operations for AIM, Inc., relaying revenue and expense data relating to simulcasting. A copy was provided to Jerry Crawford, representing the Iowa Greyhound Association (IGA), but there was insufficient time to get it to the Commission members. During the conference call on Tuesday, the parties were not allowed to take an advocacy position or argue their point. The issue is to determine whether the long-term impact on live greyhound mutuel handle at BR justifies BR continuing to simulcast at a loss, and if so, for how long? BR's reasons for discontinuing to simulcast are economically motivated, and the IGA is looking at the long-term health of the greyhound industry in Iowa. At this point, Mr. Ketterer felt it would be appropriate to let each party clarify their position to the full Commission.

Mr. Ketterer asked Walt Pyper, General Manager of BR, to generalize their position. Mr. Pyper clarified that BR is not requesting a change in the purse structure. Mr. Pyper stated that during the July 1995 Commission meeting, BR will not ask for simulcast dates for 1996. Mr. Pyper indicated this issue was brought before the Commission due to the increased costs for the next six months, and the fact that Prairie Meadows (PM) and Waterloo Greyhound Park (WGP) have requests before the Commission to be allowed to receive a signal from an out-of-state greyhound track. If these parties are allowed to take that signal, it will have a significant impact on BR's costs. It is also expected these entities will ask to pay a lower percentage for receiving the signal. They are currently paying 5%, but industry standard is approximately 3% which would be an additional impact to costs. KU band costs will increase between $350 and $600. If the percentage received from their customers

band costs will increase between $350 and $600. If the percentage received from their customers goes down, and costs go up, BR will be simulcasting at a loss, and it would not be prudent from a business standpoint to continue to do so.

Mr. Sevedge indicated that simulcasting provided approximately 40% of BR's total handle. If an individual pool is studied, those customers affected the most by having a smaller handle and pool will be the large bettor. It is the opinion of BR that at the current handle level, there are very few of the big bettors; therefore, the effect on the live handle will be minimal. If BR would continue to simulcast at a loss of $200,000, BR would need approximately 10% of the handle after paying purses, taxes, and overhead to break even. In order to have enough live handle to offset a $200,000 loss in simulcasting, BR would need to have approximately $2 million in live handle that would be lost due to the fact that they no longer had simulcasting.

Chair Canella asked Mr. Sevedge if the figures were based on the rate of $350 or $600 per hour. Mr. Sevedge indicated there were two variables involved in determining the figures: 1) can they maintain a 5% commission - he doesn't think so; and 2) how much will they pay? If the other tracks pay 3%, which is the going rate, and BR pays $350 for the simulcast time, he feels BR will suffer a loss of approximately $308,000. Chair Canella asked if that figure was for six months, and Mr. Sevedge indicated it was for one year.

Mr. Ketterer asked Mr. Crawford to present his arguments. Mr. Crawford started out by stating that he took exception to a comment contained in a letter from Mr. Wilson to the Commission dated June 20th, in which he stated he provided misleading information to the Commission at the last Commission meeting. Mr. Crawford made two observations: 1) IGA had approximately two days' notice regarding the issue prior to the last meeting. Ordinarily, significant parties would be involved in the process much earlier and would have time to react knowledgeably to the issue; and 2) takes exception to the argument that IGA provided misleading information. He feels that any misleading information was provided by BR when they stated they would lose $52,000/month if they continued simulcasting. IGA has provided information to the Commission which shows the maximum loss is approximately $13,000/month, not $52,000/month. Mr. Crawford indicated that several other parties were provided notice of BR's intent to discontinue simulcasting, and were told that BR would provide them with the Gulf Greyhound Park (GGP) signal, pay less for it and would be a better deal for those parties. Under this scenario, AIM, Inc. would have continued to profit from simulcasting in Iowa into facilities such as WGP and PM, but the Iowa greyhound industry would not profit under the proposed scenario.

Mr. Crawford feels that Mr. Pyper's statement that they are only talking about the next six months is a unilateral statement by BR about what they are going to do, when they are going to do it, and under what circumstances. He feels BR should keep the following in mind: 1) they have an upcoming negotiation regarding next year, and this issue could be addressed at that time, and 2) BR has

licensure for next year approaching, and the Commission is charged with the responsibility of providing good stewardship for the future of the industry in Iowa. To that end, the Commission has received a very specific declaration from the Legislature that the pari-mutuel tracks, and particularly BR, were built to facilitate greyhound racing in the state, not casino gaming. IGA has provided additional simulcasting figures to everyone, and those figures do not come close to $52,000/month; and could have been looking at figures less than $13,000/month if BR had availed itself of opportunities which were in existence at the time of the last Commission meeting. Mr. Crawford stated that the elimination of simulcasting would affect the purse structure which is prohibited in the agreement between BR and IGA.

His last point dealt with the effect of discontinuing to simulcast would have on the greyhound industry in the state. The Legislature allowed casino gaming at the tracks as a way of facilitating, developing and enhancing the agricultural base relating to greyhound racing. This action, and any action next year, runs counter to the mandate to improve the sport and all that goes with it from an economical standpoint. He stated that the Commission is being asked to preside over and sanction a death blow to greyhound racing in Iowa, and take the first step toward elimination of the sport at what is supposed to be the flagship facility in Iowa. He asked that the Commission uphold the expectations set forth by the Legislature, and asks that the Commission uphold both the best interests of the future of the sport and the sanctity of IGA's contract with BR which was previously approved by the Commission.

Chair Canella asked Jeff Farrell, Assistant Attorney General for the Commission, if it was his opinion that the purse agreement was being violated. Mr. Farrell stated that he had read that provision, and found the focus of that provision to be a request to change the purse structure. Using his interpretation of that segment, he does not feel that BR is seeking a change of the purse structure. He stated that the issue is whether the decision is going to affect the greyhound industry at BR, and across the state, but is not a contractual issue as he understands the provisions of the contract.

Chair Canella asked the other Commissioners if they had any comments. Commissioner Van Horn asked for the decision of the committee. Chair Canella asked Commissioner Peyton if he was ready to make a recommendation. Commissioner Peyton indicated the committee just gathered information and did not decide anything. He stated that his conclusion, based on hearing all of the parties, is that the relationship between the tracks on simulcasting is founded on economic reality.

Commissioner Whittenburg was added to the conference call at 11:50 AM.

Commissioner Peyton, in summarizing his statements for Commissioner Whittenburg, went on to say that he recognized that the IGA is a beneficiary of that relationship, but that the tracks are in a relationship in which neither side wants to participate due to the economic realities of the relationship. In his viewpoint, he does not want to exacerbate that or delay the situation any longer. He stated that

he would be in favor of allowing BR to terminate the simulcast, but added that some very serious study and attention be given to locating other ways to benefit the IGA by the tracks, and feels this would occur during renegotiation of their contract in the coming year.

Chair Canella asked Commissioner Whittenburg for her comments. She stated that based on the information received during the committee's conference call, followed by the additional information from Mr. Crawford, she does not feel the economic detriment to the track is as great as was initially stated. It appears there will be a slight increase, not a dramatic increase. She does not feel that a study will show anything that the track can do to benefit greyhound racing - racing is racing whether it be by a live meet or via simulcasting. She does not feel the economic detriment is as great as originally conveyed to the Commission, and based on the information provided, that BR could continue to simulcast without suffering a large economic setback.

Ron Terry, owner of Racing Images, Inc. - BR's current provider, stated that the original quote of $650/hour being attributed to Mr. Wilson came from him. He indicated that BR uses the same satellite carrier (TrackStar), and he was notified by them that on July 1st that the price would go to $650/hour. At that point, he began looking for another satellite. TrackStar would not budge from that figure, even with the past relationship; therefore, he looked around and located time on the same satellite but with a different transponder for $350/hour.

Commissioner Whittenburg stated that Mr. Terry made a good point. She understood that part of the reason for the Commission's delay in acting on the request was to determine if there were any better prices available. It was not the Commission's intent to insinuate the BR's information was not accurate.

Mr. Terry stated that the $650 figure should not be used in this conference call.

Chair Canella asked Tom Timmons, Director of Pari-Mutuels at PM, and Augie Masciotra, General Manager of WGP, if they were willing to pay 5% in order to receive the simulcast. Mr. Timmons stated that he felt very strongly about choosing an Iowa product if it is available. As PM is in the game of sending out their signal, he does not want to alienate anyone from taking their signal; however, he would like to reserve the right to have an out-of-state signal in addition to BR.

Mr. Masciotra stated that his sentiments were very similar to Mr. Timmons'. One of his concerns was that GGP would be simulcasting ten performances to BR's seven. It would be WGP's preference to take the simulcast signal with the fewer performances.

Mr. Ketterer reiterated that the issue before the Commission is that IGA is asking the Commission to bridge the gap until a point when the signal would become more attractive, and customers will be lost if BR is allowed to discontinue simulcasting even for a brief period of time. It is BR's point of

view that there is no guarantee that the signal would be more attractive to players with quality greyhounds. Players look at the pools.

Commissioner Sealock asked if Mr. Ketterer had figures to show what had happened at Dubuque - comparing the BR and GGP signal. Mr. Ketterer stated that since the GGP signal has been in Dubuque, BR's revenues have dropped, and is now approximately 40% of what it had been previously.

Mr. Sevedge clarified some statements previously made. He indicated that the figures quoted in Mr. Crawford's letter assume that BR can maintain a 5% fee, and that the simulcast handle at BR does not drop. BR can place their signal on the market at 5%, but if they are required to compete with an out-of-state signal at one of the locations, BR's handle will drop to the point where even a 5% fee will not provide the necessary revenue. He stated that the only way BR can maintain the handle to support the simulcasting costs on a 5% fee is if there is absolutely no further decrease in the handle than what they are currently seeing. Additionally, there could be no increase in the satellite uplink costs. If those conditions are not met, BR could be in a loss situation of up to approximately $400,000/year.

Mr. Pyper indicated that there is no statutory provision requiring simulcasting. Mr. Crawford stated that he agreed with the statements made by Mr. Sevedge and Mr. Pyper. There is a fundamental difference in DGP receiving an out-of-state signal which benefits greyhound purses for Iowa greyhound racing and what would happen if WGP or PM receives an out-of-state signal which would not benefit Iowa greyhound racing.

Chair Canella called for the motion. Commissioner Whittenburg moved to deny the request by Bluffs Run to discontinue simulcasting. Commissioner Van Horn asked for clarification of Commissioner Whittenburg's motion. She stated that she did not want to allow Bluffs Run to discontinue simulcasting. Commissioner Van Horn seconded the motion. Hearing no further discussion, Chair Canella asked for a roll call vote. The motion was defeated by a vote of 3-2 with Chair Canella, Vice-Chair Sealock and Commissioner Peyton voting no. (See Order No. 95-82)

Commissioner Peyton then made a motion to approve Bluff Run's request to discontinue simulcasting. Commissioner Sealock seconded the motion. Hearing no further discussion, Chair Canella asked for a roll call vote. The motion carried 4-1, Commissioner Whittenburg voting no. (See Order No. 95-83)

Chair Canella moved to WGP's request to receive an out-of-state greyhound simulcast signal. WGP's license is still under the jurisdiction of the Bankruptcy Court, and Mr. Ketterer did not see any difference in WGP continuing to simulcast BR or an out-of-state signal for the purposes of the license. He recommended that this request be approved, but deferred to Mr. Farrell as to whether

it should be subject to the outcome of the request for a stay before the Bankruptcy Court. Mr. Farrell stated that was not necessary, that any action by the Commission can be taken at the time relief from the stay is granted, if it is granted.

Hearing no further discussion, Chair Canella asked for a motion. Commissioner Sealock moved to allow Waterloo Greyhound Park to take an out-of-state signal. Commissioner Van Horn seconded the motion. The motion carried unanimously. (See Order No. 95-84)

Chair Canella then called for a motion regarding Prairie Meadows' request to receive an out-of-state greyhound signal. Commissioner Peyton moved to approve the request from Prairie Meadows. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-85)

Mr. Ketterer stated that this was a very difficult and important issue for the Commission. He would have made the same arguments had he been in the respective parties' position. He stated that all parties involved should re-examine the issue when re-negotiating next year's contract to determine if there is some way the economics would work.

Commissioner Van Horn made a motion to adjourn. Commissioner Whittenburg seconded the motion which carried unanimously.

MINUTES TAKEN BY JULIE D. HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 20, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, July 20, 1995, at the Auditorium, Wallace State Office Building, Des Moines, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg and Brad Peyton.

Chair Canella called the meeting to order at 8:30 a.m. and welcomed all those in attendance to the meeting.

Chair Canella called for a motion to approve the agenda. Commissioner Van Horn so moved and Commissioner Sealock seconded the motion which passed unanimously.

Chair Canella called for a motion to approve the minutes from the June 15, 1995 meeting and the June 29, 1995 telephonic Commission meetings. Commissioner Sealock moved to approve the minutes for the respective meetings as submitted. Commissioner Whittenburg seconded the motion which passed unanimously.

Chair Canella moved to the next item on the agenda - Clarke County Development Corporation/Argosy of Iowa, Inc.'s application for an excursion boat gambling license for Osceola, Iowa. Chair Canella announced that organizations and licensees would be allowed five minutes and individuals would be allowed two minutes for comments during the public comment period.

Will Cummings, of Christiansen and Cummings Associates, Inc. (CC), gave a brief report on the findings of the market study performed by them on behalf of the IRGC. He indicated this report was prepared independently of any studies done for or by Argosy, and is based on demographics and income around Des Moines and Osceola. Comparisons were made with Iowa casinos located in Sioux City, Clinton, Dubuque and the Quad Cities, as well as locations in Illinois, Mississippi, Colorado, New Jersey and New England.

It is estimated that adult residents living within ten miles of a casino will spend approximately $450 per year - $330 on slots and $120 on table games. These estimates also assume that adequate table games and slots with good egress and ingress are available to meet the demand. Existing casinos within the state, as well as in Kansas City and St. Joseph, Missouri were taken into effect when preparing this report. The report further assumes that the riverboat in Osceola and the slots at Prairie Meadows (PM) were the only casinos in south central Iowa.

The CC report estimated a casino win of approximately $142 million between PM and a riverboat in Osceola - $72 million for PM and $70 million for Osceola. The applicant's projections were for approximately $139 million. It is estimated that a reasonable range for projected win revenues would be $120 to $180 million.

Chair Canella asked where the win for the Osceola boat would come from. Mr. Cummings indicated that it was coming from a range of markets extending from central Iowa to north central Missouri, but approximately 50% would come from Polk County, about 3% from Clarke County, approximately 23% from the rest of Iowa, 9% from northern Missouri, and approximately 10% from areas further out. Visitors from outside central Iowa and northern Missouri would account for approximately another 10% of the win.

The projected win figure of $140 million does not include the casino located at Tama, Iowa.

Chair Canella asked for clarification of the term "near Des Moines" which would account for approximately 13% of the visitors to Osceola. "Near Des Moines" is the area south and west of Des Moines encompassing the counties of Warren, Madison, Adair, and Dallas, which would mean that approximately 60% of the revenue would come from the greater Polk County metropolitan area.

The next speaker was Larry Wilson, Director of the Department of Natural Resources (DNR). He was accompanied by Rick McGeough, Bureau Chief of Law Enforcement and Allen Stokes, Division Administrator for the Environmental Protection Division. Mr. Stokes described the authority DNR would have in the Osceola situation and cited several Code sections. He stated that DNR has the responsibility to oversee that operators/pilots of boats operating on navigable waters within the State are qualified and certified to operate the boat. If the Osceola project is approved, a marine engineer would have to be hired to define the carrying capacity for the boat by deck, and the vessel would have to be registered with the DNR. The Osceola vessel would not need to acquire any permits from DNR to operate on West Lake provided they are connected to Osceola's utilities. There are approximately 35 lakes within Iowa which are larger than West Lake. Mr. Wilson indicated that should the project proceed, any information required from DNR would be available in a very short period of time.

Chair Canella asked Mr. Wilson if he had seen the HR Green report which indicates that there would be nothing to worry about should a disaster strike. Mr. Stokes indicated that DNR had not had the opportunity to review the report. Mr. Stokes further stated that should an incident occur, DNR would be working with the water supply officials. Those individuals would be required to develop a contingency plan and emergency response to protect the water supply of the general public. Chair Canella stated that the HR Green report indicates that should the vessel lose its entire supply of fuel, it would not create a problem. Mr. Stokes said that scenario could very well be, but it would not be a situation which the DNR would have to deal with prior to a situation occurring. Chair Canella stated that he would like to have a response from the DNR that the HR Green report is correct.

Mr. Wilson informed the Commission that HR Green is a reputable firm, and it is the City's responsibility to be prepared to handle any type of emergency situation which might occur.

Jack Ketterer, Administrator of IRGC, asked Mr. Wilson to explain about the various rules and regulations relating to the various sizes of lakes, boats, wake size, etc. Mr. Wilson stated there are

four artificial lakes under 100 acres in size, boats are restricted to electric trolling motors; for artificial lakes over 100 acres in size, motor size is limited to ten horsepower or less, but must operate at a wakeless speed. However, communities and governmental entities can request an exception to that rule.

Chair Canella asked how fast a boat would be moving so as to not create a wake. Mr. Wilson indicated that several factors would be involved in determining the speed, two of which are the size of the boat, and wind velocity on the lake. Chair Canella stated that he thought the riverboats currently in operation cruise around seven or eight miles per hour. He wondered how fast a boat would be able to go on West Lake, and voiced an opinion of one mile per hour.

Commissioner Whittenburg asked how boat movement on the lake would affect sediment which has settled to the bottom of the lake, possibly disturbing chemicals which may be settled into the sediment. Argosy's original presentation to community members indicated that the boat would be moving on a track; however, at the June 15th Commission meeting, Argosy indicated that the boat would have a seven foot draft and would have a propeller. She stated that the lake had an average depth of 12-15 feet, and is approximately 20 feet deep at the dam. Mr. Wilson stated that it was his assumption that the boat would be operated in the deeper areas of the lake, so that there would be a minimum of disruption of the sediment. He went on to point out that there are several lakes in Iowa which are used to provide water to communities that do allow boating.

Commissioner Whittenburg asked if the 2-hour long required cruise would change the previous answer. Mr. Wilson stated that it would not.

Chair Canella stated that it was his understanding that water skiing was not allowed on West Lake, and wondered why. Mr. Wilson stated that was a local decision. Chair Canella wondered if the decision was due to possibility of stirring up the sediment on the bottom of the lake. Mr. Wilson indicated that so, but stated that any activity on a lake is going to cause some disturbance to the sediment on the bottom of the lake. DNR does not feel that contamination from motor boats is a very small amount.

Chair Canella asked if the lake was spring-fed or just from land run-off. Mr. Wilson assumed that there was a small stream feeding the lake. Mr. Canella wondered what would happen if the state suffered a severe drought and the depth of the lake dropped from twelve feet to six feet. If this should occur, the boat, with a draw of seven feet, would not be able to cruise.

Mr. Ketterer asked Mr. Stokes to address the precautions needed regarding discharge into the water (sewage, effect of ice in the winter, heating and cooling) and what kind of limitations would be placed on the boat by DNR and what recommendations would he have for the Commission to set if a license were granted. Mr. Stokes indicated that since the boat would be using city services versus establishing their own discharge system, there would not be any. However, if they established their own system, they would need to apply for a discharge permit from the DNR. Generally, discharge

permits are not granted for a lake, and are prohibited on stated-owned lakes. DNR would require that the water be treated to drinking water standards prior to discharge which would probably be cost prohibitive.

Chair Canella called on Jeff Farrell, Assistant Attorney General for the Commission. Mr. Farrell asked if there was a horsepower limitation on the lake. Mr. Stokes indicated that unless an exception had been granted there would be a limitation. If an exception were granted, any size motor could be used on the lake; however, no wake would be allowed. The exception would open the lake to any size boat, not just the riverboat. An exception has been granted to West Lake to allow any size boat and motor, but must create no wake or minimum wake.

Chair Canella called on Mr. Ketterer to give the staff report. Mr. Ketterer went through the criteria the Commission uses in determining whether or not to grant a license. Mr. Ketterer asked representatives from Argosy to confirm their commitment to shore development. Jeff Roberts, Associate General Counsel for Argosy, confirmed that agreements are in place with the city and water board. With regard to the hotel and land development, Mr. Roberts stated that everything would be built within the next 18 months. Joe Uram, Chief Financial Officer, stated that the riverboat would not open until the hotel and RV park were completed.

Chair Canella questioned if Argosy's Indiana project with a cost of $225 million would present problems for Argosy in getting the financing for this project. Mr. Roberts indicated that it would not, that Argosy has a very strong balance sheet and is one of the most profitable riverboat companies in the U.S. Mr. Roberts stated it was his opinion that Argosy had the ability to raise $300 - $400 million dollars if needed. John Waldron, Vice President of Bear Stearns Company, stated that the Indiana project is completely paid for, and that the Osceola project could easily be financed, and that there is no problem with acquiring financing for Argosy.

Mr. Ketterer asked about a mall that had been mentioned. Mr. Roberts indicated that they were not committing to the outlet mall as they have not hired a mall developer and they do not have the expertise to develop the mall on their own; however, they can develop the hotel on their own. Mr. Ketterer stated that the application contained a golf course presented with the artist's layout and questioned whether that would be committed to. Mr. Roberts stated that the golf course was a conceptual rendering early in the project and would not be committed to. Chair Canella questioned whether or not Argosy had committed to the golf course earlier. Mr. Roberts stated that it had not been committed to at the June meeting, but that it was something that would fit in and they would like to build it, but it is not included in the first phase of the project.

Chair Canella asked Mr. Roberts to state what Argosy was committing to build for the project. Mr. Uram stated that they are committing to a $55 - $60 million project, the major component being the vessel with 1100+ gaming positions, restaurant facilities in the form of a steak house, buffet dining, banquet facilities, and a small entertainment area consistent with the size of the project. They are

committing to a 100-room hotel, RV park, and surface parking for all of the amenities. Mr. Roberts added that everything west of I-35 that will be changed due to the vessel will be built and paid for by Argosy.

Mr. Ketterer stated that Argosy's economic impact study did a good job of addressing direct and indirect revenue, particularly the supplement received on July 13th which addressed the Commission members concerns regarding the net effect of the economic impact - what would be lost at Prairie Meadows versus what would be gained at Osceola.

Upon questioning from Mr. Ketterer, Mr. Uram addressed the fact that Argosy recently bought out its partner in Louisiana, as well as the issue of funds needed for additions to existing locations. Mr. Ketterer requested assurance from Argosy that the needed capital could be raised for future projects as well as the Osceola project. Mr. Uram stated that the Kansas City project should be completed by the end of this year if weather conditions allow. He went on to state that Argosy has a $100 million line of credit with an interest rate of less than 9% with Bank of America, simply based upon the company's balance sheet and its earnings. It is anticipated that the Baton Rouge project will be completed in 1996. Mr. Uram noted that Argosy has extremely successful cash flows from all of its projects, and all are profitable.

Mr. Ketterer asked if the availability of credit would affect the starting date of Osceola. Mr. Uram stated that as soon as the co-applicant was granted a license, Argosy would be prepared to make the final selection of a boat vendor with a goal of being in the water by the end of the second quarter or during the third quarter of 1996. The time of the opening for the project is contingent upon the weather as much of the boat will be constructed on site.

Mr. Ketterer moved forward with the criteria for granting a license. In the application there was an overpass over Highway 34; but was not included in the presentation to the Commission in June. Mr. Roberts called on Paul Keller, Director of Development, to explain the site plan and infrastructure improvements that are contemplated. Mr. Keller stated that the time frame involved in going through the Highway Department's process for building an overpass was extremely long, so they explored the alternate route of passing over existing at-grade railroad crossings of the Burlington-Northern Railroad. They will enhance the crossing by adding crossing arms and signals, an additional turn lane off US 34 which will be the primary entrance into the project. There is good visibility in both directions from the tracks, and no issues have been raised by Burlington Northern. Mr. Ketterer asked if there was a safety concern with DOT with traffic backing up on US 34 during the times when a train might be passing through. Mr. Keller stated there would be if Argosy were not prepared to make the necessary improvements. By including a deceleration lane off US 34, and by widening the intersection to include additional turning lanes, there should not be any problems with traffic backing up. Mr. Keller stated that the depth of the lake from their site to the dam, the average depth of the lake exceeds 20 feet. Even if the lake depth would decrease by six or seven feet during a drought, there would still be sufficient depth to allow the vessel to cruise.

Commissioner Sealock asked if she understood correctly that the boat would be cruising in 20 feet of water. Commissioner Whittenburg stated that her notes showed the average depth of the lake to be 28 feet at the dam, the distance is 2 ½ miles around the lake, 188 acres, average depth is 13 feet, and the vessel has a draw of seven feet.

Mr. Keller stated that the average depth of the lake from Argosy's site to the dam exceeds 20 feet in the area in which the vessel will cruise. There was a brief discussion regarding the depth of the lake in its entirety and the depth in the area in which the boat would cruise. It was Argosy's contention that the boat would still be able to cruise even in a severe drought. Mr. Keller stated that the cruising pattern would more than likely be a figure 8, and that the lake is large enough to allow the boat to turn around. Chair Canella noted that in using the scale on the drawing it appeared they would only be cruising about 2,000 feet; however Mr. Keller indicated it would be closer to 4,000. Mr. Roberts stated that Argosy attempts to be very conservative in their presentations to the Commissions in the various jurisdictions so they can demonstrate that the project will far exceed anything required under the worst situations. He went on to state that the vessel would be able to cruise the circumference of the lake (2.8 miles). Mr. Canella voiced his opinion that this was a very important issue. He asked how fast they would be cruising if it took 2 hours to cover 2.8 miles. Mr. Roberts stated that they cruise at a minimal speed in the other jurisdictions in which they are licensed, and that they cruise approximately 3 miles round trip in Alton, Illinois.

Steve Norton, President of Argosy, stated that they would have the ability to continue to cruise regardless of the depth of the lake, and that they had the ability to make multiple trips around the lake.

Mr. Ketterer stated that the next criteria dealt with compliance with applicable state and local laws in employing appropriate personnel to operate the boat which are continuing requirements for licensees. There is not a great deal of concern on these issues as the State had not had any problems with Argosy along these lines in Sioux City, where Argosy is a licensee.

The next criteria deals with the population of the area which will be served by the boat, along with the location of other boats within or out of the state. Mr. Ketterer stated that the study performed by Christiansen/Cummings for the state, as well as the Arthur Andersen study done on behalf of Argosy, agree on the gaming revenue dollars available in the central Iowa market; the division of those gaming revenue dollars between Prairie Meadows and the proposed Osceola boat, and the number of people from Polk County that would support the Osceola boat.

Mr. Ketterer explained that the Commission is required to consider legislative intent in respect to Prairie Meadows. The Legislature stated the only reason racetracks were allowed limited gaming was to enable them to retire outstanding debts with gaming revenues and, secondly, to supplement purses to help preserve the industry. Mr. Ketterer stated that the Commission needed to take referendums into account. Does the defeat of a referendum in Polk County waive any objections by Polk County to a riverboat in Clarke County? Is the fact that Polk County passed a referendum to

allow slot machines at Prairie Meadows by a large margin and defeated the riverboat referendum by a large margin an indication that the taxpayers were trying to protect their public investment? In answering this question, Mr. Ketterer referred to Mr. Cummings' comments in which he stated that it is difficult to determine what voters are thinking when voting in referendums.

Mr. Ketterer went on to explain that there are several applicants waiting to file applications for a license on inland waters. He questioned what Argosy's position would be if another application were filed within the next year for a license on inland waters closer to Polk County than Osceola, and the impact that might have on their facility. Mr. Roberts stated that in each jurisdiction in which they operate, they have a high tax rate which limits the competition which could emasculate the ability to be profitable after making a sizeable investment. This is one reason that market studies are done in determining whether or not a license could be supported by the market area. Chair Canella took this opportunity to explain that Argosy's effective rate would be 18% approximately and Prairie Meadows' tax rate would be 36% within a few years. The tax rate for race tracks goes up 2% a year starting in January, 1997 until it reaches 36%. He went on to state that Argosy would realize a $43 million cost advantage assuming both locations had a $60 million win. Mr. Norton stated that in comparing the staffing and operating costs of a slot casino versus a full-fledged casino, the slot machine operations are more profitable than table games. He stated that in Nevada and New Jersey, approximately 60-70% of the win is being generated by slots. He stated that he did not feel the operation in Osceola would be more profitable than Prairie Meadows even with the higher tax rate. Mr. Norton noted that Argosy did not object when the Commission contemplated and then awarded the licenses for Council Bluffs, nor did they attempt to keep the exclusivity which had previously been granted to the Sioux City riverboat. Argosy feels the Commission will make the right decision in looking at the size of the market and whether there is ample demand to handle any extra capacity that they might consider. He noted that the amount of money that an entity is willing to invest may diminish as additional casinos are brought on line which could lessen the profitability of a project; although it does take some time to determine what a market can support.

