IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 18, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 18, 1996, at Adventureland Inn, Altoona, Iowa. Commission members present were: Richard Canella, Chair; Rita Sealock, Vice-Chair; and members Del Van Horn and Brad Peyton.

Chair Canella called the meeting to order at 8:30 A.M., and called for a motion to approve the agenda. Commissioner Van Horn moved to approve the agenda. Commissioner Sealock seconded the motion which carried unanimously.

Chair Canella called for a motion to go into Executive Session for the purpose of reviewing background investigations and receiving advice for legal counsel pursuant to Iowa Code Section 21.5(1)(a) and (c). Commissioner Peyton moved to go into Executive Session, Commissioner Sealock seconded the motion which carried unanimously.

After returning to open session, Chair Canella called for a motion to approve the minutes of the November 16, 1995 Commission meeting. Commissioner Peyton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion which carried unanimously.

Jack Ketterer, Administrator of IRGC, introduced Kim Schmett who has been named Acting Director of the Department of Inspections and Appeals.

Next up on the agenda were various issues relating to Iowa West Racing Association (IWRA) and Bluffs Run (BR), the first of which was the disposition of IWRA's request for a Declaratory Ruling regarding Unclaimed Winnings. Jake Peters, representing IWRA on this issue, stated it was IWRA's position that the Commission does not have the authority under Iowa Administrative Rule 491-7.9(3)(I) to assess licensees the costs of testing. This rule states that the Commission shall pay the costs of testing and then be reimbursed by various licensees on a per sample basis. IWRA contends the regulation is legally invalid as it exceeds the breadth and scope of the enabling statutes that were passed by the Legislature. Mr. Peters noted that the state contends that the Commission is empowered to provide for testing and "disposition of fees and costs under Section 99D.7(5) and (6). IWRA does not feel this argument encompasses all of the enabling statutes, particularly 99D.13 which requires that unclaimed winnings shall be forfeited or paid over to the Commission to pay all or part of the costs of drug testing. IWRA contends that the enabling statute states that drug testing is an expense of the Commission, not the various licensees. The Commission is entitled to apply unclaimed winnings to the costs of drug testing. Iowa Code Section 99D.7(5) sets forth the Commission's power and right to test; however, this is not what they are contesting. Iowa Code Section 99D.7(6) does not specifically mention drug testing. Drug testing is only addressed in 99D.13(2)which states that drug testing is the liability of the Commission. It further states that the

Commission can apply unclaimed winnings which have escheated to the state under other statutory provisions. Mr. Peters further contends that the administrative regulations promulgated under these statutes are invalid in that they go beyond the extent of the statute.

Jeff Farrell, Assistant Attorney General representing IRGC, stated that the statute is very clear in authorizing the Commission and ordering the Commission to establish rules and regulations to provide for the collection of fees to cover the costs of drug testing. The statute requires the Commission to adopt rules "to establish and provide for disposition of fees for the testing of animals sufficient to cover the cost of the test and to purchase the necessary equipment for the testing." The unclaimed winning statute delineates that those winnings are to be used for specific purposes. This statute does not eliminate the Commission's duty or responsibility to collect fees to cover testing costs through other means if there are not sufficient unclaimed winnings or no unclaimed winnings.

Mr. Ketterer asked Mr. Farrell if the unclaimed winnings statute was passed by the Legislature subsequent to the empowering section; and could it safely be assumed that if the Legislature did not want 99D.5 and 99D.6 to apply to the unclaimed winnings they would have repealed those statutes when enacting the unclaimed winnings statute. Mr. Farrell indicated that was correct, and it would also be true if they were adopted at the same time. He stated that legislative enactments are read to complement each other, not contradict each other. Under Mr. Farrell's interpretation of these statutes, the Commission first applies unclaimed winnings to drug testing fees. If they are not satisfactory, then the Commission has the authority under 99D.7(6) to recover the remaining testing costs. Under Mr. Peters' argument, these statutes would no longer apply; however, the Legislature has left these statutes in place and clearly intends for the Commission to use them to collect fees.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to deny the petition for declaratory ruling. Commissioner Sealock provided the second to the motion based on Mr. Farrell's interpretation. The motion carried unanimously. (See Order No. 96-1)

Commissioner Peyton informed Chair Canella that he found IWRA/BR's arguments regarding the unclaimed winnings very unpersuasive. He noted that a time had been established for payment of the assessment, and IWRA/BR missed the date by approximately twenty days. He noted the other tracks complied with this request in a timely manner, and he felt there should be sanctions for not complying with this request. Chair Canella agreed with Commissioner Peyton's comments, and stated that the Commission has the authority to suspend, revoke or levy a fine. Commissioner Peyton stated that he was not in favor of suspending or revoking the license, but would like to see an appropriate fine. Chair Canella asked Mr. Farrell if the Commission could issue fines up to $1,000 per day. Mr. Farrell noted that statute allows the Commission to impose fines of up to $1,000 for a violation. He went on to note that if the Commission intended to impose some type of sanction against BR, notice would be required, therefore no action can be taken at this meeting. The Commission would need to hear evidence as to why the payment was late, and establish background information. Commissioner Peyton moved that IRGC staff prepare a Complaint giving notice of the

intent to impose sanctions in order to give BR due process. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 96-2)

The next item on the agenda is the agreement with the Iowa Greyhound Association (IGA) for purse supplements from gaming revenue. Barry Sevedge, representing IWRA/BR, took a moment prior to addressing the purse issue to inform the Commission that Walt Pyper, General Manager of BR, will be retiring at the end of the month. Mr. Sevedge thanked Mr. Pyper for his fourteen years of involvement with the track. Chair Canella concurred with Mr. Sevedge's comments on behalf of the Commission.

Mr. Sevedge stated that BR has reached an agreement with IGA which is for the good of the industry. The purse supplement for the ensuing year will be $4 million in addition to $1.2 million from handle from live dog and simulcast horse racing for a total of approximately $5.2 million available for purses. On a performance basis, BR should have the second highest purses in the nation, certainly in the top five depending on what happens to the handle at some of the other large tracks. There is currently $4 million in escrow to be used for purse supplements in future years when the financial picture may not be as good. Distribution of those funds has not been settled, but he anticipates that will be included in the discussions for the 1997 agreement. The purse structure should put them in the top five in the nation for average purse payout even though the handle places them 31st or 32nd in the nation. Mr. Sevedge noted that BR will be hosting a seminar on greyhound breeding, including genetics, training, sports medicine, and economics to try to insure that the Iowa-bred supplement money can be utilized to its fullest extent by the breeders who come into Iowa. BR has set aside money for the Breeders' Program since the track opened. BR felt it would be helpful to bring in experts in the above areas to help the Iowa breeding industry to compete nationally. He noted that this industry is becoming very competitive.

Chair Canella asked Mr. Sevedge how many of their kennels were Iowa kennels, and what is BR's policy. Mr. Sevedge indicated their policy is to have over half of the kennels be Iowa kennels. Chair Canella asked if the kennels calling themselves Iowa kennels lease out-of-state greyhounds. Mr. Sevedge indicated they did; however, there is a balancing act between Iowa kennels and non-Iowa kennels, Iowa dogs and non-Iowa dogs. It is necessary to have dogs who race true to form and are consistent in order to have an evenly matched race. The size of the purses at BR will bring in a better grade of greyhound which will cause the Iowa-bred dogs to become better. One of the goals of the seminar is to help Iowa breeders choose better breeding stock.

Chair Canella called for a motion to approve the purse supplement agreement between IGA and BR as defined by the arbitrator. Commissioner Sealock so moved. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-3)

The third issue relating to BR was the contract with G & T Crates for replacement greyhound crates. Mr. Sevedge noted that the contract does not address the crates in the lock-out area. Those crates

will be replaced with galvanized crates which will be brought in from Coeur d'Alene which was closed.

Chair Canella called on Linda Vanderloo, Director of Racing/Administration for IRGC, for her comments. She thanked BR for their cooperation in replacing the crates. She pointed out that the contract was with an Iowa company.

Chair Canella called for a motion. Commissioner Peyton moved to approve the contract for crates as submitted by BR. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-4)

Chub Beno, representing IWRA, stated that the 13 volunteer board members are honored to be associated with Harvey's and Ameristar. The development between Harvey's, Ameristar and Bluffs Run is in excess of a quarter of billion dollars to the state of Iowa and southwest Iowa.

Chair Canella called on Mr. Ketterer to discuss the rules to be final adopted - IAC 491-3.11, 491-4.30 relating to Child Support Recovery/Failure to Pay and IAC 491-20.10(8), 491-20.11 and 491-21.10 addressing bodies of water. Mr. Ketterer explained that Notice of Intended Action had been filed on these rules. The child support recovery rules are those that were presented for agencies to fulfill a statutory requirement passed by the Legislature. The body of water rules are those which have been previously discussed. Chair Canella called for any discussion on the proposed rules.

Commissioner Sealock pointed out that the child support recovery rules were being put in place to comply with legislation, not something that originated with the Commission. She moved to approve the final adoption of this rule. Commissioner Van Horn seconded the motion which passed unanimously. (See Order No. 96-5)

Chair Canella then moved to the rules pertaining to bodies of water. Commissioner Sealock noted that there had been numerous discussions concerning these rules. These are not as restrictive as some would like, and more restrictive than others would like them to be; however, they do allow for individual interpretation of compliance. She moved to approve the adoption of these rules. Commissioner Peyton seconded the motion. Hearing no further discussion, Chair Canella called for the vote. The motion passed on a 3-1 vote, Commissioner Van Horn voting no. (See Order No. 96-6)

Chair Canella then called on Tom Timmons, Vice President of Pari-Mutuel Operations for Prairie Meadows (PM), to present their petition for rulemaking regarding IAC 491-10.5(17) - Claiming races; IAC 491-10.5(8) - Scratch, declaring out; and IAC 491-10.5(1) - Horses ineligible. Mr. Ketterer explained that the claiming rule would allow an individual who has claimed a horse out of a race to run that horse back, unless it won, at whatever price rather than being "jailed" for thirty days and increasing the claiming price by 25% for the thirty days following. Mr. Ketterer explained that several tracks around the country are switching to this type of rule. This rule also makes it

easier for an individual to get into the horse industry. The scratch and declaring out rule is one that pertains to PM and their simulcasting. This rule would allow them to get their programs distributed earlier. Regarding the horses ineligible rule, there is a provision currently in place which states that a horse is ineligible to start in a race if it started in any race in the previous calendar day. Mr. Ketterer supported all of the recommended rule changes; however, he did caution that the decision to run a horse back after it has run the day before should be left to the trainer. IRGC will be watching to make sure that no pressure is placed on owners/trainers to run horses on back-to-back days. Mr. Timmons indicated that he was in agreement with Mr. Ketterer's statements. He noted that the horsemen had requested these proposed rule changes. Chair Canella called for any further discussion. Hearing none, he called for a motion. Commissioner Peyton moved to approve the Petition for Rulemaking. Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 96-7)

Chair Canella moved to the next agenda item - a report on the 1996 purse structure and charitable contributions for PM. Tom Flynn, legal counsel for Racing Association of Central Iowa (RACI), and Bob Farinella, General Manager of PM, were present to address this issue. Chair Canella indicated that as this was a complex subject he wanted to break it down in to long term and short term goals. By short term, he was talking about the 1996 budget; long term was what was going to happen with the gaming revenues after the debt to the County is repaid.

Mr. Flynn noted that the 1996 budget is not available at this date; however, he was prepared to address charitable contributions and purse structure issues which were raised at the Commission's November meeting. Mr. Flynn reported that the Board of PM voted to give $2 million in charitable contributions at its November meeting for 1996; however, Polk County Supervisors reduced that amount to $300,000 due to the substantial debt still owed to Polk County. The proposed changes to the 1996 budget now have been approved by PM's board. Chair Canella asked about a possible contribution of $1 million to the State Fair by Polk County. Mr. Flynn indicated that no firm commitments had been given regarding this contribution, but that it is something the county might do once PM's debt has been repaid. Chair Canella asked when the debt would be paid in full. Mr. Flynn reported that the debt had been cut almost in half in nine months, and projections based on the cash flow show that the debt should be paid by the end of March, 1997. In working with the County on the budget, all energies have been focused on paying the debt down as quickly as possible, perhaps in the current fiscal year. Chair Canella agreed that paying the debt down quickly was a wise decision; however, he noted that $2 million in charitable contributions would only extend the life of the debt by two weeks. Mr. Flynn noted that RACI's board did not have a problem with charitable contributions. He went on to point out that paying the County and then addressing charities should not take long either - charities are going to benefit one way or another in the not too distant future. Mr. Flynn stated that once the County debt is totally paid, the supervisors will be much more willing to address the issue of charitable contributions. Chair Canella asked what would happen under the terms of the Operating Agreement if RACI's board did not go along with the recommendations of the Board of Supervisors regarding the 1996 budget. Mr. Flynn replied that

should an impasse occur, the Operating Agreement would have to go to arbitration, or the agreement could terminate. Chair Canella asked for comments from the other commissioners.

The discussion moved on to the purse structure. Chair Canella stated that the original budget submitted to Polk County by the RACI Board called for purses of $5,200,000, and $4 million in an escrow reserve account. It is his understanding that a substantial change has occurred. Mr. Timmons replied that the purses remain at $4 million, $3.4 million for general purses including the supplement. An escrow fund of $4 million will be established. Mr. Farinella noted that PM has three escrow accounts. He went on to state that in advance of the November meeting, PM had started the process of escrowing purse amounts for the 1996 racing season, and had $2.3 million as of December. During the first four months of operations during 1996, the balance of the $4 million needed for 1996 would go into the 1996 escrow account so the purse account will be fully funded at the beginning of the 1996 live racing season. Beginning in May, 1996, PM will begin to fund the 1997 purses so the 1997 purses will be fully funded by the time that season begins. At the same time, the renovation bonds require that PM maintain $4 million in working capital as a reserve to make bond payments. As those bonds have been defeased, PM intends to maintain a $4 million working capital account in addition to the two escrow accounts to serve as a back-up for the two purse escrow accounts.

Chair Canella asked about capital expenditures. Mr. Farinella stated that capital expenditures were reduced by $500,000 for the training track. All parties are in agreement that a training track is necessary for the 1997 season. He feels this issue will be readdressed once the debt has been paid down. Chair Canella asked Mr. Farinella if there was any discussion between the County and RACI when the budget was being prepared on which items should be cut back. Mr. Farinella indicated that RACI had worked with Polk County in preparing a list of fixed assets, and there was a discussion with staff as to how to prioritize those items to make the best use of available resources. Mr. Farinella reiterated that Polk County and RACI are in agreement as to the necessity of the training track, just differ on the timing of the funding. Chair Canella took this opportunity to remind everyone that the purpose of the legislative intent for allowing slot machines at the tracks was to improve the status of the horse racing industry in Iowa. He stated that everyone needs to remember that PM is a track with a casino, not a casino with a track.

Commissioner Peyton took this opportunity to negate the impression that the Commission wanted to micro-manage PM's budget. The point he was trying to make, and the point Chair Canella is trying to make, is that there seems to be some hypocrisy on PM's part as they indicated during the Osceola license presentation that granting them a license would be detrimental to the horse racing industry in Iowa. RACI, owners, breeders, trainers and others indicated a strong commitment to bettering the industry. PM now has revenues that are two to three times higher than projected, yet there is no growth in purses or other benefits to the industry that should go hand-in-hand with that success. Mr. Flynn responded that it was not fair to just look at the purses to determine whether or not PM was attempting to satisfy the needs of the horsemen. Mr. Flynn noted that major capital improvements have either been made or proposed for 1996/1997 which PM feels are necessary in

order for the horse industry to grow and be prepared for the quality horses which will come to PM with the increased purses. Mr. Farinella stated that part of the fiscal plan requires them to work closely with the thoroughbred and quarter horse groups during negotiations. Mr. Farinella distributed a copy of the Horsemen's Benevolent and Protection Association's newsletter thanking management, RACI and Polk County officials for their support in improving racing in Iowa. (copy attached) PM has binding contracts with the various horsemen's groups regarding the purse structure for 1996 which are in compliance with previously established guidelines.

Chair Canella called for additional comments. Hearing none, he noted that no action was required until the budget is submitted to the Commission.

The discussion then moved on to long-term plans and where does RACI go after the debt has been paid in full. Mr. Flynn indicated that a long-range committee had been established by the RACI board to study how the profits are to be disbursed. Under the current Operating Agreement which remains in effect until 1999, all net profits will go to the County. No one anticipated that the debt would be paid off this quickly when the Operating Agreement was executed. He indicated the track would be meeting with the County and the long-range committee. Chair Canella stated this is an issue which needs to be worked out on a continuing basis. He does not want PM's budget to come before the Commission in one or two years and still not have any of these issues resolved. Chair Canella pointed out that RACI holds the license, even though Polk County owns the facility, and they need to work together to determine how the money is going to be divided. Mr. Flynn noted the difficulty in balancing the needs of RACI to be a good corporate citizen and Polk County in meeting the needs of their constituency.

Commissioner Peyton asked whether the licensee is buying the facility or renting the facility. Mr. Flynn replied that, legally, the licensee is not buying the facility. The County is the owner of the facility; however, the Operating Agreement provides that when the remodeling bond was paid off, the gaming equipment would be then become the property of RACI. This has not yet occurred. The facility is owned by the County, and no arrangements for a lease or purchase option between RACI and the County have been made at this point. Mr. Flynn noted that there are a number of ways this issue could go when the time comes.

Chair Canella indicated that the Commission felt this issue was so important they wanted it to be an agenda item for the next year. He requested that a representative address the Commission each month to keep them abreast of the progress being made on the above issues.

Commissioner Sealock pointed out that there are several excellent examples throughout the state of how to establish guidelines for charitable contributions for the betterment of a large area. Mr. Farinella stated that RACI/PM had requested a copy of the rules established by the Riverboat Development Authority in Davenport. He also indicated that he had prepared a rough draft to submit to the RACI board to establish a formal process for allocating charitable contributions.

Chair Canella then moved on to National Cattle Congress (NCC)/Waterloo Greyhound Park's (WGP) request for 1996 live racing dates and the related contracts. John Titler, legal representative for NCC, explained that this is essentially the same request they made in November. One of the concerns of the Commission in November was the uncertainty of which reorganization plan the Bankruptcy Court would approve. The Bankruptcy Court confirmed NCC's plan late in the afternoon of January 17th, and NCC will proceed with reorganization as outlined in that plan. At this point, it is NCC's intent to obtain approval for a live racing season as proposed, and proceed with the rehabilitation of this organization. The first step in this process will be to pay all of the creditors of NCC and redeem the Sheriff's Certificate. The funds to allow this to occur have been committed by the Meskwaki Tribe by way of a letter of credit in the amount of $9.1 million. It is the intention of the NCC board to proceed with a full rehabilitation which may, at some point, include extended gaming; however, no decision has been made with regard to that issue at this time. Another referendum can not be held until September 27, 1996. The reorganization plan clearly states that the decision as to whether or not another referendum should be held is entirely up to the NCC Board. Mr. Titler indicated that he was available to answer any questions regarding the reorganization plan, and Augie Masciotra, General Manager of WGP, was available to answer any questions the Commission may have regarding the request for live racing dates. Mr. Titler did address the contracts up for approval. He indicated they are fairly routine, but are significant for NCC in that their contract with United Tote expired as of December 31, 1995, and a new contract was negotiated. Their simulcast contract expired at the same time, and a new contract was negotiated in order to set up a long-term situation in terms of viability with regard to NCC. NCC has undertaken other efforts with regard to a long-term solution of existing problems by pursuing an affiliation with an organization called Silos and Smokestacks primarily to rehabilitate the NCC fairgrounds and other facilities aside from WGP, but is a part of the long-term rehabilitation plan that will be undertaken by NCC. They believe that NCC has the ability to proceed with the requested live racing season, but operations on into the future. Mr. Titler noted there had been testimony regarding the viability of WGP as a dog racing facility only; however, NCC does not intend that WGP would remain only a dog racing facility on a long-term basis. He noted there is excess land, and there are on-going investigations as to how to derive benefit for the facility.

Chair Canella asked how long JAMCO had to appeal the Bankruptcy judge's decision to confirm NCC's reorganization plan. Mr. Titler noted there is a 10-day appeal rule under federal rules; however, once the plan is confirmed NCC can proceed to enact the plan regardless of an appeal.

Chair Canella then asked when NCC/WGP would be out from under the protection of the bankruptcy court. Mr. Titler stated that is a phrase which is frequently asked. With regard to the protection of the bankruptcy court in terms of the automatic stay, once the confirmation order is entered, the bankruptcy plan takes hold in terms of the relationship between the debtor and all of its creditors. Under those terms, NCC/WGP is no longer under the protection of the Bankruptcy Court as of right now. Chair Canella explained that while NCC/WGP was under the protection of the Bankruptcy Court, they still had a license as the Bankruptcy Court overruled the Commission's decision to revoke the license. Chair Canella explained that NCC/WGP's license had expired since the

beginning of the bankruptcy proceedings; therefore, they would not have a license once they are out from under the protection of the Bankruptcy Court. Mr. Titler disagreed, and indicated that he felt the reorganization plan is confirmation beyond that. Chair Canella asked how the Commission could grant racing dates if they did not feel that a valid license was in place since the license officially expired on December 31, 1994. Mr. Titler replied that no one had raised that issue prior to this time, and NCC/WGP has consistently asserted that they did have a license and no one from the Commission notified them that there was any intent to utilize that reason as a remedy to the Chapter 11 case. He went on to note that the Commission filed motions in the bankruptcy proceedings last June alleging that they were a licensee. Chair Canella pointed out that the Commission's legal counsel pointed out to the Bankruptcy Judge during the first hearing that the license had expired.

Commissioner Peyton asked what Mr. Titler meant when he said the plan could proceed whether or not an appeal was filed - did that mean the creditors could be paid. Mr. Titler indicated that was precisely what he meant. Commissioner Peyton stated he was under the impression that the ruling contained a clause which allowed the payment of creditors to be delayed until the appeal period had run without an appeal being filed. He asked if that was a wrong impression. Mr. Titler indicated that it was. He stated that the ruling contains protective language for the lender, as well as the debtor, which states the claims do not have to be paid until the effective date of the plan or sooner at the choice of the lender and debtor. Mr. Titler indicated he had been led to believe that portion of the plan would be consummated.

Commissioner Peyton wondered what would happen if the debtor and lender opted not to carry out the plan and pay off creditors. Mr. Titler indicated the plan is effective at the time it is effected. If the reorganization plan has been consumated under the terms of the Bankruptcy Ruling, an appeal may be moot.