Mr. Roberts introduced Sam Lee, Senior Manger of Ernst & Young, who backed up Mr. Norton's statements regarding the cost of operations of table games versus slot machines. In an analysis performed by them, there is an employment ratio of 12-1 for table game facilities.

Mr. Roberts then asked Mr. Waldron of Bear Stearns to address the Commission's concerns regarding additional applications for inland waters in the state. Mr. Waldron stated that the majority of gaming companies are now publicly held companies, and the shareholders are demanding a certain return on their investment. He also stated that in the future, additional license applicants will only invest $15-$20 million in a project due to the inability to generate a high win revenue. He feels that the Argosy project will be the last, or one of the last, projects in the $50-60 million range which could generate significant revenue. Mr. Ketterer stated that his concern was that Argosy would be the victim in the event that a license was granted closer to Polk County, and cut off 50% of Argosy's market, that licensee would not be afraid to propose a $50-$60 million project. Mr. Uram indicated that Argosy is very competitive in all of its markets, and has made the determination to take that risk.

Mr. Uram went on to note that if Mr. Ketterer was asking him if he would like to see another riverboat two miles north of their site, he would not.

Chair Canella noted that Argosy's application indicated that all projections were based on the presumption that no additional licenses would be issued. Mr. Norton stated that simply meant that their projections would decrease, but they would still be profitable. He noted that Argosy is profitable in Sioux City with an annual win of $20 million.

Mr. Ketterer resumed his summary of criteria used by the Commission, and noted that the next was community support in the location where the boat will be docked. The public comment segment will allow the Osceola citizens to show their support for this project. The Commissioners have seen the support in the number of letters they have received.

Commissioner Van Horn asked Jeff Farrell, IRGC attorney, if Clarke County and Argosy met the requirements of the Code and legislation based on the information currently available. Mr. Farrell stated that the question could not be answered with a "Yes" or "No" as some requirements are minimum standards which the applicant has to show such as the criteria relating to character reputation. The applicant is also required to work with the Department of Tourism for the State, and has to meet certain requirements pertaining to facilities on the vessel. Additional issues to be taken into consideration are the competitiveness with Prairie Meadows and market saturation, which are items which can not be shown but require the Commission to do some balancing by policy.

Mr. Ketterer resumed his summary of the criteria. He noted that the application indicated the possibility of having a joint venture with some local investors from one to twenty percent. He asked if any agreements had been consummated to this point. Mr. Roberts noted that agreements had not been reached. They were in negotiations, but this was not going to happen.

Mr. Roberts stated that Mr. Ketterer had raised a very important issue when he asked how Argosy would react should a license be granted for a location closer to Des Moines than they are for either a lake boat or a riverboat. He indicated that he would stand by his earlier statement that the Commission is charged with the responsibility by the Legislature to issue licenses to reputable companies, and to monitor and make sure those companies serve the State in a reputable fashion and follow the rules. In order for the industry to remain strong in Iowa, the good companies who come to Iowa and invest significant amounts based upon the Commission's decision to award a license, the Commission is also charged with the responsibility of insuring the profitability of those companies. He stated that Argosy was confident the Commission would not issue a license to another company who would apply if doing so would render either Prairie Meadows or the Osceola boat unprofitable. Mr. Uram stated that Argosy looked at the Osceola project long and hard before deciding to pursue it. It was determined that the market area would support two facilities in the central Iowa market. Mr. Norton noted that the Commission would be much better informed as to what the markets in Iowa could support prior to Argosy's opening in 1996.

Mr. Ketterer stated that the next criteria is promoting the gaming industry in the State, and providing high integrity for gaming in Iowa. The "spirit" of the law for excursion boat gambling is very clear in the Legislation that excursion gambling boats do cruise, that there be excursions and that there not be land-based casinos. The Legislature was very specific about the intent and purpose of gaming at the racetrack enclosures, what games were allowed, and limited to those racetracks licensed as of January 1, 1994.

The next criteria the Commission has to consider is whether or not the proposed operation will maximize economic development. Argosy's economic impact report addressed several items which the Commission has the responsibility to insure occur, and what the commitments of the licensee are in terms of land-based development. Mr. Ketterer wondered, based upon Argosy's premise that central Iowa could only support one more license, if it would be appropriate for the Commission to pursue proposals from any company who is interested such as they did for Pottawattamie County and select the best applicant that comes forward in a competitive process to insure maximum economic development. Mr. Roberts stated that he did not believe with the investment of time, energy and heart, that the residents of Clarke County, Osceola and surrounding counties, that it would be appropriate to have an RFP for a lake boat in central Iowa. He went on to say that if the Commission determined it was in the best interest of the state of Iowa to have an RFP for a gaming operator in Osceola, Argosy would compete head-on, but he did not feel the citizens of Osceola should be stripped of the right and self-determination and aggressiveness in pursuing a project that could bring 1400 jobs to the area. Mr. Ketterer stated that the Commission recognizes the efforts of Clarke County, but the Commission is charged with the responsibility to what is best for the State of Iowa, and, hopefully, that is what is best for Clarke County and all of the other counties in the state. Mr. Uram stated they would not like to see an RFP, and is one of the reasons Argosy raised their investment by a significant amount.

Mr. Ketterer moved on to the tourism issue. The planned hotel will help with that issue, and will draw approximately 10-15% of the patrons from outside the 100 mile radius.

Mr. Ketterer stated that the Ernst & Young study addressed the employment issue very well. Mr. Ketterer noted that the boat design in the application did not have an area for patrons under 21 or for the sale of Iowa products as is required by statute; however, the design shown in the licensee's presentation did include those areas. Mr. Ketterer inquired if there were any other differences. Mr. Roberts indicated there were not.

Mr. Ketterer stated that the one issue that is most unique, and most important, to this application is that it is the first application for a boat on inland waters in Iowa, which is contemplated by the statute. The Commission will need to decide whether cruising requirements and the spirit of cruising on inland waters should be the same or if there should be exceptions and different criteria than that required on the rivers. He felt that the Commission will need to consider such issues as the size of the body of water, the size of the boat, the number of bodies of water, the history of boats cruising on the body of water, the impact on the environment and safety concerns over a lengthy period of

time. He further believes the Commission needs to address the issue regarding the number of boats and to what extent does the Commission do some of the things suggested by Argosy - where does the Commission draw the line or should they draw the line. He recommended that regardless of the Commission's vote on this application, that a committee of Commissioners be appointed to work with IRGC staff to develop standards for inland waters, examine the issue of limiting licenses, determine the number of licenses in the best interests of the State of Iowa, and make a recommendation to the full Commission.

After a short break, the meeting continued with public comments from other licensees. Chair Canella called on Robert Farinella, General Manager of PM. He stated that he was speaking on behalf of the Board of Directors of the Racing Association of Iowa (RACI). He noted that PM is sensitive to the charge that they are only seeking protection from competition in voicing their objections. Mr. Farinella stated that PM is comfortable with their belief that if they were provided a level playing field with respect to traditions and responsibilities that they could successfully compete with any licensee. Their concerns are rooted in the experiment just embarked upon to integrate casino gaming with the only horse racing facility in Iowa. Mr. Farinella stated that PM had accepted the conditions delineated by legislation, the Administrative Rules and the Commission in conjunction with the present competitive conditions. Further, they accepted the legislative mandate to support the horse industry in Iowa, realizing that in developing an agriculturally-based industry, particularly with competitive livestock, there are several years of formative growth which can only occur in a solid, nurturing and well financed environment. It is their concern that the decision could jeopardize the experiment, could open the way for unlimited evolution of the Des Moines gaming market, to the extent that PM and all direct economic benefits could perish. It is their contention that the riverboat in Osceola would simply draw on a market that is adequately supplied by PM. The horse industry will be significantly enhanced by the growth at PM and the economic multiplier effect. The success or failure of PM will have a statewide impact beyond the borders of the local competitive area. Mr. Farinella mentioned PM increasing tax rate and inability to have table games as additional factors for denying the Osceola license. He further stated that it was their opinion that a riverboat would not be proposed for south central Iowa unless it could pull a large portion of its market from the area presently being served by PM.

Commissioner Peyton told Mr. Farinella that he had a very difficult time believing that the Osceola facility would impair PM viability based upon information he has read and comments made which indicate that PM could have the entire debt to Polk County retired by August, 1996, which would be prior to the opening of the Osceola facility. He asked if there was any credible evidence that PM would not be a viable facility if Argosy and Clarke County were granted a license.

Mr. Farinella stated that the loss of $40-60 million dollars of revenue, coupled with the progressive gaming tax up to 36% would greatly reduce PM ability to generate revenues. He noted that Mr. Norton had stated that it was costly to operate a table game facility, but that it was also quite costly to operate a racetrack facility and maintain a complete industry. Commissioner Peyton asked Mr. Farinella if he was saying that PM could not survive on $60-70 million of revenue. Mr. Farinella

stated that PM is mandated to improve the purses with gaming revenues, and according to a study performed by Arthur Andersen in 1991, there would be a direct impact throughout the state of $37 million at that time, and did not include the multiplier effect. Commissioner Peyton then asked if that meant PM would not enhance the purses or would not attempt to promote the horse industry in Iowa if Osceola received a license and revenues decreased. Mr. Farinella stated it did not, that their commitment was to improve the horse racing industry in Iowa, and that is their first and foremost legislative responsibility. Commissioner Peyton stated his one concern was that PM remain a viable facility. He asked for evidence to support the argument that PM could be in financial trouble should Osceola receive a license. Mr. Farinella referred to the revenue figures provided in the gaming studies done in conjunction with this project, and indicated that it would be difficult for PM to provide better information, and that the figures in the studies probably could move in either direction.

Chair Canella asked how many jobs would be lost at PM if revenues were reduced to $60-70 million. Mr. Farinella estimated they would cut their labor force by approximately 350 jobs. The tax rate of 36% comes straight off the top of their win revenues. PM has committed to increase the purses, via their business plan, for the first five years up to and including $7 million in the fifth year.

The next person to address the Commission was Jack Bishop on behalf of the Polk County Board of Supervisors, who submitted a statement objecting to a license being granted to Osceola. He stated that the Commission has a very difficult task ahead of them in determining whether or not to grant additional licenses for gaming in Iowa, and establishing fair, objective criteria for granting those licenses will be a difficult balancing act. The variables the Commission will need to take into consideration range from protecting existing facilities who do not have full casino gaming, gaming saturation to economic impact of the new venture. Mr. Bishop stated that Polk County does not object to the Osceola project per se; but did object to the fact that PM is not able to compete equally with existing and proposed full riverboat gaming casinos.

Chair Canella stated it was his belief that the horse races were being run at a loss, and that PM would have to subsidize that industry for quite some time if it was to meet the legislative intent of preserving the horse industry in Iowa. Mr. Bishop stated the intent of the Legislature when they first passed the pari-mutuel laws was to promote economic development, create jobs and promote the horse racing industry in Iowa. Mr. Bishop indicated that Polk County is obligated to maintain a viable racehorse operation at PM, and intend to increase the purses and operations at PM as far as horses is concerned. Chair Canella stated that he thought the slot application had the revenue projections for the slots and horse racing broken down, and the horse racing projected a loss of $3-4 million for a number of years. Mr. Bishop stated that PM also intends to use some of the revenues to upgrade the facility so that it can become one of the first class racing facilities in the country.

Commissioner Peyton asked how the committment to the horse industry, increasing purses and upgrading the facility change if Argosy's request for an application were granted. Mr. Bishop stated they would not change, but the amount of income available to do those things might change.

Ned Clymer, President of the Iowa Quarter Horse Association, and Gary Lucas of the Iowa Thoroughbred Owners & Breeders Association, also spoke against granting a license to Argosy.

Commissioner Peyton stated he had not received a clear answer to his question on how the horse industry would be affected by granting Argosy a license if PM continued to supplement the purses. Mr. Lucas indicated that was a difficult question to answer, especially since the casino at PM has not been open long enough to determine what effect a casino in close proximity would have on their revenues, and that Argosy need only capture 50% of the revenues from PM to be successful. Commissioner Peyton again asked how the horse industry would be affected if the reduced revenues still provided sufficient income for PM to supplement the purses. Commissioner Peyton stated his opinion that PM would still have sufficient income based upon the material presented to him, and no one has been able to show him specific figures that PM would be hurt to the point that they are no longer viable. Mr. Farinella stated that PM five-year operational plan which was submitted to the Commission included the 36% tax rate and the increase in purse rate, the purse levels were established based on what PM projected for operating revenues. If you take a $70 million operation, with a tax rate of 36%, at least $7 million going directly to purse supplements, in additional the other expenses required to operate the facility, there are some doubts as to whether that leaves sufficient revenues to support the facility on a long-term basis.

Carroll Konecne, of the Horsemen's Benevolent Protection Association, also spoke against granting a license to Argosy.

Chuck DeVos, of Concerned Citizens Against Gambling, pointed out the effects of gambling on people's lives and the costs associated in providing assistance to those who seek help with their problem gambling. He requested the Commissioners stop the growth of the gambling industry in Iowa. He stated there are currently over 7,000 slot machines in operation, and there will be over 10,000 when the riverboats in Council Bluffs and the casino in Dubuque open. Mr. DeVos also pointed out that gambling revenues can have an adverse effect on a community by causing higher rents, and the money spent on gambling is money that was previously spent in other local business establishments which may cause some businesses to fail.

Commissioner Whittenburg asked if any social studies had been performed to assess the impact of the opening of casino would have on a community. Mr. DeVos indicated his group did not have the resources to do such a study. He indicated that studies had been done which showed that the economic impact on a small community is far more devastating than positive.

Phil Tyler, President of Creston Development Company, spoke in favor of granting the license on behalf of the seven surrounding counties, and the fact that these counties are in need of some higher paying jobs, not just minimum hour jobs.

Chair Canella asked Mr. Taylor if a referendum would pass in Union County. He indicated that it would pass, but not necessarily with the same high percentage as in Clarke County.

State Representative Richard Arnold spoke on behalf of the counties he represents and requested the Commission's approval of Argosy's request for a license.

Paul Stanfield, President of Citizens for Gambling Free Government, spoke against the license. Their opposition is based on the fact that every new gambling operation increases the number of compulsive gambling victims. The Legislature gave the Commission the authority to determine the number and location of gambling sites in Iowa as they found it difficult to pass any legislation which stipulated a number and sites. There are several individuals which have started to take an academic, economic objective look at the real costs of casino operations in terms of compulsive gambling costs. Economic benefit studies rarely identify the expense that is going to go out. Mr. Stanfield requested the Commission use academic sources which are not biased for or against a specific license to determine whether or not that license should be issued.

Mr. Farrell asked Mr. Stanfield if he was aware of any economic studies that show where money spent in casinos come from - entertainment, consumer goods, savings, etc. Mr. Stanfield indicated that a detailed study had been done in South Dakota.

Commissioner Van Horn asked Mr. Ketterer what percentage of revenues goes to organizations like Gamblers Anonymous, etc. Mr. Ketterer stated that the tax revenue structure requires that .3% of adjusted gross revenue up to approximately $800,000. Mr. Stanfield indicated that had been changed during the last legislative session, and is now a straight .3%.

Otto Steele, representing Iowa and the Coalition Against Legalized Gambling, supported the statements made by Mr. Stanfield.

Carlos Jayne, legislative advocate for the Iowa Annual Conference of the United Methodist Church, spoke against the granting of a license. He asked where gambling should be stopped in order to preserve the integrity of Iowa. He stated that the Gaming Study Committee did make a recommendation in 1993 to endow a research chair which would be funded by gambling taxes for the purpose of ongoing research concerning economic and social effects of gambling on the State of Iowa, which has not been acted on by the Legislature.

The following individuals spoke in favor of granting Argosy a license for West Lake in Osceola: Mayor Fred Diehl; Jim Kimball, a family practitioner; Mary Ellen Kimball; Sandy Kale, Osceola Water Board; Mark Duban, H R Green Engineering; Rick Bish, Business Owner; Don Reasoner, Clarke County Tourism; Dick Beaman, member of the Osceola City Council; Dan Jackson, Osceola resident; and Bob Brown, Chairman of Three Mile Lake Project and resident of Union County. Many addressed the economic benefits and jobs that would come to Osceola to help with the depressed economy and high unemployment in the area.

The following individuals spoke against granting Argosy a license: Helen DeVos and Marilyn Doorland. Mrs. DeVos stated that she favored a small-town atmosphere in which to raise her

children and did not wish to see her friends and neighbors become victims of gambling abuse. Mrs. Doorland and her family live on the ground adjacent to West Lake, and are aware of how busy the railroad can be in that area. It is a two-track railroad with long, fast-moving trains which is located on a long curve. She stated that the Osceola school system will not bus children across the tracks due to the amount of traffic. She disputed Argosy's claim of a clear line of vision. She expressed concern for casino patrons leaving the casino after having consumed alcohol who might try to drive around the cross arms.

At the conclusion of individual comments, Chair Canella indicated that Argosy and the non-profit organization, Clarke County Development Corporation would have ten minutes to respond to the public comments.

Mr. Norton addressed the question of setting precedent by granting Argosy a license to operate on a lake. He stated that he did not feel this would set a difficult precedent as West Lake is located near a major interstate highway, and is close to major population densities. The other question raised dealt with PM's ability to repay their debt to Polk County. Mr. Norton noted that with PM's current level of revenue, PM should have reached approximately $200 million of slot revenue by the time Argosy opens even with the higher tax rate.

Mr. Uram indicated he had heard two concerns which he felt needed to be addressed: the first being that the market has insufficient size and depth to support both a racetrack casino and a riverboat casino. He noted that independent experts hired by different entities reached similar conclusions - the market is under served. The second issue he addressed is whether or not the Commission would be opening the floodgates to every applicant who wants to put a riverboat casino on a lake/pond. He raised the following questions in conjunction with that issue: 1) What does the legislation itself state?; and 2) Will other potential applicants in this state be able to meet all of the statutory criteria which Jack Ketterer outlined earlier, criteria such as economic impact and job creation.? In response to the first question, Mr. Uram noted that gaming is allowed on rivers and lakes. In regard to the other statutory criteria, specifically economic impact and job creation, he stated it is his belief that no other portion of the state has the dual combination of a declining economic base adjacent to a major metropolitan area.

Ken Baker, President of Clarke County Gaming, stated that the residents of the counties surrounding Clarke County feel they have been given one of the greatest economic opportunities presented to south central Iowa. He stated that Osceola is one of the best locations in Iowa to maximize tourism and entertainment on I-35. He noted that market studies bear out their contention that this application is viable as it relates to market capacity, profitability and economic benefits for southern Iowa.

After a short break, Chair Canella called on Commissioner Peyton for his comments relating to the application. Commissioner Peyton stated that if it were his personal decision, he would favor the views expressed by Mr. DeVos, Paul Stanfield and others. He is not enthusiastic about the long-term

economic growth of the gaming industry which tends to be cyclical, nor does it in the long term, represent the economic panacea that we have been lead to believe. He feels the social costs to the state and communities are underestimated. However, as a member of the Commission, he is charged to carry out policy as set by the Legislature, and would be inappropriate to substitute personal feelings for those of the Legislature and the citizens of Osceola. He stated there is a statute which clearly authorizes this project, which has received strong citizen support, and Argosy is a qualified applicant. He went on to state that he believes all necessary precautions have been taken to safeguard the public. He stated that the application met all of the requirements of statute, and are entitled to a license to operate a riverboat in the city of Osceola on West Lake, and was in favor of this license being granted.

Chair Canella then asked Commissioner Van Horn for his comments. Commissioner Van Horn stated that he had learned the term "power structure" which means elected officials that are in a job that is represented by the people, and speak on behalf of these people, which has occurred today. It is his opinion that the Legislature did not intend for the Commission to operate as a utilities-type commission. This Commission was not set up to regulate a monopoly. He noted that he had received 318 letters in three days - 17 against the project and the rest in favor of the project. He indicated that he was going along with the majority of the population. He further stated that he felt if other gaming companies come forward with a large investment of their money and are not requesting perks and no taxpayer money, those licenses should be issued as well.

Chair Canella then asked Commissioner Sealock for her comments. She stated that she had received over 700 letters, and had read them all. She noted that Chair Canella, Mr. Ketterer and she had driven to Osceola to view the proposed site, and she tried to envision a boat approximately the size of a football field on the lake. The thing that bothered her the most were the hopes and dreams for a long economic recovery which were in the numerous letters she received. When Iowa tried to adapt to the new gaming industry, she felt everyone was very naive about the amount of money at stake and how it affects people's lives. Iowa started with pari-mutuel gambling, and then added five riverboats - only two of the original boats are still in Iowa. Licenses were granted to communities of all different sizes and all had viable markets when the licenses were issued. Over the years, she has learned that hopes for long-term economic recovery should not be pinned on gambling revenues. She stated that she is concerned about the impact on the greyhound and horse industries in Iowa. The Commissioners discussed their concerns about the number of licenses in Iowa, and were hoping to have an opportunity to step back and look at gambling in Iowa. They have a responsibility to hold to the standards and the spirit of the law as it is written. The Commissioners are concerned with saturation. This license application is completely different than any that have come before. She stated that the Commission has heard from six communities, and have had inquiries from six more, regarding license applications for riverboats. She questioned whether we, as a State, want gambling in every community or county. She would like to be able to step back and get some direction. Commissioner Sealock went on to state that they have been told that limiting the number of

operations means higher revenues, financial stability and a higher investment in non-gaming facilities whereas a free market with heavy regulation forces some operations into bankruptcy. She noted that the majority of the legislative members have carefully avoided a major expansion in gambling.

Chair Canella called on Commissioner Whittenburg for her comments. She mentioned the number of letters she received regarding the Argosy license. The train of thought she found most troubling in those letters was the sentiment, depending on the letter writer's point of view, of how the Commissioners' could live with themselves or sleep at night. She stressed that the Commission members take their responsibility and action very seriously. They invest a large amount of effort and time into the work they do as public servants. She pointed out that there are certain criteria that must be met and weighed by the Commission in deciding whether or not to grant a license. She feels the Legislature has given the Commission a clear directive that if there is to be riverboat gambling in Iowa, it is to excursion boat gambling, and she is not comfortable with Argosy's ability to cruise for two hours on West Lake. It is her opinion, that if the application is approved, it would be setting a new, lower threshold as to what constitutes cruising under the statutes for riverboat gambling in Iowa. Commissioner Whittenburg feels the approval of this license could lead to land-based gaming in Iowa which is not the intent of the law. She also noted that she had some concerns with the environmental impact, that no clear answers had been received, and that none could be given until the boat was actually operating.

Chair Canella feels the situation comes down to three or four problems which need to be resolved by the Commission - the most important issue being the determination of the number of gaming locations in the State of Iowa. This issue has been discussed by the Commission in recent months during Commission meetings. Further, the annual report to the Governor and Legislature indicated the Commission's concern regarding the number of licenses to be issued in the State of Iowa. He feels the saturation point is approaching and he feels new applications for gaming licenses before the Commission do not add to the existing market, but merely provide for a shift in jobs, betting, economic benefit and revenues to the State. Another issue is the number of gaming locations in central Iowa. The existing market is approximately $140 million in win split between Prairie Meadows and Osceola. Prairie Meadows is currently running at the rate of $120 million a year, with projections of $70 million a year which would indicate a growth of approximately $20 million. Projections further indicate that only $13 million will come from northern Missouri and the transit trade. He fears that if a license were granted to Osceola there would be an influx of applications, and wonders how the situation could be brought under control. The third issue which concerns him is whether the legislative mandate of high taxes necessitate some competitive protection to the licensee operating under the higher rate of tax. Riverboats pay an effective tax rate of 18%, pari-mutuels will pay an effective tax rate of 36% within 8 years. From 1997 until 2008, the Osceola location would have cost advantage of approximately $43 million. He feels that any high tax location should be protected, not just PM. The pari-mutuel tracks at Council Bluffs and Dubuque have a financial relationship with the riverboats operating in those locations. He has grave concerns about the legislative intent to save the horse racing industry.

Commissioner Van Horn moved to grant Clarke County and Argosy a license to operate on West Lake providing they accept the recommendations of DNR and Commission staff. Commissioner Peyton indicated that he would like to second the motion, but went on to state that the Commission has the authority to regulate all aspects of the boat, and did not feel that the phrase "accept recommendations of DNR and Commission staff" added anything to the motion. He suggested the motion be amended to "approve the license of Argosy and Clarke County to operate on West Lake". Commissioner Van Horn agreed to the amendment. Commissioner Peyton seconded the motion.

Hearing no further discussion, Chair Canella called for a roll call vote. The motion failed on a vote of 3-2, with Chair Canella, Vice-Chair Sealock and Commissioner Whittenburg voting no. (See Order No. 95-86)

After a brief recess, the meeting was reconvened at 1:30 pm. The first item before the Commission was a request by Dubuque Racing Association (DRA) and Greater Dubuque Riverboat Entertainment Company (GDREC) for approval of the Ninth Amendment to the Operating Agreement. Steve Krumpe, representing DRA, stated that the basic concept of the agreement is that DRA will operate the land-based casino and GDREC will bring in a larger boat. Many of the complications experienced in negotiating this agreement related to future contingencies. Paragraph 4, the crux of the Agreement, states that DRA will keep the revenues from the land-based operation and will not receive revenues from the boat unless GDREC does better than projected or DRA does worse than projected. Both operations will be operated much more independently of each other.

Commissioner Van Horn asked Mr. Krumpe what would happen if a problem should develop between DRA and GDREC - would they work it out between themselves or come back to the Commission? Mr. Krumpe indicated that DRA and GDREC would work out any differences regarding the agreement.

Chair Canella questioned the amount of emphasis on the new boat in the agreement, and asked if the boat they just purchased was still coming. Mr. Krumpe indicated that boat was coming, but that GDREC was reserving the right to bring in another larger boat in the future.

Mr. Ketterer asked if the agreement had been signed by both parties. Mr. Krumpe indicated that DRA had approved the agreement by a written resolution. There is a provision in the contract which states that each party must provide the opposite side with a written resolution by August 18th.

Mr. Ketterer confirmed with Mr. Krumpe that arbitration has been scheduled to begin in late August provided the financing is not approved. The purpose of the arbitration is to establish a number, but would not incorporate any fees for GDREC to manage the DRA facility. Mr. Krumpe pointed out that pages 16 and 17 of the Agreement set out three contingencies which must occur in order for the Ninth Agreement to take effect. They are the approval of DRA's license application to operate slots at the track, Commission approval of the amendment to the Operating Agreement, and Commission approval of GDREC's final financing package. These conditions must all take place prior to August

17, 1995. Should arbitration become a necessity; it would occur under the provisions of the previous operating agreement.

Commissioner Whittenburg moved to approve the Ninth Amendment to the Operating Agreement of DRA and GDREC. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-87)

The next item for discussion was the Application for License to Conduct Gambling Games at a Racetrack Enclosure by Dubuque Racing Association and Dubuque Greyhound Park (DGP). Bruce Wentworth, General Manager of DRA, stated the initial license application was submitted on March 31st, and provided supplemental information as it became available. The Commission has approved contracts relating to the renovation of DGP for the casino over the past few months. Mr. Wentworth indicated they have selected some of the vendors for the gaming equipment, but are in need of the license to obtain the necessary financing in order to purchase the slot machines.

Mr. Ketterer asked Mr. Wentworth to update the Commission on DGP's negotiations with the Iowa Greyhound Association (IGA) relating to purse supplements. Mr. Wentworth indicated that preliminary discussions had been held previously, and that a meeting of the parties would occur within the next couple of weeks. He also stated that they understood they could not operate the casino until any agreement reached had been approved by the Commission. It is his opinion that an agreement can be reached within the next 6-8 weeks.