Commissioner Sealock asked Mr. Titler what he meant when he said there was no question about WGP's ability to be a successful track. Commissioner Sealock noted that information provided to the Commissioners does not support that statement. Mr. Titler based his statement on financial projections which have been done, and submitted to the Commission. Under the reorganization plan, all debts will be paid, and they will have some cash in reserve. Under the current situation with the combination of simulcasting and live racing, experts testified that in situations similar to WGP, there is baseline constituency which will come to the track which will sustain the track for the next year. NCC/WGP are aware additional steps will have to be taken for the track to remain viable on in to the future. Mr. Titler indicated that NCC/WGP are very confident of the projections submitted for the live racing season and calendar year 1996.

Chair Canella pointed out that financial viability is one of the critical issues for the Commissioners. Chair Canella asked some questions regarding the projections. He noted that the insurance costs for 1995 when WGP only had simulcasting were $91,000; however, for 1996 when they plan to have live racing and simulcasting, the projected costs are $56,000. He noted last year there were telephone expenses of $30,000, and could not find any on the projections. Mr. Titler stated that the

telephone expense was included in the utilities expense. In addressing the question regarding insurance costs, Mr. Titler noted that NCC had addressed the insurance issue across the board and received some substantial savings. Chair Canella pointed out that wages and benefits totaled $483,000, and if he adds various items together as they should be, he comes up with a figure which is substantially less. Mr. Titler replied that Mr. Masciotra would have to address questions concerning the numbers.

Chair Canella asked if NCC/WGP had the $300,000+ for the set aside in their possession. Mr. Titler indicated they did not, but had a committment from the Meskwakis for that also. Chair Canella asked if those funds were earmarked so they could not be used for other purposes. Mr. Titler indicated it was not. He noted that WGP has an obligation to supply those funds when live racing commences, but he has never seen any regulation, statute, contract or anything else stating that the funds had to be set aside prior.

Commissioner Peyton indicated he had a problem with the fact that issues relating to the granting of the license were being debated rather than live racing dates. He understands that normally those two issues would be considered at the same time. He stated he was under the impression that WGP had submitted an application for a license last June or July. Mr. Titler's reply was that he believes NCC/WGP has submitted everything that has ever been requested of them. Commissioner Peyton informed Chair Canella that he would like NCC/WGP's license application and request for live dates considered at the same time to give them an opportunity to present their case as to why they should be granted a license. He suggested a special meeting in order to accommodate them. Commissioner Peyton indicated he had an open mind regarding these issues, but would like to see them addressed at the same time. He addressed the time constraints, but also noted that WGP needs to have sufficient time to prepare their case.

Chair Canella asked if WGP would still be able to get in their 60 days of live racing if a special meeting was held the middle of February. Mr. Titler did not think that was possible. Mr. Titler indicated that nothing was said in Bankruptcy Court or during any meetings about the lapse of the license.

At this point, Jeff Farrell, Assistant Attorney General for the Commission, pointed out that Chair Canella was right in that the license did lapse, but that Mr. Titler was right in that it had never been an issue and that NCC/WGP has been operating as if they did have a license for the past year for the mere reason that the Bankruptcy Judge voided the Commission's action revoking the license. The Commission knew the Judge would take the same course of action on any renewal of any licenses. If the Commission failed to renew the license and made that effective on a certain date, that would be the same issue as revoking the license which would not be permitted unless the Commission asked for relief from the automatic stay. Since that time, NCC has asked to have the license renewed; however, the Commission has not taken any action to renew the license simply because the Bankruptcy Court would not recognize the action unless the Commission asked for relief from the automatic stay. Technically, the license has lapsed; however, everyone has acted as if they have

a license. Mr. Farrell feels under the Bankruptcy Court protection, any action the Commission took to revoke or not renew would have been voided by the Court. He does not feel the Commission can state that the license lapsed as soon as the Bankruptcy Court ends its protection; however, the Commission can have a meeting to decide the issue of the license and issuance of racing dates. The meeting needs to be held as soon as possible to give WGP enough time to get in their live racing season, but also provide ample time for the Commissioners to receive and review pertinent information to reach a comfort level with their decision.

Commissioner Peyton stated that he was not indicating that he was opposed to granting a license, he does not feel there is enough information to lead the Commission to any particular conclusion. He feels the granting of a license and race dates go hand in hand. He doesn't feel one can be granted without the other.

Mr. Titler pointed out that the license was not an issue when NCC/WGP was before the Commission in November. He indicated that he mentioned the word "license", and that Commissioner Peyton indicated that this issue had nothing to do with the license, that all that was being discussed was live racing dates. Commissioner Peyton indicated that is true, NCC's request was for live racing dates which does not involve any discussion of the license. Mr. Titler replied that now NCC is being told they can't have the live racing dates. Commissioner Peyton stated that he felt they were told at that time that it was premature to consider a live race meet until other issues were addressed. At that point, it was the expectation that the bankruptcy proceedings would have run their course, and the Commission would have had an opportunity to review the plan, and what some of the other issues relating to the license were. The reason the issue was deferred at the November meeting was that the Commission had no way of knowing which reorganization plan would be affirmed. Mr. Titler replied that the Commission now knows who will be in control. Chair Canella and Commissioner Peyton indicated that the Commission did not positively know. Mr. Titler indicated they know as positively as they ever will, and does not know what they are referring to unless it is the possibility of an appeal.

Chair Canella asked Mr. Titler and Mr. Masciotra if a special Commission meeting were held on February 16th and approval given at that time for a new license and racing dates if NCC/WGP could get in their 60 days of live racing. Mr. Masciotra indicated it would be difficult. He felt he could probably get the 60 performances in if they are able to start no later than the end of February, first of March. Chair Canella asked if a meeting on February 7th would provide sufficient time. Mr. Masciotra noted that the time constraints being faced were not anyone's fault, but suggested a week earlier would be even better.

Chair Canella stated he had a feeling that if the Commission gave NCC/WGP live racing dates they would be sued as they do not have a license. Mr. Masciotra stated he would not question Chair Canella's rationale on that issue, but felt the issue being discussed was the time frame under which everyone is operating. Chair Canella indicated he did not feel the meeting could be moved up any earlier and provide everyone the time necessary to prepare for the meeting.

Chair Canella informed Mr. Masciotra that there are so many loose ends, everything is very difficult and complex. According to the letter submitted to the Commission, it is going to take approximately 36 days to repair the track, and he wondered how it could be ready for a live race meet. Mr. Masciotra indicated that was a worst case scenario on replacing the heating system in the track. Plans have been made to work around the track repair.

Mr. Titler indicated NCC/WGP would like to have the Commission approve the live racing dates, and if there is a need to have a hearing on the license issue, they are willing to do that either in conjunction with that or after that. Chair Canella indicated that he has had too many bad experiences on making a decision based on specific requirements.

Commissioner Sealock indicated that part of the problem was the fact that the license issue was not on the agenda; therefore, the Commission could not discuss viability issues which are at the center of the Commission's concerns.

Chair Canella called for a motion. Commissioner Sealock moved to establish a special meeting to consider WGP's application for live racing dates before them today, and clear up the matter of the license. She suggested Thursday, February 8th as the date for the meeting. Commissioner Peyton seconded the motion. At this time, Mr. Ketterer pointed out that he had a conflict with the date, but that it could be worked out at a later time. The motion was amended to allow for a change in date. Commissioner Sealock noted that date would allow NCC/WGP time to gather the information needed by the Commission to give them a comfort level in reaching a decision. Chair Canella gave an indication of the types of questions the Commission would be asking. Hearing no further discussion, Chair Canella called for a roll call vote. The motion passed on a 3-1 vote, Commissioner Van Horn voting no. (See Order No. 96-8)

There was some additional discussion concerning the date of the meeting. Commissioner Peyton suggested a telephonic meeting; however, Chair Canella indicated that the issues were too complex to be handled fairly for either party. Mr. Ketterer noted that Commissioner Whittenburg would need to be consulted as to her schedule.

Mr. Masciotra thanked Ms. Vanderloo for her help during the past couple of weeks in outlining the information needed by the Commission, and asked if the same assistance would be available over the course of the next few weeks.

Chair Canella then moved to the Excursion Gambling Boat license renewal for Riverboat Development Authority/The Connelly Group for The President. Mark Lohman, General Manager, was present to answer any questions the Commission might have. Chair Canella indicated that Commission members had received the renewal application some time ago, and that he did not have any questions. Commissioner Sealock indicated she did not have any questions either, and complimented them on their submission. Commissioner Van Horn moved to approve the license renewal.

At this point, Mr. Ketterer indicated that he had invited Frank Biagioli, Manager of the Iowa Gambling Treatment Program, to attend the meeting to address any questions Commission members may have as to the applicant's cooperation with the treatment program.

Chair Canella indicated that was an excellent point as one of the Commission's commitments is to work closely with the treatment of gambling problems. Mr. Biagioli noted that The President has always been extremely cooperative, even with the local agency which deals with problem gamblers. The President has a sign posted in the entryway encouraging individuals to gamble responsibly, and lists the number of the local agency. The Iowa Gambling Treatment Program is in the process of having materials printed which would list the 1-800-BETS-OFF number which only works in Iowa, as well as a national number to seek help in treatment of gambling problems.

Mr. Lohman suggested that these materials could also be distributed through the Iowa Welcome Centers. The President has also instituted a program in which problem gamblers can sign a "No Trespass" contract with the boat which means the individual could be arrested for going on the boat. Mr. Biagioli also discussed the possibility of using the fiber optic network with Mr. Lohman as well. Staff members as well as some non-profit board members attended a training session held in the area last year.

Chair Canella complimented Mr. Lohman and the non-profit group on their substantial contributions to charity. Commissioner Sealock noted that they have given over $10 million over the years, and the tremendous impact they have had on Davenport, as well as the surrounding areas.

Commissioner Sealock seconded Commissioner Van Horn's earlier motion to approve the license renewal. The motion carried unanimously. (See Order No. 96-9)

Mr. Lohman gave the Commission a brief update regarding the hull inspection and renovations being made to The President. It is anticipated the boat will come back up river in late March or early April, and hopefully back in the Davenport area during the first two weeks of April. Commissioner Sealock asked how the replacement boat, The Vice President, had been received. Mr. Lohman noted that the local market had become very attached to The President, but it (The Vice-President) has been fairly well received.

Chair Canella then called on Clinton County Gaming Association Ltd./Mississippi Belle II, Inc. regarding the license renewal for the Mississippi Belle II (MB II). Ken Bonnet, President of MB II, was present to answer questions.

Chair Canella called on Mr. Biagioli for comments relating to MB II's support of the Iowa Gambling Treatment Program. Mr. Biagioli indicated they have been extremely supportive of the program. Mr. Bonnet suggested framing the 1-800-BETS-OFF poster and placing it by the cashiers' windows and other strategic locations on the boat. They have a table in the entry way which has various materials available for individuals to pick up. They were also present at the training seminar. Mr.

Bonnet also sent a letter to each employee expressing MB II's support of the gambling treatment program. They also arranged a meeting with the members of the non-profit group.

Mr. Bonnet reported that the local agency had brought six or eight of their clients to the boat within the last month and asked that the boat bar them from the property in a manner similar to that on The President. If those individuals attempt to go on the boat, they will be arrested. If this is a deterrent that helps individuals deal with the gambling problems, they are willing to do that for them.

Chair Canella noted that MB II's non-profit had also made substantial contributions to charities, and have a much smaller operation. Chair Canella also noted that the boat operator had made significant contributions.

Mr. Bonnet noted that they had submitted their cruise schedule, but failed to include their hours of operation. They will be open from 9:00 A.M. until 2:00 A.M. Sunday through Thursday, and 9:00 A.M. to 4:00 A.M. on Friday and Saturday.

Chair Canella called for a motion to approve the license renewal of Clinton Co. Gaming Association, Ltd./Mississippi Belle II, Inc. for the Mississippi Belle II. Commissioner Peyton moved to approve the license renewal. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 96-10) (Contracts contained in and approved with the license renewal are listed on the order.)

Chair Canella then moved to the license renewal application for Riverbend Regional Authority/Lady Luck Bettendorf, L.C. for Lady Luck Bettendorf. Bob Ellis, legal corporate counsel; Michael Hlavsa, General Manager and Chief Financial Officer, and Curt Beeson, outside legal counsel, were present to answer questions regarding the renewal application. Mr. Ellis reported that Lady Luck has exceeded all of their projections during their eight months of operation. They have generated over $37 million in gross revenues, and attracted 1.1 million passengers. Out of the revenues generated, they have paid approximately $6.5 million in taxes to the state, $1.4 million to the non-profit agency, and over $700,000 to the City of Bettendorf.

With regard to the renewal application, when the license was granted last January, the renewal of the license was conditional based upon the completion of several items set forth by the Commission. Mr. Ellis noted that all of the conditions had been met within the time frame agreed to - the 2,000 passenger boat was completed, along with the pavilion, restaurant and gift shop, porte cochere, 1,000 parking spaces, and they have continued to make improvements to the vessel. Additionally, the commercial center construction was completed in October, and was open during the holiday season. Over $1.5 million in sales were generated during the holiday season. Some of the tenants have signed leases to remain in the mall. They are also involved in discussions with a couple of hotel chains.

Chair Canella expressed the Commission's appreciation for the fact that they have done everything they committed to doing. Chair Canella asked Mr. Biagioli about Lady Luck's support of the Iowa Gambling Treatment Program. Mr. Biagioli indicated that he had not had an opportunity to work with this licensee. He did note that Lady Luck's staff had requested additional supplies relating to the gambling program. They also encourage individuals to gamble responsibly .

Mr. Hlavsa reported that all pit and slot personnel did go through training during the month of December to reinforce their commitment to identify those individuals with gambling problems. They also have a voluntary trespass program.

Mr. Ketterer had raised an issue regarding the amount of the surety bond. He recommended that this issue be deferred until Mr. Farrell has had an opportunity to review materials to make sure that it is sufficient, but did recommend approval of the overall application.

Chair Canella called for a motion to approve the renewal of the gaming license for Riverbend Regional Authority/Lake Luck Bettendorf, L.C. with the exception of the surety bond. Commissioner Van Horn moved to approve the renewal application. Commissioner Peyton seconded the motion. The motion carried unanimously. (See Order No. 96-11) (No new contracts were contained in the license renewal application.)

Mr. Ketterer requested that Mr. Ellis address the pledge of limited liability certificate. Mr. Ellis replied that this is another follow-up issue to the original indenture of Lady Luck when they did their capital raising.

Chair Canella then called on Jeff Terp, Vice President of Business Development for Ameristar, to discuss the contracts they have submitted for Commission approval. Chair Canella asked Terry Hirsch, Director of Riverboat Gambling, if he had reviewed the contracts. Mr Hirsch indicated that he had, and all were satisfactory and recommended approval. Hearing no further discussion, Chair Canella called for a motion for approval. Commissioner Peyton moved to approve the contracts as submitted, Commissioner Sealock seconded, and the motion carried unanimously. (See Order No. 96-12) (See Order for a list of approved contracts)

Chair Canella asked Mr. Terp if he would be able to show the Commission the competitive bids should they ever ask. Mr. Terp assured Chair Canella that he would be able to do so.

Chair Canella asked Mr. Terp to address the Native American issue. Mr. Terp provided some background information regarding this issue. Ameristar held 15 job fairs throughout western Iowa in seeking employees for their riverboat. During that process, several individuals applied and were hired. Additionally, they held a job fair in Macy on January 15th, and received 51 applications.

Representatives also met with the Tribal Council on that date to address some of their concerns. Twelve Native Americans - six male and six female - have been hired, and they are continuing to review other applications.

Chair Canella expressed the Commission's appreciation for their efforts in this area. It is not a condition of the license. Mr. Terp noted that this a very sensitive and difficult issue. Commissioner Sealock also pointed out that they were requested to hire Iowans first. Mr. Terp noted that all twelve of the Native Americans hired did reside in Iowa. Currently, Ameristar has hired 1,033 employees, 58% of which are Iowans. Males account for 52% of the employees, and females 48%. They have also met the area minority goal of 5.5%. This figure does not include the Native Americans.

Mr. Ketterer informed Chair Canella that he had requested that Dick Wade, Council Bluffs City Attorney, to briefly address the Commission regarding Ameristar's compliance with the conditions established for opening. Mr. Wade reported that the short list has been met, and the Certificate of Occupancy has been granted as of January 17th. Mr. Wade indicated that he had not had an opportunity to thoroughly review the Kinseth contracts.

Chair Canella asked Mr. Terp what time the casino was to open on Friday, January 19th. Mr. Terp stated that the Grand Opening celebrations begin at 8:00 A.M., checks will be presented to the various charities committed to at the time the license was granted, as well as a check to the Ronald McDonald House from the charity night(s). Mayor Hanafan will do a few ceremonial pulls on some slots for charity. The riverboat will officially open at 10:00 A.M. to the general public.

Chair Canella then called on John Pavone, General Manager of the Belle of Sioux City, to present their contracts for approval. Those contracts were:

- Argosy Gaming Co. - Fiscal 1995-96 insurance
- L & L Builders - Construction addition to administrative barge
- Metrotrans Corp. - Lease of two 21-passenger shuttle buses
- Sioux City Engineering Co. - Construction of 100 parking spaces

He informed the Commission that a decision had been made after the contracts were submitted to purchase the buses instead of leasing them. This decision results in an $89,000 purchase instead of an $80,000 lease.

Mr. Hirsch asked Mr. Pavone to discuss the arrangement concerning the construction of 100 parking spaces. Mr. Pavone indicated they are participating in discussions with the non-profit group and the City of Sioux City regarding reimbursement for the funds spent to improve their property to add the additional parking spaces. The discussions are ongoing at this time. Reimbursement is not a requirement.

Commissioner Sealock asked how the Belle of Sioux City was doing since Harvey's had opened in Council Bluffs. Mr. Pavone indicated they were doing very well. The previous weekend was the largest single weekend in the history of the boat. Revenues exceeded expectations, and profit margins have been a little better than expected. They have given $1.3 million to their non-profit, $1.1 million to the City of Sioux City, and approximately $75,000 to local charities. They are planning to hold another charity night for the Make A Wish foundation, and hope to get other riverboats to join them this year.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to approve the contracts. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-13)

Chair Canella called on Dan Kehl, General Manager of Catfish Bend, to present their contact for approval. Mr. Kehl indicated the contract was with Marsh & McLennan, Inc. for insurance policies. Chair Canella asked Mr. Hirsch if there were any problems with the contract, he indicated there were none. Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-14)

The next issue before the Commission was a contract submitted by Greater Dubuque Riverboat Entertainment Co., L.C. (GDREC) in which they requested approval of an option agreement between Donald C. Iverson, a unit holder of GDREC, and the company itself. Doug Gross, legal counsel for GDREC, reported that Mr. Iverson had purchased the four units held by John Schegan. GDREC has an option with Mr. Iverson to buy those shares back for the company for what he has invested in those shares. Mr. Hirsch indicated there were no problems with the contract. Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to approve the contract. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-15)

Chair Canella moved to the contract submitted by Harvey's Kanesville Queen. Steve Roberts, legal representative, reported that Gary Armentrout, Senior Vice President, was to be in attendance, however, he was not able to make it due to the weather. Harvey's had two issues on the agenda - a contract approval request for General Electric Capital Corporation for financing, and a report regarding the Native American issue. Mr. Roberts asked that the Native American issue be deferred until the next regularly scheduled meeting, and, if there were questions regarding the contract, it could be deferred as well.

At this time, Chair Canella asked that Ameristar and Harvey's give a report each month regarding the Native American issue.

Hearing no discussion relating to Harvey's contract request, Chair Canella called for a motion. Mr. Hirsch indicated there were no problems. Commissioner Van Horn moved to approve the contract

with General Electric Capital Corporation. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-16)

Chair Canella called on Michael Hlavsa, General Manager and Chief Financial Officer, of Lady Luck Bettendorf, to address the following contracts submitted for approval:

- The Brandt Co. - Marketing funbooks, coupons & other specialty items
- KWQC-TV - Television advertising
- Larsen Electric Sign Company - Sign construction, shipment and installation
- Mid-America Tours Incorporated - Bus subsidies and co-op promotional costs
- Neal's Bus Service - Bus subsidy
- Prescott & Associates, Inc. - Public affairs and communication management
- The Quad City Food Service, Inc. - Meat for restaurant
- The Rock Island Bank - Letter of Credit
- Roger Craig - Amended Celebrity Spokesperson Agreement
- Vanguard Distributing Corp. - Liquor supplies & deposit

Chair Canella asked if the Roger Craig Sports Bar was in operation. Mr. Hlavsa indicated that it was open. Mr. Craig's contract was amended to provide for more personal appearances. Mr. Hirsch indicated that the contract with The Rock Island Bank regarding a letter of credit needed to be pulled. Chair Canella called for a motion to approve all of the contracts submitted except for the contract with The Rock Island Bank. Commissioner Sealock so moved. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 96-17)

Chair Canella called on Mr. Lohman to discuss The President's contract with Couristan for new carpet to be installed during renovation of vessel. Hearing no discussion relating to the contract, Chair Canella called for a motion to approve the contract. Commissioner Van Horn moved to approve the contract. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-18)

The next group before the Commission was the Dubuque Racing Association (DRA) with the Fourth Amendment to the City Lease. Bruce Wentworth, General Manager of Dubuque Greyhound Park, reported that the amendment expands DRA's ability to provide uniformed officers at the racetrack in the event that a city officer is not available. The city concurred with the change.

Hearing no additional comments, Chair Canella called for a motion to approve the amendment to DRA's lease with the city. Commissioner Sealock so moved. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-19)

Chair Canella moved to the contracts submitted by PM for Commission approval. Jack Reed, Director of Slots, was available to answer questions regarding the contracts with Anchor Games for

slot machines and Clement Auto and Truck, Inc. for vehicle purchases. Chair Canella asked if PM was purchasing the machines from Anchor Games.

Chair Canella asked about the contract with Anchor Games. The games can not be purchased outright. Anchor Games is the manufacturer and distributor for the machines in question, and have made the decision to not sell the games at the present time. They receive a royalty based machine usage. The games have been in use at PM with standards reels. The program for the reel has just been approved. These are not additional games.

Ms. Vanderloo asked Mr. Reed to comment on the popularity of the machines. Mr. Reed stated that the games had been put into play on Saturday around noon, and they are averaging approximately $7,000 per day for coin in on the quarter machines.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts. Commissioner Peyton moved to approve the contracts with Anchor Gaming and Clement Auto and Truck, Inc. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-20)

Chair Canella moved to Administrative Business. Ms. Vanderloo reported that it is time for the Thoroughbred and Quarter Horse groups which received the Horse Promotion Funds last year to submit an accounting as to how the funds were spent. Additionally, any groups interested in receiving the funds this year need to submit their requests to the Commission by February 16, 1996. The Commission acknowledged that public notice had been given to parties interested in receiving the Horse Promotion Funds.

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

MINUTES TAKEN BY:

Julie D. Herrick

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
TELEPHONIC MINUTES
JANUARY 30, 1996

The Iowa Racing and Gaming Commission (IRGC) met by telephone on January 30, 1996, at 12:30 P.M. The public location of the meeting was Conference Room A, Lucas State Office Building - Second Floor, Des Moines, Iowa. Commission members present were Richard Canella, Chair; Rita Sealock, Vice-Chair; and Nancy Whittenburg.

Chair Canella called the meeting to order at 12:30 P.M. and requested a motion to approve the agenda. Commissioner Whittenburg so moved. Commissioner Sealock seconded the motion which carried unanimously.

Chair Canella moved to the next agenda item - a request for approval of live racing dates by National Cattle Congress (NCC)/Waterloo Greyhound Park (WGP) from February 14 through April 21, 1996. This item was continued from the January 18th Commission meeting. Chair Canella called on Jack Ketterer, Administrator of IRGC, to discuss various issues and concerns.

Mr. Ketterer indicated this is a very complex issue. The installation of the heating system will not be complete until well into the live race meet and there are concerns surrounding the health, safety and welfare of the greyhounds. Another issue was the timing of the Bankruptcy Order which was released late in the afternoon on January 17th, less than one day prior to the Commission meeting. This did not provide sufficient time for Commission members to review all of the available information in a time frame which would allow the proposed live race meet to take place.

Mr. Ketterer indicated the Commissioners did support a live race meeting to begin sometime in the fall which would provide the Commission members sufficient time before the March 7th Commission meeting to review all of the material and ask for additional information. All parties are comfortable with the alternative arrangement.

Mr. Ketterer also spoke with Jerry Crawford, representing the Iowa Greyhound Association (IGA), who indicated IGA's concurrence with this alternative agreement.

All parties agreed that needed improvements to the track and facility should be completed by a date well in advance of the proposed live meet in order for staff representatives to inspect and approve those improvements.

Additionally, NCC was requested to determine the revenue necessary to cover twelve months of operation, including the proposed fall live racing season. The information should be consistent with past audits which reflect financial performance under various lengths of racing seasons. They should also identify the source of revenue that will be available to them to support the twelve-month operation, presumably the agreement with the Meskwakis, as well as any other sources, and the length of time these sources will be available to support WGP.

The third issue discussed was the simulcast purses. NCC was requested to account for and verify with IRGC staff the total amount of purse money generated from simulcasting since live racing was last conducted. Once that figure has been established, an account should be funded that would require the signature of the general manager of the track and administrator of the IRGC to withdraw funds. Daily deposits would be made with copies of the receipts given to the IRGC office located at the track. This last issue was the main concern of the IGA.

Chair Canella asked John Titler, legal counsel for NCC/WGP, and Augie Masciotra, General Manager of WGP, if they had concerns with the information presented by Mr. Ketterer.
Mr. Titler indicated his concurrence with the information provided. He also noted that the length of the bankruptcy proceedings has caused a time bind for everyone with regard to meeting deadlines. He noted that the alternative suggested by IRGC staff is reasonable and something that the Board would accept.

Commissioner Brad Peyton joined the meeting at this time. Mr. Ketterer informed him that the discussion to this point had followed along the lines of their discussion the previous day.

Mr. Masciotra stated that this was a very positive alternative. He feels the additional time will be beneficial for all parties involved, and appreciates the efforts of the Commission.

Chair Canella then called on Lowell Junkins, representing the Meskwakis, for his comments. He indicated his concurrence that this is a very positive solution and enables everyone to prepare for the transition, as well as establishing some guidelines which will allow the Commission to envision what they are doing as events move forward.

Chair Canella called for comments from Commission members. Commissioner Sealock stated that Mr. Ketterer had touched on all of the Commission's concerns, and noted that Mr. Titler and Mr. Masciotra have worked very well with the Commission. She concurred that this is a positive resolution.

Commissioner Whittenburg stated that she was pleased with the agreement before the Commission in that it does address several of the concerns which they have not had time to address. One of her major concerns is the condition of the track and the safety of the racing greyhound. The additional time provided with this agreement will also allow the Commission to look more closely at financial viability issues, and have a greater comfort level in reaching their final decision.

Chair Canella called on Mr. Ketterer to present his proposed motion which was that the Commission not approve the proposed live racing dates for this spring, but consider an amended request for live racing dates this fall, as well as the license, at the March 7th meeting. Commissioner Peyton moved

to accept the proposed motion. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-21)

Waterloo Greyhound Park has submitted ten contracts for Commission approval in conjunction with their request for live race dates. They are as follows:

- CNA Insurance Companies - Liquor liability
- AETNA Life & Casualty - Workman's Comp Insurance
- The Hartford Steam Boiler Inspection & Insurance Co. - Boiler insurance
- U.S.F. & G. Insurance Co. - Liability & Property insurance
- Young Plumbing & Heating Co. - Repair track heating system
- Auto Tote Systems, Inc. - Tote system for live racing and simulcasting
- Prairie Construction Co., Inc. - Snow removal
- Sport View Television, Inc. - Closed circuit TV, simulcast
- Pepsi-Cola Company of Waterloo - Pop, drink mix
- Jacksonville Racing Circuit - Simulcast 8 performances/week effective 1/1/96 through 12/31/96

Mr. Ketterer indicated that he had discussed these contracts with Linda Vanderloo, Director of Racing/Administration for IRGC, and recommended approval. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-22)

As there was no further business, Chair Canella called for a motion to adjourn. Commissioner Whittenburg so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously.

(Following adjournment, Mr. Masciotra noted that past denials of live race dates have been reported in a negative way. He noted that simulcasting will continue at Waterloo Greyhound Park. He requested that any media reports attempt to show this latest action in a positive manner).

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 7, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, March 7, 1996, in The Granary Room of The Comfort Suites at Living History Farms, 11167 Hickman Road, Urbandale, Iowa. Commissioners 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 8:00 AM and entertained a motion to approve the agenda. Jack Ketterer, Administrator of IRGC, informed Chair Canella there were some amendments to the agenda. They were as follows: 1) An additional contract approval for Harveys as outlined in a letter received regarding Harveys Casino Resorts' public debt offering; 2) a letter from The President on the sale of some slot machines; and 3) the change in the meeting date for May from the 16th to the 21st in Council Bluffs. Commissioner Van Horn moved to approve the agenda as amended. Commissioner Sealock seconded the motion which carried unanimously.

Chair Canella then called for a motion to move into Executive Session for the purpose of receiving advice from counsel and DCI background investigations pursuant to Iowa Code Section 21.5(c) and (g). Commissioner Whittenburg so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously.

Following Executive Session, Chair Canella called on Mr. Ketterer to inform the public of the amendments made to the agenda which were previously approved.

Chair Canella then called for a motion to approve the minutes from the January 18, 1996 and January 30, 1996 Commission meetings. Commissioner Peyton so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously.

Chair Canella called on John Hinshaw of the Horse and Dog Breeding Program from the Iowa Department of Agriculture and Land Stewardship. He discussed the horse and dog breeding programs in Iowa and compared them to programs in other states. He indicated that Iowa is two dogs shy of registering 10,000 animals. The greyhounds have generated $5,568,538 in breeder's fees or supplemental awards.

Mr. Hinshaw distributed a handout regarding New Mare Registrations which showed 214 new mares which were mostly owned by instate-interests in 1994, with 16 owned by out-of-state owners. During 1995, there were 378 brood mares in the program with 64 being owned by out-of-state interests. (Copy attached) He attributed the increase in breeding to the slots at Prairie Meadows. He stated that with the quality of horses and dogs in the state, they can compete anywhere in the country.

Chair Canella then called on Linda Vanderloo, Director of Racing/Administration for IRGC, to discuss the distribution of the horse promotion fund. Ms. Vanderloo called on Gary Lucas, President of the Iowa Thoroughbred Owners and Breeders Association, to discuss the fund from their prospective. There were no representatives of the Iowa Quarter Horse Racing Association present. Mr. Lucas indicated his belief that Prairie Meadows is on its way to becoming a premier horse racing facility. Ms. Vanderloo stated that notice had been given at the January 18th Commission meeting that those parties interested in next fiscal year's money should submit their request to the Commission by mid-March. Those parties who received the funds last year were requested to submit their accounting of how the funds were spent. There is an amount of $54.04 which was generated by harness race simulcasting at Prairie Meadows. Individuals at the Iowa Harness Horsemen's Association were not aware of the process for requesting these funds. They requested these funds be split between the other groups requesting the funds; and they will apply for the funds in the future if that is necessary. Staff recommendation for distribution of the funds of $5,574.48 is as follows: Iowa Quarter Horse Racing Association should receive the amount generated from quarter horse races plus one-half of the harness or $593.81. The Iowa Thoroughbred Breeders and Owners Association should receive the amount generated by thoroughbred racing plus one-half of the harness or $4,980.67. Hearing no further discussion, Chair Canella called for a motion to approve the distribution of the Horse Promotion Funds as outlined above. Commissioner Whittenburg moved to approve the distribution of funds. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 96-23)

Chair Canella then called on Robert Farinella, General Manager of Prairie Meadows (PM), and Tom Timmons, Vice President of pari-mutuel, to discuss PM's 1996 budget. Mr. Timmons noted that the budget was presented to the Racing Association of Central Iowa (RACI) board in November, 1995, as well as the capital budget. In accordance with the Operating Agreement, once the budget was approved by RACI it was submitted to the Polk County Board of Supervisors no later than December 1st who then have thirty days to act on the budget and return it to RACI with any changes. At the end of December, RACI received the revised budget. The changes made by Polk County were as follows: 1) A decrease in charitable contributions from more than $2 million to $300,000; 2) the deletion of a $100,000 impact payment to the City of Altoona in lieu of taxes; 3) reduced capital improvements/purchases from $4 million to approximately $2.6 million; and 4) the establishment of a purse escrow fund of $4 million. The RACI Board approved the revised budget in January at which time it was submitted to IRGC.

Chair Canella made a few comments regarding control. He indicated the Commission's prime concern is that the license holder must control their own destiny; however, the Commission understands that it is a good business decision to retire the debt as quickly as possible. He does not feel RACI has control. Chair Canella recalled that a few months ago, a representative of PM was

before the Commission and reported that the budget would contain a seven figure number for charitable contributions. Later, Mr. Farinella submitted a budget to the Commission which showed $2 million; as well as $5.2 million for purses. He was under the impression, at that time, that RACI had worked with Polk County to develop that budget. He is not concerned with the difference in the charitable contribution figure, but would like to know who controls the destiny at PM. Mr. Timmons indicated he felt the licensee was in control of their own destiny at this time, and he believes they are adhering to the Operating Agreement between RACI and Polk County and approved by the Commission. Mr. Timmons indicated that Tom Flynn, legal counsel for RACI, could address that question as he did not wish to speak for the Board. Mr. Timmons did state that he felt a commitment was made on the debt, and the commitment is going to be upheld and the debt will hopefully be paid in full by the end of the year.

Chair Canella noted that PM is paying off the debt at approximately $4 million per month, and that paying out $2 million in charitable contributions would only extend the debt repayment by approximately two weeks.

Mr. Farinella noted that the approval process as established in the Operating Agreement has PM submitting the budget to the County for approval, and then to the Commission. Mr. Farinella stated that capital improvements, which are essential for the horse racing program, also received close scrutiny. The original request was reduced to $2.6 million. Mr. Farinella stated there is a commitment from RACI's board, staff and Polk County that the six capital items which are needed are recognized and will be funded and addressed; however, the main goal at this point is to pay off the outstanding debt. Mr. Farinella noted that all of the items referred to by the Commission (charitable contributions and development of the racing program) are recognized items, and will be addressed as the debt is retired.

Chair Canella asked if any other Commissioners had comments. Commissioner Sealock stated that she was in agreement with Chair Canella; however, she complimented PM on their Business Plan as submitted to the Commission as it contains several goals and mission statements. She voiced her hope that those goals and statements did not have to be approved by Polk County.

Chair Canella called for a motion. Commissioner Sealock moved to approve the budget of Prairie Meadows as presented. Commissioner Whittenburg seconded the motion which passed on a 4-1 vote; Commissioner Peyton voted no. (See Order No. 96-24)

Chair Canella moved on to the progress report regarding the relationship between RACI/PM and Polk County after the debt is retired. Tom Flynn, legal counsel for RACI, reported that the Strategic Planning Committee for RACI met to discuss the ground rules on how to proceed. At the end of the

meeting, they were told to develop their vision as to what they saw in the future for PM. This committee will meet again prior to the Commission's April meeting. The chairmen of the Polk County Board of Supervisors and RACI have met to discuss what is occurring at PM. When PM has arrived at a game plan, they will meet with the County so the two sides can relate their respective visions to see if they are in agreement or if they will have to reconcile differences. Mr. Flynn indicated his hope that some cohesiveness would be reached between RACI/PM and Polk County during the ensuing year.

Chair Canella asked Mr. Farinella if any formal five-year planning had been done. Mr. Farinella indicated that the initial five-year business plan had not been revised from the standpoint of revenue projections, but they are in the process of determining what they are going to do after the debt is repaid. They are currently working on projection figures so they can determine an equitable basis for charitable contributions, working agreement with the County, and what their working revenues will be.

Chair Canella asked Mr. Farinella if he felt the revenues at PM would hold up fairly well over the next five years provided there is no additional competition in central Iowa. Mr. Farinella indicated they anticipated the revenues would remain strong without additional competition.

Chair Canella on to Dubuque Greyhound Park's (DGP) request for 1996 Season Approvals including contracts with Eye in the Sky and United Tote. Ms. Vanderloo pointed out the excellent job of Bruce Wentworth, General Manager of DGP; Michael Holton, and Brian Southwood did in putting together the history of the track and explaining the various grading systems. The Commission will use this as a training tool for past Commissioners who haven't been previously exposed to these issues as well as for new Commission members. Chair Canella called for a motion to approve the 1996 Season Approvals and contracts for Dubuque Greyhound Park. Commissioner Van Horn moved to approve DGP's 1996 Season Approval and contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-25)

Chair Canella asked Mr. Wentworth how the casino was doing. Mr. Wentworth noted that the casino opened on November 22, 1995. The original projections done by Christiansen/Cummings indicated the annualized business would be in the neighborhood of $12 million in win. He stated that when he annualized the first 110 days, he came up with a figure of $16 million, not taking into account Memorial Day, Labor Day, etc. They are averaging about 1500 people per day, and about $600,000 per day in coin in.

Chair Canella then called on Barry Sevedge, Director of Operations for AIM, Inc. representing Bluffs Run Casino(BR), to address their request for renewal of the Racetrack Gaming Enclosure

License. Mr. Sevedge reviewed the events of 1995 at BR. He went on to note that the track exists to accomplish certain goals which are to create jobs, economic development, generate taxes and funds for charity, and to build the greyhound industry in the state of Iowa. BR is now the largest employer in Pottawattamie County with 1300 employees. BR has generated over $29 million in gaming and pari-mutuel taxes. Iowa West Racing Association (IWRA) has finally realized their goal from 13 years ago - the facility is paid for in full and significant funds are available for charitable grants. They gave grants of $2.6 million last year, and currently have 116 applications on file for funds to be awarded on June 15th. The greyhound industry also benefited in 1995. Combining the two facilities changed the cost structure of operating the track. BR has the highest greyhound purses in the United States. Additional money is available for greyhound promotions, and they are trying some new ideas to introduce casino patrons to greyhound racing. They are now sending out a newsletter approximately every six weeks which covers both greyhound racing and gaming. With additional funds available because of gaming, BR will be able to update the tote system, introduce a world-wide web page so individuals will have unlimited access to racing statistics, and they intend to install a player tracking system which will include keno and pari-mutuel activity. BR will also be upgrading areas of the clubhouse as well as the exterior.

Mr. Sevedge noted that the speakers have been lined up for a Greyhound Breeding and Care Symposium. Details are being worked out as to the best time to hold the symposium. IWRA/BR will work with the Iowa Greyhound Association to get the details out to all members.

Mr. Sevedge provided updates on two projects which the Commission had been advised of earlier. Directional signs for the racing area of the facility have been installed - two inside and two outside. Half of the kennels have new crates, and they anticipate having all of the kennels and ginny pit completed in six weeks, but no later than June 1st.

Mr. Sevedge spoke a little about the greyhound handle which has varied some over the last year or so, but so far has been at the 1995 level in 1996. BR has increased its horse simulcasting since the beginning of the year, and anticipate approximately $18 million for horse simulcasting compared to $13.5 million last year.

Chair Canella asked Mr. Sevedge what the projections were for subsidizing the racing operation from gaming revenue since the two riverboats have opened. Mr. Sevedge noted that a year ago the win was approximately $3 million, currently they are at $2.5 million. He feels they will drop some more when the riverboats open up their full facilities. Mr. Sevedge noted that the only racing area to be subsidized from gaming revenue at this time is the purse supplements.

Mr. Ketterer asked Mr. Sevedge if BR had given any thought to reinstituting simulcasting their races. Mr Ketterer also stated that he felt that since purses had been established, the IGA might be willing to participate in covering the costs of simulcasting. This would promote the industry and provide statewide exposure without the guest track providing any subsidy. Mr. Ketterer asked if BR was interested in reopening that subject. Mr. Sevedge indicated that the topic was "assigned" to the Advisory Committee which was established during negotiations this year. The Advisory Committee met early this week to discuss simulcastng and promotional ideas. This committee is to determine if simulcasting is feasible and on what level.

Hearing no additional comments, Chair Canella called for a motion regarding BR's request for renewal of the Racetrack Gaming Enclosure License. Commissioner Peyton so moved. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-26)

Chair Canella then called on Frank Biagioli, Director of the Iowa Gambling Treatment Program, to address BR's support of the program. He noted that the program has received excellent cooperation from BR. Materials regarding the treatment program are displayed throughout the facility. BR cooperates with the local area provider, Family Services, and have underwritten some extra projects that have been undertaken by them. Telephone operators at BR are being provided with telephone numbers for local Gamblers Anonymous meetings. BR is also moving toward printing the "Gamble Responsibly" logo with the 800 number on their literature. They will also be participating in the Iowa Communications Network (ICN) program tying in all of the liaisons at the tracks and boats.

Commissioner Sealock asked Mr. Biagioli if Nebraska gamblers were able to receive help from Family Services since they are based in Omaha, Nebraska. Mr. Biagioli noted that Family Services also has a contract with the State of Nebraska to provide services to Nebraskans. The money from the Iowa Gambling Treatment Program is to provide help for Iowans. BR is underwriting some of the other costs of Family Services which they may experience as a result of an overload of people from the Nebraska area. Nebraska has just started their program within the last year to year and a half. A national 800 number is now available for persons with gambling problems, and these materials are also on display at BR.

A one-day conference is planned for June in which the speaker would come to the ICN site in Des Moines and this would be funneled out to four regional sites to allow everyone to participate in the training without extensive traveling on anyone's part. This will also allow bordering states to participate if they desire.

Chair Canella then moved on to the next agenda item - National Cattle Congress(NCC)/Waterloo Greyhound Park(WGP). Augie Masciotra, General Manager, indicated that the information before

the Commission was complete as it related to their request for the renewal of WGP's racing license and request for 1996-97 race dates. Additional information, if requested, would be submitted in a timely manner. He then turned the floor over to John Titler, legal counsel for NCC/WGP, who informed the Commission that a document was filed in the Bankruptcy Court by an attorney on behalf of the Meskwaki Tribe. The document seeks a change in the basic agreement between NCC and the Tribe. NCC intends to object to the proposed changes as soon as possible. The subject of the document is the Master Agreement dated November 14, 1995 (third version), with an earlier version dated October 13, 1995. Subsequent to the October agreement being formulated, Mr. Masciotra met with Commission and staff members to discuss the content of that agreement. As a result of that meeting, and two additional situations, additional changes were negotiated. It is Mr. Titler's understanding from the language contained in the document filed that it is those changes that are being objected to. The three basic reasons for those changes were: 1) necessary for both parties in order to fulfill the real purpose; 2) substantial objections which were filed regarding the content of the agreement in the Bankruptcy Court, and said changes truncated the majority of those objections; and 3) changes requested by the Commission staff dealing with the control element. Mr. Titler requested additional time to allow NCC/WGP to resolve this matter; however, he requested that the Commission again publicly address the importance of the changes in the Agreement requested by the Commission and that they are material to the continued relationship with IRGC. Mr. Titler voiced his opinion that if NCC/WGP was forced to return to the provisions of the October Agreement which allowed the Tribe to veto a referendum decision which could provide a substantial hurdle and probably negate any possibility of a Management Agreement for the Tribe at a later date. He further requested that the matter be continued, but did request that contract with Southland Racing Corporation be addressed if at all possible.

Chair Canella verified that he and Commissioner Sealock, on behalf of the Commission, did request the changes mentioned above. Commissioner Sealock noted that the Commission was under the impression that everyone was acting in good faith, and IRGC held a special telephonic meeting to accommodate NCC/WGP and the Meskwakis, with all parties being represented.

Jeff Farrell, Assistant Attorney General representing IRGC, asked Mr. Titler if he had any idea how long it would take to litigate this matter in Bankruptcy Court. Mr. Titler indicated that he did not; however, he felt the Reorganization Plan was almost fully consummated at this point, and noted that the Bankruptcy Court may not have jurisdiction.

Commissioner Peyton asked Mr. Titler if NCC/WGP had the ability to fund the ongoing operation as matters stand presently. Mr. Titler indicated they did, and Commissioner Peyton asked how. Mr. Titler indicated that all creditors had been paid. Commissioner Peyton asked about NCC/WGP's line of credit or working capital. Mr. Titler indicated they did not have a line of credit but did have

working capital. Commissioner Peyton noted that was not the case according to an audit which he had in his possession. He asked how NCC/WGP was going to finance the operation. Mr. Titler replied that the loan from the Meskwakis has paid all of the existing debt, and has provided some operating capital. NCC/WGP is making a profit on a daily basis with simulcasting which allows them to cover all of the expenses. Commissioner Peyton asked if the year ended May 31, 1995 included any live racing. Mr. Titler indicated it did not, that it was strictly simulcasting as well as all of the other scenarios going on which dragged everything down. Commissioner Peyton then asked if a profit would be shown for the current fiscal year. Mr. Titler replied that a profit would be shown without including the reorganization expenses, but was unable to provide a figure. Commissioner Peyton then questioned NCC/WGP's ability to make sound financial projections for the ensuing twelve month period.

Commissioner Peyton stated that he was attempting to determine whether or not WGP was viable. He noted that the latest audited financial shows an operating loss of $450,000, a negative net worth of $2.8 million. Mr. Titler explained that the projections submitted show, by annotation, changes from the prior balance sheets in both the income and expense as to where they have been and where they are going. There is not a specific breakdown from May 1995 to the present, but one could be prepared. Mr. Titler indicated that if items which were non-recurring were removed from the projections, there would be a positive balance.