Mr. Ketterer reminded Mr. Wentworth that the Commission would need approximately ten days to test the machines prior to the casino opening.

Commissioner Van Horn asked Mr. Wentworth if there was ever a day that passed that he was not aware of the revenues that had been lost. He indicated there was not, and that the racetrack lost money last year, and is losing money at a higher rate this year which is compounded by the acquisition of the food and beverage operation.

Commissioner Sealock moved to grant Dubuque Greyhound Park a license to conduct gambling games at the racetrack enclosure. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-88)

Chair Canella called on Mr. Wentworth to discuss DGP's license renewal application and request for live and simulcasting racing dates for 1996. Mr. Wentworth stated their request was very similar to the current season. They are requesting racing dates from May 1, 1996 through October 27, 1996. They are also requesting permission to continue to receive the signal from Gulf Greyhound Park, and would like the ability to add additional simulcast signals should they be available. He feels this issue is even more important this year than last as the facility will be open 24 hours a day once the casino is opened. Mr. Ketterer indicated that any simulcast contract would have to be forwarded to the Commission office for staff approval.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Van Horn moved to approve the application of DGP for live and simulcasting racing dates for 1996. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-89)

Chair Canella called on Randy Sliva, Director of Communications for Bluffs Run Casino (BR), to discuss BR's application for license renewal and request for live racing dates. Mr. Sliva indicated that BR was requesting live racing dates from January 2, 1996 through December 31, 1996. They will continue to receive the simulcast signal from PM. They will not need the two weeks of down time as in previous years because of the increased staff at the facility due to the opening of the casino.

Mr. Ketterer asked Mr. Sliva when the Commission's offices would be completed. Mr. Sliva indicated that could be anywhere from three to six weeks, but they are hoping they are completed by the end of August.

Hearing no further discussion, Chair Canella made the suggestion that all attempts be made to get Commission staff in to their new offices as quickly as possible. He then called for a motion for approval of the requested racing dates from Bluffs Run. Commissioner Peyton so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 95-90)

Chair Canella then moved on to National Cattle Congress'(NCC) application for racing dates. Augie Masciotra, General Manager of Waterloo Greyhound Park (WGP), stated they were requesting racing dates from October 28, 1995 through April 21, 1996, and from November 2, 1996 through May 4, 1997. They also requested the ability to continue to receive the simulcast signal of Gulf Greyhound Park or any additional simulcast signals that might become available subject to Commission approval.

Mr. Ketterer suggested that Mr. Farrell bring the Commission up-to-date on the status of WGP. Mr. Farrell stated he had filed a motion to have the automatic stay lifted for the purpose of allowing the Commission to take action, including any detrimental or enforcement action, against NCC regarding license renewal, license revocation, racing dates, etc. He has discussed the matter with John Titler, the attorney representing NCC/WGP in the bankruptcy action, and it is their recommendation that the Commission defer any action until such time as word has been received from the Bankruptcy Court as to what can and can not be done in any given situation. A hearing is scheduled for August 22, 1995, with briefing take to place before that time, and a decision issued expediently after that date.

Commissioner Peyton moved to defer the application for racing dates by the National Cattle Congress until completion of the bankruptcy hearing. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-91)

Chair Canella moved on to the contract approvals. He called on Mr. Sliva of BR to discuss the contract with US Asphalt Co. for the resurfacing of existing parking lots at the track and casino. Chair Canella asked if bids were taken. Mr. Sliva said they were. He then asked if US Asphalt was an Omaha or Council Bluffs business. Mr. Sliva stated it was his belief that the contract was being handled through the general contractor, Andersen Construction, and US Asphalt would be considered a sub-contractor.

Commissioner Whittenburg moved to approve the contract. Commissioner Sealock seconded the motion which passed unanimously. (See Order N. 95-92)

Chair Canella called on Mr. Wentworth to discuss the contract submitted for The Floor Show Corporation. Mr. Wentworth stated that this contract was related to the flooring for the casino to replace existing carpeting and vinyl floor covering.

Commissioner Peyton moved to approve the contract. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-93)

Chair Canella then called on Jeff Terp, Vice President of Business Development with Ameristar, to discuss their contracts, and to provide the Commission with an update. Mr. Terp stated that two additional individuals had been hired for the Council Bluffs project - John Lucas as General Manager; and Brenda Bauer as Vice-President of Gaming Operations. He indicated that the general contractor, Andersen-Perini, will take charge of the site on August 1st. Pilings for the building are being put in place. The boat slip sheet pile work is completed, and anchors will start being installed as of July 24th. Excavation of the boat slip started on July 17th. Bids have been received for the road improvements. They anticipate delivery of the boat in October, or the first of November.

Chair Canella asked about the time available to move the boat upriver after November 1. Mr. Terp explained that the Coast Guard and Army Corp of Engineers guarantee an ample amount of channel depth prior to November 1 for a boat to cruise the river. After November 1, they no longer guarantee the depth. In fact, the Corp will begin releasing water from reservoirs further north, thereby increasing the level of water in the channel. He stated that in all probability, the boat would be delivered on-site without the pilot house or stacks, and last minute installation will occur on-site. The slot machines will be installed at the shipyard.

Commissioner Sealock questioned whether or not any problems had arisen as Andersen Construction Company is the general contractor for both Ameristar and Harveys. Mr. Terp stated that this had not been a problem. He stated that Harveys and Ameristar are working in a cooperative fashion.

Commissioner Peyton noted that he was seeing more and more Council Bluffs contractors using Omaha sub-contractors. He wondered if there was a lack of qualified personnel on the Council Bluffs side. Mr. Terp stated competitive bidding and lack of ample supply were some of the reasons. He explained that they had put the general contractor out for bid, and had four companies apply - 1

from Council Bluffs, 1 from Des Moines, and 2 from Omaha. There are certain aspects involved in the project for which there are a limited number of people who can perform the specialized jobs required. It is Ameristar's intent to use Iowa contractors and products whenever possible.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Whittenburg moved to approve the contracts with M & S Grading, Inc. and Tennessee Restaurant Equipment Sales submitted by Ameristar. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-94)

Chair Canella moved on to the contracts submitted by the Belle of Sioux City . Mr. Ketterer explained that the contracts were with the Alton Belle and Argosy Gaming Company for inter-company charges and wages, sales payroll, staff, health insurance, and miscellaneous out-of-pocket expenses.

Commissioner Sealock moved to approve the contracts based on staff recommendation. Commissioner Van Horn seconded the motion, which carried unanimously. (See Order No. 95-95)

Chair Canella moved to the contracts submitted by Harveys. Gary Armentrout, Senior Vice President and General Manager of Harveys Casino Hotel, updated the Commission on the progress being made by Harveys. He stated that the Kanesville Queen had been launched in Jacksonville, Florida on July 14th. They hope to bring the boat upriver in October provided the river level is acceptable. The hotel and other land-based facilities are slightly ahead of schedule. They are in the process of excavating the boat slip. They are also in the process of remodeling the Omni Center offices, and hope to be in those offices sometime after the 15th of August. Staff additions are: Cindy Canada, Director of Human Resources; and Art Hill, Property Controller.

One other significant event which occurred during the past month is that Harveys has purchased an adjacent 40 acre parcel of property (rubble dump site) to be used for future expansion. The Harveys and Ameristar properties are now contiguous.

Harvey's submitted contracts from Ansaldo, Ross & Hill for the main switchboard, console frame, and emergency switchboard for the boat; Bally Gaming, Inc. And International Gam Technology for gaming equipment; Lighting Supply, Inc. For interior lighting and equipment for the vessel; and Rykoff-Sexton, Inc. for miscellaneous food equipment. Commissioner Whittenburg moved to approved the contracts submitted by Harveys. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-96)

Chair Canella moved to the contracts submitted by Catfish Bend Casinos. Mr. Ketterer explained that the contracts were with Gemaco Playing Card Company for playing cards and Hall Towing, Inc. for the dry dock inspection. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-97)

Chair Canella moved to the contracts submitted by Lady Luck, Bettendorf. Bob Ellis, Corporate Counsel, came forward to present the contracts. CC Services, Inc. is for financing the purchase of two shuttle buses, and Midwest Canvas & Awning for canopies and awnings which are being installed over walkways, etc. Mr. Ellis explained that they had attempted to use an Iowa contractor for the canopies; however, the contractor could not fulfill his side of the contract.

Mr. Ellis stated that financing arrangements for the completion of the outlet have been finalized. Construction is continuing, and should have the mall completed by this fall. They will still need to find tenants. Mr. Ketterer indicated that he had spoken with Curt Beeson, the attorney representing Lady Luck, Bettendorf, who confirmed that construction would be completed this fall, but the mall would not open until next spring.

Commissioner Sealock moved to approve the contracts submitted by Lady Luck, Bettendorf. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-98)

The next contract was submitted by Mississippi Belle II (MB II)for a bank loan with the East Dubuque Savings Bank at 1.5% over prime. Commissioner Peyton wondered what the purpose of the loan was, how it impacts the financial status and debt service. Mr. Ketterer recommended that the Commission defer action until the next Commission meeting when Ken Bonnet, General Manager of the MBII who was not present due to a scheduling conflict, could appear and answer any questions regarding the loan.

Commissioner Peyton moved for deferral until a representative of the Mississippi Belle II could be present to explain the purpose of the loan. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-99)

Chair Canella moved to the contract submitted by The President with General Asphalt Construction Company for parking lot construction. Commissioner Peyton moved to approve the contract. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-100)

The next item on the agenda was an Addendum to Lease Agreement Between the City of Ft. Madison, Iowa, Parks, Recreation and Dock Board of the City of Ft. Madison, Iowa, and Catfish Bend Casinos, L.C. which would allow Catfish Bend to utilize the parking lot at the Riverview Park for employee parking except when reserved for scheduled events.

Commissioner Van Horn moved to approve the addendum. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-101)

The next issue before the Commission was a request by Mississippi Belle II (MBII) for approval of a stock redemption and cross purchase agreement. The agreement states that the stockholders of the MBII, in the event they choose to sell stock, would have to offer said stock to the corporation first.

Commissioner Peyton moved to approve the agreement. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-102)

The next item on the agenda was a request for approval of the distribution of the greyhound promotion fund to the IGA. Rush Nigut, representing the Crawford Law Firm and the IGA, stated that the IGA had submitted an accounting of the funds previously received, as well as their request to receive the current funds. Commissioner Sealock noted that the request followed the guidelines set forth for submitting a request for the funds. IRGC staff recommended approval of the request.

Commissioner Sealock moved to approve IGA's request to receive the greyhound promotion fund. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-103)

Chair Canella called on Mr. Farrell to proceed with the appeals from Administrative Law Judge's Decision. Mr. Farrell stated he did not believe either appellant, David R. Blackford or Jason John Johnson, was present. Chair Canella stated that both had received continuances at the previous Commission meeting, and were informed that no further continuances would be granted.

Commissioner Whittenburg made a motion to affirm the decision of the Administrative Law Judge's Decision regarding IRGC's case against David R. Blackford. She made the same motion in regard to Jason John Johnson. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-104)

The next item of business was the election of a chair and vice-chair for the Commission. Commissioner Van Horn moved to nominate Richard Canella as Chair of the Commission for the next twelve month. Commissioner Peyton seconded the motion. The motion carried unanimously, with Chair Canella abstaining. (See Order No. 95-105)

Commissioner Whittenburg moved to nominate Rita Sealock as Vice-Chair for the next year. Commissioner Peyton seconded the motion. The motion carried unanimously, with Commissioner Sealock abstaining. (See Order No. 95-106)

Mr. Ketterer stated that he felt it was incumbent on the Commission to develop standards for inland waters, regardless of the Osceola decision, for any future riverboat applications that might be received, and also to examine the issue of the number of licenses that would be appropriate in the best interests of Iowa and to carry out the legislative intent of the statute. He suggested the Commission appoint a committee to work with staff on those issues, and that a recommendation be made to the full Commission.

Chair Canella asked for volunteers to serve on the committee. As no one volunteered, Chair Canella appointed Commissioners Sealock, Whittenburg and Peyton to the committee. Chair Canella was advised that it would be a violation of the open meeting laws for three commissioners to meet

without giving notice and having an agenda. Commissioner Peyton opted to withdraw from the committee. It was determined that a report would be given to the Commission at the next meeting. Chair Canella called for a motion to approve the appointments to the committee for establishing standards for inland water riverboat license applications, and determining the number of licenses to be issued.

Commissioner Peyton so moved, and Commissioner Whittenburg seconded the motion. The motion carried 4-1, with Commissioner Van Horn voting against the motion as he believed it should be a staff project only.

Mr. Ketterer stated that there were changes to future Commission meeting dates for the following three months due to schedule conflicts with Commission members and staff. The August meeting will be held on Tuesday, August 15th in Bettendorf; the September meeting will be held on Tuesday, September 19th in Des Moines; and the October meeting will be moved up one week from October 19th to October 12th in Marquette, Iowa.

As there were no public comments, Chair Canella called for a motion to adjourn. Commissioner Sealock so moved, and Commissioner Peyton seconded the motion. The motion passed unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 15, 1995

The Iowa Racing & Gaming Commission met on Tuesday, August 15, 1995, at the Holiday Inn, 909 Middle Road, Bettendorf, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg and Brad Peyton.

Chair Canella called the meeting to order at 8:30 a.m. and asked for a motion to approve the agenda. Commissioner Van Horn so moved and Commissioner Sealock seconded the motion. The motion passed unanimously.

Chair Canella then asked for a motion to move into Executive Session for the purpose of receiving advice from legal counsel. Commissioner Whittenburg so moved, and Commission Peyton seconded the motion. The motion passed unanimously.

Following Executive Session, Chair Canella called for a motion to approve the minutes. Commissioner Van Horn so moved, and Commissioner Sealock seconded the motion. The motion passed unanimously.

Spencer Geissinger, General Manager of the Lady Luck, Bettendorf, and Ann Hutchins, Mayor of Bettendorf, welcomed the Commission to Bettendorf. Mr. Geissinger indicated that the Lady Luck will have admissions of over one-half million people within the first 120 days of business; and that the outlet mall will be ready to open next spring. Mayor Hutchins indicated there is still much excitement in Bettendorf about the boat, and is always receiving comments.

Chair Canella made a few comments regarding the inception of the Commission, and the many tough decisions made by the Commission in the ensuing years. He indicated that the Commission can accept disagreement, but will not accept their integrity being challenged as has occurred since the Osceola decision. There have been several statements made which are unsubstantiated. He assured those present that all of the allegations made against the Commission, particularly three individuals, are completely unfounded and can not be substantiated.

Chair Canella noted that some state legislators had stated that the Commission had usurped the power of the State Legislature. These individuals stated that the Commission does not have the power to deny applications for a riverboat in the state, does not have the right to determine the number of riverboats that may be located in the state. He referred to Iowa Code Chapter 99F.7 which states in part: "The Commission shall decide the number, location, and type of excursion gambling boats licensed under this chapter for operation on the rivers, lakes and reservoirs of this state." Chair Canella stated that the Commission attempts to follow Legislative intent which is sometimes difficult to do, but he does now know of anything clearer than the previous statement.

Commission has been challenged. She noted that she came from a bank family and serves as school board president, and has lived her life based on her integrity. The Commission also has to make decision based on what they feel is right in their hearts. She is very disappointed that the press and letters are continuing to impugn the Commission's honesty and integrity.

Chair Canella called on Jack Ketterer, IRGC Administrator, to discuss the rule changes. The first rule, 491-10.5(17)(b) and (c), changes the time before post time in which an individual can file a claim to claim a horse out of race from fifteen minutes to ten minutes. This rule change was filed under Emergency Adopt rules at the June meeting, this is going through the regular process of Notice of Intended Action and Final Adopt.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to adopt Iowa Administrative Rule 491-10.5(17)(b) and (c), and Commissioner Peyton seconded the motion. The motion carried unanimously. (See Order No. 95-107)

Mr. Ketterer then explained the Notice of Intended Action on Administrative Rules 491-4.29(6) is to clean up some language deleting some erroneous references. Administrative Rule 491-13.9 deals with the employers responsibility for picking up licenses from an unlicensed employee. The IRGC is rescinding that rule primarily due to the fact that the IRGC is going to allow someone who is licensed and working at one location to use that license in another location in the state.

Hearing no further discussion, Chair Canella called for a motion. Commission Van Horn so moved; and Commissioner Whittenburg seconded the motion. The motion passed unanimously. (See Order No. 95-108)

Chair Canella called on the Dubuque Racing Association (DRA). Stephen Krumpe, representing DRA, stated that the Ninth Amendment to the Operating Agreement had a deadline of August 17, 1995, to become effective. All conditions listed in the amendment except for the financing of the new vessel have occurred. DRA expects that Greater Dubuque Riverboat Entertainment Company (GDREC) will ask for an extension; however, DRA board members are not willing to go along with an extension. DRA's Board of Directors feels that GDREC must either meet the stipulations or waive those stipulations as DRA is unable to proceed with the casino renovation until the Ninth Amendment becomes effective. Mr. Krumpe stated that DRA made tremendous concessions in order to reach the Ninth Amendment. There were still several issues to be resolved at the June meeting, but GDREC requested conditional approval in order to proceed with the boat purchase. GDREC advised DRA last week that the President deal had fallen through, and that they were pursuing another vessel which had 70 more slot machines than the President vessel they were going to purchase. GDREC requested that DRA approve the purchase of the second vessel without having time to properly evaluate the proposal and increase the number of slot machines allowed. DRA met and agreed to approve the purchase of the second vessel by GDREC, but refused to agree to an extension of the deadline. DRA members learned, after spending considerable time discussing and agreeing to approve the second vessel as requested, that the second vessel was no longer involved,

agreeing to approve the second vessel as requested, that the second vessel was no longer involved, and that a new agreement had been reached with The President Riverboat Casino. Mr. Krumpe stated he understood there was a possibility that GDREC would have information to present to the Commission as early as August 17th for approval, and requested that the Commission do so if possible as DRA did not want to see the Ninth Amendment unravel, but were unwilling to agree to an extension or a postponement of the start of arbitration. With each extension granted, the slot operation at the track recedes further into the distance as problems continue to arise with GDREC's boat deal. DRA would like to see GDREC take responsibility for the boat financing, and release DRA to proceed with their plans which would occur by satisfying the boat financing condition by August 17, 1995, or waiving that particular stipulation thereby allowing the Ninth Amendment to go into effect. Mr. Krumpe stated that either option would require Commission approval as they gave a conditional approval to the amendment as submitted.

Chair Canella asked Mr. Krumpe if DRA would be willing to agree to an extension to August 20th if GDREC stated they would positively have a financing agreement by that date. Mr. Krumpe reiterated that DRA had passed a motion stating they would not agree to any extensions. DRA is looking for some finality to this process. Every time there is a delay, it results in a loss of revenue for the state, county, city and the non-profit. The area is losing out on employment and tourism as well. It is DRA's position that if GDREC is confident they have the boat and financing, they should waive the August 17th deadline.

Doug Gross, representing GDREC, noted that GDREC was before the Commission in June with financing in place to purchase a vessel from The President Casinos, and at that time, DRA requested that the Commission not take action as they had not had sufficient time to review the materials submitted by GDREC. As that financing arrangement fell through, GDREC began looking for, and found viable alternatives. Mr. Gross feels those alternatives allowed GDREC to eventually negotiate a better arrangement with The President Riverboat. Further, some of the unitholders agreed to infuse an additional $1.2 million of equity. This money is due in the bank by the end of the week, August 18th. GDREC will end up borrowing approximately $17.3 million, $3.3 will be set aside for purchasing machines, the balance of $14 million will be borrowed from The President on a Lease/Purchase arrangement as 12% interest, with $500,000 down. GDREC's expects this agreement to be completed no later than the close of business on August 16, 1995. GDREC requested a telephonic Commission meeting within a reasonable amount of time after providing the Commission with the final copy of the Lease/Purchase Contract with The President Casinos. Mr. Gross indicated that GDREC would like to work with DRA on the August 17th deadline; but also stated they were confident enough of the deal that they would be willing to waive the provision effective August 31, 1995.

Chair Canella asked Mr. Gross to clarify his statements that the Lease/Purchase Agreement could be finalized by the evening of August 16, 1995, and at the same time take up to one week to bring everything to a conclusion. Mr. Gross stated there were several steps that needed to be accomplished to bring this agreement to fruition. They are: 1) Lease/Purchase Agreement between GDREC and

The President Casinos and approval by the Commission; 2) conclusion of the raising of equity through investment of funds from unitholders, which should be finalized by Friday, August 18th; and 3) documents pertaining to the machine financing. Mr. Gross stated that if this situation deteriorated and the above issues were not completed by August 31, 1995, then GDREC would waive the conditions stated in the Ninth Amendment to the Operating Agreement, and would be willing to assume some of the risk associated with the casino operation at Dubuque Greyhound Park. Mr. Gross stated that this process would be faster for everyone than going to arbitration since that is a long process.

Mr. Ketterer asked Mr. Gross why he was willing to waive the conditions on August 31st, but would not waive them at the present time. Mr. Gross stated that he wanted to see the actual documents to verify the information contained therein is what has been represented to him over the telephone.

Chair Canella asked what was going to happen with the old vessel. Mr. Gross indicated they are aggressively looking for viable options - one of which is alternative venues until such time as the boat is purchased.

Mr. Gross explained that GDREC and DRA have an Operating Agreement regarding the management of the slots at the track. Since DRA and GDREC can not agree on the split of the revenues from said slots, they have agreed to "divorce" with regard to the operation at the track. As part of the "divorce", the two entities have negotiated to reduce the fee paid to DRA by GDREC. The last step for the Ninth Amendment to the Operating Agreement to go into effect is approval of the financing for the new vessel to be purchased by GDREC.

Chair Canella indicated there would be no problem with holding a telephonic Commission meeting once the documents had been provided for review by the Commissioners, and the two parties agreed on the extension of the deadline of August 17, 1995 for all conditions of the Ninth Operating Agreement to go into effect.

Commissioner Peyton asked why this issue could not be taken up at the next regularly scheduled meeting when everything would be completed rather than speculating on what might happen. Mr. Gross stated that he wanted to make sure the documents were fine with the Commission. Commissioner Peyton questioned why there was no binding documentation at this point in the transaction. Mr. Gross stated that agreements on the various issues with regard to the financing did not start to fall into place until late Thursday evening.

Mr. Ketterer requested comments from Mr. Gross and Mr. Krumpe as to what would satisfy the requirements of the Ninth Amendment regarding Commission action. He asked Mr. Gross if the Commission held a telephonic meeting on Thursday, August 17th, regarding the subscription for additional sums from the shareholders and the document he anticipates receiving today and approved said documents, if that would meet the conditions set forth in the Ninth Amendment to the Operating

Agreement. Mr. Gross and Mr. Krumpe agreed that it would. Mr. Hirsch asked if the financing for the slots would be available on Thursday along with the other items requested. Mr. Gross indicated he more than likely would not, as he was not as concerned about being able to obtain that financing.

Chair Canella stated that he would not be willing to participate in a telephonic meeting until he had time to completely review the documents. Mr. Ketterer asked both parties if they would consider all requirements met if the telephonic meeting was not held until August 21st. Mr. Gross indicated he did not. Mr. Krumpe indicated that DRA would prefer not to give an extension of time to August 21st, but would strongly urge the DRA Board to go along with the extension of time. Mr. Krumpe requested assurances from Mr. Gross that this process would be completed on August 21st. Commissioner Peyton asked the date of no return regarding the arbitration process. Mr. Gross stated that was August 28th. Mr. Gross stated that by having the meeting on Monday, they would have time to complete all the documents and get the additional money from the unitholders into the bank. He agreed that the parties should go to arbitration if this process was not completed by August 21st.

Chair Canella called on Jeff Terp, Vice President of Business Development, to present Ameristar's request to receive permission to open their Council Bluffs project prior to January, 1996.

Mr. Terp provided the Commission with an update on the progress being made. He introduced John Lucas who will be the General Manager for the Council Bluffs project. Mr. Terp stated that Ameristar will hold a series of job fairs in communities surrounding Council Bluffs, and have already received a many applications.

Chair Canella asked if any Native Americans had shown any interest in the jobs. Mr. Terp indicated that he was not aware of any, but may have had some from the Nebraska City job fair which had been held a day or two earlier.

Mr. Terp stated that the boat is on schedule to arrive in early November. The entire outside of the boat is completed, except for the decorations. The vessel is scheduled to leave the shipyard between October 7th and 10th.

Chair Canella asked about the river freezing. Mr. Terp stated that the Corps guarantees navigability until November 1. Due to high water levels at the dam, the Corp is going to release some of that water which will raise the water levels and also help to keep the river open longer. This causes some concern as to whether the vessel can make it under some of the bridges. They plan to add extra weight so the boat will ride lower in the water.

The dockside construction is continuing on schedule as well. R. D. Blue Construction Company was awarded the contract to make the infrastructure changes to I-29/Nebraska Avenue.

Mr. Terp then stated that Ameristar would like to open their facility earlier than indicated during the license application process. He noted that the City and County wanted assurances that everything

would be built as presented during their presentation to the Commission, and requested that the project be "substantially complete" prior to opening and that the entire project be completed within one year of opening. Ameristar's investment has increased from $75 million to $96 million. Mr. Terp stated that Ameristar feels that it has passed the point of "no return", and more so when the vessel arrived on November 1st.

Chair Canella informed Mr. Terp that the Commission had received letters from the city, county, and Iowa West regarding the request to open early. Mr. Ketterer stated that when Mr. Terp first approached him about opening early, he informed him that he would need to get an endorsement from the city, board of supervisors, and Iowa West, their non-profit organization. During the licensing process, it was very apparent that the biggest concern of the citizens of Pottawattamie County was that the developers would complete any land-based development presented during the licensing process. Mr. Ketterer indicated that it was the responsibility of the City to determine what the term "substantially complete" entails. He suggested that a representative from the City, Board of Supervisors and Iowa West meet with Ameristar and Harveys to tour the projects on various dates and determine the level of completion of the projects. When everyone has agreed on a definition of "substantially complete" and a date, then Armeristar and Harveys should come back to the Commission with their request.

Mr. Ketterer noted there were some concerns from the standpoint of Commission staff and DCI concerning a November opening. Chair Canella noted that some Commissioners had concerns with a temporary pavilion, as The President had indicated they would use a temporary pavilion during the licensing process, and the Commission indicated they would not allow that. Mr. Terp indicated that Ameristar was sensitive to the issue. Mr. Ketterer noted that Commission staff would need at least two weeks to test the slot machines and insure that surveillance covers all of the games and slot machines. The DCI staff will not graduate from the law enforcement academy until November 9th, and then will require an additional four weeks of training specifically for riverboat gaming.

Commissioner Whittenburg stated that in making her motion and casting her vote in January for two riverboats in Council Bluffs, she based that upon a representation that business would not be conducted prior to January, 1996. Having a start-up date of early 1996 allowed the Council Bluffs licenses to avoid problems with the Sioux City boat's belief that they had an exclusive license through early 1996. She felt a conflict would arise if the Council Bluffs projects were to open earlier than indicated during the licensing process. Mr. Terp asked that if the Ameristar facility were to open on January 1, 1996 if there would be a problem. Commissioner Whittenburg stated that was when she remembered the exclusivity provision expiring. Mr. Ketterer stated the exclusivity issue had been removed from the table due to the change in the license at Sioux City.

Commissioner Sealock stated that the Commission's comfort level in agreeing to an earlier opening date would be raised considerably if the City, County, and Iowa West were more supportive of the request.

Mr. Terp stated he will work with those parties to establish a date on which everyone can agree and come back before the Commission at the next Commission meeting.

Mr. Ketterer indicated that any motion should direct that the Council Bluff licensees confer with the City, County, and Iowa West and report back to the Commission at the next meeting.

Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. (See Order No. 95-109)

Chair Canella called on Mr. Terp to discuss the various contracts submitted by Ameristar for Commission approval. The contracts were: Atlas Foundation Company, Bally Gaming, The Bud Jones Company, Federal Sign Gaming Corporation, InfoGenesis, International Electronic Protection, Ltd., International Gaming Technology, Island System & Design, Maxim Technologies, Morris & Brown Architects, New Horizon's Kid Quest, Inc., Perini Building Co., Savoy Studios, Smith Office Supplies, VSR, Inc. And U.S. Axminster, Inc. Mr. Terp pointed out that several of the contracts were with Iowa contractors as required by Iowa statute, but two subcontractors were not from Iowa. Commissioner Peyton moved to approve the contracts submitted by Ameristar. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-110)

At this point, Jim Campbell, legal counsel for Iowa West Racing Association, informed the Commissioners that Iowa West is supportive of the Council Bluffs riverboats opening early, but are also mindful of the term "substantially complete."

Commissioner Peyton indicated that he would like to see an architectural certification or contractor statement to help in determining whether the projects are "substantially complete".

Joe Massa, representing Larita, Inc., spoke against allowing either of the Council Bluffs riverboats to open early due to the effect they will have on the business at CasinOmaha in Onawa, Iowa. The opening of the casino at Bluffs Run has already affected their business by 30-40%. He stated that everyone agreed during the licensing process that no one would open prior to January, 1996. Further, when the licenses were granted, the Commission urged both companies to work with the Native Americans in providing jobs. He requested that representatives from Ameristar and Harvey's contact him instead of contacting individuals on their own. He noted that the Native Americans did not have transportation to attend the job fairs being held.

Moe Shanley also spoke against allowing the riverboats to open early. He indicated that he would have some trepidation at requesting to open the project early, knowing that the project must be 100% complete one year from date of opening, or face revocation of the license.

Mr. Terp then addressed Ameristar's reasons for requesting the earlier opening date - provides an opportunity to generate revenues for the state, county, and city, and the opportunity to provide jobs this year which would help with the economic development. He stated Ameristar is sensitive to the

problems of the Native Americans and would like to have some job fairs, and will meet with them, but also do not want to hire all of their employees from their casino. Ameristar is cognizant of the transportation problem, and is already providing transportation for workers at their Jackpot, Nevada casino, so that would not be a problem with them here.

Chair Canella called on the Belle of Sioux City to discuss the contracts with Argosy Gaming Company which were submitted for Commission approval. Jim Rider, Director of Finance, stated the contracts were related party contracts to cover services provided by the parent company.

Commissioner Sealock moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which passed unanimously. (See Order No. 95-111)

Chair Canella called on Harvey's to present their contracts for approval. Gary Armentrout, Vice President and General Manager of the Council Bluffs project, presented contracts from Bloomsburg Carpet, MFT Construction and The Oilgear Company for Commission approval.

Chair Canella questioned the contract with Bloomsburg Carpet. Mr. Armentrout explained that Harvey's has done business with this particular company for a number of years, and will be installed in the vessel in Florida.

Hearing no further comments, Chair Canella called for a motion. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-112)

Mr. Armentrout provided the Commission with an update on the Council Bluffs project. The infrastructure is in place for utilities, the parking spaces are being graded out, the curb and gutter is in, the light standards are set in the parking lots, and boat slip is complete. The boat is scheduled to leave the boatyard around October 15th, and should arrive in Council Bluffs around the first of November - approximately the same time as Ameristar's vessel. The construction of the hotel is progressing rapidly.

Mr. Armentrout informed the Commission that Larry Kinser has been hired as Director of Casino Operations, and Nick Esters as Director of Hotel Operations.

Chair Canella noted that Mr. Armentrout heard the discussion with Mr. Terp regarding the hiring of Native Americans. Harvey's has received 1200 unsolicited employment applications. They begin their job fairs on August 28th in the Council Bluffs area. They do not plan to hire employees away from either of the Indian casinos.

Chair Canella called on Lady Luck to present their contracts, and inquired as to the progress on the outlet mall. Bob Ellis, corporate counsel for Lady Luck, indicated that progress on the mall was

going very well. Lady Luck, Bettendorf submitted contracts from CC Services, Inc., Thoms Proestler, Reinhart Institutional Foods, Inc., and The Rock Island Bank.

Chair Canella questioned the lease agreement for the two limos. He noted that the limos had been purchased in Iowa, but the lease agreement is with an Illinois company.

Commissioner Whittenburg asked about the construction loan for the outlet mall with The Rock Island Bank. Mr. Ellis stated the loan had been previously approved with some other financing done with The Rock Island Bank.

Commissioner Whittenburg asked if there was ongoing work being done on the mall. Mr. Ellis indicated that workmen were on the site daily. They have hired a mall manager to negotiate with prospective mall tenants. The plan is to have the mall open in April or May.

Commissioner Whittenburg moved to approve the contracts as submitted, and Commissioner Sealock seconded the motion. The motion passed unanimously. (See Order No. 95-113)

Chair Canella called on Ken Bonnet, President of the Mississippi Belle II, to discuss their contract for a loan with the East Dubuque Savings Bank.

Commissioner Peyton questioned why the loan was not brought to the Commission prior to the loan being processed. He wondered why it was not presented for Commission approval in May or June. Mr. Bonnet noted that work on this loan had not started in May. Mr. Bonnet explained that Mississippi Belle, Inc. has two boats under construction currently.

Mr. Bonnet also noted that the pool of banks able to loan money to their group of companies is shrinking due to banking regulations.

Commissioner Whittenburg noted that this loan was dated a few days after the June meeting, and the Commission was not aware of the loan until the July meeting. Commissioner Peyton stated that he felt items of this magnitude should be presented to the Commission prior to the licensee entering into the agreement, unless there is some urgency to complete the process. He noted a tendency by licensees to beg forgiveness, rather than ask permission.

Commissioner Sealock made a motion to approve the contract as submitted. Commissioner Van Horn seconded the motion, which carried unanimously. (See Order No. 95-114)

Chair Canella called on The President to present their contracts. Mark Lohman, General Manager, presented contracts from Design Promotions, Moline Dispatch Publishing Co., Neals Bus Service, Quad City Times, and W.C. Putnam Estate.

Mr. Lohman specifically addressed the contract with the W.C. Putnam Estate, noting that it was part of a much larger project. The Connelly Group will convey the Petersen Building into the W. C. Putnum Memorial Fund which prohibits the demolition of that building for five years after the conveyance. The Connelly Group will convey the building on or before November 15th of this year. The Connelly Group and the City of Davenport entered into an agreement for the implementation of the LDR Plan which is an overall plan put together by the Downtown Davenport Development Corp. Finally, the Downtown Development Corp. will provide funding for improvements. All requirements must be met by all parties by July, 1996.

To that end, The President will begin the process of moving their offices to prepare for the demolition of the building which currently houses their offices. They will relocate their offices on or about August 27th.

The President will be going in for the mandatory Coast Guard five-year hull inspection in November in the New Orleans area. Current plans call for The President II from Biloxi, Mississippi, to be brought to Davenport. Negotiations are under way with Davenport to arrange docking in early September. Once The President II has arrived, the plan is to begin refitting the interior of the boat prior to leaving for New Orleans in order to use Iowa vendors. It is anticipated that The President will be back by March or April - as soon as the river opens to allow river travel.

Hearing no further comments, Chair Canella called for a motion. Commissioner Peyton moved to approve the contracts submitted by The President. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-115)

Chair Canella called on Bob Farinella, President and General Manager of Prairie Meadows, to present their contract with Stivers Downtown Lincoln Mercury, Inc. for the purchase of six 1996 Lincoln Town cars. This is a continuation of their ongoing progressive links. Mr. Farinella noted that since opening the casino in April, they have given away seven Broncos and three Mustangs.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Whittenburg moved to approve the contract as submitted. Commissioner Peyton seconded the motion which passed unanimously. (See Order No. 95-116)

Mr. Farinella informed the Commission that the live racing season had just ended. The original business plan dictated that the live racing handle would decrease by approximately 27% in anticipation of the casino opening. As of the 6th of August, the actual on track live handle was 6% above what was done in 1994.

Chair Canella called on Barry Sevedge, of Bluffs Run. Chair Canella asked him to give a specific date on which the Commission staff at Bluffs Run could expect to be in their new offices. Mr. Sevedge gave the date of September 15th.

Chair Canella called on Jeff Farrell, Assistant Attorney General for the Commission, to proceed with his appeal of the Administrative Law Judge's decision regarding Bob Rider.

Before starting the appeal hearing, Mr. Farrell informed the Commission that they had the authority to impose fines or other sanction on the licensees for failure to timely submit contracts.

Mr. Farrell informed the Commission that this was an appeal by the Board of Stewards from a decision by an Administrative Law Judge. There is not much dispute as to the facts: On May 30, 1995, Bob Rider, a trainer at Dubuque Greyhound Park (DGP), wanted to bring an prospective employee into the kennel area to see how that person would interact with the dogs. The kennel area is a restricted area, and a person must either be licensed to enter the area or have a pass. There are only three individuals who can issue passes at DGP. None of the individuals were available that evening. Mr. Rider contacted a Security Guard who allowed the individual into the restricted area. The unlicensed individual was seen in the restricted area by an IRGC Steward who made inquiries the following day. The findings resulted in a Board of Stewards hearing being held for both Mr. Rider and the Security Guard after determining there was a violation of the regulations concerning access to the restricted area. Both individuals were fined $25.00. Mr. Rider appealed his fine. The Administrative Law Judge (ALJ) made his decision based upon a strict interpretation of the regulation. The ALJ found that the regulation was only aimed at the licensee, the track, and that other individuals involved in creating this violation could not be charged under this regulation. The Board of Stewards feels they have been authorized by the Code and the Commission, through the Rules, to impose any sanction against an individual who causes a regulation to be broken. The rule states: "The Stewards shall enforce the laws of Iowa and the Rules of Racing during racing and simulcasting. They shall have authority to charge any licensee for a violation of these rules." There was a violation of the rules, and Mr. Rider is a licensee and helped cause the violation. Mr. Rider was aware of what the rules were. The purpose of the fine was to help deter future infractions of this rule. The Board of Stewards requests that the Commission reverse the decision of the ALJ, and reimpose the $25.00 fine and probation period.

Mr. Rider stated that his interpretation of the rule, and the ALJ's interpretation, was that the track had to have some way that a temporary pass could be obtained by trainers, veterinarians, kennel owners, and assistant trainers in the kennel area only. He feels he did everything possible to obtain a pass. Mr. Rider indicated that he has seen unlicensed individuals gain access to the restricted area with a phone call to the guard and prior to a pass being received at the guard shack. He feels the guard is responsible for the kennel area. Mr. Rider stated that if the guard told him he could not enter the kennel area, even though he is licensed, he would not enter. Mr. Rider stated that he kept the individual in the guard's sight at all times. She was in the area for 10-15 minutes, and was not allowed to enter the kennel buildings.

Mr. Rider noted that the ALJ overruled all areas of the Board of Stewards ruling. He quoted Administrative Rule 491-7.8(4)(c) which states: "The stewards shall have the power to interpret the rules and to decide all questions not specifically covered by them." The ALJ stated the full meaning

of the rule was unclear but should not be construed to mean that the stewards can impose a fine if there has not been a violation of a specific rule.

Mr. Rider indicated that he did not feel he had done anything wrong in this situation. He stated that he has never appealed a fine prior to this instance. He feels that he did not do anything wrong as he had approval from the guard.

Mr. Farrell stated that if this was an issue of whether or not there was a violation, he probably would not have appealed the decision. The issue is who is going to be responsible for the violation. Mr. Rider stated that the chapter dealing with Trainer's responsibilities does not state it is a trainer's responsibility to insure that unlicensed individuals do not enter the kennel area.

Mr. Rider stated that the procedure for obtaining a pass for unlicensed individuals to enter the kennel area is different at all three greyhound tracks.

Upon questioning from Mr. Ketterer, Mr. Rider stated that he would not have taken the individual into the restricted area if he had not received permission from the guard. He noted that he had to leave the track in the morning after taking care of his dogs, and returned in the late afternoon to let them out and attempted to get a pass at that time.

Mr. Farrell noted that the rules allow the tracks to establish the guidelines as to who issues passes; therefore, the track could allow additional personnel to issue passes to prevent this situation in the future. Mr. Rider states that the rules do not state that he has to get the pass; they simply state that the track has to provide a way for certain individuals to obtain passes.

Commissioner Whittenburg noted that the ALJ's Decision stated that the rule requires a person to have a license or temporary pass to enter the kennel area; however, the rules do not impose upon a greyhound trainer a duty to enforce the rule. She stated that she agreed with the statement, but noted that the trainer would have to abide by the rules. She likened the situation to a State Trooper telling a driver that it was OK to speed down the road - just because the Trooper said it was OK does not mean that a law was not broken.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to confirm the Decision of the Administrative Law Judge. Commissioner Whittenburg seconded the motion. She then questioned the motion. Commissioner Peyton restated his motion to confirm the Decision of the Administrative Law Judge. Commissioner Van Horn seconded the motion. Hearing no further discussion, Chair Canella called for a roll call vote. Chair Canella and Commissioners Van Horn and Peyton voted in favor of the motion, with Commissioners Sealock and Whittenburg voting no. The motion passed 3-2. (See Order No. 95-117)

Mr. Ketterer addressed the Commission with respect to the committee appointed to investigate the market analysis of Iowa and the standards and guidelines for riverboats on inland waters. He noted

that he had met with both committee members to discuss the format and scope of the committee's report. He stated that Christiansen and Cummings would be hired to perform an analysis of the Iowa market and the amount being served by the current licensees, and any market not currently being served. The committee will have additional meetings, and will be seeking input on guidelines for riverboats on inland waters. Will Cummings will not be able to begin work on this project until September 1st, and will take approximately 30 days. The committee probably will not have anything to report at the September meeting, but may have something ready for a "discussion only" item for the October 12th agenda.

Commissioner Sealock stated that the committee was looking for broad input from all parties, including the other commissioners. The makeup of the committee does not have anything to do with any one person's point of view. They are interested in receiving anyone's thoughts regarding the guidelines for riverboats on inland waters.

The Commissioners tentatively scheduled a telephonic Commission meeting for 9:00 am on Monday, August 21st to deal with the GDREC issue if necessary.

As there was no further business to come before the Commission, Chair Canella called for a motion to adjourn. Commissioner Van Horn so moved, Commissioner Whittenburg seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
TELEPHONIC MINUTES
AUGUST 21, 1995

The Iowa Racing and Gaming Commission (IRGC) met by telephone on August 21, 1995 at 9:00 a.m. The public location of the meeting was the Conference Room located in IRGC's offices located on the second floor of the Lucas State Office Building, Des Moines, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg, and Brad Peyton.

Chair Canella called the meeting to order at 9:00 a.m. and requested a motion to approve the agenda. Commissioner Van Horn moved to approve the agenda, and Commissioner Whittenburg seconded the motion. The motion carried unanimously.

Chair Canella moved to the next item - a request from Greater Dubuque Riverboat Entertainment Company (GDREC) for approval of a Charter Agreement with President Riverboat Casinos in New York for a new vessel and financing. He called Jack Ketterer, Administrator of IRGC, who reviewed the documents which had been received. The Charter Agreement fed exed to Commission members did not include Exhibits B and C - Exhibit B being the payment schedule if the purchase option was exercised, and Exhibit C was the asset acquisition agreement. Those exhibits and schedules relating to furniture, fixtures and equipment, which were to be included with the boat, were delivered to the Commission office sometime late Friday or over the weekend. Exhibits B and C were faxed to Commission members this morning. A signature page was received this morning showing Carl Bolm's signature to the Charter Agreement, but had not yet been signed by The President. Mr. Ketterer asked Doug Gross, legal counsel for GDREC, to confirm that was his understanding of the proceedings to date, and give an explanation of the documents.

Mr. Gross stated that he had received a signed signature page from The President for the Charter Agreement over the weekend which was being faxed to the IRGC offices. The Charter Agreement is a Lease/Purchase Agreement for the boat. The Commission had previously given conditional approval for the financing and purchase of The President riverboat by GDREC. At the time of the conditional approval, the loan would have been $18.5 million from PDS, $2.5 million from PFC, approximately $2 million to purchase the portside facility, and another $3.5 million from PDS to purchase the machines, for a total of $26.5 million of debt. Due to delays and changes in the market, the PDS financing fell through. GDREC then entered into negotiations with The President Riverboat Company to carry the financing for them. Those negotiations resulted in a better financing package than previously presented to the Commission. They will now have a total debt load of $17.3 million - $14 million to be carried by The President at an interest rate of 12%, and another $3.3 million of financing for the machines. IGT has provided a commitment to finance the machines at 13%, but with further negotiations, GDREC has obtained an interest rate of 11%. GDREC will have the final documents pertaining to the financing for the machines for approval at the September meeting.

The purchase price of the boat, included in the Charter Agreement, is $14.5 million with $500,000 down. The amortization schedule shows that at the end of the two year there will be approximately $8 million left on the purchase price for the vessel. They have a purchase option available anytime during the course of the lease, or must provide four months notice prior to the end of the two years of their intent to exercise the purchase option.

Previously, GDREC did not have any equity involved. Several Commissioners had expressed some concern on this issue. GDREC went to the unitholders and received commitments from them which were finalized on Friday (August 18th). Mr. Gross sent these to the Commissioners over the weekend. The unitholders put up equity of $1.2 million.

The bottom line, compared to what was approved by the Commission in June, shows that the net cash flow of the property is improved by approximately $1 million as a result of the reduction in the debt load, the additional equity, and the lower interest rate.

GDREC will be purchasing all of the equipment, including the gaming equipment. With the renegotiated package, the only gaming equipment that is purchased as part of the package is all of the table games and 33 machines which have bill validators with them at a cost of $1,400 per machine. There will be a separate agreement executed pertaining to those machines which will be provided at the September meeting.

Mr. Gross outlined the elements to this transaction: 1) Charter Agreement which is before the Commission, with final slot financing to follow in September; 2) a separate company is purchasing the portside facility and GDREC will be executing a lease with that company that should also be before the Commission in September, and 3) the separate agreement for the equipment to come before the Commission in September.

At the regular Commission meeting, there was some concern expressed regarding the agreement with DRA relating to the deadline to move forward with slot machines at the track which was conditioned on GDREC getting final approval from the Commission regarding the financing for the new boat. Mr. Gross stated that he understood that DRA had extended the deadline from August 17th to August 21st; GDREC has agreed to that change as well and initialed the Operating Agreement which reflects that change. Both parties have signed off on the Operating Agreement so that everyone can move forward at the same time.

Chair Canella asked Mr. Gross to clarify that both parties, GDREC and The President Riverboat Company, had signed the Charter Agreement. Mr. Gross stated that he had a signature page from John Connelly of The President Riverboat Company for the Charter Agreement.

Steve Krumpe, representing Dubuque Racing Association (DRA), confirmed that the DRA Board met on Thursday and did agree to extend the deadline to August 21st and that both parties had initialed the changes to the Ninth Amendment to the Operating Agreement.

In order for the Ninth Amendment to take effect, both parties need the Commission to give their final approval of GDREC's application for the new boat. Both parties are in agreement that Commission approval, if given today, would be the final approval of the May application.

Mr. Ketterer read the following statement, and asked Mr. Gross and Mr. Krumpe to listen carefully to see if they concurred with the statement: "Do you both agree that the Commission's approval of this Charter Agreement and the Exhibits thereto constitutes final approval and satisfies the third and last condition to the Ninth Amendment to the Operating Agreement that was previously approved by the Commission." Mr. Gross and Mr. Krumpe both indicated their agreement with the statement.

Chair Canella asked for additional comments. Hearing none, he called for a motion. Mr. Krumpe asked that it be on record that both parties agreed to the extension of the deadline from August 17th to August 21st. Both parties agreed.

Commissioner Peyton moved to approve the Charter Agreement and the changes to the Ninth Amendment. Commissioner Van Horn seconded the motion. Hearing no further discussion, he called for a roll call vote. The motion passed unanimously. (See Order No. 95-118)

Chair Canella congratulated both DRA and GDREC and thanked them for their patience and endeavors to reach a successful conclusion.

Hearing no further business, Chair Canella called for a motion to adjourn. Commissioner Whittenburg moved to adjourn, and Commissioner Sealock seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 19, 1995

The Iowa Racing and Gaming Commission (IRGC) met on September 19, 1995, at the University Park Holiday Inn, 1800 50th Street, West Des Moines, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg and Brad Peyton.

Chair Canella called the meeting to order at 9:00 a.m. and called for a motion to approve the agenda. Commissioner Sealock moved to approve the agenda. Commissioner Whittenburg seconded the motion which passed unanimously.

Chair Canella then asked for a motion to move into Executive Session for the purpose of background checks. Commissioner Whittenburg so moved, and Commissioner Van Horn seconded the motion. The motion passed unanimously.

Following Executive Session, Chair Canella called for a motion to approve the minutes of the August 15, 1995, Commission meeting and the August 21st telephonic meeting. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously.

Chair Canella then called on Frank Biagioli with the Iowa Gambling Treatment Program. Mr. Biagioli spoke about the program and the results of the prevalence study on problem gambling in Iowa which was commissioned by the Iowa Gambling Treatment Program. This study will enable better development of services to address pathological and problem gambling in Iowa.

Chair Canella then called on Jack Ketterer, Administrator of IRGC, to discuss the Notice of Intended Action regarding various administrative rules. Mr. Ketterer stated the changes to the rules were more of a technical than a substantive nature. In regards to the vendors' license, there has been some question as to where the cut off point was. The rule now specifies that vendors who conduct operations on site providing goods and services will be licensed. Delivery persons will be issued fee-free passes by the tracks and boats.

Commissioner Peyton moved to approve the Notice of Intended Action on Administrative Rules 491-7.5(9); 491-13.6. 491-13.10 and 491-13.11. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-119)

Chair Canella called on Dan Kehl, General Manager of Catfish Bend Casinos, to discuss the Third Addendum to Southeast Iowa Gaming Boat River Development and Operator's Contract. Mr. Kehl stated that the addendum before the Commission was due to a change in the way admission charges were figured for tour groups who left the boat for a planned meal and then returned to the boat.

Chair Canella then asked Mr. Kehl about the lease between Catfish Bend Casinos and the City of Fort Madison for the rental of the Old Burlington Northern Depot for use as a warehouse. Chair Canella noted that the lease was signed in July, 1995, and the Commission was not made aware of the lease until September.

At this point, Chair Canella stated that any contracts submitted to the Commission for approval be submitted according to the Administrative Rules, and that action will be taken against licensees in the future if contracts are not submitted in a timely manner.

Chair Canella called for a motion for approval of the Third Addendum and lease with the City of Fort Madison. Commissioner Sealock so moved. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 95-120)

Before moving to the next agenda item, Chair Canella called on Walt Pyper, General Manager of Bluffs Run (BR), and asked when the Commission's offices would be ready for occupancy. Mr. Pyper stated that he had talked with the contractor who had indicated that IRGC could move into the offices this weekend. He stated that the millwork for the counter will not be installed until next Wednesday. Linda Vanderloo, Director of Racing/Administration, stated that the counter was necessary if IRGC was to continue licensing, and that licensing should not be shut down any longer than necessary. She noted that the Gaming Reps could move into the new offices, but the licensing portion of the IRGC offices could not move. Additionally, installation of the ICN line had been scheduled but had to be canceled in light of the fact that the offices were not ready, and IRGC will have to start that process again. Ms. Vanderloo also asked about the lack of a sidewalk. Mr. Pyper indicated he did not have that information and asked Barry Sevedge. Mr. Sevedge stated that the trailers would be moved from the south side in order to allow access to the construction site at which time the sidewalk should be poured, possibly sometime next week. Mr. Pyper also noted that parking would be reserved for licensing.

Additionally, Chair Canella informed Mr. Pyper that IRGC expected a check in the amount of $100,555.40 for unclaimed winnings as of August 31, 1995, and that it had not yet been received. Mr. Pyper stated that he thought Peters Law Firm had forwarded the check under protest, and asked Jim Campbell, attorney for BR, to come forward. Chair Canella stated that he felt this issue had been resolved last year - if BR did not agree with an issue, they were to submit their check on time under protest.

Mr. Campbell stated that he understood the check had been mailed the end of last week. Chair Canella noted that the Commission had received notice of a Request for Declaratory Ruling on behalf of BR, but had not received a check. Mr. Campbell noted there is an ongoing dispute as to the legality of this obligation which had not yet been resolved. Mr. Campbell also noted there was some question of paying the assessment prior to the filing of the Request for Declaratory Ruling.

Commissioner Whittenburg stated that they should have filed the motion in a more expedient manner, and paid the assessment. Mr. Campbell accepted responsibility for the delay, and indicated he would find out when the check had been mailed. He stated another cause for the delay in payment was the belief that once the money had been received by IRGC, there was no avenue for the money to be returned without going to court.

Commissioner Peyton asked Mr. Campbell if the dispute was with the actual law or the Commission's interpretation. Mr. Campbell stated there is no statute. Commissioner Peyton asked how they disputed the statute which states that the assessment is owed. He asked if they were disputing the interpretation of the existing statute or challenging the authority of the Legislature to adopt the statute in the first place? Mr. Campbell stated that the statute written by the Legislature is clear; it does not provide for the kind of billing to the track for the payment of this cost. He also noted there are some Administrative rules which have been written which they view to be illegal as well.

Chair Canella asked Jeff Farrell, Assistant Attorney General representing IRGC, if the Commission could still issue an Order to Show Cause even though the Request for Declaratory Ruling had been received. Mr. Farrell stated that he had made it clear in conversations with Jacob Peters of the Peters Law Firm that the Commission would file an Order to Show Cause on the same issue for which a request for declaratory ruling had been filed. There would be two cases; however, the Commission would decide the issue at the same time. If the Commission decided in favor of the staff, BR would be at risk to have a disciplinary action or sanction imposed upon them.

Chair Canella then called on Jeff Terp, Vice President of Business Development for Ameristar Casino, and Gary Armentrout, Senior Vice President for Harvey's, to present additional information regarding their requests to open their riverboats early. Mr. Terp stated that Ameristar had submitted a request to open their gaming facility in later 1995, but that the Commission had requested they work with the City and County to define the term "substantially complete". He asked Dick Wade, Council Bluffs City Attorney, to address the Commission. Mr. Wade noted that several meetings involving representatives from both licensees, Iowa West Racing Association, the City and County were held in order to reach the resolution presented to the Commission.

Mr. Ketterer asked Mr. Wade for clarification on the resolution. Mr. Ketterer noted the resolution contained ten criteria which must be met by the licensees in order to open; however, it does not contain any date specific items other than to state that no gaming should be permitted to start prior to December 1, 1995. He noted that the Commission should hear from the licensees as to what their construction schedule is at this point, at what point in time they feel they will be able to comply with the established criteria, and when they expect to have all aspects of their facilities completed. Mr. Wade stated that he had specifically stayed away from dates. He asked the City and County to come up with specific items they wanted completed before allowing gaming to begin and not be concerned with dates.

Mr. Terp stated that Ameristar agreed with the criteria and would work with the City and County. He stated that Ameristar could possibly be ready to open on December 11, 1995, but that date would be determined in discussions with the DCI as to availability of staff, and IRGC staffing. They are also very much aware that if they open on December 11, 1995, they must be 100% by December 11, 1996.

Chair Canella noted the amount of work necessary to arrive at the resolution submitted to the Commission, but felt that it was overkill. He feels that a certain date should be picked on which IRGC staff would view the riverboat sites, visit with County and City representatives, and determine whether or not the facilities would be allowed to open. Mr. Terp expressed his agreement with Chair Canella's belief, but would attempt to fulfill the spirit of the resolution agreed to with the City and County.

Mr. Armentrout noted that after the licenses were granted in January, 1995, neither Harvey's or Ameristar had a date certain toward which to work for opening. The original statute allowing riverboat gambling stated that the boats would open on April 1, 1991; however, the licenses awarded to Ameristar and Harvey's contained the ambiguous phrase "substantially complete" as the criteria for opening. Whichever boat meets the criteria set forth in the resolution should be allowed to go ahead and open their facility.

Mr. Armentrout stated that Harvey's should be able to satisfy all ten criteria by mid-December based on their current construction schedule, and suggested that the Commission allow Harvey's and Ameristar to give updates at the November meeting as to construction, staffing, etc. against the ten criteria.