Chair Canella pointed out that up until this date, the Meskwakis were to supply approximately $300,000 to repair the track and pre-meet expenses. Mr. Titler indicated that NCC/WGP did have that money. The documents filed in Bankruptcy Court do not have any effect on the loan. There is still money available under the Agreement. All funds are in the proper escrow accounts. Chair Canella stated that the Commission was under the impression the Meskwakis were going to cover any deficit which might occur. Mr. Titler indicated negotiations on this issue had been occurring until such time as notice was received that a document had been filed with the Bankruptcy Court. Mr. Titler indicated that NCC/WGP did not know exactly where things stood at the present time; however, they are operating on a positive cash flow basis, and have sufficient funds to continue for several months.

Chair Canella indicated that the Commission was concerned as to what would happen should it grant the renewal of NCC/WGP's license and approve 1996-97 live race dates and their projections did not hold up. The Commission would be faced with two alternatives: 1) end the racing season which they wouldn't want to do or continue running at a deficit and have creditors that didn't get paid which the Commission would not want to happen either. Mr. Titler indicated that the Master Agreement with the Meskwakis provides sufficient funds for a 1995-96 live racing season. Since NCC/WGP does not have approval for a 1995-96 racing season, negotiations between the parties

have been with regard to whether or not the funds should be drawn now to set aside to provide funds for a 1996-97 live racing season. Chair Canella reiterated that the Commission has concerns regarding the guarantee from the Meskwakis to cover any deficit and WGP's financial viability. Mr. Titler indicated that he understood those concerns, and again asked for a deferral of the item until the next regularly scheduled Commission meeting or to allow NCC/WGP to submit sufficient information to allow the Commission to feel comfortable in granting them a license and live race dates.

Commissioner Peyton indicated that he still had not received the answers he wanted regarding the financial situation. He asked Mr. Titler if there was a 12/31/95 Balance Sheet and Income Statement. Mr. Titler indicated they did not - they have been preparing cash flow reports in the format required by the Bankruptcy Court. Commissioner Peyton asked whether or not they had any internal accounting which allowed them to prepare a month-end or quarter-end balance sheet in order to determine their income and expenses. Mr. Titler replied that the information could be supplied. Mr. Titler went on to explain that within the last three weeks NCC/WGP has paid out over $4 million to creditors. They are now in a position to request the remaining funds in order to pay off the remaining expenses and redeem the Sheriff's Certificate. They are in the middle of the reorganization plan, but could prepare a statement which would indicate what their working capital would be when the reorganization plan is complete. Commissioner Peyton stated that he was trying to ascertain the credibility of the current projections, and the only way to determine credibility is to compare them to the most recent results which is an audit report dated May 31, 1995 which shows significant differences between the projections and what actually happened. Mr. Titler noted that the comparisons made were made with 1994 because that was the last time they had live racing and it was their understanding that was the comparison that was most relevant. Commissioner Peyton stated that he was comparing the simulcast figures only which showed very distinct differences in what the expenses were going to be. Commissioner Peyton stated that he did not feel that a $900,000 profit from simulcasting was feasible, even though the costs associated with their current simulcasting contract are considerably less. Mr. Titler felt it had been documented and more documentation could be provided to substantiate their projections and also show the Commission how the numbers were derived from previous experiences as well as what present expenses are. Chair Canella noted that the $900,000 profit from simulcasting is due to the fact that NCC/WGP has assigned all expenses to live racing, but if the two were combined, a different scenario would emerge.

Chair Canella noted that Mr. Titler and NCC/WGP had been informed at a meeting that IRGC did not believe the projections, but they would not challenge them because everyone makes their own projections. However, IRGC requested confirmation that the Meskwakis would give NCC/WGP the $360,000 for track repairs, etc. and to guarantee any additional deficit which he felt NCC/WGP

had up until the evening of March 7, 1996. Chair Canella stated that he wanted to hear the Meskwakis' side at this point. Mr. Titler again asked that IRGC not adjudicate their application at this meeting, but give them an opportunity to deal with the situation.

Chair Canella then called on Robert Wilson, an attorney from Cedar Rapids representing the Meskwaki Indian Tribe. He provided a brief history as to his involvement in this matter. He was contacted by the Tribal Chairman and another tribal member. He was provided with copies of a Letter of Intent dated July 19th, a Master Plan dated in October, and a Master Agreement dated November, 1995. He was asked to check the Bankruptcy Court and determine what had been filed. He was requested to compare the documents and report any differences between said documents to the Tribal Council. The Tribal Council had been led to believe the documents were basically the same except for some administrative differences. Mr. Wilson noted that the October Master Agreement followed the July Letter of Intent to some degree; however, the November Master Plan deleted the real desires of the Tribe which were to have some type of veto power over the expanded gambling. Mr. Wilson attended at Tribal Commission meeting on March 5th at which a resolution was passed that directed him to file a document in Bankruptcy Court to modify the Plan which had been submitted to and approved by the Bankruptcy Court in January. The document requested that the Reorganization Plan be modified to reflect the terms of the October Master Agreement which Tribal Council members believed to be the one agreed upon between the Tribe and NCC. Mr. Wilson noted there were changes made to the Promissory Note as well. The original Promissory Note contained four conditions which would cause an immediate default on the part of NCC. The condition which was omitted from the Note filed with the Bankruptcy Court was the provision that any expansion of gambling under the Maker's (NCC) license or facility owned by the Maker which occurs without the written consent of the Payee would constitute a default of the Note and the Tribe, at its option, could call the Note due. Mr. Wilson noted that the Tribe did not have a copy of the Promissory Note as filed with the Bankruptcy Court. He felt the matter would more than likely be set for hearing within the next 30-60 days.

Mr. Farrell informed Mr. Wilson that he had been involved with the negotiations to formulate the Indian Gaming Compacts with the State of Iowa, and found them to be very sophisticated negotiators. He asked Mr. Wilson to explain how they did not understand the changes made between the October and November Agreements when the Chairman has signed the Agreement. Further, it was discussed in open sessions with IRGC and Bankruptcy Court. Tribal members were at the bankruptcy proceedings and should have been aware of the changes made. The changes made to the Agreement were a prominent part of the bankruptcy proceedings. Mr. Wilson indicated there were no appearances on behalf of the Tribe during the Bankruptcy proceedings. Mr. Farrell agreed, but noted that members or representatives of the Tribe were at the proceedings. Mr. Wilson stated he was not aware that any members of the Tribe were present at the proceedings, but was indicated the

Chairman informed him that when he signed the November Master Agreement he was told there were minor administrative changes made to the Agreement to satisfy the Commission; he was not aware there were substantive changes. Mr. Farrell asked if the Chairman had read the Agreement; Mr. Wilson indicated he had not.

Commissioner Whittenburg asked when the Tribal Chairman learned the Master Agreement contained substantive changes. Mr. Wilson said he didn't know, but that he had been approached about a week prior. She then asked what prompted the Chairman to come to him. Mr. Wilson replied that he understood someone had informed the Chairman there were substantial changes to the Agreement, and that it was not what he thought it was. Chair Canella felt the Tribe would have discussed the Agreement prior to any signing due to all of the publicity. Mr. Wilson felt the issues boiled down to how the Agreement is interpreted. The Agreement, under the Master Plan, gives the Tribe the right to negotiate an Operating Agreement. One of the questions which has come up is why the Tribe would want to operate the facility in Waterloo when they don't physically operate the facility in Tama. The Tribe felt they still had the right to consent to or veto expanded gambling in Waterloo under the November Agreement. Commissioner Whittenburg asked for clarification as to whether or not the Tribe did not have copies of both the November Master Agreement and Promissory Note, or just the Promissory Note. Mr. Wilson indicated the Tribe did not have a copy of the final Promissory Note which did not contain all of the conditions contained in an earlier version.

Mr. Farrell asked if the Tribal Chairman has authority to sign on behalf of the Tribe. Mr. Wilson indicated he had not had an opportunity to delve into too many issues thus far. Mr. Farrell asked Mr. Wilson if he felt that would be one of the issues during the hearing; Mr. Wilson indicated he felt it would be brought up.

Chair Canella then called on Ray Youngbear who appeared on behalf of the members of the Meskwaki Tribe. He feels there was some miscommunication, whether deliberate or accidental, between the individuals representing the Tribe and the Tribal leaders and members. He indicated the consensus of the Tribal members is there are several issues which need to be revealed, and the Tribe apprised of what occurred in terms of Agreements. He feels a thorough investigation needs to be done regarding all events, individuals, organizations, and IRGC. Mr. Youngbear feels that at some point representatives of the Tribe agreed to the changes without consulting the decision makers of the Tribe; and the decision makers felt that the representatives were in good standing and that all issues were clear. He noted that when he attended a Tribal Council meeting and attempted to learn why the various changes had been made, he was informed repeatedly that they were made to satisfy objections raised by JAMCO and IRGC; however, he did not understand why these groups should object when all the tribe was attempting to do was give Waterloo a chance to pick themselves up

with the Tribe's help. He does not feel the Tribe is trying to "ambush" NCC, but is based on concerns of the Meskwaki Tribal Council and tribal members who felt they were offering some type of assistance to NCC/WGP which in turn would assist them in running a better casino. Mr. Youngbear feels there was a grave misunderstanding somewhere along the line, and the Tribe is only seeking clarification.

Chair Canella then called on Karen Kono, a Waterloo citizen. Ms. Kono clarified the time frame in which the Tribe became aware of the changes in the Agreement. She indicated that an article appeared in the Waterloo Courier which stated that the Agreement would not preclude the NCC from independently seeking a casino separate from the Meskwaki nation. She took copies of the first and second Agreements to a lawyer, Jay Nardini of Waterloo, who compared the two documents. Mr. Nardini met with the Tribal Chairman and a tribal member and explained the differences to them. Ms. Kono questioned the motives involved during the drafting of the original Agreement as NCC/WGP knew they must keep control of the license and that IRGC would not accept the stipulation that the Meskwakis would have veto power. She indicated that the Tribal Chairman has trouble with the English language, and trusted his representatives to advise him of the contents of the Agreement. She feels that Lowell Junkins and LuAnn Barnes were present during Bankruptcy proceedings, but failed to properly advise the Tribe. Ms. Kono voiced her opinion that WGP is not viable, they are working on borrowed money. She wondered who would be around next year to bail NCC/WGP out if their projections do not hold true. She feels the license should be denied.

Chair Canella asked for any additional comments from Commissioners, Mr. Farrell or Mr. Ketterer. Commissioner Peyton noted that he understood the feelings on both sides of the issue concerning the Operating Agreement, but feels the issue is whether the track is viable, and based on the evidence he has seen, he does not feel there is any way the track can survive or have any kind of viability to run in the future. He requested the Commission take action today on the license. Commissioner Peyton moved to deny the request for a license from Waterloo Greyhound Track. Commissioner Van Horn seconded the motion.

Chair Canella noted that he had a problem with the motion. He requested some of the changes that were made to the Agreement on behalf of the Commission. He strongly feels the license holder has to be in control of their own destiny. Chair Canella noted that there had been sufficient time for adequate discussions and negotiations. Chair Canella stated that he did not feel it was right for the Meskwakis to file the application to change the Plan approved by the Bankruptcy Court the day before the Commission was scheduled to take action regarding Waterloo's license.

Commissioner Peyton replied that he did not feel the track was viable irrespective of what was or was not contained in the Operating Agreement. He does not feel the track can survive without slots

which have been turned down by the citizens of Waterloo and Black Hawk County. Chair Canella agreed that the track could not survive without someone funding it. Commissioner Peyton indicated he does not feel that viability means someone funding the losses. Chair Canella stated that he had been under the impression that the Meskwakis would fund the track for three years to allow WGP to meet all their other obligations.

Commissioner Sealock explained that this issue did not revolve around personal feelings for the Native Americans. She also indicated that she had concerns with Commissioner Peyton's statements regarding the viability issue as NCC/WGP had been negotiating with the Meskwakis for months and the financial picture has basically remained unchanged. Commissioner Peyton asked for clarification as to what issues she had a problem with. She indicated she had a problem with his questions concerning viability because they dispel any thought that he was somewhat supportive of the actions occuring in the past months which were done in good faith on everyone's part. Commissioner Peyton stated that the issue was being considered today and that it was a fair question. Commissioner Sealock agreed, but also noted that everything was "off track" with the filing of the application in Bankruptcy Court and; therefore agreed with Chair Canella that the issue should be deferred until the next Commission meeting. Commissioner Peyton noted that this was the first request that a license be granted which was discussed at the last regularly scheduled meeting.

Chair Canella explained that during the special telephonic meeting which was held and all parties were represented, the Commission agreed that if Waterloo came up with the exceptions the Commission wanted such as funding that would guarantee they could hold a season they would give them a fair chance. Commissioner Van Horn called for the question. Chair Canella requested a roll call vote. The motion failed on a 3-2 vote. Chair Canella, Commissioner Sealock and Commissioner Whittenburg voting "No". (See Order No. 96-27)

Chair Canella indicated he would like to have the Commission consider a motion that a decision be deferred until NCC/WGP has had an opportunity to try and correct the situation. Commissioner Whittenburg noted that Mr. Titler had asked for a deference until the next regularly scheduled Commisison meeting. She moved to defer any action on NCC/WGP's request for renewal of their racing license and 1996-97 race dates until the next regularly scheduled meeting in order to allow them to open up discussions with the Meskwakis or come back to the Commission at that time and explain the game plan. Commissioner Sealock seconded the motion. Chair Canella requested another roll call vote. The motion passed on a 4-1 vote, with Commissioner Peyton voting no. (See Order No. 96-28)

Chair Canella called on Mr. Masciotra to discuss the contracts submitted by WGP. Mr. Masciotra noted that two of the three could be deferred as they were not necessary at this time without a

license. He did request approval of the contract with Southland Racing Corporation for simulcasting. Southland's schedule matches up fairly well with WGP's current schedule. One additional benefit of Southland is they have two mandatory payouts during the week which NCC/WGP feels might help with attendance. Mr. Ketterer requested that funds received from the simulcasting continue to go to a account established under an agreement with IGA on a weekly basis.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Whittenburg moved to approve the contract with Southland Racing Corporation. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-29)

Chair Canella moved to the next agenda item - Rules-Emergency Adopt and Implement. Mr. Ketterer indicated these rules were the subject of the Petition for Rulemaking filed by Prairie Meadows at the January meeting. With the current meeting schedule, these rules could not become final and implemented prior to PM beginning their live season. If these rules were interjected during the middle of the meet, substantial confusion would result. Iowa Administrative Code 491-10.5(8) changes the time to declare a horse out of a race from 8:30 A.M. to 9:00 A.M.. Iowa Administrative Code 491-10.5(17) changes the requirement for entering a horse which has just been claimed and allows someone who has just claimed a horse to run him the next time out. Mr. Ketterer recommended approval of the emergency adopt and implement procedure. He indicated the regular process for adopting Administrative Rules will also be followed.

Hearing no further comments, Chair Canella called for a motion. Commissioner Peyton moved to emergency adopt and implement the rules. Commissioner Sealock seconded the motion. The motion carried on a 4-1 vote with Commissioner Van Horn voting no. (See Order No. 96-30)

Chair Canella moved to the excursion and off-season schedules which were submitted by Ameristar II, Belle of Sioux City, Catfish Bend Casinos, Dubuque Diamond Jo, Kanesville Queen, and Miss Marquette. Mr. Ketterer noted that Terry Hirsch, Director of Riverboat Gambling, felt most were all right as submitted; however, there were some issues to be clarified on Ameristar's submission. Mr. Ketterer noted that Ameristar and Harvey's had originally submitted schedules which were substantially different than what was submitted in their license applications. Revised schedules have been submitted by both. Harvey's revised schedule was satisfactory. Mr. Ketterer requested that Jeff Terp, Vice President of Business Development for Ameristar, address the differences in the cruise schedule when the river is at 16' versus 18' and the problems therein. Mr. Terp noted that when they submitted their license application, they stated they could cruise 23 miles. If the river stays within the 16-18' feet stage, which the Coast Guard certifies every year, they would still be able to cruise 23 miles. The vessel has a 56' air draft, and the I-80 bridge is 62 feet above the river which would still allow them to cruise. The difference in the cruise schedule between the time the

application was filed and now is the current of the river. At this time, Ameristar is not sure how far south they can cruise, turn around and make it back in the two-hour time frame. They would like to be able to test the length of their cruise during the initial cruises. There are no obstructions which would cause them to limit their cruise based on the application.

Mr. Ketterer asked Mr. Terp to explain the current issue further. Mr. Terp stated that when the application was originally submitted, the riverboat management company they were working with estimated they could cruise to 608 and return without any problems. The current at 6-7 knots is stronger than what was originally estimated for their size boat. The bridges do not pose any problems to their cruising.

Mr. Ketterer noted that the two-hour cruise is a minimum. There is not a problem if the cruise should exceed the two-hour limit. He additionally noted that the cruising season begins on April 1st and continues until October 31st which should be sufficient time to complete the 100 required cruises. Mr. Ketterer then read a portion of the third paragraph of Ameristar's Proposed Cruise Schedule which stated "In the event the river stage is above 18' on the Omaha gauge, the vessel will operate on the stretch of river between mile 615.2 and 613.9 which covers an area between the boat slip and the Interstate I-80 bridge, or approximately a mile and a quarter to a mile and a half. He indicated the Commission's opinion at that point is that there would not be any need to cruise as that short of a distance would not constitute a cruise. Mr. Ketterer informed Mr. Terp that the Commission had received records from the Corps of Engineers for the past ten years which indicates there are very few times when the river has been below 18' during the cruising season which would make it a pre-existing condition to the application. It is the Commission's opinion that Ameristar should cruise to the south Omaha bridge and make that trip whenever possible to count toward the required 100 cruises in order to be able to operate during the winter months. Mr. Terp agreed that the six-mile round trip would constitute their cruise; however, there is a possibility they might be able to go further. Chair Canella stated it is the Commission's desire for them to cruise as close as possible to what was stated in the application.

Chair Canella asked Mr. Terp what their proposed cruising times were. Mr. Terp indicated it is their intent to cruise from 7:30 AM to 9:30 AM. Mr. Ketterer indicated there was one other issue which Ameristar and Harvey's needed to address: whether there are any problems with both vessels being on the river at the same time. Mr. Terp indicated there had been conversations between the two. It is planned that Ameristar will be downstream of Harvey's and will follow them back up stream, approximately one mile apart, so that Harvey's will be in their docking procedure by the time Ameristar is ready to commence their docking procedure.

Hearing no further comments, Chair Canella called for a motion. Commissioner Whittenburg made a motion to approve Ameristar's Proposed Cruise Schedule if the following language was stricken:

1) Paragraph 2: The third sentence - "This is the proposed route Ameristar II will operate during the navigational season and when the river stages are between 16 feet and 18 feet on the Omaha gage."

2) All of Paragraph 3

Chair Canella noted that with those deletions, the Proposed Schedule is almost back in line with what was submitted in the license application. Commissioner Sealock seconded the motion.

Mr. Ketterer noted that if the off-season schedules were going to be approved at the same time, they needed to be conditioned upon the fact that the licensees complete the required 100 cruises. Mr. Hirsch noted that if it appeared any licensee would not meet the 100 cruise requirement, they would be brought back before the Commission prior to that happening.

Commissioner Whittenburg amended her motion to approve the proposed excursion and off-season schedules of the Belle of Sioux City, Catfish Bend Casinos, Dubuque Diamond Jo, Kanesville Queen, and Miss Marquette as submitted. Commissioner Sealock seconded the amendment. The motion carried unanimously. (See Order No. 96-31)

Chair Canella then called on Jeff Roberts, legal counsel for Argosy, to discuss Argosy/Belle of Sioux City's request for approval to bring in the Alton Belle I while the Belle of Sioux City(Argosy V) is dry docked for its five-year Coast Guard inspection. The vessel is 164 feel long and 35 feet wide and has a passenger capacity of 435. They have requested that the gaming equipment currently licensed under Iowa law be allowed to remain on the Argosy V when it is transport to Woodriver, Illinois for the drydock inspection. The Alton Belle I will arrive prior to the Argosy V leaving. They do not anticipate losing a significant number of cruises or gaming sessions during the switch. Mr. Roberts has requested that the games on the Alton Belle I be allowed to remain on the vessel while it is in operation in Iowa under an exception as the games were previously licensed for use in the State of Illinois. All of the tokens and surveillance equipment will be removed from the vessel. Tokens which have been licensed by the State of Iowa will be used. Surveillance equipment will be installed which will comply with Iowa law. In response to a question from Mr. Hirsch regarding a lease for the Alton Belle I and gaming equipment to the partnership, Mr. Roberts noted that Argosy Gaming Company owns the Argosy 1. The Partnership Agreement contains language which would allow for this switch to take place. They anticipate switching the boats on April 16th. They anticipate the Argosy V will reopen on May 23rd. The Illinois Gaming Board has requested

that Argosy obtain an approval letter from the City of Hartford, llinois to allow the Argosy V to remain in that city. The hope to have final approval by the end of March following the next City Council meeting. Secondly, they are requesting an approval letter from the State of Iowa allowing the Argosy I to enter from out-of-state. Third, they must confirm that no chips or tokens will be on the Argosy I when it leaves Illinois. The State of Missouri has approved the movement of these vessels through their state as well.

Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the movement of the vessels. Commissioner Van Horn seconded the motion which carried on a unanimous vote. (See Order No. 96-32)

Argosy also had a request before the Commission for approval of intercompany charges for August - December, 1995 to Riverside Casino. As there was no discussion, Chair Canella called for a motion to approve the contract. Commissioner Peyton so moved. Commissioner Whittenburg seconded the motion which carried on a unanimous vote. (See Order No. 96-33)

Chair Canella moved to the next agenda item - Clinton County Gaming Association, Ltd.'s (CCGA) request for approval of Articles of Amendment to the Restated Articles of Incorporation and Amendment to By-Laws. As no one was present from CCGA, Mr. Hirsch informed the Commission that the changes were made to reflect the current status of Iowa law regarding sponsoring organizations. He recommended approval. Commissioner Whittenburg moved to approve the amendments to the Restated Articles of Incorporation and By-Laws. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-34)

Chair Canella called on Mr. Terp of Ameristar Casino Council Bluffs to present their contracts for Commission approval. Ameristar submitted contracts with Electrical Integrators, Inc. and International Electronics Protection, Ltd. Chair Canella asked if they had attempted to use Iowa vendors. Mr. Terp indicated they had, and that the Purchasing Manager is keeping track of everything that is sent out for bids to Iowa vendors. He will have records available for viewing by any Commissioner who wishes to review the records. Hearing no further discussion, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-35)

Chair Canella than called on Doug Gross, legal counsel for Greater Dubuque Riverboat Entertainment Company, L.C., to discuss the contracts which were submitted by Commission approval. Mr. Gross noted they had submitted 41 contracts, and that they wished to withdraw the contract with Dupaco Community Credit Union for an operating line of credit. After reviewing the cash flow projections, it has been determined there is no need to obtain the line of credit. He also

pointed out they have submitted a contract with Miller & Schroeder Investments Corporation for the proposed refinancing of the new Dubuque Diamond Jo and some furnishing financing which was previously approved. This refinancing will improve the bottom line of the operation by approximately $1 million per year.

They would have an interest rate of 10.25% for five years, and a $500,000 discount on the principal owed on the vessel. Hearing no further discussion, Chair Canella called for a motion. Commissioner Peyton moved to approve the contracts submitted by GDREC. Commissioner Sealock seconded the motion, and noted that all but two of the contracts were with Iowa vendors. The motion carried on a unanimous vote. See attached listing for contracts which were approved. (See Order No. 96-36)

Chair Canella asked how the disposal of the old Dubuque Diamond Jo was going. Mr. Gross stated they continued to have interested parties and offers to purchase subject to financing which have not come through. They have not had any difficulty in finding purchasers or venues.

Chair Canella moved to the contracts submitted by Harvey's. Verne Welch, Jr., General Manager, Ron Alling, corporate counsel, and Art Hill, comptroller, were available to answer any questions regarding the contracts submitted. Mr. Alling addressed the issue of a debt offering for which Harvey's is seeking Commission approval. The funds made available will be used to retire the debt incurred in constructing the vessel as well as providing additional funds to complete the dockside facilities. They do have sufficient funds available under their revolving and reducing line of credit; however, the debt offering will allow them to spread the debt out over a ten-year period with a much more favorable interest rate. Harvey's is requesting approval at this point as the next Commission meeting will not occur until after the anticipated debt offering. Hearing no further discussion, Chair Canella called for a motion regarding the contracts submitted by Harvey's. Commissioner Peyton moved to approve the contracts. Commissioner Van Horn seconded the motion which carried unanimously. See attached listing of contracts which were approved. (See Order No. 96-37)

Chair Canella then called on Bob Ellis, corporate counsel for Lady Luck Bettendorf, to address the contracts submitted. There was a lengthy discussion as to whether or not it was within the Commission's authority to allow Lady Luck Bettendorf to file a Letter of Credit issued by The Rock Island Bank versus filing a bond. This item was continued from the previous meeting in order to allow Mr. Farrell to review the letter of credit. Mr. Farrell indicated that he had reviewed the letter of credit to determine whether or not it would satisfy the obligation in the statute regarding bonds. He feels it would do the same thing as a bond as outlined in the statute. Commissioner Peyton felt the Commission was interpreting legislative intent, and he feels the Legislature expressed their intent very clearly when they specified a bond. He personally does not have a problem with the Letter of

Credit; but does feel that a Letter of Credit and bond are two different documents, and a statutory provision is being discussed.

Curt Beason, legal counsel for Lady Luck, noted that the statutes do not contain a definition for "bond". The definition of a bond is an instrument of obligation. Mr. Ellis feels that under a broad interpretation of the definition of a bond in Black's Law Dictionary, a letter of credit could be construed as a bond. The question would be whether or not the surety is approved by the Commission. The letter of credit was drafted with specific reference to the Commission and gives it the right to draw upon the letter of credit for any violation.

Commissioner Peyton stated there is a difference in the way an insurance company is capitalized versus a bank. There is a different level of risk for bank issuing a letter of credit versus a bond from an insurance company which has some capital requirements under state law. Bank capital requirements are substantially different than an insurance company. He does not feel the statute allows the Commission the flexibility to decide whether to accept a letter of credit in lieu of a bond. He feels the Commission would be allowing something which is just as good as what the Legislature required; but feels it could get out of hand.

Mr. Farrell stated that if the word "bond" was interpreted according to Mr. Beason's definition, it can be a very broad term. He feels the Commission has the ability to determine the definition of "bond" as it is used in the statute. He has only provided an analysis noting that a letter of credit can essentially do the same thing as a bond.

Commissioner Peyton noted he did not have an argument with the fact that a letter of credit could provide the same level of comfort as a bond; but felt the Commission would be opening itself up so that it would have to allow a letter of credit in every situation; and wondered if they were willing to analyze whether every letter of credit is the equivalent of bond. Would each letter of credit have to be dealt with on an individual basis to determine whether or not it was the same as a bond? He does not want to get into a situation where the Commission is constantly analyzing whether or not something is the same as what is required by statute.

Mr. Beason again pointed out that the statute does not specify an insurance bond, therefore, allowing for a broad definition of the word "bond." He feels the operative language is that the surety has to be approved by the Commission. He noted the Letter of Credit is being issued by an Iowa-based bank which has sufficient deposits.

Commissioner Whittenburg noted that the term "bond" as used in a criminal court is different than is whatever surety the Court decides to approve. Commissioner Peyton indicated that was the key

question - whether or not it is approved. He is reluctant to get into a situation where the Commission has to approve the surety on every bond. It was pointed out that is being done now. He agreed; however the Commission does not analyze every bond - a bond is a bond. The Commission does not determine if some of the defenses contained in a letter of credit are waived in order to conform to a bond. Commissioner Whittenburg noted that the term "bond" does not always mean an insurance bond. Commissioner Peyton stated that a bond is something that is acquired from an insurance company in the text of the statutes. Mr. Beason noted that bonds can also contain defenses. Commissioner Peyton indicated he was not arguing the fact that this letter of credit would do the same thing as a bond; however, he feels the Commission would be opening itself up to micro-managing bonds every time this issue came up. He noted that it is more efficient and cleaner to state that a bond is an insurance bond; and leave it up to the Legislature to decide whether or not to include letter of credit terminology in the statute.

Chair Canella called for a motion to approve the contracts submitted by Lady Luck Bettendorf. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Sealock seconded the motion. Commissioner Peyton asked if the motion was to approve all three contract items. He indicated that if that was the case it would affect how he votes on the matter. At this point, Commissioner Whittenburg amended her motion to approve Lady Luck's contracts with GEMACO Playing Card Company and Lady Luck Corporation. Commissioner Sealock seconded the amendment to the motion. The motion carried unanimously. (See Order No. 96-38)

Chair Canella then called for a motion regarding The Rock Island Bank letter of credit contract filed by Lady Luck Bettendorf. Commissioner Whittenburg moved to approve the contract. Commissioner Sealock seconded the motion. Hearing no further discussion, Chair Canella called for the vote. The motion carried on a 4-1 vote, Commissioner Peyton voted no. (See Order No. 96-39)

Mr. Ellis informed the Commission of a pending refinancing agreement for $3.2 million with the Northwest Bank and Trust for slot machine loans with Bally's and IGT. All final documents will be submitted at next month's meeting for final approval.

Chair Canella then called on Mark Lohman, General Manager of The President, to address their lengthy list of contracts. Before addressing the contracts, Mr. Lohman informed the Commission that the original President is on its way back to Davenport. The renovations will be completed in Davenport during the last two weeks of March. It is anticipated the boats will be swapped during early April.

Mr. Lohman informed the Commission that Robertson Builders, Inc. is a Davenport contractor who

was recruited to go to New Orleans to complete the interior refitting of wallcoverings, floor coverings, carpet, woodworking, etc. They are continuing the interior renovations as the vessel makes its way back to Davenport.

Mr. Ketterer asked Mr. Lohman if he had correctly stated the purpose of the amended item to the agenda for The President which was for the sale of slot machines to a Minnesota distributor. Mr. Lohman indicated that was correct. Hearing no further discussion, Chair Canella called for a motion. Commissioner Van Horn moved to approve the contracts submitted by The President. Commissioner Sealock seconded the motion which carried unanimously. See attached list for contracts which were approved. (See Order No. 96-40)

Chair Canella then called on Tom Timmons, Director of Pari-mutuels for Prairie Meadows, to address the numerous contracts submitted for Commission approval. They have submitted contracts for all of the vendors they did business with last year in which they exceeded the $50,000 approval limit. Hearing no further discussion, Chair Canella called for a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. See the attached list for contracts which were approved. (See Order No. 96-41)

Chair Canella then moved to Administrative Business before the Commission which is a change in meeting dates for May from May 16, 1996 to May 21, 1996 in Council Bluffs, Iowa.

As there were no Public Comments, the Commission recessed for lunch and to allow ILLIAMO Area Riverboat Commission/Midwest Gaming Company time to set up their presentation. Chair Canella reconvened the meeting at 1:30 PM.

Janet Fife, a City Council member from Keokuk, gave the opening remarks of the presentation regarding the history of riverboat gambling in the area. A brief video was shown. (A copy is located in the Commission office.) The following individuals from Keokuk, ILLIAMO and Midwest Gaming addressed various issues of the license application: Mayor Ron Bramhall, City of Keokuk - Community Support; Carl McMurray, City Attorney - shore development, compliance with local and state laws, and miscellaneous issues including the legal ramifications with SIRRC, and docking rights with the City of Keokuk; Kari Bevins, Director of Tourism Bureau - Tourism; Mike Hicky, member of the ILLIAMO Riverboat Commission and Keokuk Economic Development - ILLIAMO history, background and members; Bruce Schmitter, General Manager of the St. Jo Riverboat Casino and Vice President of Midwest Gaming - Revenues, Security & Safety, Operations, Vessel, and use of Iowa products; Mark Glocke, Show Me Gaming - Market area and statistics from the vicinity; and Bill Grace, representing Midwest Gaming from St. Joseph, Missouri, who presented

the background of Midwest Gaming and the individuals who make up the company. Midwest Gaming was granted one of the first four licenses in Missouri. (A copy of the presentation is available in the office.) Mr. Grace gave a brief personal history on himself, as well as the other individuals of Midwest Gaming. Mr. Grace ended his statements by assuring the Commission that ILLIAMO Area Riverboat Commission/Midwest Gaming has the commitment, community support, character, personnel, and financial capability of doing a first class job in Keokuk. He will put forth the same effort and devotion in Iowa that he has in St. Joseph, Missouri and Arizona. He requested that the Commission honor them with a license.

Commissioner Peyton questioned how they determined that 50% of the business would be from Iowa and the other 50% from Illinois, and why would their experiences be different from the situation at Catfish Bend Casino in Ft. Madison. Mr. Glocke responded that the market study identified the location of the population bases. The density of the population and the fact there are no boats located in western Illinois and northern Missouri helped them to decide to locate a boat in Keokuk. It is likely that Catfish Bend will cut off patrons to Keokuk from the north, while a boat in Keokuk would cut down on Catfish Bend's customer base coming from the south. Commissioner Peyton asked if they were confident they could compete should a boat come to northern Missouri. Mr. Glocke stated that it is their opinion that the first company with a boat in that area will succeed. Mr. Grace noted that he is not aware of any interest in Missouri in locating a riverboat that far north. They are interested in issuing additional licenses in the St. Louis area, mid-state, and one south on the Mississippi. He believes that if the Commission does not approve this license, Missouri will eventually put a boat in the area.

Commissioner Sealock stated that they had been informed that Missouri had set a limit on the number of riverboat licenses to be issued in the state, and that they had already been issued. Mr. Grace indicated that was not correct; but went on to note that presently there are no serious discussions underway on new licenses or to establish a limit.

Chair Canella questioned the statement that the out-of-state admissions for this vessel would be greater than northeast Iowa. He noted that 70% of Miss Marquette's one million admissions per year come from out-of-state. Mr. Glocke stated that when the gaming study was first completed, and later amended, Miss Marquette did not exist. He went on to note that the Keokuk vessel will not experience the same total amount of visitations as Miss Marquette; but he does feel they would reach a 70% out-of-state visitation rate.

Chair Canella asked Mr. Grace about the total project cost, financing, source of funding, etc. Mr. Grace indicated the application contained a contract on the boat which is a lease purchase. The other aspects of the operation will be taken care of by two sources: 1) he personally will produce the

necessary equity; and 2) his company will lend the necessary funds to the operation to open the door. Chair Canella estimated the cost of the project to be $12-$13 million - $6 million for the boat, $1.5 million for the barge and refurbishing the vessel, and about $5 million for the slots and tables. Chair Canella asked Mr. Grace if he had that much ready cash or if he would have to borrow funds. Mr. Grace indicated it would be a combination, but that he probably had more than half of the necessary funds available in ready cash. The operation in St. Jo is being expanded with the Bank of America and they will work with them on the Keokuk project as soon as a license has been issued. They are also dealing with First Interstate; and Miller and Schroeder have written a letter stating they would finance the project. Chair Canella stated that any license the Commission may decide to issue would be issued with the condition that the Commission would be notified of the permanent source of revenue.

Chair Canella also noted the projected Profit & Loss Statement did not show any start-up costs, but did show interest of approximately $1.1 million indicating a total debt of approximately $12-$13 million using an interest rate of approximately 9%. Mr. Grace stated that the total debt is only anticipated to be $7 million.

Chair Canella pointed out that community support is extremely important when determining whether or not a license is to be issued. He went on to point out that when the referendum was passed in May 1994, Keokuk, or south Lee County, defeated the referendum soundly, and wondered if they did have the community support. Greg Andrews, representing the Chamber of Commerce, stated that the opinion in Keokuk, after the way they were treated with regard to the loss of the Emerald Lady and the new arrangements, was that the vote was a vote against the other two communities rather than a vote against gambling. They do not feel there is any organized opposition to the boat in the community. Mr. Grace reported that he had never been in an area where he felt he had more support from various aspects of the community.

Commissioner Sealock commented that it was difficult to see neighboring communities feud as there is no question in her mind but what the Keokuk vessel will most certainly cannibalize the markets for Catfish Bend in Ft. Madison. She complimented ILLIAMO/Midwest Gaming on their application.

Commissioner Van Horn asked the mayor if he had the complete approval of the Council. He indicated they did. Commissioner Van Horn further stated that his interest on the Commission is to bring more taxes to the State of Iowa, and wondered if it was possible for them to give him some projections as to what percentage would come from Illinois, Iowa and Missouri. Mr. Glocke noted that the analysis which exists in the market study presented with the application, is not specifically

for Marquette, but compares the northeastern Iowa market with southeastern Iowa. They still feel 62% of their patrons will come from Illinois and Missouri.

Ms. Fife noted that 60% of their market for business is from out-of-state; and 40% of the employees come from out of state.

Commissioner Whittenburg complimented them on their license application. She questioned the total number of gaming positions their vessel would have. Mr. Glocke noted they would have approximately 600 gaming positions. It is ILLIAMO's/Midwest Gaming Supply Company's opinion that the market will support approximately 1600 gaming positions, and Catfish Bend has approximately 500 gaming positions.

Commissioner Whittenburg asked if the license application contained some land-based commitments. The lease of the vessel has been set for five years, and wondered if she had missed a reference to land-based facilities or why were they left out. Mr. Grace stated they are not sure they even have enough space to take care of parking. They will be expanding the parking from 207 to 400 plus which should help congestion.

Additionally, they will have the access barge and barge facilities which are specifically being set up off-site to help preserve the available space for parking. They would like to be able to develop the facility. Commissioner Whittenburg stressed this criteria has been one which the Commission has really stressed as it shows commitment on the part of the licensee and makes it much more difficult for them to just walk away; and the Commission would not like to see this community relive its earlier experience. Mr. Grace noted he was not spending stock holders' money; he is spending his own. It was noted that there is very little space to allow for land-based development, but individuals had previously explored the possibility of having land-based facilities which were located further away from the river. Commissioner Whittenburg noted that this was the route Miss Marquette had to take.

Mr. Ketterer asked Mr. Grace to clarify some information which was sent to the Commission recently. Mr. Seckington indicated that the bound book was the written presentation for the license application as they knew they would not have sufficient time to present all of the information contained in the booklet. The other information received in the office were amendments to their license application.

Chair Canella complimented ILLIAMO/Midwest Gaming on their presentation. He stated the Commission would rule on the license application at the next regular IRGC meeting to be held on

April 18th at which time public comments would be heard. He indicated that Catfish Bend would be entitled to equal time if they do desired. Individual speakers will be limited to two minutes.

As there was no further business before the Commission, Chair Canella called for a motion to adjourn the meeting. Commissioner Peyton so moved, and Commissioner Sealock seconded the motion.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 18, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 18, 1996 in the Auditorium of the 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 called for a motion to approve the agenda. Commissioner Sealock moved to approve the agenda as submitted. Commissioner Whittenburg seconded the motion which carried unanimously.

Chair Canella then called for a motion to go into Executive Session. Commissioner Van Horn moved to go into Executive Session pursuant to Iowa Code Sections 21.5(c) and (g) for the purpose of receiving advice from legal counsel and DCI background investigations. Commissioner Peyton seconded the motion which carried unanimously.

Following Executive Session, Jack Ketterer, Administrator of IRGC, recognized Commissioner Van Horn as this will be his last Commission meeting. He has also served on boards for the Department of Transportation and Department of Economic Development. Mr. Ketterer described Commissioner Van Horn as a "true Iowan." He is a champion of the small town entrepreneur. He presented Commissioner Van Horn with a framed photograph of the Commission.

Mr. Ketterer then recognized Chairman Canella. Chairman Canella's term as a commissioner was seasoned by some difficult times for the Commission. He served during Lorraine May's term as Chair when she ushered in a new era for racing and gaming in Iowa. During his tenure as Chair, the Commission has experienced a tremendous period of growth in the industry. He was very conscientious and concerned about how the growth was managed. His firm hand as Chair has benefitted the industry and all of Iowa. He has been a no nonsense leader and the licensees and applicants have always known what was expected of them. Mr. Ketterer described Chair Canella's term as "tough, but fair, and his bottom line has always been the integrity of the industry." He presented Chair Canella with a framed photograph of the Commission, a plaque in recognition of his leadership on the IRGC from July 1, 1988 to April 30, 1996, and the gavel.

George Beno, Executive Director of Iowa West Racing Association/AIM, expressed their appreciation for the efforts of Chair Canella and Commissioner Van Horn on behalf of the racing and gaming industry in Iowa.

Chair Canella then moved to the election of a chair and vice-chair for the Commission to be effective with the May meeting. Commissioner Whittenburg made a motion to nominate Vice-Chair Rita Sealock as Chairwoman. Commissioner Van Horn seconded the motion. The motion carried unanimously with Commissioner Sealock abstaining. (See Order No. 96-42)

Commissioner Sealock made a motion to nominate Commissioner Whittenburg as Vice Chair. Commissioner Peyton seconded the motion which carried unanimously with Commissioner Whittenburg abstaining. (See Order No. 96-43)

The next item on the agenda was the approval of the minutes from the March 7, 1996 Commission meeting. Chair Canella called for a motion to approve the minutes as submitted unless there were some necessary changes. Commissioner Peyton moved to approve the minutes. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-44)

Chair Canella then called on Mr. Ketterer to address the various rules before the Commission. The first rules are those first considered in January on a petition from Prairie Meadows (PM). A Notice of Intended Action was filed in January, and they were adopted Emergency in March. If these rules had followed the normal rulemaking process, they would have become effective in the middle of PM live meet. Adopting them emergency will allow for consistency. They are before the Commission today for final adoption; however, they will not become effective for another 30-60 days from now, and will supersede the Emergency rules at that time. These rules allow a horse to race for two consecutive days, changes the scratch time from 8:30 to 9:00, and allows more latitude in starting a horse which has recently been claimed. Mr. Ketterer recommended approval. Commissioner Sealock moved to Final adopt Rules 491-10.5(1)y; 10.5(8)d(2), and 10.5(17)g(2). Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 96-45)

The second set of rules is being filed under a Notice of Intended Action. The first rule, Administrative Rule 491-13.2(1) - Duty to disclose and cooperate, is currently in the rules pertaining to the applicant licensee section of the rules, and is being added to the section pertaining to occupational licenses. The second rule, Administrative Rule 491-13.2(3) - Multiple license restrictions, deals with those instances where two licenses or two occupations can be held simultaneously and the circumstances under which that would not be allowed. The third rule, Administrative Rule 491-20.16, is rescinding a rule which is redundant and already covered under Administrative Rule 4.28 regarding contracts. Mr. Ketterer recommended that these three rules be approved for Notice of Intended Action. Commissioner Whittenburg moved to approve the filing of the Notice of Intended Action regarding Administrative Rules 491-13.2(1); 491-13.2(3), and 491-20.16. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-46)

Chair Canella then called on John Titler, legal counsel for National Cattle Congress (NCC). Mr. Titler introduced the following individuals who were present on behalf of NCC/Waterloo Greyhound Park (WGP): Michael Christiason, Chairman of the Board and Acting CEO; Jim Koch, Physical Plant Director; Sheila Wilson, Executive Assistant; and Tim Ward, Controller/Operations Director, as well as two additional board members. Mr. Titler provided a brief history regarding NCC/WGP. When the bankruptcy proceedings were started, the NCC Board had two goals: 1) That all creditors were

paid in full if at all possible, and 2) to preserve NCC in its role in Black Hawk County. NCC is a true non-profit organization which has other property besides WGP, and conducts other functions and operates other facilities in the Waterloo area. The preservation of that role and continuation of the events and facilities was an integral part of the reorganization plan which was confirmed by the Bankruptcy Court, and is also an integral part of WGP's request for a continuation of their license. Mr. Titler stated that the scheduling of events for NCC has returned to its operation at pre-bankruptcy levels. He noted that NCC had been able to fulfill its first goal in filing for bankruptcy in that all of its creditors had been paid in full and the Sheriff's certificate redeemed. The only debt that NCC has is the debt associated with the Master Agreement with the Meskwaki Tribe which provided the funding for those payments.

Mr. Titler stated that the major issue with regard to NCC/WGP's continued licensing is the provision which requires financial viability. NCC has been requested over the last several months to verify that certain repairs were being or could be made to the greyhound facility, one of those being the repair of the track heating system. That is currently about 50% completed. The funds for the balance of the contract are escrowed in an account with the balance of that account having been provided to the staff. In addition to the renovation of the track heating, there are other repairs, including the replacement of kennel crates for which monies are also being held in the escrow account. The amount being held is $105,000, and the amount escrowed for the track heat repair is approximately $86,000. There is an excess of $158,000 which NCC/WGP feels is the proof of financial viability and allowing them to go forward. Mr. Titler stated that WGP is operating at a net positive cash flow in a simulcast mode and that cash flow will build prior to the scheduled live racing to such an extent that WGP, for the period May 1996 through May 1997, would show a positive cash flow of approximately $150,000. NCC operations as a whole will show a positive cash flow of at least $60,000 for the same time frame. The NCC side, the non-WGP side, has been projected very conservatively with regard to income. They hope that side of the operation will be able to stand on its own at some point in the future. In addition to the funds previously mentioned, Mr. Titler stated that WGP has all of the necessary escrow or fee accounts related to taxes and purse money up-to-date. There are no other outstanding obligations to the Commission or any other creditors.