Commissioner Sealock noted that the licensees would need some kind of indication on this date as to whether they would be allowed to open early in order to meet staffing needs. Mr. Armentrout expressed his hope that the Commission would adopt or endorse the resolution of the City and County with the condition that gaming not be permitted to start prior to December 1, but take the position operations could commence anytime subsequent to December 1st upon the issuance of a permit showing that each operator had met the standards. He feels there needs to be a distinction between the standards which the City and County have drawn up, and endorsed by Iowa West, and the proposal from Iowa West to appoint an administrative referee to judge whether or not the standards have been met. He voiced his opinion that there is no need for an administrative referee.

Commissioner Peyton asked if the criteria established by the City and County would be sufficient to issue an occupancy permit. Mr. Wade indicated it would not.

Chair Canella called on the qualified sponsoring organization for Sioux City, Missouri River Historical Development, to voice their opinion regarding the early open request. Betty Strong, President, noted that Council Bluffs will have a golden opportunity when the boats arrive. At the

last Commission meeting she attended, she left with the opinion that the boats in Council Bluffs would not open prior to January, 1996, so it was not necessary to take any action regarding exclusivity for Sioux City. She ended by saying that "A deal is a deal".

Commissioner Peyton asked if there was a reason why the exclusivity provision was not binding. Mr. Ketterer advised Commissioner Peyton that there was a new licensee, and that the Commission had not granted exclusivity to the new licensee because the Commission thought it was a moot point.

Mr. Campbell, representing Iowa West, noted that Ameristar and Harvey's were selected because of the amenities and opportunities they would be bringing to the community. During their participation in the joint meetings, the concern that the projects would not be completed as promised was evident. He explained that Iowa West had submitted the proposal for an administrative referee because IRGC staff is strapped, time is short, and there are lots of problems to attend to other than watching buildings go up. The ten criteria set forth in the resolution will be sufficient to protect the City and County, but Iowa West felt that no one on the IRGC staff would have sufficient time to inspect the sites to insure that the criteria are being met. The idea of the administrative referee was an effort on the part of Iowa West as the joint license holder to make sure that the Commission did not run into the problem of trying to judge or evaluate the compliance with the criteria. They feel the referee would allow the Commission to allow a person of their choice to come back to the Commission and answer the questions raised by the criteria to insure that the projects are completed to the best interests of the community. Mr. Campbell noted that the expenses incurred for and by the administrative referee should be paid for by riverboat licensees on a pro rata basis, and should be licensed by the Commission.

Chair Canella asked Mr. Terp and Mr. Armentrout when they felt their projects would meet the ten criteria set forth in the resolution. Mr. Terp stated that Ameristar anticipated meeting those criteria by December 11th. They are currently working two shifts on their construction.

Mr. Armentrout also indicated December 11th. With respect to full completion of all aspects of the project as presented, Harvey's anticipates everything will be completed by May, 1996. He indicated that a December 11 opening date would allow the operators to work out any problems during the slow weeks at the end of December. Mr. Armentrout noted that the Commission's offices were ready for occupancy in the Omni Center.

Mr. Wade noted that the project engineer would determine when the projects were 100% complete, but there has not been a decision as to who will determine when the buildings are 50% completed in order to meet the established criteria. He went on to state that a statement from the project engineer to that effect would probably be sufficient for the City and County.

Mr. Ketterer asked Mr. Wade his opinion of the administrative referee proposal. Mr. Wade indicated that many of the established criteria required city approval. He felt that it was unnecessary to have

someone determine when city approval could be given as city approval would require formal action by the city or planning board.

Chair Canella indicated there were two issues which the Commission needed to decide, one of which is a date for opening. He felt that some consideration needed to be given to Sioux City's comments. Commissioner Whittenburg, noting that she made the nomination for Harvey's, stated that one of the main factors in her nomination was the fact that the project would not be in operation prior to 1996.

Chair Canella broke the two issues down as follows: 1) date; and 2) the appointment of an administrative referee.

Chair Canella also mentioned the ability of the DCI to have trained staff available. Gene Meyer, DCI Administrator, indicated he could live with a December 11 date, but his preferred date would be December 18th. Mr. Ketterer indicated that IRGC staff would require certain items to be completed prior to the boat opening: surveillance, testing of gaming equipment, and determining public safety issues. IRGC would go to the City and County before allowing the boats to open to insure that their requirements had been met, and that staffing had been met. He noted that this still did not establish a date; and that the licensees could give an update in November and work toward whatever date they choose as they are now aware of what is expected.

Chair Canella noted that BR and Prairie Meadows were not ready at the time the slot casinos were opened. He indicated he would prefer to delay the opening to insure that everyone and everything is ready when the boats do open.

Chair Canella indicated that he would first like to receive a motion regarding an opening date, whether it be November, December, January, etc. Commissioner Peyton stated that he placed a great deal of deference to the Commissioners who were on the Commission at the time the licenses were granted, and indicated that he would not be in favor of an early opening, but that it would be pure speculation to pick a specific date at this time.

Commissioner Whittenburg moved to not allow the licensees to technically begin operation prior to January 1, 1996. Commissioner Sealock seconded the motion, adding that a January opening would still be an early opening since both companies indicated they would not be in operation prior to April or May, 1996 during the presentations made in January, 1995.
The motion passed unanimously. (See Order No. 95-121)

After a short break, Chair Canella took up the issue of determining how to carry out the compliance with the ten points established by the City and County for "substantial completion". One way would be to hire an administrative referee; the other is to have IRGC staff perform the duties. Comments from various commissioners indicated a preference to use IRGC staff.

Commissioner Sealock moved to accept the plan submitted to IRGC by the City and County, in concurrence with Iowa West, and that they monitor the activity locally in conjunction with IRGC staff. Commissioner Peyton seconded the motion. Chair Canella stated that as he understood the motion, there would be no administrative referee. He requested that IRGC staff, under the direction of Mr. Ketterer, work with Ameristar, Harvey's, Iowa West, City and County to determine the completion of the ten points. The motion carried unanimously. (See Order No. 95-122)

At this time, Chair Canella moved BR up on the agenda. Mr. Pyper presented their request to shut down the track for two weeks in October (October 1-15) instead of December for the purpose of resurfacing the track. Live racing will resume on October 16th. The only days they will be shut down in December are December 24th and 25th for Christmas. Ms. Vanderloo asked if there were any contracts that needed to come before the Commission for approval for work to be done during that time period. Mr. Pyper indicated there were no contracts to be submitted. He stated that the total cost should be under $50,000, with Andersen Construction performing the work. Mr. Pyper indicated that Andersen has already been approved by the Commission and is doing the work on the casino remodeling project.

Commissioner Sealock moved to approve the change in dates for shutting down the facility to resurface the track from December to October. Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-123)

Chair Canella called on Catfish Bend Casinos and Mississippi Belle II to present their contracts. Mr. Kehl stated that there was one contract with Big Muddy's which is an ongoing contract, and is going to exceed the $50,000 limit.

Mr. Kehl provided a brief update on events in the Ft. Madison area. He noted that the City of Keokuk has chosen a boat operator and filed an application with the Commission. It is the contention of Catfish Bend and Southeast Iowa River Regional Riverboat Corporation (SIRRC) that the City of Keokuk, through its association with SIRRC, has given SIRRC the exclusive right to be the non-profit. They are in the process of filing a request for Declaratory Judgment. The other question is whether the market in that area can support two riverboats, and a market study is being performed.

Mr. Kehl noted that Catfish Bend is in the process of ordering new slot machines, getting on the Smart system, bill validators and Player's Club. They hope to make the transition the last week of October.

Hearing no further comments, Chair Canella called for a motion regarding the Big Muddy's contract. Commissioner Whittenburg so moved; Commissioner Van Horn seconded the motion. The motion carried unanimously. (See Order No. 95-124)

Chair Canella called on Ken Bonnet, President of the Mississippi Belle II, to present the contracts with Brinkman Building Center for materials to build an addition to the Commissary/Warehouse facility and Sauk Trails, Inc., a motor coach company to transport persons to the facility. Sauk Trails, Inc. is based in Dixon, Illinois.

Hearing no further comments, Chair Canella called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-125)

Chair Canella then called on Jerry Crawford, representing the Iowa Greyhound Association (IGA), addressed the Commission regarding Waterloo and BR. In regard to Waterloo, the IGA is hopeful that they will be able to come to the Commission with an economically viable plan for a full season of greyhound racing. If that would not occur, IGA is concerned about the status of the funds generated since the last live meet from the simulcast of out-of-state and in-state racing signals. IGA believes those funds should end up in greyhound purses in some way. Further, IGA would like the Commission to consider whether or not Waterloo should be allowed to continue simulcasting without having a live meet.

In regards to BR, Mr. Crawford addressed the agreement negotiated and approved last year between BR and the IGA. Mr. Crawford stated there is a provision which states: "In the event that BR --- runs more than seven performances per week, the parties will agree to an appropriate supplement and submit that for approval by the Commission". Bluffs' interpretation of this language is different than the IGA. IGA believes that the weeks of Memorial Day, July 4th, and Labor Day, when more than seven performances were conducted, triggered this provision and a supplement is due and owing. IGA requested that this matter be turned over to a greyhound sub-committee. He noted that attempts had been made to settle this matter informally, but were unsuccessful.

Chair Canella noted that the Commission has not received any information on the Waterloo situation. He feels that Waterloo is running out of time to have a live meet in December, January or February. There is some concern about the condition of the track and the heating system. IGA shares those concerns.

Mr. Campbell offered rebuttal regarding Mr. Crawford's comments surrounding the agreement between BR and IGA. It is BR's belief that the above provision is only triggered if BR requests a change in the racing schedule. BR has not made such a request as the holiday racing schedule was included in their season approval which was prior to the execution of this agreement; therefore there is no supplement owed to the IGA.

Chair Canella appointed Commissioners Peyton and Van Horn to review this matter. Commissioner Peyton is to act as chair.

Chair Canella then called Carl Bolm, General Manager of the Dubuque Diamond Jo, to present their contracts to the Commission. Those contracts are with Mikohn Gaming Corporation for Caribbean Stud equipment; Sunstar Equipment Company for various food and beverage equipment for the portside facility; and Total Structures, Inc. which is performing the remodeling to the portside facility.

Hearing no additional comments, Chair Canella called for a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-126)

Chair Canella asked for an update regarding the new boat. Mr. Bolm stated that renovation of the new vessel had started on August 14th at Leevac Shipyards. As of September 12th, the vessel started upriver and anticipate its arrival in Dubuque on September 25th or 26th. They hope to have the vessel operational the first week in October, with a grand opening on the 5th.

Mr. Bolm noted that the Player's Club and Diner Club have been completed in the portside facility as well as the gift shop. They have reopened a bar on the upper level which had been closed down prior to GameDev assuming the operation of the boat. This bar will feature Monday night football, comedy night on Tuesday, and then five consecutive nights of live music. They have started their marketing promotions.

Commissioner Sealock asked how many passengers the new vessel will hold. Mr. Bolm stated that the boat will hold 1400 - 1200 passengers and 200 crew members. She asked the question to point out that the Commission has not allowed expanded gambling by allowing the replacement vessel in Dubuque. This vessel is smaller than the original vessel in Dubuque which was operated by the Kehl family and had a 2,000 passenger capacity.

Chair Canella then called on Mr. Armentrout to present Harvey's contracts for Commission approval. Those contracts were with A.C. Coin and Slot Service Company for the purchase of gaming seating (two contracts); Bally Gaming for slot machines; Cummins Allison Corp. for token/coin sorters; Mikohn Gaming Corporation for a three-year lease of Caribbean Stud gaming equipment; Money Processing Consultants for coin processing equipment; R. D. Blue Construction to install the water main and electrical for the hotel and convention sites; Riverboat Management as a consultant to assist Harvey's in making the most efficient and productive use of their facilities; Southwest Systems Corporation for a surveillance system for the boat; First Interstate Bank for a Line of Credit Agreement; and WICO Gaming Supply for the purchase of gaming tables and related accessories. Three of the eleven contracts are with Iowa vendors. The other contracts deal with gaming equipment for which there are no vendors in Iowa.

Hearing no further comments, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 95-127)

Mr. Armentrout provided photographs of the construction site. They are in the process of pouring the fifth floor of the hotel, the dockside facilities are complete and the contractor has withdrawn from the site. The parking area is completely graded and approximately 50% paved.

They held the grand opening of their office site at the Omni Center last week. This office will be the permanent administrative headquarters for Harvey's financing, accounting, purchasing, sales, marketing, human resources and gaming school. The gaming school is open with 18 gaming tables, and hope to begin that process during the first part of October.

The vessel is scheduled for sea trials on November 1st, to depart the shipyard on November 10th, and to arrive in Council Bluffs around November 25th.

Chair Canella called on Bob Ellis, corporate counsel for Lady Luck Bettendorf, to present their contracts to the Commission. Those contracts were: A. D. Huesing Bottling Works for soda pop and other beverages; BT Publix Office Products for office supplies; C. J. Investments (dba The Liquor Shoppe) for liquor; Hawkeye Foods Systems Inc. for food, beverages and condiments; King Food Service for food and beverage items; Loose Gear for clothing for the gift shop; Moline Dispatch Publishing Company for advertising and marketing; Parker Distributing Co. Inc. for fuel products; Quad-City Times for advertising and marketing; River Cities Productions, Inc. for special events/marketing; Robertson Builders for construction in various land-based area; and Unique Enterprises, Inc. for coin/currency handling items. It was noted that ten of the twelve contracts are with Iowa vendors.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts as submitted. Commissioner Sealock so moved; Commissioner Whittenburg provided the second. The motion passed unanimously. (See Order No. 95-128)

Mr. Ellis provided the Commission with a brief update. He reported that the outlet mall will be opening in October. They have commitments from seven entities who want to have stores open in the outlet mall during the holiday season. They are going to open the outside of the building between October 15th and November 1st. They have requested the contractor to proceed with improvements on the inside of the mall for those entities.

Chair Canella then called on General Manager Mark Lohman to present The President's contracts to the Commission. Those contracts were: Aramark for linen service; Armstrong Systems & Consulting Company for data card equipment, plastic cards filing supplies and used Lektriever units; IGT for slot machines; Rejuvenate Davenport for the demolition of the President block; Speciality

Systems of Illinois for asbestos removal; Sysco Food Services of Iowa, Inc. food products, related disposables, chemicals, small wares and equipment; Tri City Electric Company of Iowa for installation of electrical wiring and lighting; and Windows on the River for meal comps at their restaurant located in the Blackhawk Hotel.

He noted the contract between The President and Rejuvenate Davenport had been submitted as an exhibit to the lease agreement between The President and the City of Davenport. This was re-submitted as Rejuvenate has hired a subcontractor to perform the demolition of the President block. Mr. Lohman also noted the switch to Sysco Foods as their main food vendor. At the request of Commissioner Sealock, Mr. Lohman explained that the contract with Windows on the River is a joint venture between a local restaurant, the Quad Cities and the Blackhawk Hotel which is owned by The President Casinos, Inc. These entities formed an alliance to operate a restaurant, night club and banquet facility on the top floor of the Blackhawk Hotel. The President utilizes their services for complimentary dinners for casino patrons.

Chair Canella called for a motion to approve the contracts as submitted. Commissioner Whittenburg so moved and Commissioner Van Horn seconded the motion. Commissioner Sealock voiced her approval of The President's continuing efforts to improve their facilities in Davenport. Hearing no further discussion, Chair Canella called for a vote on the motion. The motion passed unanimously. (See Order No. 95-129)

Mr. Lohman advised the Commission that the offices of The President have been relocated to an area one block back from their previous offices. The old offices are being environmentally cleaned, and will be demolished beginning the last week of September. Once demolition is completed, construction of additional parking will begin. They also plan to renovate the guest services facility to provide an upgraded, permanent buffet facility, and kitchen expansion. They anticipate beginning this work in October.

The President Casino Mississippi docked in Davenport in early September approximately one-half mile upstream from the current location. The vessel is being readied to swap with the current vessel in early November.

Chair Canella called on Bruce Wentworth, General Manager of the Dubuque Greyhound Park, to present their contracts. Those contracts were: American Trust & Savings Bank for the casino project loan; ACME Business Machines, Inc. for food and beverage hardware/software systems; AC Coin & Slot Service Company for casino seating; Cam Tech Corporation for slot drop stands; Casino Data System for slot tracking system hardware and software; Cummins Allison Corporation for note counter and token/coin sorter; Computerland for hardware/software; GDC Casino Tokens for tokens; International Game Technology for slot machines; Mikohn Gaming Corporation for purchase and installation of casino signage equipment; Money Processing Consultants, Inc. for assorted coin handling equipment; Mosler, Inc. for currency sorting equipment; Sport View Television

Corporation for surveillance; and Larry Weitz Sign Systems, Inc. for an outdoor sign and message center. It was noted that seven of the fourteen contracts are with Iowa-based vendors. The first contract listed is for $6 million dollar loan package from three Dubuque area banks.

In response to Chair Canella's question as to the anticipated opening for the casino, Mr. Wentworth stated he anticipated no earlier than Halloween, but no later than Thanksgiving.

Hearing no further discussion, Chair Canella asked for a motion to approve the contracts as submitted. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-130)

Chair Canella called on Mr. Terp of Ameristar to provide a brief update on their project. Mr. Terp stated that Ameristar should be ready to open on January 1, 1996. The vessel is almost completed, there are some final finishing to be done. They are on schedule for the vessel to arrive sometime the first week of November, leaving the boatyard between October 7th and October 10th. There are two shifts working on the land-based facilities, and they will continue using two shifts until the project is completed in its entirety.

Ameristar has held 17 job fairs to date, and have been very please with the quality and turnout. They anticipate beginning their dealer school within the next couple weeks.

Chair Canella asked if the 5.6% minority applicants included the Native Americans. Mr. Terp noted that Mr. Lucas has contacted individuals at CasinOmaha and is working toward addressing everyone's concerns on this issue.

Commissioner Sealock asked if the tanks located on the Koch Fuel property had been removed. Mr. Terp stated that the fertilizer tanks have been removed, and that the Koch tanks will not start coming down until after the asphalt season ends. The former Koch terminal building will become a permanent building for Ameristar and be used for outside security, landscaping and grounds keeping headquarters.

Chair Canella then called on the representatives of the Miss Marquette. Wayne Wallace, General Manager of the Miss Marquette, informed the Commission that there are 750 employees on the riverboat. They just completed a parking lot expansion. The summer season has far exceeded their expectations. They will be changing the cruise schedule from 7:30 a.m. to 12:00 Noon in order to avoid the fog beginning the first of October.

Chair Canella asked about their projected admissions for the year. Mr. Wallace indicated they had been averaging approximately 2800 admissions per day, and expect an increase in admissions during October, and then a decrease through the holiday season. They hope to reach 1.2 million admissions for the year.

Randy Lenth, representing the Marquette Gaming Corporation, expressed their pleasure with the enhancements made by the Miss Marquette people.

Chair Canella asked what percentage of the admissions were coming from Wisconsin. Mr. Wallace stated that approximately 35% come from Wisconsin, 35% from Minnesota and the remainder of the admissions come from Iowa. These figures coincide with those provided in the demographic study. They have instituted several different bus programs, own a restaurant/bar in the McGregor area which they intend to use for special events and functions - business lunches, meetings, Christmas parties, etc.

Mr. Lenth informed the Commission that there are three certified officers on the Marquette police force. There are two officers attending the Law Enforcement Academy at the present time, with two more to attend the academy. There is 24-hour police coverage.

Chair Canella asked for any public comment. Hearing none, he called for a motion to adjourn the meeting. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion passed unanimously.

MINUTES TAKEN BY JULIE HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 12, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 12, 1995, at the Dockside Pavilion of the Miss Marquette Riverboat, Marquette, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg, and Brad Peyton.

Chair Canella called the meeting to order at 9:00 a.m., and called for a motion to approve the agenda. Jack Ketterer, Administrator of IRGC, informed Chair Canella of the following amendments to the agenda: Defer Item 5(a) regarding the possible merger of Mississippi Belle II, Inc. and Robert's River Rides, Inc. and Item 5(b) is covered under the contract portion of the agenda. Commissioner Sealock moved to approve the agenda as amended. Commissioner Whittenburg seconded the motion which carried unanimously.

Chair Canella then asked for a motion to go into Executive Session for the purpose of receiving DCI reports on background investigations and to receive advice from legal counsel. Commissioner Whittenburg so moved, and Commissioner Van Horn seconded the motion. The motion passed unanimously.

Following Executive Session, Chair Canella called for a motion regarding the minutes from the September 19, 1995 meeting. Commissioner Sealock moved to approve the September 19, 1995 minutes as submitted. Commissioner Van Horn seconded the motion which passed unanimously.

Chair Canella then called on Bruce Wentworth, General Manager of Dubuque Greyhound Park (DGP) regarding the request from the Dubuque Racing Association (DRA) and Iowa Greyhound Association (IGA) for approval of the purse supplement agreement. This agreement calls for the racing association to supplement purses up to 7% of their net gain, or over $700,000 during the next live racing season which begins on May 1, 1996. There will be a maximum of fifteen kennels with one-half of those being Iowa-bred kennels. The DRA Board approved the agreement. Commissioner Whittenburg read a letter from Jerry Crawford, attorney for the IGA, expressing IGA's appreciation with DRA's responsiveness and flexibility which allowed an agreement to be reached in less than 48 hours. Commissioner Whittenburg made a motion to approve the purse supplement agreed to by DRA and IGA. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-131)

Chair Canella then called on Mayor Gene Trudo who welcomed the Commission to Marquette, and thanked them for working with the community in order to make the boat a reality. The city has been able to replace sidewalks and make other improvements to the city's infrastructure. There are new houses and an apartment complex being built. He noted that one of the main benefits of the boat is the availability of jobs.

Chair Canella called on Terry Hirsch, Director of Riverboat Gambling for IRGC, to discuss the winter dockside schedules submitted by the riverboats. The schedules are as follows:

Belle of Sioux City: Effective October 19, 1995, the Belle of Sioux City will be open from 10:00 a.m. to 3:00 p.m. Sunday through Thursday, and 10:00 a.m. to 5:00 a.m. Friday and Saturday.

Catfish Bend Casinos: Will close at 2:00 a.m., Monday October 23, 1995, move the boat and barge to Burlington, and reopen at approximately 5:00 p.m. on October 23, 1995. Will close at 2:00 a.m. on Monday, November 6, 1995, for renovations, and will reopen on Saturday, November 11, 1995. Regular hours of operation will be 8:00 a.m. to 2:00 a.m. on Monday and Tuesday. Upon reopening at 8:00 a.m. on Tuesday, the boat will be open 24 hours a day until the following Monday.

Dubuque Diamond Jo: Open from 9:00 a.m. to 2:00 a.m. Monday and Tuesday; open from 9:00 a.m. to 4:00 a.m. Wednesday and Thursday; open 24 hours on Friday and Saturday; and open until 2:00 a.m. on Sunday.

Lady Luck Bettendorf: Effective October 13, 1995, Lady Luck will be open 24 hours a day through April 1, 1996.

Miss Marquette: Open 24 hours a day seven days a week, with early outs for Thanksgiving and Christmas.

Mississippi Belle II: Open from 9:00 a.m. to 2:00 a.m. Sunday through Thursday; and 9:00 a.m. to 4:00 a.m. on Friday and Saturday, with exceptions for Thanksgiving, Christmas and New Years.

The President: Open from 8:00 a.m. and closing the following morning at 3:00 Monday through Thursday; open at 8:00 a.m. Friday and remain open until 3:00 a.m. Monday morning. They also requested 24-hour operations from 8:00 a.m. November 23, 1995 through November 27, 1995; 8:00 a.m. December 29, 1995 through 3:00 a.m. January 2, 1996; 8:00 a.m. January 12, 1996 through 3:00 a.m. January 16, 1996; and 8:00 a.m. February 16 through 3:00 a.m February 20, 1996. The President also requested permission to extend the dockside season from April 1 until the middle of May, 1996, with a specific start of the cruising season to be determined.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the winter dockside schedules as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-132)

Chair Canella called on Jeff Terp, Vice President of Business Development for Ameristar, to provide the Commission with an update. Mr. Terp indicated that Ameristar would like to have two charity

nights sponsored by two local charities, December 28 and 29, 1995, with approximately 500 in attendance each night, to provide live interaction with patrons for staff. Play money would be used on the tables. A non-profit license would be obtained for those evenings which would allow the charities to establish an admission fee, have raffles, and no one will be allowed to wager more than $50 in play money. Ameristar will donate a grand prize which everyone would be able to sign up for at registration. In addition, Mr. Terp asked the Commission to consider the possibility of allowing the slots to be used those evenings as well. He stated that any tax due the state would be paid and all profits generated would be donated to charity. Ameristar is aiming for a January 1, 1996 opening date.

He also provided the Commission with an update on all aspects of the project. He noted that the riverboat is on schedule. Mr. Terp noted that a list of all key positions which have been filled has been prepared. Those individuals are on site in Council Bluffs.

When asked how the hotel construction was progressing, he noted that pictures provided in the update show that work is being done on the foundation and steel work. Also, the lease agreement with Kinseth is one of the contracts submitted for approval. Mr. Terp noted their surcharge, pending approval, begins within the next 10-15 days. The hotel is on top of the terminal building. The Kinseth will be off to the right as you enter the main building. The terminal building, consisting of the main pavilion area, is scheduled to be completed February 1, and the rest of the hotel is scheduled to be completed between April 1st and the 10th.

Mr. Terp stated, pending Commission approval and operating under the assumption they have met the "substantially complete" criteria, that January 1, 1996 is their target date to open, specifically 12:01 and have some type of New Year's Eve party that evening. They would like to be able to let individuals on the boat beginning at 10:00 to help limit the crowd and avoid long lines of individuals waiting to board.

Mr. Terp presented the following contracts for approval:

A.C. Coin & Slot Service Company - Gaming Stools
Andersen Construction Company - Construction office remodel & various change orders
Cummins-Allison Corporation - Token, Coin Sorter, Jetsort
Electronic Engineering Company, Inc. - Radio System
The Elwyn Gee Group - Boat & landside lighting
Federal Sign Gaming Group - Exterior signage
GDC Casino Tokens - Tokens
HDR Engineering, Inc. - Engineering services
Lodging & Gaming Systems, Inc. - Computer hardware & software
Money Processing Consultants, Inc. - Money handling equipment

Mosler, Inc. - Currency sorter
R.D. Blue Construction, Inc. - Intersection work
Lease agreement with Kinseth Hotel

Hearing no further discussion, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-133)

Chair Canella called on Gary Aiazzi, Director of Property Development for Harvey's Casino Resorts, to discuss the following contracts submitted for Commission approval:

Contel of Nevada - Telephone switch & related accessories for vessel
Contel of Nevada - Telephone w/switch for Omni Center
GDC Casino Tokens - Casino tokens
Mosler, Inc. - Currency sorter w/accessories
Perini-Andersen - Construction of hotel and convention center
Reno Safe & Lock - Slot stands w/lock boxes and related accessories

Mr. Aiazzi submitted an update, with pictures as of October 9th, of the progress at Harvey's site. The boat slip is complete. Parking lots have been blacktopped. The boat is scheduled to be at the Nebraska City bridge on November 22nd.

Chair Canella asked Mr. Aiazzi when Harvey's planned to open - January 1st or January 15th. Mr. Aiazzi responded they hoped to open as soon as possible, but are planning on a January 1st opening.

Chair Canella asked when their hotel would be completed. Mr. Aiazzi indicated that the hotel is scheduled to be completed by May 30th.

Hearing no further discussion, Chair Canella called for a motion regarding the contracts. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-134)

Chair Canella called on Dubuque Diamond Jo (DDJ) to present their contracts. Doug Gross, legal counsel for DDJ, came forward to answer questions regarding the contracts.

Jim Riggs, Marketing Director for the DDJ, gave a brief report on the opening of the new vessel. Mr. Riggs noted that the old DDJ had the best month ever in September, and the new DDJ had doubled the expectations. They have had over $1 million of win, and 2,000 passengers in a four-day period.

Commissioner Peyton asked if the old DDJ had been sold or if any interest had been expressed. Mr. Gross reported that Greater Dubuque Riverboat Entertainment Corp. currently has three signed offers for the boat - all three subject to financing. One is very "hot" at the present time, and is not a charter lease.