Mr. Titler stated that the projections on which their application is based were derived from the audited statements previously submitted as annual reports with the adjustments and changes that were noted in those projections. Substantial savings have been made, especially in the simulcast area as well as other areas of operation, improving insurance premiums, saving on repair costs as the result of the major renovations which are occurring at the present time, as well as other items specifically noted in the projections. Mr. Titler noted that the agenda states the Commission is considering the renewal of their racing license and approval of the 1996-97 race dates. There have been several articles as to what the purpose of this application is. Mr. Titler stated this application has nothing to do with slot machines or expanded gaming at WGP. The 1994 Reorganization plans were based upon obtaining

an expanded gaming license or a provision for slot machines at WGP. Two referendums have failed, and the plan confirmed is based upon the continuation of the existing pari-mutuel operation, including live racing, at WGP. None of the projections are based on slot machines or expanded gaming at that location. WGP is asking for a license for the twelve-month period and have their live racing dates approved to allow them to go through a transition period from reorganization to a new era. NCC believes that WGP can be self-sustaining at its present level; but there will have to be additional development on the premises that will assist with the costs of maintaining that building over time. Mr. Titler stated that if the projections prove incorrect, and there can be no long term survival at that location, it will become very apparent during the next twelve months, but they do not believe their projections for that time frame are in jeopardy. They feel the cash cushion is more than adequate for any additional erosion that might take place with regard to handle, or any additional expenses that might be incurred.

The live racing proposal is made with 84 performances which is more than the minimum required by statute. The number was negotiated with representatives of the dog breeders. Those individuals are seeking a concrete commitment from NCC/WGP that there will be at least 130 performances in future years; however, NCC/WGP is not willing to make that assurance at this time.

NCC has accrued in excess of $400,000 for purse money through its simulcasting over the last two years. Those funds are escrowed and available for purse money at the beginning of live racing. That will make the purses very substantial and attractive to those kennels who opt to come to WGP to race.

Mr. Titler reiterated that there are no plans or projections in this budget or request for licensing with regard to another referendum or with regard to slot machines. This request will stand on its own, and is only made for the purpose for NCC to operate the facility for the next twelve months at a profit. The profit and facility are needed as a part of the whole picture for NCC to proceed on through the reorganization of the balance of their properties, and restore the function of NCC as it has existed for decades.

Mr. Titler stated there had been some questions regarding management at WGP due to the resignation of Augie Masciotra, General Manager. He requested that Mike Christiason address the Commission on this issue. Mr. Christiason was appointed as the Acting CEO on April 2nd, the same time the Board accepted Mr. Masciotra's resignation.

Mr. Christiason stated the Board is reluctant to proceed with the hiring of a manager on an interim basis, and current staff is continuing to assume management responsibilities. He stated that upon renewal of the license and approval of the live racing season, the NCC Board intends to begin the search for a general manager for the operations at WGP.

Chair Canella called for questions from Commission members. Commissioner Peyton asked Mr. Titler if net income had been projected since they had projected a positive cash flow. Mr. Titler pointed out that the Commission had the projections as submitted. Commissioner Peyton pointed out that those projections did not include any depreciation or anything else. Mr. Titler was unable to answer specific questions relating to depreciation. Commissioner Peyton stated the cash flow was fine, but eventually funds have to be put back into the facility. Failure to acknowledge depreciation as an expense in operating a facility will cause the facility to gradually decline over time. Mr. Titler stated that there is a capital investment being made at the present time of almost $300,000 which would far exceed the annual depreciation. Commissioner Peyton stated that he did not feel that was an adequate amount to get the facility in shape for a live race meet; but wondered what NCC plan was regarding the ongoing expenses related to the facility. He stated that he would like to see this operation run on an income basis versus a cash flow basis, but also noted that he is not willing to concede whether or not the operation is breaking even or even close to that point on a cash flow basis.

Commissioner Peyton had questions pertaining to statements submitted to the Commission ending May 31, 1994 and 1995. The figures for 1994 contain figures for income from simulcasting and live racing; but the 1995 figures are for simulcasting only. The reports show that WGP had an operating loss of $630,000, and the 1995 audit shows an operating loss of $640,000 even though the loss reported to the Commission was $451,000. Mr. Titler was not sure what discrepancy Commissioner Peyton was referring to; however, he did make a statement regarding the operating losses. Mr. Titler stated they included depreciation, interest accruals some of which were fictional as interest did not accrue due to the bankruptcy proceedings, and other areas of the interest accrual have been satisfied since the report was prepared. Commissioner Peyton stated that was not a correct assessment of the situation since this was operating loss before operating expenses. Loss after interest expense was $1,155,788. Mr. Titler stated that he did not have a copy of the audit report in front of him. Commissioner Peyton offered to go through the audit in detail, but summarized it by saying that he did not see any feasible way that WGP could make a profit with live racing, simulcasting, or both.

Commissioner Peyton noted that he had a copy of the most recent month's income statement, and wondered if someone was available to answer his questions. Mr. Titler stated he could answer these questions. Commissioner Peyton asked for his opinion for the most recent months' end. Mr. Titler stated that it was about even cash flow-wise. Commissioner Peyton asked if that included all of the expenses related to the facility - administrative expenses. Mr. Titler stated that it did, and went on to note that if the administrative expenses that were allocable to the facility on the basis on which previous audits have been done, March is right at break even. He noted that simulcasting income for March was down. This has been true throughout WGP's history whenever there has been a controversy with regard to the license, or with regard to the reorganization. Simulcasting revenue is paramount to WGP's success and to their projections. They need to get to the point where WGP is licensed and there is no more uncertainty as to what is going on and a cessation of constant negative

publicity about reorganization or agreements with various parties, resolutions being enacted, or the possibility of revocation of the license.

Commissioner Peyton noted that he had an income statement which had been prepared for March, and he did not agree with Mr. Titler's statement that they broke even in March. Mr. Titler noted that if he took out the depreciation numbers, the income statement would indicate March was a break-even month, or very close to it. Commissioner Peyton noted that the depreciation figure could be subtracted so they would know what was needed to operate the facility, but they still would have lost $18,800 in the month of March. He went on to note that if WGP was starting with a clean slate after Bankruptcy, he feels they would be insolvent in a very short time. Mr. Titler reiterated that all of the negative publicity received in early March affected their income to a great extent; but when they have periods of time where they are able to do some advertising without any adverse publicity, the simulcast income has been OK and meets the projections for May through April 1997. Commissioner Peyton did not agree with Mr. Titler's statements as track revenue for January was $70,000, February was higher at $103,000, and March was stable at $100,000. He noted there were no advertising expenses included in the income statement, and that the publicity was providing the track with free advertising. Mr. Titler stated that was negative advertising, and Commissioner Peyton noted that the income statement does not support that statement. He went on to state that if the expenses for March were added, and taken on an equal basis for January and February, NCC/WGP would have over $80,000 worth of accumulated loss for the last quarter. He does not feel the financial information presented to the Commission supports Mr. Titler's statements that the track can be financially viable on a long term basis.

At this point, Commissioner Peyton called Mr. Titler's attention to an article printed in the Des Moines Register pertaining to the Bankruptcy Hearing at which Richard Eadington, Economics Professor at the University of Nevada - Reno, testified. He asked Mr. Titler if he was familiar with the testimony. Mr. Titler indicated he was. Commissioner Peyton asked Mr. Titler to verify the following statement attributed to Mr. Eadington in the article: "Dog racing alone is not economically feasible in Iowa." Mr. Titler indicated that was not accurate, and stated that Professor Eadington testified that WGP, given the size of the market with which they are dealing, that the facility cannot operate as a dog track alone over a long period of time. The facility is too large, has too much square footage, too much overhead over a long period of time." Mr. Titler stated that he had spoken with Professor Eadington both before and after about that particular statement. He went on to state that one of the reasons they feel they can be successful is because of the conference with Professor Eadington with regard to the explanation of revenue declines in the dog racing industry and the effect Class 3 gaming has on the revenue declines. Dr. Eadington's explanation relating to the decline of revenue at WGP, and other greyhound facilities in Iowa or elsewhere where there has been an increase in gaming, is that when pari-mutuel activity is first introduced, all interested parties are in the market pool; however as Class 3 gaming become available in the same general area, the pari-mutuel facilities will lose approximately

80% of the primary market. The pari-mutuel facilities will eventually level off, and that is where WGP feels they are at. Commissioner Peyton reiterated that the financial picture before the Commission does not look good.

Chair Canella noted that the projections do not include any advertising costs, and they were not involved in an advertising coop with the Meskwakis at this point. Mr. Titler indicated it was a reduction from what had been done in previous years. Chair Canella asked Mr. Titler if he felt they would eventually have coop advertising with the Meskwakis. Mr. Titler answered in the affirmative.

Chair Canella then called on Commissioner Whittenburg for her comments. Commissioner Whittenburg asked Mr. Titler if it was NCC's position that simulcasting was necessary for WGP to be profitable. Mr. Titler concurred that without simulcasting, live racing would not produce a profit. She noted there is a difference of opinion as to whether or not there was a profit for March or any of the previous months when simulcasting was operating on its own. Commissioner Whittenburg stated that the figures the Commission was provided for the month of March did not include administrative salaries, payroll taxes, office salaries, appreciative expenses; and if those expenses had been included, the statement would show a loss. Mr. Titler stated that the one statement is an attempt to isolate those items which are strictly simulcast, where there is no transfer into the other facility at all. The other statement has the application of those items back to WGP. Mr. Titler pointed out that the months which are being discussed contain the expenses for wrapping up the bankruptcy proceedings. Commissioner Whittenburg asked if those expenses weren't paid for with the $9.1 million received from the Meskwakis, and they will not be reoccurring.

Commissioner Whittenburg moved on to the funds at Homeland Bank from which money has been set aside to repair the track heat and replace crates, with the balance being used as a cushion to cover any shortfalls which might occur during the live race meet. She asked IRGC staff if there would be additional repairs which would be required prior to the start of the live meet. Linda Vanderloo, Director of Racing/Administration, stated that IRGC had received a letter from Mr. Masciotra setting forth several items which would require correction, and with which NCC concurred. Those items are not in the same category as track heat repair or crate replacement; but they would undermine a budget. Commissioner Whittenburg voiced her opinion that those repairs would more than likely be paid for from the fund balance of $158,000, thereby reducing the cushion to cover shortfalls. Mr. Titler stated there was a $35,000 financial protection fund for repairs, and that several of the items mentioned in Mr. Masciotra's letter would be normal maintenance repairs.

Chair Canella asked if there were any other individuals who wished to speak regarding WGP's request for the renewal of their license and live race dates.

Anthony Wauseska, a member of the Concerned Citizens Committee of the Meskwaki Tribe, indicated

that he wished to speak. Chair Canella stated that the Commission is very much aware of the troubles between the Meskwakis and NCC/WGP; however, the Commission is concerned only with the financial viability of the track. He informed Mr. Wauseska that if his presentation did not pertain to financial viability, he did not feel his statements would be relevant to the Commission. Mr. Wauseska stated that he felt his comments did pertain to financial viability. Chair Canella directed Mr. Wauseska to proceed.

Mr. Wauseska noted there had been several articles in the newspaper about the Meskwaki Tribe financing any overruns at WGP during the current and next year's live race meets. He noted that the Tribe had held a meeting and the majority of the Tribe have stated they will not provide any additional funds above the $9.1 million to NCC/WGP.

Ray Youngbear, also a member of the Concerned Citizens Committee, stated that the Tribe's original intentions in filing the Master Agreement were watered down, possibly clearing the way for unauthorized expenditures of Tribal money. They feel they were taken advantage of. The Tribe has just begun to realize "the American dream" with the success of the Meskwaki Casino. Mr. Youngbear stated that it was his opinion that NCC/WGP intended to erode the only economic base the Meskwakis have ever had; but noted that NCC/WGP did not have much of an economic base either. He requested that IRGC not let the Meskwaki Nation mirror the situation being faced by the Winnebago and Omaha Nations due to the increased gambling opportunities in Council Bluffs and Sioux City. Mr. Youngbear stated that the members of the Concerned Citizens Committee are questioning the use of the $158,000. The committee feels a decision regarding the usage of those funds was made off Tribal grounds by a few Council members, without the Chair and Vice Chair present.

Johannes Wanatee, a member of the Sac/Fox Tribal Council, stated that contrary to rumors circulating that he is no longer chair of the Meskwaki Nation, he is still recognized as the Chair by the Bureau of Indian Affairs. He informed the Commission that the Meskwaki Nation has fully completed it obligations under the Master Agreement with NCC, and have paid out all of the $9.1 million they were obligated to pay under the Agreement. He reaffirmed that the Meskwaki Nation has no obligation to advance additional sums to NCC.

Chair Canella asked if there was any additional public comment. Commissioner Peyton called for the vote. Chair Canella called for a motion. Commissioner Peyton moved, based upon the financial information submitted to the Commission, including but not limited to, the financial reports of McGladrey & Pullen, also the income statements and projections presented by NCC, to deny a license to NCC/WGP. Commissioner Whittenburg seconded the motion. Hearing no additional comments, Chair Canella called for a roll call vote. The motion carried unanimously. (See Order No. 96-47).

Chair Canella moved to the next agenda item - Racing Association of Central Iowa/Prairie Meadows (RACI/PM) - 1996 Season Approval with several agreements and contracts. Tom Timmons, Vice President of Operations at PM, informed the Commission that PM will be paying out higher purses, will have a better quality of horses racing, and they have increased their outgoing simulcast link. He noted that none of the contracts had been submitted to the IRGC at the present time, but hoped to have those finalized within the next ten days. Mr. Timmons noted that the Season Approval before the Commission did not contain any surprises - pretty much what they have done for the last three years. He noted that purses on the thoroughbred side have increased to $3,000 from last year; and quarter horsemen will receive $1,700 with a minimum purse of $1,000 on two-year old trial races. The total purse payout per day, without supplements, will be between $50,000 and $60,000, or close to $3.4 million. Purse supplements add another $680,000, so purses will be in excess of $4 million. Purse supplement agreements were contained in the season approval request. Racing will begin on May 10th and conclude on August 24th. Races will be held on Thursday, Friday, Saturday and Monday evening. There will be no Sunday races. Mr. Timmons noted that several promotions are planned for the year.

Commissioner Van Horn asked how PM purses compared to other tracks outside the Midwestern region. Mr. Timmons indicated he did not know, but stated that Aksarben paid out purses last year very similar to what PM is paying this year.

Commissioner Peyton asked Mr. Timmons what the procedure was for establishing purses. Mr. Timmons stated that according to Iowa law, purses are funded with casino revenue based upon an amount negotiated with the horsemen groups. The two parties met last fall and established some goals of where they want the purses to be in the future. Commissioner Peyton asked if the purse schedules submitted are what was originally agreed to during the meetings. Mr. Timmons stated that the purse schedules submitted are what was agreed to with the horsemens groups.

Chair Canella took this opportunity to remind Mr. Timmons that PM is a racetrack with a casino, not a casino with a racetrack.

Mr. Ketterer informed the Commission that Iowa is no longer the only state with slot machines at racetracks. Delaware now has slot machines at their tracks, and Delaware Park, which has approximately 750 slot machines, is doing approximately $5-6 million per month - about one-half of what PM is doing - and they are preparing to offer $140,000 per day in purses. Chair Canella informed Mr. Timmons that the Commission expects PM to increase their purses each year. Chair Canella questioned what effect the proposed expansion project would have on the purse structure. Mr. Timmons stated that the expansion project is a must in order to maintain what they are doing and trying to do with the facility, but that it will not affect the purses. Chair Canella reminded Mr. Timmons that it was the Legislature's intent to increase the purses, and that issue is not subject to the whims of the Polk County Supervisors and RACI board.

Chair Canella asked Ms. Vanderloo if she had any comments regarding the issue before the Commission. Ms. Vanderloo stated the only thing she had was that the DCI needs to complete the backgrounds on all of the officials.

Commissioner Van Horn made a motion to approve the listed agreements and contracts contained in the 1996 Season Approval for Prairie Meadows, subject to the completion of the background investigations by the DCI. Commissioner Peyton seconded the motion. Hearing no further discussion, Chair Canella called for the vote. The motion carried unanimously. (See Order No. 96-48)

Chair Canella then called on Tom Flynn, legal counsel for RACI, to provide the Commission with an update of the status of RACI's long range plans regarding the money once the debt has been retired. He noted that both the Strategic Task Force and RACI had had lengthy meeting since the last Commission meeting. Discussion centered around purses, capital improvements, charitable contributions, and what should be reverted to the taxpayers of Polk County. He felt the meeting had gone well, and that the Task Force was able to reach some consensus. In light of that, meetings have been held between representatives of the Task Force and the Polk County Board of Supervisors to develop concepts and see if the two sides are anywhere near agreement on the various concepts. None of the concepts from the Task Force have been presented to PM board for any official action as that would be premature at this time; nor have representatives from the Polk County Board of Supervisors taken any concepts to their Board. He feels Polk County will have discussions and let RACI know if the two sides are close. He hopes that some kind of accord will be reached within the next 60-90 days as to the various concepts.

Chair Canella noted that the Commission, or at least one of his main concerns, is that RACI should be making substantial contributions to charitable organizations, and noted that the reason given up to this point in time was that RACI wanted to retire their debt, but the perception with the expansion project is that they would be taking on more debt. Chair Canella asked if that meant RACI would not be making charitable contributions of any magnitude. Mr. Flynn indicated that was not the case. He stated that charitable contributions and purse structure are issues which are being discussed and being balanced against what are deemed the necessary capital improvements. It is RACI's goals that the charitable contributions they will be making will be commensurate with the charitable contributions of the other licensees.

Commissioner Whittenburg asked what the time frame was for increasing purses. Mr. Flynn stated that it was the intention of the Task Force at PM for the purse structure to eventually be the most desirable in the entire country. He indicated that he could not speak for the County, but has not received any indication that the parties are at extreme odds over these issues. He noted that RACI's Board and the Task Force are mindful of the Legislature's intent and intend to comply, and feels that Polk County will also comply.

Chair Canella stated that he had not had an opportunity to read the newspaper article, but wondered if several of the items turned down during the last budget would be included in the expansion plans. Some of those items would be additional barns, and a training track.

Chair Canella called on Jeff Terp, Vice President of Business Development for Ameristar, and Verne Welch, General Manager of the Harvey's Kanesville Queen, to present their joint request to amend their cruise schedules. Mr. Welch stated that Harvey's was requesting a change in the time of their cruise so that they could cruise at the same time as Ameristar.

Chair Canella asked if Harvey's was experiencing any difficulty with the current at the present time. Mr. Welch indicated that the current is running at about 20 feet at the present time. He stated they were currently working on one of the Z-drives, and hope to try to cruise the following week. They are hoping to conduct their first cruise on April 29th.

Chair Canella stated that he had heard they were underpowered - currently have 1500 horsepower, and that they need 1800 to fight the current. Mr. Welch noted that in repairing the Z-drive, it was determined that the wrong oil had been placed in the Z-drive which slowed it down. The oil has been changed, and the problem should be corrected.

Chair Canella then called on Mr. Terp who requested approval from the Commission to cruise seven days a week due to the river currents and the height of the river. They would like the flexibility to get in a cruise whenever they have the ability to do so.

Chair Canella asked if Ameristar had experienced any difficulty. Mr. Terp indicated that everyday provides a unique challenge. He stated that out of 17 days in the cruising season, they have been able to cruise six. High water has prohibited cruising on eight of those days, winds on two days, and fog on one day.

Commissioner Whittenburg asked Mr. Terp about the river level. Mr. Terp stated that the dam usually releases about 18,000 cubic feet/second. That rate was increased to 35,000 cubic feet/second, and is currently at 42,000 cubic feet/second. They are optimistic that the level will decrease.

Chair Canella called for a motion. Commissioner Whittenburg moved to approve the proposed revised cruise schedules for Ameristar and Harvey's Kanesville Queen. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-49)

Chair Canella called on Iowa West Racing Association/Bluffs Run (IWRA/BR) for a hearing stemming from their failure to submit contracts in excess of $50,000 for Commission approval in violation of IRGC Rule 491-4.28. Mr. Ketterer informed Chair Canella that IRGC had been informed

about a related party contract which was not submitted for Commission approval which resulted in IRGC staff requesting the DCI to investigate all of the contracts at BR and IWRA. Both parties fully cooperated with the DCI agents. The final result was that many related party contracts have not been submitted; however, no evidence of impropriety or unjust enrichment by any Board member as a result of the related party contracts. The staff has met with representatives of IWRA, BR, and legal counsel, and is ready to propose an Order, and would recommend approval by the Commission. The Stipulation contains the following:

- There were forty contracts which were not submitted in violation of 4.28. There was no breach of the principles of the rule which states that Commission approval is necessary to insure that the licensee is free from criminal elements, that gaming related funds are directed to the lawful recipients, and that profits from gaming are not improperly distributed. There was no evidence of any of these.

- There is an agreed penalty of $1,000 per contract. The staff recommends approval of the Stipulation which has already been signed by Charles Smith, President of IWRA.

James Campbell, representing IWRA, indicated that the Stipulation covered all aspects of the conversations held between the parties. He stated that Barry Sevedge, Director of Operations at BR, was present and could address any additional issues regarding this matter.

Chair Canella asked if corrective action had been taken to prevent this from occurring in the future. Mr. Sevedge stated that the responsibility for complying with all regulations has been made a specific responsibility of the individuals in charge of internal operations. Mr. Sevedge stated that they misunderstood how contracts were to be treated, and continued handle them as they had when they were strictly a greyhound track and looked at them once a year instead of an ongoing basis.

Chair Canella asked Mr. Sevedge if it was possible for BR to submit the quotes received from various companies when they were submitting a related party contract. Mr. Sevedge stated that the information was available.

Chair Canella called for a motion regarding the Stipulation on IWRA/BR's failure to submit contracts for Commission approval. Commissioner Peyton moved to approve the Stipulation and directed IRGC staff to prepare an appropriate order for signature. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-50)

Chair Canella noted that the Commission had voted to not give Waterloo a license, but had failed to give them an effective date. Jeff Farrell, Assistant Attorney General, stated that Mr. Titler had approached him and asked for an effective date so that NCC/WGP could determine what action they

would take next, if any. Mr. Farrell felt that April 30th would be an appropriate date which would be consistent with prior racing seasons and provide them with ten days to determine what their next action would be. He recommended the Commission amend the motion to revoke the license to include the date of April 30th as the effective date of the revocation.