The following contracts were submitted by Dubuque Diamond Jo for approval:

Dubuque Community Investment Co., L.C. - Lease for portside facility
Mosler, Inc. - Currency sorter
President Riverboat Casino - New York - Agreement of sale RE: Gaming machines
PDS Financial Corporation - Financing for the purchase of gaming machines for use on the new Dubuque Diamond Jo
PDS Financial Corporation - Loan for improvements to vessel/furniture/fixtures and equipment
Joseph P. Zwack - Contract to pay taxes on units involved in litigation

Hearing no further discussion on the contracts, Chair Canella called for a motion for their approval. Commissioner Peyton moved to approve the contracts; Commissioner Sealock seconded the motion which passed unanimously. (See Order No. 95-135)

Chair Canella called on Dan Kehl, General Manager of Catfish Bend, to discuss the following contracts submitted for approval:

Cam Tech Corporation - Slot stands
International Game Technology - Slot machines
Lee County Bank & Trust, N.A. - Promissory Note for construction loan
Lodging & Gaming Systems - Computer systems & related software; training
Mosler - Currency counter

Chair Canella asked Mr. Kehl to inform the Commission about the boat's move from Ft. Madison to Burlington. Mr. Kehl indicated they plan to close October 23, 1995, at 2:00 a.m. and reopen in Burlington at 5:00 p.m. on October 23rd. They then plan on closing for five days on November 6th for installation of new gaming machines.

Hearing no further discussion, Chair Canella called for a motion regarding the contracts. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-136)

Chair Canella then moved to the contracts submitted by the Belle of Sioux City. Steve Norton, President of Argosy, Inc., presented the following contracts for approval:

Argosy Gaming Co. - Reimbursement of Payroll for Interim Slot Manager, Group Sale Costs for Tour Business
Argosy Gaming Co. - Intercompany charges for September
Firstar Bank of Sioux City - Office lease for administration, accounting, human resources and sales

Argosy is in the process of physically moving their office location.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-137)

Chair Canella then called on Mark Lohman, General Manager of The President, to present their contracts for approval:

Apex Systems, Inc. - Personal computer hardware, software and misc. supplies
Bensinger Food Service Equipment and Design - Food service equipment for Guest Service Center renovation
Mills Investment Corporation - Lease Agreement - Warehouse space
President Riverboat Casino - New York, Inc. - Charter Agreement for President Casino-Mississippi, President Casino Mississippi II, and Belle Landing Barge
Russell Construction Company - General construction for the renovation of the Guest Service Center

Mr. Lohman indicated that pursuant to a conversation with Mr. Hirsch regarding the contract with President Riverboat Casino - New York, Inc., he had new copies of the Charter Agreement. The original agreement made reference to a Purchase Option in Section 2 which was not referenced elsewhere in the agreement. This reference was in error.

This agreement is for the interim vessel which will take the place of The President while it undergoes the five-year Coast Guard inspection. They are awaiting the arrival of some new machines from IGT to swap with machines currently on the vessel. They anticipate being closed down for a couple of days.

Hearing no further discussion, Chair Canella called for a motion regarding the contracts. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-138)

Chair Canella then called on Bob Ellis, corporate counsel for Lady Luck, Bettendorf, to present their contract with Faraday National Corporation for Lady Luck Mad Money cards and direct mail advertising distribution for Commission approval.

Hearing no further discussion, Chair Canella called for a motion to approve the contract. Commissioner Van Horn moved to approve the contract as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-139)

Mr. Ellis gave a brief update regarding the outlet mall, and distributed copies of a press release. The official opening date of the mall will be October 19, 1995, with signed leases from the following companies: Russell Athletic (sports and athletic apparel and gear); The Book Market (books); Team Logo Clearance Center (licensed sports team hats, shirts, jackets, and other sports apparel); American Tourister (luggage); Bugle Boy (men's and women's casual clothing); Corning Revere (kitchenware); and Carter's Kid's Wear (infant's and children's clothing). There are three more leases which look like they could come to fruition within the next week or so. These manufacturer's have signed leases for the winter sale which will end in January. They will use this as a barometer to determine whether or not they wish to sign long-term leases.

Chair Canella called on John Parker, General Manager of Miss Marquette, to present the following contracts for approval: Sodak Gaming, Inc. for 10 slot machines and a separate contract with Sodak Gaming, Inc. for 65 slot machines.

Chair Canella congratulated Mr. Parker on the excellent job he has done with the boat and facilities. He then asked if the Miss Marquette had a poker room. Mr. Parker stated they did have a poker room, but have closed it as it did not meet their expectations. They will be placing 55 slot machines in the former poker room. The Coast Guard has approved the addition to the top deck next spring at which time they will again have a poker room.

Commissioners Sealock and Whittenburg also congratulated Mr. Parker on the boat and facilities. They voiced their opinion that Mr. Parker had fulfilled the promises made during the application procedure.

Commissioner Sealock indicated that she had done a quick survey of the parking lot and noted that license plates were approximately 50% Iowa and 50% Wisconsin/Minnesota.

Commissioner Whittenburg asked if their live shows drew large audiences to the boat. Mr. Parker stated that the live shows sell out in approximately twenty minutes. Commissioner Sealock stated that she had asked about the Chubby Checkers show and was informed that it had sold out in approximately one hour.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts for the purchase of additional slot machines. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Peyton seconded the motion.

Commissioner Van Horn asked if this was considered an expansion of gambling which required Commission approval. Mr. Hirsch stated that this was not considered an expansion of gambling, they were substituting slot machines for the poker room. Iowa law no longer requires a certain percentage of table games to slot machines.

Hearing no additional comments, Chair Canella called for the vote. The motion carried unanimously. (See Order No. 95-140)

Chair Canella called on Ken Bonnet, President of Mississippi Belle II, to present the following contracts:

Clinton National Bank - Amendment to Loan dated 10/31/94
East Dubuque Savings Bank - Amendment to Loan dated 6/19/95

Hearing no discussion regarding these contracts, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-141)

Mr. Bonnet informed the Commission that Mississippi Belle II is having a fantastic year and anticipate that the non-profit organization will receive $1 million this year.

Chair Canella moved to the next agenda item which was a request by Argosy for approval of financial documents. Mr. Norton indicated that information had been provided during Executive Session. Argosy is looking to replace their Letter of Credit with a more permanent kind of financing.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to approve Argosy's financial documents. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-142)

Chair Canella called on Walt Pyper, General Manager of Bluffs Run Casino, to discuss Bluffs' contract with Gamma International Systems, Inc. for keno. They are requesting approval of the contract so that the equipment can be brought into Bluffs'; they are not asking for approval to operate keno. Bluffs Run personnel have been working closely with IRGC staff on the details. IRGC staff is going to Council Bluffs on October 25th for a demonstration.

Hearing no further discussion, Chair Canella called for a motion regarding Bluffs Run's contract. Commissioner Sealock moved to approve Bluffs Run's contract with Gamma International Systems, Inc. for keno equipment. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-143)

Mr. Pyper informed the Commission that the track would reopen on Tuesday, October 17th, and that schooling would be conducted on Saturday and Sunday, October 14th and 15th. He also noted that the Commission had moved into their new offices.

Chair Canella moved to the last item under contract approvals - Prairie Meadows. Jack Reed, Director of Slot Operations, presented their contract with GDC Casino Tokens for $1.00 tokens.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contract. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-144)

Chair Canella asked Mr. Reed how business was holding up at the casino. Mr. Reed noted that it was down slightly, but they had expected that with the change of seasons.

The next issue before the Commission was a report and recommendations from the Committee established to resolve the dispute between Bluffs Run and the IGA regarding purse supplements. Prior to disclosing the committee's recommendations, Commissioner Peyton questioned whether it was the role of the Commission to arbitrate disputes between private parties regardless of the fact that they are regulated by the Commission. He stated that the committee had reviewed all of the information submitted by each party. Commissioner Peyton noted that the agreement dealing with supplemental purses is arbitrary in its language, but is also contradictory. He felt that the agreement could be read to support the arguments presented by either side.

The committee decided there was one piece of information which was dispositive of this issue, and that was the request by Bluffs Run for live racing performances which was approved by the Commission in November, 1994, and set out specific dates for the racing season. The agreement covering the supplemental purses was entered into in February, 1995, therefore, the live racing dates were available to the public at the time the supplemental purse agreement was entered into. The committee recommended to the Commission that no additional purse supplements were due and owing the IGA.

James Campbell, legal counsel for Bluffs Run, expressed their concurrence with the decision as the racing schedule approved by the Commission did contain a specific reference to each holiday date for which IGA was attempting to collect additional purse supplements.

Hearing no further discussion, Chair Canella called for a motion regarding the committee's recommendation. Commissioner Sealock moved to approve the recommendation of the committee as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-145)

The next item before the Commission was a report from Will Cummings of Christiansen/Cummings & Associates (CC) regarding the capacity of additional gaming in Iowa and a report from the committee established to develop recommendations for standards on riverboat gambling on inland waters. The Commission's goal in requesting this market study from CC is to be able to compare it against market studies which may be submitted by future applicants for gambling licenses, and to determine to what extent any new licensee might cannibalize existing markets.

Mr. Cummings indicated that the Iowa Statewide Casino Market Analysis contained three types of information, and is based heavily on demographics, population, and income of the communities surrounding a gaming facility. Each county was studied to determine population, what the income was, access to casino facilities in Iowa and adjoining states in order to develop market areas. These were then compared with the casino win in each market area to the population to develop some ratios which would show CC's view on the current performance of the facilities in the various market areas in Iowa. These were then compared to similar measures and performances in other states. Secondly, using the broader range of markets, as well as those currently within Iowa, CC developed what an average performance within a market would be - how many dollars would be spent from which they built a projection for the total statewide casino win which would be generated by the residents of Iowa if casinos were located conveniently for all residents of the state. Finally, the report looked at the number of table games and devices already in place in Iowa in order to develop ratios of the density of tables and games per person and compared that with other states. This is another way to forecast the level of service and saturation. The market study is hereby incorporated into these minutes by way of this reference. A copy is attached.

Chair Canella asked if the total win revenue for the Council Bluffs area will change when the two riverboats open in Council Bluffs. Mr. Cummings indicated that it would but could not provide a specific number. Part of the increase will be due to the addition of table games, the attraction of the riverboats and their land-based facilities.

Following Mr. Cummings' report, Commissioners Whittenburg and Sealock presented their ideas and thoughts for additional rules for excursion gambling in the state of Iowa. In putting together their recommendations, they have received input from some staff, and have also looked at the rules and regulations from other states which have excursion gaming to see what they have done in the area of gaming on inland waters. The Commissioners received the synopsis regarding the other states' regulation on October 4th, and are still in the process of receiving information. Following public comment on their general proposals, they will be requesting input, comments, etc from the

public and fellow commissioners. Commissioners Whittenburg and Sealock did not make specific language recommendations at this time.

Commissioner Sealock stated that they had received information from six other states, and it was very apparent that Iowa was the only state with no long range plans. She gave a brief review of the rules and regulations from the various states. (See attached copy) She expressed her opinion that it is time for Iowa to have a plan and guidelines to follow. One of her major concerns with riverboats on lakes is the perception as a major expansion of gambling.

Commissioner Whittenburg stated that they started by looking at Iowa Code Section 99F.7 which states in part: "... The commission shall decide the number, location, and type of excursion gambling boats licensed under this chapter for operation on the rivers, lakes and reservoirs of this state. ..." This language indicates that the Legislature has delegated the authority to the Commission to determine the number, location and types of licenses to be issued. The Legislature also contemplated that there would be an excursion season and the boat shall be required to cruise. The Legislature had the opportunity to remove the cruising requirement when the gambling laws were expanded in the state, and chose not to do so.

Commissioner Whittenburg went on to explain that the first area the committee looked at was any additional requirements or rules that might be needed regarding excursions. The current rules state that there shall be one excursion per day and be in transit for two hours. The season begins in April. The committee looked at excursion as having two sub-factors: distance and time. They then looked at distance and course. They arrived at the following: require a cruise to be at least two and one-half miles in one direction without transversing the same segment of water and repeating the same course. Commissioner Whittenburg then asked for comments regarding this recommendation.

Chair Canella indicated that he felt it was an excellent idea and conformed to the spirit of the law.

Commissioner Van Horn stated that he did not agree with the cruising requirement, and felt that it should not be in existence. Commissioner Whittenburg indicated that was not a option available to them. Commissioner Van Horn indicated that he wanted to leave the cruising requirements alone.

Commissioner Peyton asked if there was a basis for setting the cruise length at two and one-half miles versus three miles. Commissioner Whittenburg stated that the committee wanted to avoid any land-based gaming in which a vessel would move away from the dock and just sits in the water without any movement. Commissioner Peyton asked if there was a rule which prevented current riverboat operators from doing so. Commissioner Peyton indicated that he did not feel that different standards should be developed for inland gambling boats than those for riverboats. He indicated that if limits were set they should apply unilaterally to both riverboats and boats on inland waters, the

only difference being that the boat on inland waters may not have sufficient space due to safety and/or environmental reasons.

Chair Canella stated it was the intent of the legislature to have cruising. Chair Canella indicated that one of the most important things the Commission has done is conform to legislative intent.

Commissioner Whittenburg asked Commissioner Peyton if he would approve language which established a minimum length of cruise. Commissioner Peyton indicated that he wanted the length of the cruise to have a basis in fact, not just be pulled out of the air. He noted that he wanted to see it consistently applied to all boats, and was not willing to establish that on the high side but also noted that he was not in favor of tethering a boat one hundred feet from shore.

Commissioner Peyton indicated that committee and staff should arrive at recommendations and present them to the Commission, as well as for public input. These rules would either be adopted or not. Today is not the correct forum for debating the length of a cruise. The staff should evaluate comparable situations. If not, consult with individuals with the required expertise to form a set of recommendations to establish a level playing field.

Commissioner Whittenburg proceeded to the second criteria which the committee dealt with. She noted that the rule requires an application for a riverboat to demonstrate to the Commission what the history of cruising has been on that particular body of water. Additionally, riverboats are required to represent Iowa's riverboat history. The committee wanted to include this policy with the policies regarding inland water riverboats, and showing the history of cruising on that body of water, whether it be for business, pleasure, etc.. Commissioner Peyton disagreed with these statements as he felt that these criteria would basically eliminate any inland body of water. Commissioner Peyton did not feel the Legislature would contradict themselves by allowing riverboat gaming on inland waters, and then passing contradictory legislation which would basically eliminate riverboat on inland bodies of water.

Commissioner Van Horn asked what would happen if the Commission did not take any action and requested that the Legislature establish these criteria. Chair Canella indicated that the Legislature could do that any time they desire, but at the present time, the Commission has a responsibility to step up their own criteria.

Additionally, the current uses of the body of water - commercial, shipping, recreations such as water skiing, fishing, etc. The applicant would need to show that a riverboat would not be a detriment to the current usage of the body of water.

Commissioner Van Horn noted his disagreement with all of the above. He asked if the proposed rules are geared toward limiting gaming on inland waters.

Commissioner Whittenburg also noted a need for a rule or criteria comparable to the five-year inspection safety currently required of licensed riverboats for boats operating on inland waters. Related matters to be determined would be who would do the inspection and how the inspection would be performed.

Commissioner Sealock noted that one of the criteria for boats on inland waters is that the cruising requirements can not be more restrictive for inland water boats than for those located on rivers. Additional criteria to be considered: has the applicant met all of the requirements of the Department of Natural Resources, the impact of a gambling boat on the recreation uses of the water, the ability to have a cruise on the body of water and the environmental impact on the body of water.

Chair Canella presented the following suggestions for consideration by the committee:

1) Would like to see some Administrative Rules considered that would prohibit another license within a specific number of miles from existing facilities.

2) Would like to have consideration given to establishing a rule which would require potential applicants to show that the projected win is truly additional revenue for the state, at least 75% would be new business, not a shift from another gaming location.

3) Would like all applicants to show substantial land development, at least equal to the investment made in the boat. Commissioner Van Horn suggested tying their land development to the projected win.

4) Need to show that any proposed economic benefit is not a shift from another gaming location.

5) Need to have disaster plans in place in order to handle a serious disaster, and get the necessary equipment.

6) An applicant for a gaming location must show that the gaming operation can be supported by the population within a 35-mile radius.

Commissioner Peyton felt there was some overlap between the saturation and inland water issues, but it was his understanding that the committee was established to discuss those issues unique to inland waterways such as the restriction of the body of water on the cruising, the fact that there is no Coast Guard to inspect and regulate the boat, etc. He felt the Commission would be better served to separate the issues of inland waters and segregating the issues which apply universally to all gaming facilities. Commissioner Peyton stated that his understanding of the discussion and the committee was to establish specific criteria to be followed on inland waters.

Chair Canella stated that he was ready to face the idea of saturation in the near future, and wanted some criteria established for expanding riverboat gaming in the Iowa, or to restrict it. He feels that if the Commission does not accept this responsibility, the Legislature will do so.

Commissioner Van Horn stated that he did not want to see small towns limited by their populations. Chair Canella asked what was smaller than Marquette? Chair Canella clarified his statement by stating he feels that Iowa has enough gambling, and that it is unfortunate that inland water applicants did not apply earlier.

Chair Canella stated that he feels the Commission has matured, has learned their responsibilities, and does not feel that they would do the same things today that they did three or four years ago.

Commissioner Peyton indicated he felt there was a safeguard built into the legislation, that viability is a requirement and feels that any applicant would look at that issue closely, and also that communities consent to gambling within their community. He is concerned that the issue of inland gaming is carrying the discussion into other areas which he is not prepared to enter at the present time. Commissioner Peyton expressed his agreement with Chair Canella's statement that saturation has been reached.

Chair Canella enlarged the scope of the committee established to study inland water criteria to also look at the saturation issue. Chair Canella renewed the charge given to the committee: bring recommendations to the Commission, and an open discussion will be held. The committee is to develop firm recommendations to present to the Commission at the November meeting, and a vote will be taken.

Commissioner Peyton asked if there would be separate criteria established for only those situations that are unique to inland waters, and deal with the other issues in separate proposals. Chair Canella was unsure, his notes were for any criteria that would be for rivers and inland waters.

Chair Canella then called on Mr. Norton to open the public discussion. Mr. Norton indicated that he had performed his own study. He noted that he was actively involved in drafting the legislation in Indiana, Louisiana and Missouri; and helped open the first boat in Illinois. He noted that he was an advocate for the Osceola application, but was also available to answer questions regarding legislation in other states.

Mr. Norton's study showed that the central portion of Iowa is much less served by gaming opportunities and equipment than either the eastern or western sides of the state. There is approximately 1.8 gaming positions per 1,000 residents in the central part of the state. That number rises to five or six gaming positions per 1,000 when you go into communities in eastern or western Iowa. In doing his study, he looked at demographics, navigability, and heavy population around Des Moines which can support substantial casino development.

Mr. Norton then introduced the following individuals who were with him representing Osceola: Mayor Fred Diehl, Ken Baker on behalf of the non-profit, Ellen Saylor, Representative Richard

Arnold, Graham Gillette representing Argosy, and Linda Santi representing the Democratic Senators from that part of the state.

In regards to cruising, Mr. Norton that all of the states have had to deal with this issue in different ways. Missouri recently determined that all boats on the Missouri River will operate dockside due to safety factors relating to the speed and severity of the river. Illinois also requires cruising, however there is currently one riverboat that cruises less than one mile.

Commissioner Whittenburg asked Mr. Norton to define "cruising" in view of the Commission's denial of a license for Osceola. Mr. Norton noted that legislation clearly stipulates cruising riverboats, but feels the Commission has the flexibility to determine what that means. He agreed that it does not mean picking up anchor and moving a few feet from shore. He suggested that the Commission may want to stipulate that the boat must be cruising for a specific time limit rather than specifying a distance or route.

Commissioner Whittenburg noted that Iowa's riverboat gaming industry is deeply rooted in the historical context of riverboats plying the Mississippi river. She asked how the Commission could prevent itself from being arbitrary and capricious in determining what constitutes cruising for one entity but not another if a better definition of cruising is not reached.

Mr. Norton indicated that he felt that the Commission needed to develop criteria such as a minimum investment, minimum number of individuals within a reasonable distance of a particular project, looking at the competition within a region to determine whether revenue and taxes to the state would be increased.

Mr. Ketterer asked Mr. Norton if he felt it would be appropriate for the Commission to determine that a specific area has the potential for generating a certain amount of revenue per year, and establish a minimum commitment, and then ask for applications to be submitted for that particular area. Mr. Norton stated that he could present pros and cons for either side of the argument, but did agree with the Commission's stance of requiring substantial land-based development.

Walter Conlen, representing the Muscatine Peal City Development Authority, informed the Commission that that group would be applying to have their license reinstated as they have been approached by several developers. They will need to hold a referendum prior to applying.

Roger Lande, representing Midwest Gaming in Keokuk, noted that Keokuk formerly had a boat. Keokuk has continued to revitalize the riverfront in the absence of a riverboat for the last three years. They also will need to have a referendum, and asked that the Commission keep their situation in mind when establishing criteria.

Bob Kehl suggested that any land development required of an applicant should equal 25% of the cost of the vessel. Regarding the requirement that any gaming vessel be Coast Guard approved, Mr. Kehl indicated that he had spoken with representatives of American Bureau of Shipping who indicated they would be willing to inspect boats licensed to operate on lakes. He feels that every boat should have their own disaster plan. In addressing the cruising issue, Mr. Kehl indicated the opinion that it could be the equivalent of two to two and one-half miles, but would not demand that a cruise be for two and one -half miles due to safety concerns.

Dick Thornton, speaking on his own behalf, urged the Commission to speak to legislators regarding legislative intent. He urged the Commission to look to the future, be flexible, have vision and try to determine to the best of their ability where they want the gambling industry to go in Iowa to continue to provide jobs, economic benefits, and tourism for the state.

Fred Diehl, Mayor of Osceola, requested that the Commission keep the criteria flexible. He feels that a developer should be allowed to use their imagination when putting together a project. A riverboat project well done will attract people to the area.

Dan Kehl, General Manager of Catfish Bend Casinos, agreed that the Commission has the responsibility to look at the number of licenses and applicants in the State of Iowa. He is supportive of the Commission requiring a financial commitment to the community as one of the criteria for a license. Mr. Kehl reiterated the statement that the Commission needs to take a hard look at the future of gaming in Iowa.

Representative Richard Arnold encouraged the Commission to work with the House and Senate leadership and be flexible. He feels the proposed rules would effectively eliminate the Clarke County project whether that was the intent or not. Chair Canella indicated that he had never been approached by a legislator during his tenure on the Commission, and asked the proper procedure for instigating a meeting. Representative Arnold stated that he would make the necessary arrangements with House Speaker Corbett. Chair Canella asked that Representative Arnold contact Mr. Ketterer when those arrangements were completed.

Ken Baker, head of the Clarke County Development Corporation, noted that the main purpose and thrust of gaming at its inception was economic development and tourism. He agrees with the statement that land-based development is one of the most important parts of riverboat gaming in Iowa.

Bill Grace, Midwest Gaming - the non-profit organization for Keokuk, noted that Keokuk has many of the same factors in its favor as Marquette. A large number of the individuals visiting that boat should a license be granted would be coming from Illinois and Missouri which are currently not being served. Keokuk has already held its referendum, and submitted its application.

Chair Canella asked Mr. Grace if they intended to make an actual presentation to the Commission in the near future, or wait until a decision has been reached on the Petition for Declaratory Ruling. Mr. Grace indicated that they were at the Commission's disposal as to when that presentation should be made. They would prefer to make it sooner than later. Chair Canella voiced his opinion that it would very difficult for the Commission to make a decision regarding the application without knowing the outcome of the declaratory ruling.

Mark Glocke, Show Me Gaming, suggested that the Commissioners look to Canada if they were looking for some different ideas. The Canadian government only allows the provinces to operate the video and electronic games. The provincial government of Ontario formed a commission which selected Windsor as the site for a gaming operation, and then solicited bids for the license.

Chub Beno, Executive Director of Iowa West/AIM, announced that Bluffs Run has paid off its debts. He went on to state that Iowa West Racing and the Iowa West Foundation have pledged $2.2 million to start the $9 million fund drive to build a new library in Council Bluffs. This pledge caused the city of Council Bluffs to agree to use its gaming funds for the next three years to match the $2.2 million.

Mr. Ketterer asked Mr. Beno to attend the November meeting to set forth Iowa West's plans for all aspects of the community with the retirement of their debt.

As there were no public comments, Chair Canella called for a motion to adjourn the meeting. Commissioner Peyton so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick

JULIE D. HERRICK, CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 16, 1995

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 16, 1995, at the Alumni Room of the Veterinary Diagnostic Laboratory, Iowa State University, Ames, Iowa. Commission members present were: Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn, Nancy Whittenburg, and Brad Peyton.

Chair Canella called the meeting to order at 8:30 am, and called for a motion to approve the agenda. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously.

Chair Canella called for a motion to go into Executive Session for the purpose of receiving advice from legal counsel, DCI background investigations, and touring the ISU Veterinary Racing Chemistry Lab. Commissioner Van Horn so moved, and Commissioner Peyton seconded the motion. The motion carried unanimously.

Following Executive Session, Gary Osweiler, Director of the Veterinary Diagnostic Laboratory; and Warren Madden, Chief Financial Officer and Vice-President for Business and Finance; welcomed the Commission to the Veterinary Diagnostic Lab and Iowa State University.

Chair Canella called for a motion to approve the minutes from the October 12, 1995 Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Whittenburg seconded the motion which carried unanimously.

At this point, Chuck Smith, Secretary for the Iowa West Racing Association, informed Chair Canella that not all of the individuals needed to proceed with the various agenda items dealing with Bluffs Run were present as they were fogged in at Council Bluffs. Chair Canella informed Mr. Smith that the first agenda item for Bluffs Run was the decision of their request for Declaratory Ruling. Mr. Smith requested that this item be continued as their attorney was on the airplane. Jack Ketterer, Administrator for IRGC, stated that agenda items five and six - Iowa West Racing Association(IWRA) - Report on non-profit activities and Iowa West Racing Association/Bluffs Run(BR) - Request for Approval of 1996 Racing Season, Dates and accompanying contracts - would need to be acted upon by the Commission. Mr. Smith indicated that the non-profit report could be given as there were board members present.

Mr. Smith introduced IWRA board members Georgia Sievers and Sue Christiansen. He directed the Commissioners' attention to a chart which showed the communities which the IWRA board has given grants to during their first nine years. During that time, IWRA has given out over 240 grants to 65 communities, primarily in southwestern Iowa, some in eastern Nebraska, and coming over as far as the Des Moines area. A grant of $30,000 to the West Broadway Beautification Program has grown into a $3.5 million program. They have also provided the funding for a leadership program

school districts have completed this program. IWRA has also pledged approximately $2.5 million toward building a new library in Council Bluffs. The board is contemplating whether they want to distribute all of the money as it comes in or set some aside to establish endowments.

Commissioner Sealock asked Mr. Smith if IWRA had had an opportunity to do anything to help the community of Carter Lake since being named as the non-profit organization for the two new riverboats coming to Council Bluffs. Mr. Smith informed the Commission that IWRA has been able to pay off all of the debt incurred in remodeling the facilities at Bluffs Run to install a slot casino, as well as the remaining debt of $5 million from building the greyhound track originally. The additional revenue the casino will generate for the non-profit will change their grant program from a relatively small one to one with a much wider scope. Mr. Smith noted that application forms for the 1996 grant program are currently being distributed; and hoped that Carter Lake would come forward with a request which would receive favorable consideration, but that nothing had been done to date.

Mr. Smith stated that the IWRA all-volunteer board is committed to ensuring that the funds are wisely spent, and noted that often times funds are used to serve as a catalyst for a much larger project.

Commissioner Sealock requested that Mr. Smith address the diverse makeup of the IWRA board. Mr. Smith and Ms. Sievers stated that IWRA members come from various communities outside of Council Bluffs and have varied backgrounds.

Mr. Ketterer and Commissioner Van Horn complimented IWRA on their accomplishments over the past nine years.

Mr. Ketterer indicated the Commission would need to act on agenda item 7 which deals with Bluff Run's (BR) 1996 racing season as he was of the opinion that BR would want to start their 1996 race meet on January 1, 1996. Mr. Smith stated that although he was not very familiar with this agenda item, he did state that it was a very important item for them. Mr. Ketterer indicated that Linda Vanderloo, Director of Racing/Administration, had materials which Walt Pyper, General Manager at BR, had submitted regarding this issue.

Ms. Vanderloo indicated that Commission members had been sent recommendations concerning BR's request, but wanted to go over a couple of items. They are still looking at a purse of 4% of the pari-mutuel handle with a supplement from the casino. They will have 14 kennels, seven of which are Iowa-based. The racing season will begin on January 2, 1996 and end on December 31, 1996, for a total of 368 performances with seven performances per week. Evening performances will begin at 7:15 pm on Tuesday, Thursday, Friday and Saturday. Matinees on Sunday and Wednesday at 4:00 pm, and Saturday at 1:30 pm. BR has also requested permission to hold additional performances on Memorial Day, Independence Day, and Labor Day. The current request does not include the traditional two-week shut-down which has traditionally occurred in December.

The security plan is new from last year, but is now part of the internal controls and has been approved by the Gaming Representatives. It seems to be working at this point, but we always leave that open and will work with them to address any issues.

Bluffs Run has provided a $150,000 performance bond which will expire on January 1, 1996. At that time, the Commission may want to review the revenues from the casino and consider raising the amount of the bond.

The win/place/show wagers will remain at the same level. BR has requested permission to conduct a 90-day experiment beginning on January 2, 1996, in which the take-out for three dog races (trifecta) would be lowered from 25% to 20%. The purpose of the experiment is to see if the decrease in take-out will increase the handle. The Iowa Greyhound Association (IGA) is in favor of this experiment.

Contracts have been submitted by BR from the following firms: United Tote, Line-True Photo, Inc., Sport View Television Corporation, and Post Time Publications, Inc.

Ms. Vanderloo noted that if the Commission staff were to have any concerns, they would primarily be based on the fact that the Commission would be giving approval to the 1996 season without an agreement between the IGA and BR. The agreement between IGA and BR determines the percentage or amount of gambling game proceeds which shall be dedicated to supplement the purses of dog races. Ms. Vanderloo reminded everyone that the greyhound tracks were built to facilitate the development and promotion of Iowa greyhound racing, and that this agreement must be reached without interruption of business activity.

Ms. Vanderloo went on to state that she has heard from a number of people who indicated that the issue of replacing crates in the kennel and lock-out area had been discussed during the negotiation process. Ms. Vanderloo recommended that any discussion of replacing the crates <u>not</u> be included in the negotiations. It is BR's responsibility to insure that the racing animal has a healthy and safe facility in which to be housed. IRGC rules specifically state that the maintenance of the facility is the responsibility of the track licensee and general manager.

Ms. Vanderloo would like to get a date specific as to when they will be replacing crates. There are approximately 179 metal crates, and 643 wooden crates. The wooden crates have been at the facility since it opened. The wooden crates create many health concerns. The same applies to the crates in the ginny pit. Not all of these crates are wooden, but many of the metal crates have been modified over the years and should be evaluated. She stressed that the crates should be replaced at the expense of the track, not the kennels.

Chair Canella asked Ms. Vanderloo if there was a deadline for mediation and arbitration. Ms. Vanderloo stated that mediation is set for November 22nd at 10:00 am with Lorraine May.

Arbitration is scheduled for December 19th with David Blair. Chair Canella confirmed that the arbitration is binding.

Ms. Vanderloo emphasized that BR is a dog track first, and that BR should be listening to that patron. The area for the greyhound patron has been diminished in size. BR needs to ascertain if the reduced area is meeting the needs of the greyhound patron.

Commissioner Sealock asked if the race dates could be approved contingent upon Ms. Vanderloo receiving a reasonable date by which the crates would be replaced. Ms. Vanderloo indicated that she was not aware of the costs associated with this project, but felt the track had the funds to replace the crates based on the earlier report. In her opinion, a purchase order could be cut and quality products brought in within three months.

Mr. Crawford indicated that IGA was in favor of approving BR racing season subject to a contract being in place and approved by the Commission between IGA and BR in regard to the purse supplement issue. IGA welcomes staff recommendation as to the crates. He congratulated BR on retiring 100% of their debt.

Commissioner Whittenburg asked Ms. Vanderloo how the Commission should address the fact that the 1996 season request does not include the traditional two-week shutdown. She referred to Dr. Sally Prickett's memo which outlined the amount of work accomplished in the kennel area during the recent two-week shutdown, as well as the fact that the dogs appeared much more rested and in better health. Ms. Vanderloo invited comments from IGA on this issue. She indicated that the Commission could inform BR that they would be required to shutdown for a specific number of days/weeks at some future date. Mr. Crawford noted that IGA felt that there might be some merit to staggering the down time from an animal welfare standpoint, but was not sure that a consensus had been reached among all owners, trainers, and kennel operators. He stated he would canvas industry people and report back to the Commission at the January meeting.

Mr. Ketterer indicated that this particular issue could be deferred as it will not come into play until December, 1996. The Commission could approve the dates contingent upon supplying the crates, and also upon gathering feedback as to the merits of a two-week shutdown at the end of 1996, and the approval of the contract between IGA and BR at the January meeting.

Commissioner Sealock moved to approve the 1996 race dates contingent upon BR providing a reasonable date that crates in the kennel and lock-out area will be replaced with quality products; and approval of the contract for purse supplements between IGA and BR at the January meeting.

Commissioner Whittenburg indicated her willingness to second the motion provided Commissioner Sealock would agree to an amendment which would indicate that BR would not take more than three months to replace the crates. Commissioner Sealock indicated that she was amenable to the amendment.

Commissioner Peyton indicated that he supported both parts of the motion, but stated that he was concerned about making the racing season contingent upon replacement of the crates. He indicated he could support both issues if presented separately. He is concerned about setting a precedent of using the racing season as leverage to get the track to do something the Commission feels ought to be done. He feels this could be accomplished by stating that the racing season is approved and that there are inadequacies of the track which need to be addressed. In this manner, the Commission would still retain the right to discipline the track or take other action as deemed necessary. Ms. Vanderloo indicated that IRGC has been having this discussion with BR for years, and it has been an ongoing discussion between IGA and BR. She feels it is time for the Commission to take action, and that this is an issue which must be dealt with by BR. Commissioner Peyton indicated he did not have a problem with that and was willing to move that BR take some kind of action regarding the crates, but did not feel that it should be tied in with the approval of the racing season.

Commissioner Sealock stated that she did not wish to amend her previous motion. Commissioner Peyton moved to amend the motion by deleting the provision which makes its contingent upon replacing the crates. Commissioner Van Horn seconded the motion.

Chair Canella called for a roll call vote on the amendment. The motion failed on a 3-2 vote, Chair Canella, Commissioner Sealock, and Commissioner Whittenburg voting no. (See Order No. 95-146)

Hearing no further discussion, Chair Canella then called for a roll call on the original motion. The motion passed unanimously. (See Order No. 95-147)

Mr. Smith came forward and informed the Commission that IWRA is committed to maintaining a first class dog facility. He noted that during the two-week shutdown this year, the track was replaced. He noted that although the space set aside for the greyhound racing patron has diminished, they have never reached the point of having to turn anyone away. In addressing comments made by Mr. Crawford regarding the negotiations for the purse supplement, he noted that IWRA/BR felt they were generous last year and are prepared to be generous this year. The disagreement centers around the definition of "generous".

Chair Canella then called on Racing Association of Central Iowa/Prairie Meadows(RACI/PM). Tom Flynn, legal counsel for RACI, indicated he was available to answer any questions the Commission might have regarding the change in the By-laws. Chair Canella requested that Mr. Flynn inform the Commission of the change. Mr. Flynn indicated the proposed change would allow the directors of RACI to be paid $6,000 per year for serving on the board, paid in monthly increments. The Chairman of the Board would be $8,000/year. Each member would receive $500 for attending board meetings, and $250 for attending committee or special meetings, with a maximum compensation for any one year of $15,000. The members serving on the Board did not come on the Board with the idea of being paid; however, with the advent of casino gaming, they are spending a considerable amount of time at the track/casino, and have added responsibilities. The Board is a hands-on board in determining policy for the horse racing industry and maintaining the integrity of the industry;

constantly meeting with representatives of Polk County to negotiate budget and operating agreement; and regarding personnel problems. They are responsible for approximately 1200 employees, a $50 million facility, and a budget in excess of $100 million. Had a management company been employed, at this time, based on the success of Prairie Meadows, they would have been paid $15-$20 million. The Board feels the money is justified and is not excessive.

Chair Canella asked Mr. Flynn about a survey he conducted of corporations and what they paid their boards. He asked if he had discovered any other non-profit corporations that were paying their board members. Mr. Flynn stated that he just made inquiries, and even talked with IRS as to non-profit corporations being paid. The IRS agent indicated that it is not out-of-place for non-profit boards to be paid, and that it is becoming a trend, particularly for those with major responsibilities. The Internal Revenue Code, as well as the Iowa non-profit code, contemplate reasonable pay for board members. Chair Canella asked if the Board were expanded, he wondered if all members would be paid. Mr. Flynn indicated that the Board can only consist of nine members under current by-laws. If it were expanded, that is an issue which would be addressed at that time. Chair Canella noted that the By-laws have to be approved by the Commission; therefore, they feel they have the authority to approve or disapprove this amendment even though Mr. Flynn does not believe that to be true. Mr. Flynn indicated that he was not able to locate the specific statute which said the amendment had to be approved.

Commissioner Sealock indicated it was her understanding the amendment required Commission approval or disapproval, and requested clarification. Mr. Flynn stated his interpretation of the Code was that any applicant's By-laws had to be approved, he was just not able to find where any amendments to the By-laws after becoming a licensee had to be approved. It was decided that the provision was inherent in the wording of the statute.

Commissioner Peyton asked if anyone was present from the Board, and was informed that Gary Palmer was present. Commissioner Peyton stated that he had some problems with the amendment as he felt it violated the spirit of the statute. The statute established the non-profits to the extent that there were profits from gaming that those profits would be invested back into the local community, and does not feel it was designed to benefit anyone who volunteered their time. He feels this amendment is an insult to the hundreds of thousands of volunteers across the state who volunteer time and effort without pay. He noted that not one dollar out of this facility has gone to any charitable purpose at this time; but already are having to decide whether individuals involved with it will be paid for their services. He questioned where the money would go one year from now when the track is paid off.

Commissioner Whittenburg asked Mr. Peyton if he was concerned about individual's motives for serving on the Board when it is time for current members to be replaced. This was not one of his major concerns. It is his understanding that the Board is self-perpetuating. He noted that a number of directors of public companies are not paid as well as the members of the RACI board.

Commissioner Peyton indicated that he was offended by the amendment, and would not support it as he did not feel it complied with the spirit of the statute.

Commissioner Sealock asked Gary Palmer and Gene Meyer of the DCI who serve on school boards how much they are paid. Both responded that they receive no reimbursement. Commissioner Sealock noted there are some school boards who do receive reimbursement. She offered to compare time spent serving on a school board with the time spent by RACI board members. She feels that school board members would win. She noted that if school board members were paid for their time, the money would be taken away from the school children, just as the money for RACI board members would be taken from charity. Commissioner Sealock noted that the amount of money is not terribly large based on the caliber of the people serving on the board. The Commission just has a philosophical problem with the board receiving payment.

Mr. Flynn, in response to Commissioner Peyton statement that no funds had been given to charity, noted that there was no line item on last year's budget primarily because PM was not sure what they would have for money and knew they owed $90 million to Polk County. This year approximately $35,000 has been made in charitable contributions, and he feels the contributions for 1996 will be in the seven figure range. This item is in the budget which will go before the Polk County Board of Supervisor for approval, and before the Commission.

Commissioner Peyton clarified his statement by indicating he did not mean that PM should not repay their debt first and is very understanding as to why a larger amount has not been given to charity. He is referring to the appearance of this type of provision ahead of the time when RACI begins to make substantial contributions to charitable organizations.

Gary Palmer, RACI board member, noted that a subcommittee was established to study the compensation issue. He acknowledged that several Commission members have served on various commissions, boards, etc. with no compensation and that is just part of being a good citizen. Several board members have been involved with PM as far back as 1984. The Board of Directors decided they would take on the task of managing PM versus hiring a management team. He feels the recommendation was warranted due to the amount of time required of board members, and the caliber of the board members. The compensation is structured in an administrative manner - the chair must call the meetings, etc. Many of the board members, of which approximately one-half are retired, spend numerous hours at the track/casino working with management personnel. When this issue was put into the newspaper following the Board's September meeting, they received several calls which were positive.

Commissioner Sealock asked Mr. Palmer if the compensation would change how he performs his duties. Mr. Palmer indicated that it would not. With the rapid growth which is currently occurring, the Board needs to spend more time working with strategic planning for the future. Their first goal is to pay off their debt, and then accumulate as much as possible to give back to the community. The

compensation would help the Board members to continue to act as a team and continue to do their best.

Chair Canella ceased input on this issue, and called for a motion. The issue died for lack of a motion.

Chair Canella called on Tom Timmoms, Vice-President of Pari-mutuel Operations at PM, to discuss PM's request for race dates. Mr. Timmons indicated that he was pleased to be able to be in front of the Commission in November and inform them of their plans for the following spring. PM requested race dates of May 10 through August 24, 1996, running four days a week -Thursday, Friday, Saturday and Monday with a post time of 7:00 pm. The only exception would be Monday, July 1st when they would not race, but would race on Wednesday, July 3rd instead due to the holiday. There are four Saturdays during the season on which they would like to start racing earlier to accommodate the quarter horse trials.

Chair Canella asked about the purse structure. Mr. Timmons indicated that contracts had been signed with the Quarterhorse Association and the Horsemen's Benevolent Protection Association. They are projecting to pay $3.4 million in purses, and an additional $680,000 in Iowa supplements. Chair Canella noted that those numbers are in line with the original projections, but that their income had increased three times from the original projections. Why haven't the purses increased? Mr. Timmons noted that the horsemen asked the same question in July, and he informed them they were not going to increase the purses due to PM's commitment to repay the debt first. Chair Canella asked Mr. Timmons' what the legislative intent was when the legislation allowing slot casinos at racetracks was passed. Mr. Timmons indicated he thought it was twofold - one was to improve the horse racing industry and secondly, to repay the debt incurred on the facility. Chair Canella noted that PM is ahead of schedule in repaying the debt.

Commissioner Whittenburg noted that the projections submitted were much less than the actual revenue. The projections were good, but the actual revenue far exceeds what was anticipated. Under that scenario, she agrees with Chair Canella that there should be some adjustments to the purse structure. Mr. Timmons explained that when the purse structure was put together, RACI made a committment on behalf of the horse people because if the purses were increased too fast, some of the people who have raced at PM from the beginning would not be able to compete against the better horses who would be coming to PM due to the purses. Mr. Ketterer noted that the purses are open to everyone, and that some of the horsemen have gone out and bought or claimed horses of racing age and raised the level of their stock already. He did not think that was a viable reason as racing started in 1993, slots were approved in 1994, and now the 1995 season has been completed. Those individuals have had sufficient opportunity to purchase horses and upgrade their racing stock. Mr. Ketterer noted that the purpose of the Iowa-bred program was for breeders to bring their stock to Iowa to board and foal horses, and raise them and participate for purses. This would increase dollars for competition, consume agricultural products and build the horse racing industry in Iowa. Mr. Timmons agreed with the assessment, and noted that the Iowa-bred product has increased, and that

legislation stated that a portion of casino revenue should go toward Iowa-bred purses. Casino revenue will increase purses 20%, which is a significant amount when compared to other states. Chair Canella noted that tracks in other states did not have casinos which were bringing in as much money either.

Commissioner Peyton recalled that during the July meeting, when a decision was made regarding Osceola, that a number of individuals indicated that the project was a threat to the track's ability to increase purses. Commissioner Peyton recalled asking Bob Farinella how much the track was going to increase purses. Mr. Farinella indicated there was a strong commitment to increase purses. Revenues far exceed the projections even if the Osceola project had been approved. Commissioner Peyton felt the horsemen were used to accomplish a purpose during the Osceola process, and now are not being treated fairly. Mr. Timmons indicated that the purse schedules were negotiated with the horsemen. They are happy with the purse structure for next year. The current purse structure has been agreed upon by both parties. Chair Canella stated it appeared the consensus of the Commission was that they would like to see an accelerated increase in the purse structure for horses. Chair Canella then asked if the Commissioners wanted to defer action on the racing dates, or give approval with the condition that PM come back to the Commission for approval of the purses. Commissioner Peyton stated that he felt the purse structure should be dealt with during the budget approval, and that this strictly be a request for racing dates. Chair Canella asked Mr. Timmons for the time frame regarding their budget. Mr. Timmons stated that the budget would be presented to the RACI board on November 29th, then to Polk County who has 30 days to act on it, meaning the Commission would have it in January. Mr. Timmons asked what the Commission would consider an acceptable level of purses as he did not want to re-negotiate the purse structure, and still be told that it was not sufficient. Chair Canella asked Mr. Ketterer if he had any suggestions. Mr. Ketterer indicated that he was willing to work with PM on this issue.

Chair Canella called for a motion for the approval of the racing dates as submitted by PM. Commissioner Peyton so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 95-148)

Chair Canella returned to the amendment to the By-laws for RACI. He noted the item died for lack of motion; however, he felt that a motion denying the amendment should be on file for the record. Commissioner Peyton moved to deny the amendment to RACI's By-laws. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-149)

Chair Canella then called on National Cattle Congress/Waterloo Greyhound Park (NCC/WGP) to discuss their request for 1996 racing dates. Augie Masciotra, General Manager of WGP, came forward and asked that this agenda item be deferred until later in the meeting to allow John Titler, legal counsel, to arrive.

Chair Canella then moved to the next agenda item - Notice of Intended Action - on various administrative rules. The first item deals with a new section in the Iowa Code, 252J.8, which

requires that an agency who receives notice that an individual is deficient in child support payments, send a notice to that individual stating that their license will be revoked in 60 days unless the agency receives evidence from a court or the child support recovery unit that child support has been brought into compliance. This action is outside of any hearing within the licensing agency. All licensing agencies will be adopting similar rules.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the proposed rule. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-150)

Chair Canella moved to the second proposed rule dealing with criteria for bodies of water which could be considered for licensed riverboats. This rule is proposed by a committee which was established earlier, and he requested that they give their report. Commissioner Sealock stated that the purpose of the committee was to establish rules for gambling boats on inland bodies of water as they did not fit under existing rules. The committee openly sought input from anyone who desired to give input, and many ideas were voiced by individuals during the October meeting, other Commission members, and IRGC staff. The committee found there was not a consensus among Commission members on this issue; therefore, they established a goal to come up with flexible guidelines which the Commission can work with in considering license applications for inland waters. These guidelines allow for independent interpretation, but also give some consistency to the consideration process.

Commissioner Whittenburg also voiced her appreciation for the amount of input received on this issue. She felt that the committee worked very hard on making revisions and adjustments in order to arrive at the final product to serve as guidelines for considering future license applications. They tried not to be too restrictive in setting up these guidelines and took into consideration where gaming is going in Iowa.

Chair Canella thanked Commissioners Sealock and Whittenburg for their work, and noted that these guidelines are in addition to the existing criteria used in reviewing a license application.

Carlos Jayne, legislative advocate for the United Methodist Church, stated that he feels we are coming to the point of saturation in Iowa; and feels that the inland water guidelines proposed for inclusion in the Administrative rules are so general and broad so as to not exclude any applicant or body of water. Proposed rule 491-21.10(18) states: "The commission will consider the proposed route to be taken during the excursion, including the distance the boat will traverse, ..." He feels that any Commissioner could determine that pulling a boat out 100 or so yards on an underwater rail, and then circling or going back and forth on a rail for two hours would meet the cruising requirement. He wondered if it should state that the cruise would be a certain distance in one direction.

Proposed rule "b" states "The commission will consider whether the body of water is adequate to accommodate any large commercial boats operating in these waters." He feels there probably are

some generally accepted guidelines for lake size, boat size, and method of propelling the boats that are supposed to be excursion boats that could be included as a minimum.

Mr. Jayne stated that the cruising requirements are becoming a sham since only one cruise per day is required to meet the cruising requirements, and feels this would be solidified even further should a boat be approved for West Lakes in Osceola. He feels that if the Commission has the authority to write more definitive rules, he feels the rules should be tightened up so that applicants will know what they are confronted with.

Commissioner Sealock indicated that most of Mr. Jayne' concerns had been discussed and taken under consideration.

Hearing no further comment, Chair Canella called for a motion. Commissioner Sealock moved to approve the proposed changes to Administrative Rules 491-20.10(8); 491-20.11 and 491-21.10 as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-151)

Chair Canella then called on Mr. Ketterer to discuss the administrative rules which were up for final adoption. These are rules which the Commissioners have reviewed previously. There have been no changes to the rules since the Commissioners approved them under the Notice of Intended Action. These rules deal with greyhound racing vaccination certificates, license denials, vendors' licenses, labor organization registration and unlicensed employees.

Commissioner Whittenburg moved to final adopt amendments to Administrative Rules 491-7.5(9), 491-13.6, 491-13.10, 491-13.11, 419-4.29 and 491-13.9. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-152)

Chair Canella then moved to the next agenda item - a discussion regarding the possible limitation on the number of licenses issued. The discussion was started with each Commissioner expressing their thoughts on this issue.

Commissioner Peyton stated that he is not a proponent of expanded gambling. He feels that it has some very destructive forces with long-term repercussions, but also need to recognize that a democracy is a very delicate balance of power and checks and balances. He feels very strongly that it is not his role on the Commission to represent his own views or anyone's views. The role of the Commission is to enforce and interpret the laws of the State of Iowa as adopted by the Iowa legislature. He vowed to act diligently to do so within the proper scope of authority, to insure that the industry is maintained with integrity and that there is a level playing field for everyone that is a potential applicant or is regulated by the Commission. Given the facts of the most recent study of the prospects of expanded gambling in Iowa, he does not feel there is much more room for growth. He is of the opinion there are some very limited opportunities in terms of markets for additional gambling facilities. There is room for one, possibly two, and certainly no more than three additional

gambling facilities in Iowa based on his interpretation of the study. He stated that if someone were to solicit his vote for a new facility in Iowa, he would need to see compelling evidence that it would be financially viable and that an adequate market for that facility exists

Chair Canella gave his views next. It is his opinion that the state is already at the saturation point. The most recent Christiansen & Cummings report presented to the Commission in Marquette verified that the state is very near saturation, and there is very little opportunity for additional boats in the state of Iowa. Chair Canella proceeded to review his thought process in reviewing a license application. The Commission has approximately 20 guidelines which it uses when reviewing a license application to determine whether or not a license should be granted.

Some of the guidelines are more important than others; and he prefers to give more importance to the following issue - the population to be served by the facility. Chair Canella feels there should be a core area of 30-35 miles radius which should be able to support the applicant. The locations of other gaming facilities within and outside the state should also be taken into consideration. The new facility should be able to maximize the economic development in the state of Iowa - that would be a true increase in economic benefit, not shifting it from one location to another. Chair Canella stated that he is a firm believer in cruises, and believes that Iowa should continue to have cruises and must be bonafide cruises. Chair Canella's idea of a reasonable cruise is <u>not</u> two miles in two hours, it has to be a substantial cruise. He feels that the Commission needs to study the consequences to the State should the Commission approve another license. Will the approval cause another influx of applicants? Will it truly be beneficial to the state? What are the consequences if the Commission does not give approval. Chair Canella stated he is very much against one gaming location paying an 18% tax and another 36% in taxes.

Commissioner Sealock noted that this same discussion took place at the Commission meeting in February; however, there has been one change in the makeup of the Commission since that time and that is Commissioner Peyton. Commissioner Peyton has just about reached the same conclusion as the Commission member he replaced. At the February meeting, the majority of the Commission members felt that the Commission needed to step back and look at the state as a whole and assess the economic and social impact of gaming in Iowa. Iowa already has 16 licensed tracks, casinos, riverboats and Native American gambling establishments. The Commission decided to request a study to help them evaluate how the state was being served by the existing gambling facilities. In reviewing the numbers presented, the study indicated the possibility of two more licenses, but the potential customers were scattered over a wide area. There were two pockets which might be able to support a gaming facility - possibly one in central Iowa and another in north/northwest Iowa. The more financially viable the gaming operation, the more taxes they pay and contribute more money to the community as opposed to entities which are cannibalizing each other, laying employees off, and possibly causing bankruptcies. Commissioner Sealock noted that the free enterprise theory does not work in this industry as it is so heavily regulated. Commissioner Sealock stated that locations and licenses should be controlled. When looking at the gaming industry in other jurisdictions, it was found they capitalized on entertainment and tourism opportunities while insuring profitable, viable

operations with job security and community support. She also feels that Iowa is nearing the saturation point, and that to go much further would be detrimental to existing licenses and to the 50% of Iowans who do not approve or want expanded gambling in Iowa.

Commissioner Van Horn stated that the Legislature told the Commission that there is more to Iowa than the two rivers. He feels the Commission should listen to them and put the next casino in interior Iowa. He noted that if the Commission fails to listen to the Legislature, the Legislature will tell the Commission what to do.

Commissioner Whittenburg stated that her viewpoint is essentially the same as enunciated by the other Commissioners. She feels the state is reaching the point of diminishing returns; currently have a positive, healthy situation for the existing licensees. Iowa, and the country as a whole, is beginning to look at the social costs to the state and country due to the expansion of gaming in the United States. She agrees with the findings of the Christiansen/Cummings report, and is glad that the study was done. Furthermore, she agrees with Commissioner Peyton that there might be room for one, possibly two, but no more than three additional licenses, but does not know what the number will be. One of the areas she looks at when an application is submitted is to see if the area of the proposed license is being adequately served by other facilities in the area. It is her opinion that patrons within the state who want to go to a track or casino have fairly easy access. Commissioner Whittenburg also looks at financial viability, as well as the other factors outlined by Chair Canella. One of the other factors she looks at is the non-profit organization, and how strong they are.

At this point, Chair Canella opened the discussion for public input. Chair Canella called on Otto Steele, representing Citizens for Gambling Free Government, who commended the Commission for their hard work and their attitude toward regulating the industry. Mr. Steele proceeded to outline the many social and economic problems which gambling has created in Iowa. He noted that Iowa has 30,000 problem gamblers, and that 7% of teen-agers have a gambling problem - higher than the adult population which is at 5%. He feels the economic and social costs of gambling will only increase with additional licenses, and is of the opinion that these costs are minimized or ignored. Mr. Steele stated that the Commission is required to follow strict guidelines in issuing licenses which they have done, and should continue to do. He closed by stating that he appreciates the work of the Commission.

Tom Coates, Director of Consumer Credit Counseling Services of Des Moines, noted that this entity is the largest credit and budget counseling service in the state of Iowa. They are currently working with over 400 new individuals and families each month. This represents a 50% increase from one year ago; a large part of which is due to the expansion and proliferation of gambling in Iowa. He estimated that 20% of the new clients have gambling debts as the core issue of their problems. They are seeing clients with debts ranging from $20,000 on up, with one counselor reporting three individuals with six figure debt with gambling being the main cause. The easy availability of credit and easy access to gambling facilities have compounded the problem. Mr. Coates detailed the problems of two of their clients.

State Representative Teresa Garman, represents the 63rd District, reminded the Commission that there is not a consensus in Iowa or the Iowa Legislature on gambling. Casino gambling, after being defeated several times, was passed in the Iowa legislature with the bare minimum of 51 votes because of the number of restrictions placed on it. Casino gambling was billed as family entertainment and; therefore, only a certain percentage of the space could be used for gambling, there was a $5.00 betting limit, and a $200 loss limit. Without those restrictions, casino gambling would not have been passed by the Iowa legislature. She has watched these restrictions being removed one by one, with the minimum number of votes required. She requested that the Commission continue to consider the social and economic costs of gambling to Iowa. Representative Garman noted the additional costs to the state welfare system. It has been estimated that for every dollar of tax revenue that comes in to the state from gambling, there is an additional cost of three dollars that goes to the social agencies and criminal justice agencies. When businesses look to relocate in our state, they talk about our level of education and work ethic. She wondered if we were losing that. She noted that the state will receive approximately $40 million in gambling revenues next year, but at what cost to the state. She stated that if Commission members were to visit some of the businesses in small rural towns, they would find that business has dropped off at these establishments since gambling was legalized. Representative Garman stated that she would be ordering legislation to study the economic impact of gambling on the state.