Hearing no further discussion, Chair Canella called for a motion to amend the revocation motion to include the date of April 30th as the effective date. Commissioner Sealock so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously. (See Order No. 96-51)

Chair Canella then moved on to contract approvals. He asked for a representative from Lady Luck Bettendorf to come forward to present their contracts for Commission approval. Bob Ellis, corporate counsel, thanked Chair Canella and Commissioner Van Horn for their work on behalf of the gaming industry in Iowa. He stated Lady Luck had 23 contracts before the Commission for approval dealing with operating expenses and one deals with the refinancing of their IGT slot machines. Those contracts were as follows:

- A.D. Huesing Bottling Works - Soda pop and other beverages
- BT Publix Office Products - Office supplies
- Best Buy - 1st Anniversary Giveaways
- The Brandt Co. - Marketing funbooks, coupons, and other specialty items
- C.J. Investments (dba The Liquor Shoppe) - Liquor
- Green Bridge Company - Office space rental/lease
- Hawkeye Food Systems, Inc. - Foods, beverages, condiments
- KWQC-TV - Television advertising
- King Food Service - Food and beverage items
- Mid-America Tours Incorporated - Bus subsidies and co-op promotional costs
- Moline Dispatch Publishing Company - Advertising, marketing, etc.
- Neal's Bus Service - Bus subsidy
- Northwest Bank & Trust Company - Refinancing of slot machines
- Parker Distributing Co., Inc. - Fuel products
- The Quad City Food Service, Inc. - Meat for restaurant
- Quad-City Times - Advertising, marketing, etc.
- River Cities Productions, Inc. - Special events/marketing
- Russell Construction Company - Contractor work, etc.
- Shuffle Master, Inc. (d/b/a Shuffle Master Gaming) - Gaming equipment
- SYSCO Food Services of Iowa - Multiple food purchases
- Thoms Proestler - Food, beverage, miscellaneous items
- Tri-State Tours, Inc. - Bus subsidy

- Vanguard Distributing Corp. - Liquor supplies

Chair Canella asked if there were any related party contracts. Mr. Ellis noted there was one contract with Greenbridge Company for the office building. Chair Canella also asked about their support of Iowa vendors. Mr. Ellis indicated that seven or eight were out-of-state vendors, but 4 or 5 of those were Quad City area vendors - Rock Island or Moline. Chair Canella asked Terry Hirsch, Director of Riverboat Gambling, if he had any questions. He indicated he did not.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts submitted by Lady Luck. Commissioner Van Horn so moved, and Commissioner Sealock seconded the motion. The motion carried unanimously. (See Order No. 96-52)

Chair Canella called on Ken Bonnet, President of the Mississippi Belle II (MB II), to present the following contracts for Commission approval:

- I.G.T. Missouri - Slot machines
- Robert's River Rides, Inc. - Extension of the loan agreement dated June 24, 1994.

Chair Canella asked if the slot machines would be an addition to the number of slot machines currently located on the boat. Mr. Bonnet indicated that it would. Mr. Hirsch stated that MB II was converting a poker room over to slots. Mr. Hirsch indicated there were no problems with either of the contracts.

Hearing no further discussion, Chair Canella called for a motion regarding the contracts for the MB II. Commissioner Peyton moved to approve the contracts for MB II as submitted. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-53)

Chair Canella moved on to the contracts submitted by Harveys. Art Hill, Comptroller of Property, presented the following contracts dealing with hotel furnishings for Commission approval:

- American of Martinsville - Furniture for hotel rooms
- Bentley Mills, Inc. - Carpet for hotel corridor
- BNY Financial Corporation - Custom carpet for public areas within hotel property
- C & A Contract Wallcoverings - Wallcoverings for the guest rooms on the hotel property
- Forum Contract Carpet - Carpet for hotel rooms
- KOJO - Drapery fabric for hotel property
- La'Spec Industries, Inc. - Chandeliers and custom light fixtures for hotel property
- Omaha Bedding Company - Bed sets
- Shelby Williams Industries, Inc. - Furniture for public areas on the hotel property

- Shelby Williams Industries, Inc. - Furniture for components for the guest rooms on the hotel property
- Sobel Westex - Sheer drapery, Blackout drapery, Upholstered cornice for hotel rooms

Mr. Hill noted that none of the above contracts are related party contracts, ten of the eleven were sent out for competitive bids. He informed the Commission of their process for equipment bidding. Mr. Hill stated that none of the eleven contracts were with Iowa-based companies as there were no Iowa-based companies for ten of them. The one contract for which they did receive a bid from an Iowa company, the company had not had any experience with the magnitude required. Chair Canella noted that Harveys did have a good record in this area.

As Mr. Hirsch did not have any concerns and there was no further discussion, Chair Canella called for a motion to approve the contracts for Harveys as submitted. Commissioner Whittenburg so moved. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-54)

Chair Canella called on Mark Lohman, General Manager of The President, to present their contracts for Commission approval. Chair Canella asked if the newly refurbished President was back in operation. Mr. Lohman indicated that it had gone back into service on the evening of April 3rd. Mr. Lohman submitted the following contracts for approval:

- Canton Marine Towing - Tug assist for M/V President in transit from New Orleans to Davenport; and
- Russell Construction Company, Inc. - Redstone building exterior facade and refurbishment of President casino entrance

Hearing no further comments, Chair Canella called for a motion to approve the contracts as submitted by The President. Commissioner Peyton so moved. Commissioner Van Horn seconded the motion which carried unanimously. (See Order nol 96-55)

Chair Canella called on Mr. Terp from Ameristar who presented the following contracts for approval:

- A.A. Horwath & Sons - Laundry equipment
- Metrotrans Corporation - Metrotrans vans

Chair Canella asked how many metrotrans they would be purchasing. Mr. Terp indicated they would be getting three. Mr. Hirsch did not have any concerns relating to the contracts.

Mr. Ketterer requested an update on the hotel construction. Mr. Terp stated that some off-site work dealing with various interchanges and highway, including sodding and seeding, would be completed

on time, the storm water lift station has been completed, the landscaping has been let for bid and is in process in those areas not affected by construction, the exterior decorative lights are on schedule for completion, the Koch plant has been completely removed except for the brick building which will be used as the landscaping/engineering office and for security during inclement weather. The south parking lot bids are due on April 17th, and scheduled to commence within one week; the curb, gutter and paving of the access road is near completion. The terminal building exterior shell is nearing completion, and will be complete prior to the May restaurant openings. The terminal building interior fixture public areas are on schedule, as are the street scape and vac house finishes. The hotel tower shell and hotel tower interior finishes are on schedule. The pool connections will be approximately one month late, but will be complete prior to and coincide with the completion of the Kinseth Hotel. That hotel is proceeding on schedule.

Chair Canella asked Mr. Terp if the project would exceed $100 million. He indicated it would. Hearing no further discussion, Chair Canella called for a motion regarding the contracts submitted by Ameristar. Commissioner Van Horn moved to approve the contracts. Commissioner Sealock seconded the motion which carried unanimously. (See Order No. 96-56)

Chair Canella moved on to the contracts submitted by Greater Dubuque Riverboat Entertainment Company, L.C. (GDREC). Doug Gross, legal counsel for GDREC, submitted the following contracts which relate to parking for Commission approval:

- Harbor Community Development, L.C. - Lease for parking facilities
- Harbor Community Development, L.C. - Note in the amount of $120,000

GDREC has experienced a need for additional parking due to the larger boat, as well as a planned expansion of the museum which will take about 200 parking spaces. Due to environmental issues, GDREC decided to set up a separate company, Harbor Community Development, L.C., which has the same shareholders as GDREC. These companies are requesting Commission approval of a lease between them as well as a loan in which GDREC would be lending Harbor Community Development approximately $120,000 as the necessary down payment for the purchase.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts submitted by GDREC. Commissioner Sealock so moved. Commissioner Van Horn seconded the motion which carried unanimously. (See Order No. 96-57)

Mr. Gross informed the Commission that they are attempting to purchase the boat which they are now leasing which will save them approximately $1.5 million per year. If the transaction can be closed by the end of the month, they will receive a $500,000 discount. Preliminary copies of the documents have been submitted, and GDREC is requesting permission to close subject to the Commission's approval

in May. All funds would be placed in an escrow account and would not be delivered until after the Commission's approval at the May meeting.

Jim Rix, General Manager of the Dubuque Diamond Jo (DDJ) came forward to provide the Commission with an update of their operation. He thanked the Commission for their hard work and faith in GDREC last summer while they were bringing the larger vessel to Dubuque. He stated that without the larger boat, he felt it would have been the DDJ closing instead of the Silver Eagle across the river. The DDJ has gone from approximately 300 employees to about 650 employees, approximately 95% of which are from the Dubuque area.

Chair Canella asked if the old boat had been sold. Mr. Rix stated that a Preliminary Letter of Intent had been received that morning, and still needs to be run by the unitholders. He went on to state that the numbers have been very strong - they are running 48% higher than the same period last year in revenues, and 150% higher in net income versus last year.

Mr. Gross also thanked the Commission, particularly Chair Canella and Commissioner Van Horn, for their patience and advise given over the years.

Chair Canella then moved to the contracts submitted by BR. Mr. Sevedge noted that most of the contracts on the attached summary list were those which resulted in the fine. The majority of the contracts are for ongoing operating-type expenses or related to construction work. The new contracts from previous years deal with employee benefits. Ms. Vanderloo indicated that she did not have any problems with the contracts as submitted, except that she would like to see more Iowa vendors the next time.

Hearing no further discussion, Chair Canella called for a motion to approve the contracts as submitted by BR. Commissioner Sealock moved to approve the contracts. Commissioner Van Horn seconded the motion which carried unanimously. A complete listing of the contracts is attached to these minutes and the Commission Order. (See Order No. 96-58)

Mr. Sevedge informed the Commission that the crate project has been completed, including the ginny pit. They are still looking into the possibility of reinstituting simulcasting.

Mr. Ketterer requested that Mr. Sevedge provide the Commission with some information regarding BR's upcoming greyhound symposium. Mr. Sevedge noted that the Symposium will be held on April 29th and 30th, with most of the speakers being veterinarians who will address all areas of greyhound care, breeding, training, etc. Five hundred invitations have been sent out. The cost of the Symposium will be $20. Chair Canella asked if Dr. Sally Prickett, State Veterinary at BR, would be participating. Mr. Sevedge stated that she would be, and had helped with the agenda and determining some of the

topics. It is hoped that the symposium will be helpful to some of the Iowa breeders who may not have access to some of the information being presented.

Chair Canella then called on Dubuque Greyhound Park(DGP). Brian Southwood, Director of Operations, came forward to present their contracts. (See attached list) Commissioner Sealock noted that eleven of the thirteen were Iowa-based vendors.

Hearing no further discussion, Chair Canella called for a motion regarding the contracts submitted by DGP. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-59)

Chair Canella took a moment to introduce Bill Hansen who will be replacing Commission Van Horn.

The Commission recessed at 12:00, and reconvened at 1:00 PM.

Chair Canella took a moment to introduce Jackie Allen who will be replacing him on the Commission. He also reintroduced Bill Hansen.

The afternoon session began with a report by Will Cummings, Christiansen/Cummings & Associates, on the market study performed by them for IRGC regarding the Southeastern Iowa Casino Market Analysis. Mr. Cummings stated that when they look at a market they look at its geography and population - where the people are and what facilities they have and access to. People will go most often to the casino which is closest to them. The state of Iowa and adjoining states were divided into markets for which the population and casino win were reviewed for each market. A number of calculations were performed to examine the ratio between the two, but the most important was the adjustment for distance. The further away a person lives, the less frequently he is likely to travel to do something. Casino markets across America were studied to come up with what they felt was a typical distance factor. Other factors are per capita income, and rural characteristics. Urban areas normally have a higher income than rural areas, plus urban residents have a higher propensity to participate in most types of gambling. Rolling each of these factors into each of the markets in Iowa, they came up with a distance adjusted rate of spending for slots and table games. This divides the total spending at the facility or facilities in the area by the distance adjusted, income adjusted, rural/urban adjusted population to determine what an average resident would spend at the casino if they lived about 10 miles away. For the existing market in southeast Iowa, that ratio is currently about $192 per person which is lower than any of the other existing markets in Iowa. The others range from $214 in Sioux City up to $406 in the Quad City market area. The market, when all areas are pulled together, averages about $350 per distance adjusted visit per year, or about $270 on slot machines and $80 on table games. In southeast Iowa currently, table games are drawing about $61 per person, and 78% of the average at slot machines is $131, or less than half of the estimated average.

Other factors underlying the difference between southeast Iowa and the other Iowa markets are the relative levels of supply of games in each market in addition to what is being spent per person. The density of table games was looked at per person to determine how well supplied each market is with the activities. The average market in Iowa has approximately 21 table games per 100,000 people distance adjusted, and about 555 gaming devices. Southeast Iowa currently has a representative number of table games, about 24 per 100,000 distance adjusted, but the ratio of slot machines is far below the average, 299 per 100,000. The ratio of slot machines in the other Iowa markets for the distance adjusted population is about 500 per 100,000. These numbers would suggest that the existing market is less than fully served by the current facilities.

It is also noted that there is no interstate access to the docking site of the existing boat, people may be less likely to visit Ft. Madison and Burlington. Their standard process of going halfway to the next existing casino may overstate the geographics of the market; however, Dubuque and Marquette face the same factors and their ratios of spending per population is much higher.

Another factor may be that the area residents may be less eager to gamble. Further, there are issues of the relative attractiveness and the accessability of getting on and off the boat which can also affect the ratios.

As the relative contributions of the various factors are uncertain, Christiansen/Cummings developed a range of projections for the future assuming that a license would be granted to Keokuk. Under the first method, it is assumed all other factors remain the same. Under this assumption, the new location would add a very modest amount to the total spending of the residents as it would be more convenient for residents from the Quincy, Illinois area, northeastern Missouri, and total casino spending would only increase to $22.5 million

Under Method 2, it is assumed that the two, the existing competition and new licensee, would overcome the various problems to the average of the other Iowa markets. This should not be considered as an "upside" projection, it just brings that market up to the average level elsewhere in the state. This method shows that casino revenues would rise to approximately $41 million. The combined projection for the casino revenues would be $31.7 million; however, there would only be a 32% increase in table game revenues as revenue is close to the average. Slot machine revenues would increase by 78%, or $23.6 million.

Chair Canella noted that Mr. Cummings had placed a fair amount of importance to density and the number of slot machines - 555 slots per 100,000 people; but gave no importance to the utilization of those slot machines. Chair Canella pointed out that Bluffs Run has a slot density of 572 slots per 100,000, and has an average daily win of $343 per day which indicates 100% utilization. This indicates that even though BR has a lot of slots, they are not serving the market as the machines are

not available when the public wants to gamble. On the other hand, Marquette has a slot density of 776 slots per 100,000 people, and have a spending base of $266, but have a daily average win of $91 which indicates underutilization - or about 30% in a 24-hour basis. The President has a slot density of 570 slots per 100,000, and have a daily average win of $194. Catfish Bend has the lowest slot density of anyone with 299 slots per 100,000 people. They have a slot adult base of $131, but have an average daily win of $124 which indicates underutilization - about 40% on a 24-hour basis. He wondered if he was right in talking about utilization of slots rather than just slots per 100,000.

Mr. Cummings indicated he was right to be concerned about the utilization of slots; however, he hesitated to characterize $124 per day per machine as poor utilization. He stated that they do not focus on wins per unit per day because demand and supply affect those ratios. Other factors go into the supply and demand other than just the number of machines and the win generated by each of them. Win per machine per day can be low for reasons other than the fact that there are too many of them.

Chair Canella referred to Mr. Cummings' statewide market study which was completed in October 1995. In that study, Catfish Bend was projected to have an annual win of $18 million which he has updated to $19 in the current market analysis. Additionally, in the October study, Mr. Cummings estimated that approximately $9,500,000 of the approximate $18 million would come from outside the state of Iowa, basically Illinois and Missouri. Chair Canella pointed out that if the $90,500,000 was divided by the average win of $35 per person, you would get approximately 270,000 admissions, or approximately 45% of the total admissions, assuming there were 600,000 annual admissions. Chair Canella went on to state that the individuals from ILLIAMO/Midwest Gaming indicated they would have total admissions of approximately 600,000 and estimated 62% of that would come from outside the state of Iowa, basically Illinois and Missouri. If you take 62% of 600,000, you would get about 360,000 admissions that Midwest Gaming would get from Illinois and Missouri. He wondered if the 360,000 admissions Midwest indicated it would have were in addition to the 260,000 that Catfish Bend already had, or would the new boat take that many admissions away from Catfish Bend.

Mr. Cummings indicated there would more than likely be some cannibalization. Chair Canella stated that he, in knowing the area, was having a difficult time seeing how moving the base downstream would attract 700,000 people to the boats from the states Illinois, Missouri and Iowa.

Commissioner Peyton asked Mr. Cummings what the density of slot machines would be per 100,000 population in southeast Iowa should the license be granted to ILLIAMO/Midwest Gaming. Mr. Cummings indicated that he did not calculate that; but would roughly double the number of slot machines from 299 to about 600.

Commissioner Peyton asked Mr. Cummings if he had reviewed the Deloitte Touche study. Mr. Cummings stated that he purposely developed his analysis without looking at the other studies which

were done in conjunction with this license application; but had reviewed them on his flight out. He would not be able to provide any detailed answers. Commissioner Peyton indicated he was interested in a comparison of methodology and whether or not he has formed an opinion as to what the economic impact would be on Catfish Bend.

Mr. Cummings chose to answer the second half of the above question first, and indicated that he had not assessed the economic impact on Catfish Bend should a license be granted as there are several additional steps which would be required to determine the cannibalization of one by other. In regard to the methodology used in the studies provided by the various parties, each has its own good points and weaknesses.

Commissioner Peyton asked Mr. Cummings what his degree of competence was in projecting $31 million in win. Mr. Cummings stated that the projections are done on a conservative basis. He stated that three years ago they projected about $147 million a year for the Council Bluffs area from both table games and slots. He noted that in this particular instance there is a greater range of uncertainty due to all of the variables of the market.

Commissioner Peyton noted that severe cannibalization would occur under Method One as stated in the Christiansen/Cummings report. The market would virtually be split in two. Commissioner Peyton went on to note that the introduction of a second facility into this type of a market would not necessarily drag down the revenues - that there is some kind of an incremental increase in revenues. Mr. Cummings agreed that when additional supply is added there is almost always an increment - the question is how large it will be and there are no precise projections.

Commissioner Peyton, in reviewing the October 1995 report, stated that in looking at the adjoining counties there is a prospective increase of about $18 million just on the Iowa side so he feels that is consistent with the projections which Christiansen/Cummings made in the Keokuk case. Mr. Cummings concurred with Commissioner Peyton's conclusion.

Chair Canella then called on representatives from Catfish Bend to present their case as to why a license should not be granted to ILLIAMO/Midwest Gaming. Gary Hoyer, legal counsel for Catfish Bend Casinos, stated it was their intent to present a unified response to the pending license application. He stated that the following individuals would speak on behalf of Catfish Bend and Southeast Iowa Regional Riverboat Corporation (SIRRC): James Rheinschmidt, Chairman of SIRRC and Rich Wulf, Senior Manager of Deloitte and Touche.

Mr. Hoyer stated that Catfish Bend and SIRRC object to the licensure of a competing riverboat in Keokuk as it will jeopardize both operations. There will also be a significant impact on the long term financial viability of both operations, and negatively impact the prospects for the expansion of tourism

and economic development for the entire region. It is their intent to prove that Catfish Bend is serving the population and that their patronage would be severely cannibalized by the introduction of a competing operation in Keokuk. Mr. Hoyer stated that regionalism is intact in the region - although slightly changed and strained. Revenues from Catfish Bend are flowing through SIRRC and being distributed to Keokuk, Ft. Madison and Burlington.

At this time, Mr. Rheinschmidt presented SIRRC's position regarding the proposed licensure of a riverboat in Keokuk, as well as some of the history behind riverboat gaming in the area.

Mr. Wulf presented the findings of their impact study of a competing riverboat in Keokuk on Catfish Bend Casinos. The presentation covered the following areas: 1) a brief overview of Deloitte and Touche's experience in the industry; 2) review and highlight the conclusions of their study; 3) present their estimate of the market potential for southeast Iowa; and 4) present their estimated impact with a competing riverboat in Keokuk. Their study was based on the concentric methodology

Mr. Wulf, in summarizing their study, stated that a riverboat in Keokuk would have a significant detrimental economic consequences on Catfish Bend. They estimate that Catfish Bend has captured approximately 80% of the total potential gaming market for southeast Iowa in its start-up year. If Keokuk were granted a license, there would be a 94% overlap in market with Catfish Bend. Catfish Bend would lose anywhere from $164,000 to $184,000, and gaming win would decrease between 6.2% and 6.9% per year. SIRRC would lose between $420,000 and $460,000.

Deloitte and Touche estimates there is a market potential of 617,000 to 697,000 admissions per year in southeast Iowa, generating a total win of $23.3 million to $26.2 million per year. They consider this to be the total potential market, but does not necessarily translate into achieved penetration. They noted that no operator across the country has been successful in achieving 100% of the potential market. Although still in its start-up phase, Catfish Bend's operations have been stronger than anticipated. During the first 12 months, Catfish Bend has had 520,000 admissions, and a total win of $18.8 million. They have been successful in capturing 75% to 84% of the market depending on which end of the admissions range you use.

In the worst case scenario, Catfish Bend's admissions would drop from 520,000 to 336,000, or 35% of their current admissions. In the best case scenario, Catfish Bend would lose 32%, or 164,000 annual admissions. This would translate into a loss of $6.5 million of gaming revenue per year.
If Catfish Bend is allowed to reach its full potential, total tax and non-profit contributions would increase from current levels to between $796,000 and $1.4 million per year. This is much higher than what could be reached with two operators in the area. With Catfish Bend operating with a competitor, the state would gain between $107,000 and $485,000; but with Catfish Bend as the sole operator, the state would have an incremental gain of between $457,000 to $835,000.

SIRRC would lose between $730,000 and $914,000. Potential admissions tax losses range from $25 million for Ft. Madison and Burlington; and Keokuk would lose about $21.2 million.

Chair Canella asked if they had prepared a zip code analysis. The zip code analysis shows that 73% of Catfish Bend's admissions come from Iowa, 23% from Illinois, and 12% from Missouri.

Commissioner Peyton noted that the utilization study indicated that the slots on Catfish Bend are utilized at 43% currently; however, the impact assessment mentioned tax implications which would allow Catfish Bend to reach full market potential. He felt the two were inconsistent because they are stating the slots are underutilized implying they have reached full market potential, but on the other hand the study indicates there is still some potential market growth.