Carlos Jayne, legislative advocate for the United Methodist Church, stated that he felt the study mentioned by Representative Garman should be carried out and should include all aspects of gambling in Iowa, and that it should be completed before additional licenses are granted. He went on to note that there is talk of a federal study of the effect of gambling on the nation. He feels that since Iowa led the way in putting casino boats on the rivers that we should lead the way in determining the effects on our businesses, social costs, and lifestyles of the people in Iowa.

Kathy Johnson, president of the non-profit organization in Muscatine, asked the Commission to consider reinstating a license for Muscatine. She noted that Muscatine is a very conservative town, they did have a license in conjunction with the Bettendorf group. A developer has been chosen, and a referendum will be held just after the first of the year. Muscatine is looking at a small operation. She requested that the Commission keep their efforts and request in mind.

At this time, the Commission returned to the request by NCC/WGP for approval of 1996 racing season and associated contracts. John Titler, legal counsel for NCC/WGP, started out by giving an update regarding the status of the Chapter 11 bankruptcy. He noted that two referendums for expanded gambling have been held in Black Hawk County, and both failed. A year ago, NCC/WGP was before the Commission requesting a live racing license which was denied, and, in fact, the license of NCC/WGP was revoked. The Bankruptcy Court overruled the Commission's decision to revoke the license. Simulcasting continued. There are two reorganization plans before the bankruptcy court, either one would pay the creditors in full. In the Meskwaki plan, it would mean approximately $9 million dollars, which includes about $934,000 to the City of Waterloo and in excess of $400,000 to the State of Iowa, $282,000 of which was loaned to WGP by the Legislature.

Both plans were scheduled for confirmation hearings on this date, however as there are objections to both plans, the Bankruptcy judge has set final confirmation hearings on both plans for December 18th and 19th, as well as a number of additional hearing dates to try and whittle away issues that exist prior to those dates. On November 15th, Mr. Titler filed an amendment to the plan previously filed by NCC containing the Master Agreement with the Meskwaki tribe subsequent to comments and suggestions from Commission members and staff members in the hope that the new agreement will meet the guidelines necessary to provide for its eventual approval. A motion was also filed with the Bankruptcy Court together with an agreement reached with the Meskwaki tribe to provide immediate interim financing to allow NCC/WGP to go forward with their request for live racing for this coming season. This was necessary because the anticipated date of completion of these bankruptcy proceedings has come and gone due to the filing of the other plan. NCC\WGP wants to proceed with live racing as proposed, and they believe the financing is in place to allow that to happen. The request for live racing dates is an attempt to preserve the license and the facility, and is required under the statutes. Both reorganization plans also require that the license be preserved as a requirement of proceeding with the plan.

Upon questioning from Commissioners and IRGC staff as to what NCC/WGP is attempting to accomplish, Mr. Titler had the following comments: The first and foremost is that NCC is attempting to solve its somewhat long-standing financial problems in two stages - the first of which is the passage and confirmation by the Bankruptcy Court of either reorganization plans which will pay off all creditors. There are substantial differences between the two plans, but the effect on all creditors is essentially the same. Beyond that, there is a view to the future. The plan with the Meskwakis was the first opportunity provided NCC during the bankruptcy proceedings in which creditors would be paid without the necessity of expanding gambling at WGP.

NCC/WGP's purpose before the Commission at this time is two-fold. First, they would like to have approval for the proposal with regard to live racing, and have also submitted for approval the Master Agreement with the Meskwaki Tribe. That Agreement provides for the financing arrangement, subject to the approval of the Bankruptcy Court, but also provides that the Meskwakis would make a substantial loan to the NCC to allow it to fulfill the terms of the bankruptcy plan and to pay all creditors in full. Additionally, money is provided for current operations and includes a provision which allows the Meskwakis to elect to become a manager at WGP as either a pari-mutuel facility or as a slot operation in the event that expanded gambling is allowed at WGP pursuant to a referendum. That provision is subject to the Commission's approval and is completely independent of what is being submitted for approval at this time. At this time, Mr. Titler indicated he would answer any questions that anyone might have.

Commissioner Sealock expressed the Commission's appreciation as the Master Agreement was rewritten after meeting with some of the Commissioners and IRGC staff. Mr. Titler indicated the changes caused the Agreement to return to what the core issues were between the Meskwakis and the NCC. There was never any intent to circumvent control issues. Both parties always intended that the Agreement would be in compliance with IRGC rules and statutes regarding control.

Commissioner Peyton questioned Mr. Titler regarding the full payment of all claims. He wondered if the payment included accrued interest. Full payment constitutes the allowed amount as of the final date. Some claims have been allowed to accrue interest. Mr. Titler indicated there are unsecured creditors who might have had interest accruing prior to the bankruptcy proceedings, and that interest will not be paid.

Chair Canella called on Augie Masciotra, General Manager of WGP, for his comments. Mr. Masciotra stated that the Commissioners had been forwarded an application with several documents attached to it. Upon receipt of a letter from Mr. Ketterer outlining some concerns with the application, he answered those concerns.

Chair Canella called on Mr. Crawford who indicated that IGA is in favor of conducting a live meet at WGP so long as the meet could be conducted in a safe and productive environment and is economically viable. They received an inquiry and agreed to meet with a representative from one of the two groups that have presented a plan to the Bankruptcy Court. The meeting was requested in order to address the concerns previously outlined by IGA to the Commission regarding any live meet that might be held at WGP. During the meeting, they specifically addressed animal welfare, track conditions, etc. They also discussed the welfare of the greyhound racing business in the Waterloo area, as well as greyhound racing in Iowa in general. The talks were productive, but did just begin; and the representative is now out-of-state for a few days. Due to the uncompleted discussions, and the uncertainty of which plan will be approved by the Bankruptcy Court, IGA is not prepared to recommend that the Commission make a decision today, but there is also a converse side as well. On the other hand, they are very concerned about the kennel operators who are waiting in the wings to see what is going to happen at WGP. He hopes that the talks they have begun can be completed in short order, and then issues dealt with via a conference call. He went on to state that any approval of race dates or an agreement between WGP and either of the proponents of plans in the Bankruptcy Court, would be contingent upon the continuation of live racing at Waterloo.

Chair Canella indicated that it is very difficult for the Commission to give approval when the Bankruptcy Judge is not going to make a decision as to who is going to be in control until December 18th. If the Judge should decide on JAMCO, the Commission would have extreme difficulty as they have not even seen their proposal. Chair Canella indicated that he did not feel he could approve a live meet when he did not know who was going to be in control. Commissioner Sealock indicated her agreement.

Mr. Titler indicated that the Chapter 11 proceeding was filed by NCC, and they have attempted to get expanded gambling on two occasions. Negotiations were started with the Meskwakis in July after negotiations with several other entities failed. JAMCO did not enter the scene until much later, and has pursued a reorganization plan on their own. The license belongs to NCC. The issue of who is in control does not have anything to do with the live racing season in the strictest sense. Mr. Titler indicated that if the Commission approved the live racing season, they would be approving a license for NCC, and whether JAMCO's plan is confirmed or not, they will be bound by what the

Commission has done. The entity, NCC, is the license holder. If the Bankruptcy Court does something to violate the control provisions of IRGC, that is something which NCC does not have any control. They are trying to do what they can, and have done everything they can, to solve all of their financial problems. Mr. Titler suggested that the Commission grant the license to NCC and make it clear to the Bankruptcy Court that the license has been granted under the current status of NCC and the Meskwaki financial arrangement he does not feel that there would be any change of status during the live race meet. Chair Canella noted that the Bankruptcy Court is not the Commission's forum. Mr. Titler suggested that the Commission grant the license to NCC so long as they maintain their current status.

Commissioner Peyton indicated that he does not feel the requests before the Commission have anything to do with granting a license. The request before the Commission is for approval of a live race meet.

At this point, Chair Canella called on Ms. Vanderloo to address issues regarding the condition of the track at Waterloo. Ms. Vanderloo quickly reviewed the request before the Commission which is for a live race meet starting December 26, 1995 and run through April 21, 1996. They would have four performances per week with evening performances on Friday and Saturday at 7:30 p.m., and matinee performances on Saturday and Sunday at 1:00 p.m. If approved, total number of performances would be 72, with 55 race days. They also request permission to simulcast Gulf Greyhound Park. They will pay a minimum of 4% in purses which will be supplemented by money received from the simulcasting venture for the period of May 2, 1994 through December 23, 1995. Money available for distribution during this season will be $325,000.

They have 13 kennels booked for the 1995-1996 season, 10 of which are Iowa-based. Two of the kennels may have a relationship. The list of officials has very few changes from the last submission. Only eight of the 19 individuals listed were licensed in 1995, with the rest being laid off after the last live racing season. A performance bond of $50,000 is in place. They have requested to conduct win, place, show, quiniela, exacta, daily double, trifecta, superfecta and tri-super wagering on all programs. They have also requested a minimum wager of $1.00 on all applicable pools, the exacta base wager and the tri-super base wager will be $2.00. WGP will be taking the maximum takeout allowed by law.

The contract between WGP and United Tote is valid through January 1, 1996. The agreement with Sportview Television covered 1991, 1992, 1993, 1994 and 1995, and was unable to find an expiration date. The Commission also needs verification that Eye-In-The-Sky is a valid vendor for the entire meet. Their contract with RACI to act as the simulcast hub for Gulf Greyhound Park expires on January 1, 1996, as does their contract with Gulf to receive their signal through RACI. The most recent information available on Greyhound Equipment Company, Inc., which provides the installation and leasing of the lure system, is rate increase information provided in 1992. Verification of a current contract is necessary prior to approval.

In addition to the control and financial viability issues before the Commission, the Commission also needs to look at the current status of the track. Based on an analysis of the track by Robert Gillette, DVM, on October 29, 1994, there were 13 items which needed to be addressed by NCC/WGP. These include the removal of rocks from the track, replacement of smoke detectors, inadequate lighting in the turnout area, crates and kennels need to be replaced, etc. The Commission needs to have a time frame in which these issues will be addressed in order to assure the safety of the racing greyhound and the integrity of racing in Iowa.

Mr. Titler indicated that the majority of the issues are currently being addressed. Mr. Titler stated that NCC anticipates replacing the heating system in the track with some of the interim financing they will receive. He suggested that maybe Ms. Vanderloo could visit the track and determine the progress made in addressing the areas of concern as set out by Dr. Gillette.

Mr. Ketterer stated that his problems go back to the fact that the Bankruptcy Court still has jurisdiction and the time frame which the Commission has been pushed into. He indicated that he would have a much higher comfort level from a staff standpoint in terms of the Plan being approved, the funds being turned over to the NCC and then having time to address the issues at the track, if this discussion were occurring at the September meeting. He feels the Agreement with the Meskwakis was reached too late in order to start a race meet on December 26, 1995, and NCC sincerely felt that the Bankruptcy Court would have made a decision prior to today, but then JAMCO filed their reorganization plan which caused further delays. The other issues raised by other individuals deserve consideration by the Commission as well; however, this is still before the Bankruptcy Court.

Commissioner Van Horn moved to deny approval of the 1995-1996 racing dates and contracts submitted by NCC/WGP. Commissioner Peyton seconded the motion. Chair Canella asked if this motion prevented NCC/WGP from coming in front of the Commission 60 days or more down the road. Commissioner Van Horn stated his motion was to deny the request at this time. Commissioner Peyton indicated that he did not think NCC/WGP was prepared to run a live meet at this point but that they may be at some point in the future and he would be willing to consider that request at that time. Hearing no further discussion, the motion carried by a unanimous vote. (See Order No. 95-153)

Chair Canella called on Doug Gross, legal counsel for the Greater Dubuque Riverboat Entertainment Company, L.C. (GDREC). Mr. Gross stated that GDREC has to name a manager. Gaming Development Group has been the manager of GDREC; however, a mutual agreement has been reached to terminate that relationship. With approval from the Commission, an Advisory Committee was established via contract with the management company. At this time, they would like to put the Advisory Committee in place as the Management Committee, or the equivalent of a Board of Directors. This is contained in the Amendment to the Operating Agreement before the Commission. Any payment for services except for out-of-pocket expenses is expressly prohibited.

Jeff Farrell, Assistant Attorney General for the Commission, asked if Joe Zwack had any contact or relationship with the Advisory Committee. Mr. Gross indicated that Mr. Zwack does not sit on the Advisory Committee. Mr. Gross stated that in order to be an applicant to be a member of the Management Committee, an individual would have to undergo IRGC/DCI background checks and meet licensing requirements.

Hearing no further discussion, Chair Canella called for a motion regarding the Amendment to the Operating Agreement. Commissioner Whittenburg moved to approve the Amendment to the Operating Agreement. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-154)

The second issue before the Commission for GDREC was the Second Amendment to the Management Agreement with Gaming Development Group, Inc. This agreement was to terminate on December 31, 1996; however, the amendment terminates the agreement as of November 30, 1995. The agreement further states that Gaming Development would conduct a search for a new controller for GDREC, and GDREC would pay the fees of approximately $18,000, and the salaries of the comptroller and general manager for the month of November which would be approximately $12,500.00.

Bruce Crary, legal counsel for Gaming Development Company of St. Louis, indicated that he was available to answer any questions on the above issue. He also had a letter from Carl Bolm stating Gaming Development's appreciation for the opportunity to operate in Iowa. They still own the Sioux City operation.

Mr. Gross introduced Jim Rix as the Chief Operating Officer who will be overseeing the day-to-day operations of the boat in Dubuque.

Commissioner Whittenburg moved to approve the Second Amendment to the Management Agreement with Gaming Development Group, Inc. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-155)

Chair Canella called on Jeff Terp, Vice President of Business Development for Ameristar, to address their request for permission to begin operations on January 1, 1996. He introduced Tim Smith, Vice President of Construction at the corporate level. An update of the progress being made at the Council Bluffs location was distributed to all Commission members. Mr. Terp noted that the boat left the shipyard and should arrive in Vicksburg, MS on November 17, 1995. The boat is fully completed, and is scheduled to arrive in Council Bluffs on December 1st.

Regarding the land side development, Mr. Terp outlined their compliance with the criteria established by the City and County to determine "substantially complete". Ameristar has provided proof of ownership, and is in the process of completing the assessment of the amount of money spent and know that they have exceeded the $20 million noted as part of the commitment. The third

criteria dealing with the street completion, sewers, water lines, and infrastructure. The storm water lines are approximately 90% complete at this time, the sewer is 80%, Nebraska Avenue will be completed the following week. The ramp work is 85% complete as of this date. They are over 80% complete with the minimum requirement of 1,000 hard surface parking lot spaces, and this should be completed shortly. A master schedule assuring that the project would be 100% complete 12 months from the date of opening. This will be presented to the Commission at the appropriate time; however, Ameristar anticipates the project will be 100% complete four or five months after opening. Putting the signage in place will more than likely be one of the very last things that is done. The construction site will be properly separated so that the safety concerns for patrons from the IRGC and city standpoint are addressed. Under the strictest interpretation of the city's criteria, Ameristar will not meet the final criteria. The terminal building will be fully complete with its steel, and the skin; however the fourth and fifth floors of the hotel will not be completed with steel until approximately January 12-19, 1996. All materials are on site.

An update was also provided on the operations portion of the project as well. In response to a question regarding the status of the hotel with Kinseth Hospitality, a letter was included with the update showing the project is proceeding. The surcharge is complete. A contract, architect, and everything is in place. Ground should be broken for this hotel on March 1, 1996.

Mr. Terp indicated they would like to open January 1, but realize they have not fully completed the criteria. From an operational standpoint, they are fully prepared to open on January 1st. Should the Commission not allow them to open on January 1, they requested some kind of guideline in order to select a date. They need at least 30-45 days to prepare in order to insure a smooth opening.

Chair Canella indicated that Mr. Ketterer is working on a plan for Mr. Ketterer, Terry Hirsch, Ms. Vanderloo, himself and Commissioner Sealock to meet in Council Bluffs on December 13th to view the sites. Mr. Ketterer noted that if the Commission as a whole so approved, there would be a meeting between the chair, vice-chair and some IRGC staff with members of the county and city as of December 13th. If all were satisfied that the criteria had been met, as well as the criteria from IRGC and DCI, the Commission could delegate the authority to the Chair and Vice-Chair to authorize the opening on January 1st or other date. At this time, Ameristar is indicating they can not meet the criteria and are looking for some guidance in determining a date as to when they can open. Mr. Ketterer asked Mr. Terp about the time path regarding the hotel and terminal building. Mr. Terp stated that the terminal building will be fully complete by March 1, 1996. According to the city's criteria, the structural steel and 50-100% skin will be completed by January 19, 1996. Mr. Smith noted that per the literal verbage of the conditions set forth by the city, Ameristar will have the terminal building structurally complete with 50% of the exterior skinned. Mr. Smith stated that of the projected $98 million budget, approximately $70 million will be spent by January 1st with $40 million of that being invested in land side developments.

Dick Wade, City Attorney for Council Bluffs, stated that the idea of establishing the criteria was for the riverboats to determine when they could open. During the various discussions in establishing

these criteria, even the most liberal members of the committee felt that if the project did not meet the criteria that they should not open. Mr. Ketterer asked if the city would support a January 1 opening date based on the information presented today. He felt they would not based on the discussions held in establishing the criteria.

Mr. Ketterer asked Mr. Terp if Ameristar could meet all of the criteria by February 1st. Mr. Terp stated they would meet the criteria by January 19th. All of the criteria will be met by Christmas Day-January 1, except for the fourth and fifth floors of the hotel. The terminal building will have met the criteria. Mr. Ketterer asked if the Commission gave them a date to open on December 13th if that would be a sufficient "window" in order to assure a smooth opening. Mr. Terp indicated that he felt it would be. He was concerned that everyone be able to look at where the project is at on the 13th and take into account their assurances that they will be in compliance.

Chair Canella suggested that since the city and county were reluctant to go with the January 1 date, maybe they should establish a date of February 1. Mr. Terp stated that Ameristar would be delighted to have the Commission visit the site on December 13th, and give them 30 days to prepare for opening on January 19th.

Commissioner Peyton indicated that he was in favor of allowing IRGC staff, Chair Canella and Commissioner Sealock to visit the site on December 13th along with representatives from the city and county, and delegating them the authority to make a decision at that time.

Commissioner Van Horn indicated that before he voted to allow the projects to open that he wanted approval from the city and county. Chair Canella agreed with the comment.

Commissioner Whittenburg moved to authorize the Chairman and Vice-Chair, Administrator and whatever staff he chooses to accompany them to the Ameristar site in Council Bluffs and take a tour on December 13th, or whatever date in December, for the purpose of reviewing progress on construction of the land-based facility and that they confer with the city and county and decide whether or not there is substantial completion of the project sufficient to set a date for opening. Substantial completion will be under the terms set forth by the city and county. They are further delegated the power by the other members of the Commission to establish a date and give that date to Ameristar. Commissioner Van Horn seconded the motion.

Commissioner Sealock pointed out that only two Commissioners would be present, therefore, there would not be an open meeting, and asked Mr. Ketterer to issue invitations to those individuals he wanted to be present.

Mr. Terp noted that the Commission and DCI offices were complete.

The above motion carried unanimously. (See Order No. 95-156)

Chair Canella then called on Gary Armentrout, Senior Vice President of Business Development for Harvey's, to discuss their request for permission to open on January 1, 1996. He stated that Harvey's felt they would be in a position to fully demonstrate the satisfaction of the Chair, Vice-Chair, and staff members their full and 100% completion of all ten of the criteria established by the city and county as of December 13th; therefore, allowing them to be able to open on January 1, 1996.

At this point, Mr. Armentrout called on Verne Welch, Senior Vice President and General Manager of Harvey's Casino Hotel, and Larry Kinzer, Director of Casino Operations, to provide the Commission with an update on the progress being made by Harvey's.

Mr. Welch noted that the boat had left the shipyard, and should arrive in New Orleans on Saturday, November 18th, and arrive in Council Bluffs during the first week of December provided it does not encounter problems on the river. Construction has progressed nicely. Mr. Welch distributed pictures which had been taken at the site the previous day. The boat slip is complete and ready to receive the boat. Work is currently under way on the twelfth floor of the hotel, and hope to top out the hotel by the end of the month. They anticipate having more than 50% of the hotel skinned by December 13th with windows and glass in place.

Chair Canella asked Mr. Wade for comments. Mr. Wade noted that both projects are moving along quite well, and does not want to favor one project over another. He stated that the Building Officials are trying to work with both projects on a weekly basis to insure that there is no mis-communication as to what will be needed in order to get the Certificate of Occupancy.

Mr. Armentrout stated that as of this date, they are 100% complete on eight of the ten criteria contained in the joint city-county resolution. The two which are not completed are the 50% skinning of the building and the completion of the $1.4 million north entrance. He is very confident they will have completed the last two criteria by December 13th, and will ask the city and county to certify to the Commission on that date that Harvey's has completely satisfied their criteria and terms in order to allow the project to open.

Mr. Kinzer noted that over 600 prospective applicants had been interviewed for the table side operations. Offers were made to approximately 300 individuals, and there are about 280 students going to school at the present time. The "21" and roulette students are making excellent progress as well. They are currently in the process of recruiting individuals for the slot side of the operation. Training will begin on December 1st.

Mr. Ketterer asked Mr. Armentrout when the hotel will open. Mr. Armentrout indicated they hope to be able to open portions of the hotel beginning February 1, 1996, and the entire facility will be 100% complete by May 1, 1996.

Mr. Ketterer confirmed that Ameristar's terminal building will be completed by March 1, 1996, and the hotel will be completed by May 15, 1996. The Kinseth hotel will be completed in September-October, 1996.

Commissioner Peyton moved to authorize the Chairman and Vice-Chair, Administrator and whatever staff he chooses to accompany them to the Harvey's site in Council Bluffs and take a tour on December 13th, or whatever date in December, for the purpose of reviewing progress on construction of the land-based facility and that they confer with the city and county and decide whether or not there is substantial completion of the project sufficient to set a date for opening. Substantial completion will be under the terms set forth by the city and county. They are further delegated the power by the other members of the Commission to establish a date and give that date to Harvey's. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 95-157)

Chair Canella called on Mr. Armentrout to present Harvey's contract with Bailey Lauerman & Associates/Scott Anderson Group for outside advertising and marketing. Commissioner Sealock moved to approve the contract as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-158)

Chair Canella called on Mark Lohman, General Manager of The President/Vice-President, to discuss the three contracts submitted for Commission approval: 1) Aston Barnes Engineers for engineering and consulting services for ongoing construction projects; 2) Dejong & Lebet - naval architect providing services regarding the dry docking of The President; and 3) Trinity Gulf Repair, Inc. for facilities, labor and material for dry docking and specified repairs to M/V President. All costs associated with the dry docking of The President are estimated. They anticipate the costs could exceed $1 million. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 95-159)

Mr. Lohman informed the Commission that the replacement vessel opened on Monday, November 13, 1995, shortly after 6:00 upon receiving all of the required approvals. The Grand Opening was held on Tuesday morning with approximately 6,000 people in attendance. The President departed from Davenport earlier this date en route to the New Orleans area. A good share of the refurbishment will take place while it is in dry dock. The President is scheduled to return to Davenport in late March/early April.

Chair Canella called on Mr. Terp with Ameristar to discuss their contracts before the Commission for approval. The first contract shown is a credit agreement with PDS Financial Corporation for financing of slot machines. Mr. Terp requested that this be withdrawn as financing has been arranged with First Interstate Bank, upon Commission approval, which will give them more flexibility and better terms. As the other contracts with Commonwealth Electric Company for traffic signalization, Federal Sign Gaming Group for interior boat signage and Mikohn Gaming Corporation for slot signage were routine, Chair Canella called for a motion. Commissioner Van

Horn moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-160)

Chair Canella called on Bob Ellis, corporate counsel for Lady Luck, Bettendorf, to discuss their contracts submitted for Commission approval. Those contracts were as follows: Bally Gaming for slot machines; Chicago Gambling Tours for a bus subsidy; G & H Custom Craft, Inc. for bar, tabletops and miscellaneous materials for the sports bar; Tri-State Tours, Inc. for a bus subsidy; Valley Corporation for a contract for property management of the Outlet Mall; and Westbury National Show Systems, Inc. for a stage, sound and lights for the sports bar. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-161)

At this point, Mr. Ellis introduced Michael Hlavsa, Vice President and Chief Financial Officer for Lady Luck Gaming in Nevada. Spencer Geissinger, the former general manager at Lady Luck, Bettendorf, accepted a position in Nevada. Mr. Hlavsa will fill that role for the interim.

Mr. Ellis informed the Commission that the Regional Riverbend Authority, the non-profit group, has exceeded the $1 million mark for charitable contributions in the first six months of operations. They will be meeting later today to determine which groups will benefit from these funds.

Mr. Ellis noted that three additional national factory outlet retailers have signed agreements to open stores in the outlet mall, for a total of ten stores. Retailers have done approximately a half million dollars in sales during the first month of operation. The mall has been well received by the community.

Lastly, Mr. Ellis provided an update on the Roger Craig Sports Bar which will be opening up on the second deck of the boat. Renovations are progressing, and plans are to open the bar on Thanksgiving Day. Mr. Craig will be in attendance, and they are receiving memorabilia from several sports individuals. There will be 32 big screen TVs around the deck. They are also planning to open the Lady Luck Showroom on December 1st which will have a stage and a seating capacity of 300 people. Several national acts have been booked already.

Chair Canella called on Mr. Gross to present the contracts submitted by the DDJ for Commission approval. Those contracts were with FINOVA Capital Corporation for financing of slot machines for the boat; and President Riverboat Casino - New York for an amendment to the Charter Agreement. This amendment specifies the dates the charter lease began, the dates payments are due, and allows for a second preferred ship mortgage so that FINOVA can secure their interest in the slot machines. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-162)

Ken Bonnet, President of Mississippi Belle II, presented their contract which is a loan to Kehl River Boats. As there was no discussion, Commissioner Sealock moved to approve the contract as

submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 95-163)

Mr. Bonnet introduced Jan Matheny, President of the Clinton County Gaming Association, Ltd., who stated that they had recently given away $350,000 to the Riverboat Foundation for the betterment of the riverfront in Clinton and $150,000 was given to the DeWitt Area Foundation for betterment within Clinton County. They have also received two grant applications during the year. They anticipate giving away close to $1 million by the end of the year.

Mr. Farrell indicated that IWRA's request for a decision on Request for Declaratory Ruling has not officially been acted on as the individuals needed to proceed with the agenda item were not able to attend the meeting due to weather conditions. Commissioner Whittenburg made a motion to defer this agenda item to the next regularly scheduled meeting. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 95-164)

Mr. Ketterer then asked Mr. Farrell about the jurisdictional issue regarding the NCC/WGP. He wondered if the Commission has the ability to act even though the Bankruptcy Court has not yet approved a plan. He noted that last year the Commission took action to revoke the license and the Bankruptcy Judge reversed the Commission's action. Mr. Farrell stated he felt there was a distinction between some actions involving the licensee and actions impacting the license. Mr. Farrell noted that the Commission denied the request for racing dates which he feels does not impact the license. The only issue is whether or not they will be able to get in their 60 days of live racing required in order to maintain their ability to offer simulcasting. He is of the opinion that the Commission could deal with the race date issue in January, and NCC/WGP would still have sufficient time to run a live meet in order to meet the simulcasting requirements. This was an issue which was discussed during a meeting held during the previous week.

Commissioner Whittenburg thanked Dr. Hyde for the tour through the Diagnostic Lab, and felt that it was very informative. Dr. Hyde thanked the Commissioners for coming to Ames for the meeting and giving him the opportunity to show them the progress being made.

Hearing no further comments or business to come before the Commission, Chair Canella called for a motion to adjourn. Commissioner Van Horn so moved and Commissioner Peyton seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY JULIE D. HERRICK, CPS

Signed: Julie D. Herrick