Deloitte and Touche noted that Catfish Bend has been in business for approximately one year and have seen progressive increases in admissions. They feel there is not double the market potential, but feel there is still a small incremental gain to be realized.

Commissioner Peyton asked Dan Kehl, General Manager of Catfish Bend, how the decline in revenues would affect the bottom line. Mr. Kehl stated that the expenses are fairly constant. Pulling $6.5 million from their income would make their operation a break-even operation. This would take away their financial base to do any long-term economic development in southeast Iowa. In response to a question from Commissioner Peyton regarding labor costs, Mr. Kehl stated they are running about $5.2 million per year.

Mr. Ketterer asked if Deloitte and Touche had an opinion as to how much more incremental revenue could be expected if the supply of table games and slots was doubled. Mr. Wulf noted that their study does not indicate a lot of latent demand in the market area for additional games. Brian Nordahl, with Deloitte and Touche, noted that an increase was more likely to be seen in a boardwalk scenario than in this instance where individuals would have to get in their cars and drive to the next casino. Both facilities would capture some of the incremental increase; however, Catfish Bend would be severely cannibalized.

Mr. Hoyer asked the Commission to take into account that Catfish Bend had recently completed a complete renovation of the facilities. They are just beginning to see the benefits. Gaming revenues for March were just under $2.3 million. If that figure is annualized, gaming revenues will be between $27 -$28 million per year. In comparing those figures with those presented by Christianson/Cummings and Deloitte and Touche, he wondered where all of the market was that was not currently being served. Mr. Hoyer requested that the Commission keep in mind that all of the figures presented were estimates. He urged the Commission to deny the license for a riverboat in Keokuk.

At this point, Chair Canella called for any other public comments. Bob Kehl noted that Catfish Bend has already given away over $100,000 and has about 100 additional applications. Three million dollars was reinvested in the boat. As long as Catfish Bend is making money, the state and local communities will continue to benefit; however, if another boat is licensed in the area, it will decrease profits. Mr. Kehl urged the Commission to deny the license request for Keokuk.

At this point, ILLIAMO/Midwest Gaming presented their rebuttal to Catfish Bend's presentation. The following individuals spoke: Bill Logan, President of ILLIAMO; Greg Andrews, Keokuk Chamber of Commerce; Skip Wright, President of Keokuk Savings Bank, past president of the Economic Development Corporation and Vice President of ILLIAMO; Carrie Bevins, Director of Tourism; Carl McMurray, City Attorney; Pat Curry, Curry & Associates who performed a economic study for ILLIAMO/Midwest Gaming; and Bill Grace, President of Midwest Gaming.

Chair Canella pointed out that one of the criteria for the granting of a license is land development. Additionally, a majority of the Commission has stated they want substantial land development. There are many forms which land development can take - conference center, convention center, debts retired, etc.

Mr. Wright pointed out that Mississippi Belle II and Catfish Bend Casinos had made a joint application to be granted a license in LaGrange, Missouri which was denied. He feels this indicates there is more of a market in the area than what the Deloitte and Touche study indicated.

Ms. Bevins pointed out that only 4% of Catfish Bend's market comes from Missouri. She stated that a large majority of Keokuk's tourists comes form Missouri and Illinois, and feels that it is higher than 4%.

Mr. Grace stated that he feels the market area in southeast Iowa is extremely under served. He also pointed out that Catfish had applied for a license to place a riverboat at LaGrange, Missouri, and included Keokuk in the potential market area for that boat. He stated that a license would be issued north of St. Louis, Missouri. He requested that they be granted a license.

At this point, Mr. Ketterer and Commission members made their comments regarding the presentations.

Mr. Ketterer noted that Mr. Grace feels a boat in Keokuk could break even with $13-$14 million in revenue, and even if Catfish Bend did lose $6.5 million they still would be doing better than break even. He feels the issue is what each individual's philosophy is regarding an applicant's ability to be financially viable and not create a situation where another licensee would not be financially viable. Maybe they feel that additional casinos should not be added to the state simply to make casinos 50

miles closer and the opportunity to gamble and not add something more significant in terms of economic development given that the State is taxing at the rate of 20% right off the top which is equal to or higher than any other state. He feels this is the issue facing the Commissioners once you get past the figures presented. He noted that he had worked with individuals from both communities and he hoped, regardless of the final decision, that there would be an effort to heal the wounds and work toward doing what is beneficial for the whole region.

Commissioner Peyton indicated that he felt there was a certain amount of animosity underlying some of the arguments both for and against the license, but finds it troubling. He feels the gambling industry has done a lot of disservice to Iowa in our attitudes toward each other and the amount of cash involved in the industry. He also hoped that everyone would look at the decision in the proper perspective and remember that we are all Iowans.

Commissioner Peyton went on to state that there are a number of factors in determining whether a license should be issued for a riverboat. In this particular instance, he has looked at all of the factors and resolved almost all of them in favor of the applicant, or at least acceptable in the eyes of the Iowa Legislature. He feels the Commission's job is to interpret the statutes of the state regardless of what their personal feelings are regarding any specific applicant. With all other factors being equal, he feels the issue comes down to viability - will the applicant have a viable facility and will it affect the viability of existing facilities. Viability boils down to the potential market. He feels the potential of the market in southeast Iowa is much greater than anyone's imagination of it being at this point in time. Catfish Bend has already exceeded the projections given by Deloitte and Touche. He has found Christiansen/Cummings to be very conservative in their projections, and feels that they may even be too low. Commissioner Peyton went on to note that if Catfish Bend is in the $24-$26 million range, deducting the $6.9 million maximum loss of revenue would still put them above where they were this past year in which they made $6 million. He does not feel it is a credible argument to say that facility will be impacted to the point of destroying its viability. Midwest Gaming has said their operation can be viable with a minimum revenue of $13 million. He feels the market is sufficient to support both operations. Therefore, the question is whether or not the Commission is going to protect an existing operator or allow competition. He does not have a preference as to an operator, but would like to see some competition. He feels the application should be granted; but he does not feel this decision will lead to a casino in every county. He is in favor of granting licenses to those applicants who are viable and meet the requirements of statute until such time as a limit is established to limit the number of licensees.

Chair Canella stated that the Commission is not concerned about any of the legal problems. He feels the Commission's decision comes down to two items: 1) can this area support two boats; and 2) if a license is granted to Midwest Gaming, do we give a boat to the next person that comes forward with an application that forecasts a successful operation. Chair Canella stated that it is his personal

philosophy that the state is near saturation. The Commission has four market surveys which have been prepared in connection with this application: 1) Curry survey who states there is a potential of 1,200,000 people to be split between the two operations; 2) Deloitte and Touche which states the total market potential is 619,000 - 697,000 to be split 50-50 which would put each one in the range of approximately $13 million for revenue and would barely break even; 3) Christiansen/Cummings survey in which Method One has the boats continuing in the existing market but with two boats, and Method Two which says there is a potential of $41 million, but feels that is unlikely and will probably only do $31 million; 4) the realistic market survey indicates that the Emerald Lady had 373,000 admissions in a twelve month period. Catfish Bend had 519,000 admissions in a twelve month period.

The Commission has twenty-two different criteria to examine in determining whether or not to grant a license. These criteria are not equal in strength. The three most important to Chair Canella are the population to be served by the applicant as well as the effect on existing gaming locations within and without the state; and community support. He does not feel there is enough community support from the citizens of Keokuk for the riverboat. The other important criteria is the land development. The Commission has changed its philosophy over the years. The early applicants promised land development, but did not follow through. Chair Canella gave some examples of the Commission's actions regarding land development over the past year or two. Chair Canella stated that he was not comfortable with this application.

Commissioner Sealock noted that she agreed and disagreed with some of the comments made by Commissioner Peyton and Chair Canella. She thanked Mr. Hoyer for the explanation regarding the referendum vote as that was one area in which she had some concerns. She is not comfortable with the idea that the vote was a backlash vote. Commissioner Sealock reiterated her concern about the expansion of gambling in Iowa, how much gambling Iowa should support; how much gambling the state has, and how that will affect the Commission's ability to protect the integrity of gaming in Iowa. She added that she is concerned about the direct impact on hundreds of Iowans. Commissioner Sealock pointed out that she was on the Commission when Dubuque and Waterloo were fighting before the Commission each month as they were competing for the same market area. She stated that when Waterloo was given a license, they sold the Commission on the idea that winter race dates would work out fine; but every year after that they came before the Commisison and requested a change in their race dates. Commissioner Sealock stated that she would rather be strong enough to say no to the license today rather than face two communities fighting each other for the same customers.

Commissioner Van Horn request that he be allowed to make the first motion after Commissioner Whittenburg completed her comments. Commissioner Van Horn feels the power structure of Keokuk is behind those seeking a riverboat license, and if the community is not behind the quest for a riverboat, those individuals will not be in office very long. He is concerned about the amount of foreign tax dollars which are coming into Iowa - he is of the opinion that Iowa needs those dollars.

He is not concerned with protecting the Ft. Madison operation. Commissioner Van Horn indicated that he has spoken with individuals from Hannibal, Missouri and Qunicy, Illinois who stated they would rather have a boat in Keokuk. He is not concerned about Ft. Madison going down the tube; however, he does not think that will happen.

Commissioner Whittenburg took this opportunity to thank Chair Canella for the courageous leadership he has provided to the Commission and wish he and Commissioner Van Horn well in their retirement.

Commissioner Whittenburg noted that she concurred and disagreed with some of the statements which had previously been made. She stated that contrary to rumors being circulated, all members of the Commission are individuals, and she personally does not know how she is going to vote until she has heard all of the evidence. Like Chair Canella, she takes a strong look at the criteria for determining whether or not a license should be granted. She also agreed with Chair Canella's statement that each criteria has different weights of importance. She looks at viability; population, community support, and shore development. During her two years on the Commission, she has had an opportunity to vote on five license applications. She voted to approve the license applications of Marquette, Bettendorf, Harvey's and Ameristar all of which had substantial land development. She feels the Commission has repeatedly stated the importance of land development in all license applications. She does respect the decision of the community and operator; however, she does not necessarily agree that it was the right decision to be made. Commissioner Whittenburg stated it is her philosophy that the state needs to watch the point of diminishing return, and agrees with Commissioner Van Horn about bringing revenues into the state.

Commissioner Van Horn moved to approve the license application for a riverboat gaming license of ILLIAMO/Midwest Gaming in Keokuk, Iowa. Commissioner Peyton seconded the motion. Chair Canella called for a roll call vote. The motion was defeated on a 3-2 vote with Chair Canella, Commissioners Sealock and Whittenburg voting no. (See Order No. 96-60)

Commissioner Whittenburg then made a motion to deny a license to ILLIAMO/Midwest Gaming. Commissioner Sealock seconded the motion. The motion passed on a 3-2 vote with Commissioners Peyton and Van Horn voting no. (See Order No. 96-61)

Chair Canella moved to the next agenda item - an appeal hearing stemming from an Administrative Law Judge's decision to reverse a ruling issued by the Bluffs Run Stewards against Ronald Mullen for the presence of flunixin in a sample. Mr. Farrell informed the Commission that this appeal is the result of a series of drug cases which dealt with the presence of flunixin in greyhounds. IRGC has a rule which makes the trainer liable for the presence of any drugs within the greyhound's system. One of the main issues in all of the cases was where the flunixin was coming from. Dr. Walter Hyde from the Diagnostic Lab at Iowa State University did some testing which was inconclusive. Ninety-five

percent of the cases were resolved in favor of the staff except for this one. Mr. Farrell feels the Administrative Law Judge (ALJ) made an error in law in that he read some type of negligence or intent requirement into the law which is not there. This is a non-intent law, just like speeding. Mr. Mullen did not contest the fact that flunixin was found. Mr. Farrell requested that the Commission reverse the ALJ's decision and affirm the Ruling of the Stewards.

Commissioner Whittenburg moved to reverse the ALJ's decision regarding Ronald L. Mullen. The ALJ made an error in the application of law. Commissioner Peyton seconded the motion. Hearing no further discussion, Chair Canella called for the vote. The motion passed unanimously. (See Order No. 96-63)

As there was no Administrative Business to come before the Commission, Chair Canella called for a motion to adjourn. Commissioner Sealock so moved, and Commissioner Peyton seconded the motion.

The meeting adjourned at 3:30 PM.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 21, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Tuesday, May 21, 1996 in the Sky Suite at Bluffs Run Casino, Council Bluffs, Iowa. Commission members present were: Rita Sealock, Chair; Nancy Whittenburg, Vice Chair; and members Brad Peyton, Bill Hansen, and Jackie Allen.

Chair Sealock called the meeting to order. Chair Sealock stated that they were amending the agenda to move Riverboat Development Authority (RDA) /The President-Update on grant distribution by RDA to item 6 and move the Racing Association of Central Iowa (RACI)/Prairie Meadows (PM)-Report on progress RE: Agreement on use of Facility and Relationship with Polk County after debt on facility is retired to item 8. Commissioner Whittenburg moved to approve the agenda as amended. Commissioner Allen seconded the motion which carried unanimously.

Chair Sealock then called for a motion to go into Executive Session pursuant to Iowa Code Sections 21.5(c) and (g) for the purpose of receiving advice from legal counsel and DCI background investigations. Commissioner Peyton so moved, and Commissioner Whittenburg seconded the motion. The motion carried unanimously.

Following Executive Session, Chair Sealock introduced the two new Commissioners, Jackie Allen from Lamoni and Willard "Bill" Hansen from Des Moines, and welcomed them aboard.

Chair Sealock then entertained a motion for the approval of the minutes from the April 18, 1996 Commission meeting as presented. Commissioner Peyton so moved, and Commissioner Hansen seconded the motion. All in favor. (See Order 96-64)

The next item on the agenda was rules and the Chair called on Jack Ketterer, Administrator of IRGC. Mr. Ketterer explained that last year after the PM meet had ended, there was a challenge by a trainer at PM that the statute which sets the tolerance level for the use of phenylbutazone (Bute) in horses as a permissive medication was unenforceable. Bute is a therapeutic medication, which reduces inflammation, similar to Nuprin or Advil. The time of administration of the medication is controlled by the amount of Bute that is present in the blood plasma of a sample that is collected and tested by the IRGC Racing Chemist. The law in Iowa allows 2.2 micrograms of Bute per milliliter of blood plasma. The problem is that the statute should read milliliter; it says millimeter and millimeter is a measure of length and not a measure of volume. It was on that distinction that the Administrative Law Judge (ALJ) ruled that the statute had no effect and was unenforceable because it didn't make sense. The Commission staff endeavored to make the correction in the statute through a Code Editor's bill which is commonly used in the Legislature as a vehicle to correct technical mistakes or

typographical errors in the Code but not substantive changes. This particular item was rejected for the Code Editor's bill; an amendment was introduced in the Senate Gambling Committee. It was deleted when the change was attached to another bill in the Senate. This bill passed the Senate, went over to the House and was deferred there for a long time. The bill, among other things, raised the tolerance level to 5 micrograms per milliliter. In the House, the bill was deferred but not before there was an amendment to change it back to 2.2. That amendment was defeated but then the bill, because of other amendments that came up, was deferred.

This left the Commission in a difficult situation because Bute is permitted under the statute but without any type of enforcement to restrict the tolerance level. We thought that we needed a rule that addressed this and plugged this gap. We entered into a consent agreement with the horsemen that they would not be able to use the defense of the millimeter/milliliter over the 5 micrograms per milliliter level and we would not enforce any penalties between 2.2 and 5 micrograms per milliliter, which in essence we couldn't do anyway because the statute is unenforceable. The agreement terminates upon passage of a rule by the Commission. The issue in adopting the rule is whether we should take all of the information available and make a rule we feel is proper considering all the evidence before us, or if we would be restricted by what is already in the Code, even though unenforceable, and the fact that we might be perceived as changing something that is in the Code that would be usurping the Legislature's power or authority.

What I am referring to, is the fact that the Association of Racing Commissioners International model rules recommend 5 micrograms per milliliter. I would say that 90% of the states that allow Bute have a tolerance level of 5 micrograms per milliliter. The veterinary organization, Association of Equine Practitioners also recommends the 5 micrograms per milliliter. Nevertheless, there is language in the Code, although unenforceable, I think causes us some concern as to whether or not we would be perceived as trying to do something that would not be within our authority.

I think it is most important, above all, that we have a rule so we have some way of restricting the use of Bute. I feel that the best approach for us at this time would be to adopt this rule on an emergency basis at the 2.2 micrograms per milliliter level and then request clarification when this rule comes before the Legislative Administrative Rules Review Committee and express what our concern is, what all the evidence before us is, and see if we can get some clarification or direction from them as to what we do have the freedom to do. I would recommend that the Commission pass this emergency rule that would set a Bute tolerance level at 2.2 micrograms per milliliter and look to the Administrative Rules Review Committee for some direction as to what our alternatives are when that body meets.

Commissioner Whittenburg moved to Emergency Adopt the amendment to restrict phenylbutazone at 2.2 micrograms per milliliter of blood and request that this rule be presented before the Administrative Rules Committee at the Legislative level for further directive or comment on the rule

as we have adopted it. Commissioner Allen seconded the motion. A roll call vote was taken with all voting aye. (See Order 96-65)

The next item on the agenda was Notice of Intended Action. Mr. Ketterer stated that this is the same rule but it needs to go through the normal rulemaking process. The only difference is that this process takes approximately 100 days and allows opportunity for additional public input. Commissioner Whittenburg moved to approve the Notice of Intended Action to adopt the rule setting the tolerance level of phenylbutazone at 2.2 micrograms per milliliter of blood. Commissioner Peyton seconded the motion. A roll call vote was taken with all voting aye. (See Order 96-66).

The next item on the agenda was the RDA/The President - Update on grant distribution by RDA and the Chair recognized Mary Ellen Chamberlin, President of the RDA.

Ms. Chamberlin informed the Commission that RDA had given grants of $10.8 million since 1991. These grants went to 306 different groups. At least two to three grants have gone to each community in Scott County. The money has been used for education, tourism, human services and redevelopment. This money has helped improved the quality of life in the community and aids in the economic development which is what the statute had intended for the industry. Ms. Chamberlin stated they had an operating budget of approximately $40,000 which pays for one part-time staff person and an auditor.

Chair Sealock stated that they are a tremendous benefit to the community and asked how much time she spends. Ms. Chamberlin stated that she spends enough time to be equivalent to a full-time employee.

Chair Sealock then called on Mike Diedrich, Vice-President and General Counsel for Sodak Gaming for the Update on Miss Marquette. Mr. Diedrich stated that they are a publicly held corporation headquartered in Rapid City, South Dakota. Mr. Diedrich informed the Commission that Gaming Supply Management Company (GSMC) and Sodak Gaming have entered into a Letter of Intent whereby Sodak Gaming intends to purchase the entire company of GSMC which operates the Miss Marquette riverboat in Marquette. It is Sodak's intent to supply to the Commission, prior to June 8, all the regulatory submittals that would be required to effectuate a smooth transition of the operation of the Miss Marquette from GSMC to Sodak Gaming. Their intent is to have uninterrupted business through this process.

Mr. Ketterer stated that Sodak was a licensed Distributor in the state and asked Mr. Diedrich to describe their current relationship with GSMC and the Miss Marquette. Mr. Diedrich stated that Sodak is licensed as a distributor and one of their main functions lies in the distribution of gaming supplies and equipment. They did purchase and reconstruct a riverboat which they leased through a charter agreement to GSMC for management at Marquette. Through that process, they have

established an excellent relationship and the transition of ownership is a very friendly one. They intend to maintain the jobs, maintain the economic development and maintain the operation of the riverboat. They are active in virtually every gaming jurisdiction in the United States and some International operations. They are in the process of transitioning their company from not only distribution but also into operations.

Commissioner Peyton asked if he was correct in that something would be done with their distributor's license. Mr. Diedrich responded that they would surrender that license upon issuance of a gaming license.

The next item on the agenda was RACI/PM and the Chair recognized Bob Farinella, General Manager at PM. Mr. Farinella informed the Commission that PM is trying to communicate with the media throughout the state and share information with them to open the communication lines so that there can be a clear understanding of the PM structure, PM's legislative mission and how PM operates. As part of that, they have handed out an informational package and summarize with the media those things that make PM a little bit different than some of the other licensees in the state of Iowa. One of the things that separates them is that they are legislated to build the horse industry. Mr. Farinella felt that it was very important from the management standpoint at PM, that they focus the racetrack operations on building the industry. They need to take a realistic look at the debt structure to Polk County to relieve the outstanding bonds that Polk County assumed in the name of Polk County. To that end, they have prepared a financial graph that gives a rough estimation as to when they anticipate having transferred sufficient funds to the County to completely cover the $89 million in original debt. Up through the 15th of May, their outstanding balance is $29,575,232. They anticipate that by November, no later than December, that the total amount that has been transferred to Polk County, and eligible to be used for that reduction, will have retired the entire amount of the debt.

Mr. Farinella stated that they had set up a working schedule of payments to Polk County last year when they originally put their project together. They established a benchmark with Polk County to ensure that when funds were transferred, as part of their Operating Agreement, that they would maintain a running balance of the outstanding debt so they could have a tracking on when the total dollar amount of the debt had been repaid. This schedule shows the actual payments which have been made and which portion of the payment that was made to the County went to debt reduction. The County operates what they call an enterprise fund. The enterprise fund is basically their fiscal entity when PM buys capital expenditures they run through that entity. The entity which takes the revenue provided from PM. There are some operating expenses of that entity and some interest that accrues off of the bonds. There are some capital expenditures that PM has approved in their budget that are paid through that enterprise fund activity. In conjunction with the County and PM staff, these figures are prepared at the end of every fiscal month to show exactly the outstanding portion of the debt to Polk County.

For the first year, we have prepared a media guide. Throughout the guide, you will see pictures of race horses, statistics since they opened the track, anthology of PM and a complete review of the racing program and its growth since they opened in 1989. This is a very prominent step in promoting horse racing in Iowa. This guide has met with a great deal of acceptance by the public in explaining and identifying the mission of the operations at PM.

Discussions between the County and PM have been on-going since the Commission met a month ago. The Board of Supervisors and RACI's Board of Directors have had one meeting and subsequent to that both the staff of RACI/PM and the County staff have met to discuss some more details on financial flow and fiscal flows. There have been some media relations that indicate from the County's standpoint that the debt will be finally paid in March. That schedule is actually a schedule which the County has with their flow of funds, not directly related to RACI. That is when the County expects they will have totally diffused the bond issues. From RACI's standpoint, and from the enterprise standpoint, PM has identified that probably in November or December they will have transferred sufficient funds to cover the outstanding debt to Polk County. They are involved negotiations at this point and time, and he would have to admit that this is a very complex project, so certainly they do not anticipate any quick movement but there is movement. Mr. Farinella thinks that in looking at casually discussing next years program, that there have been some accepted guidelines for PM approach and the staffs of both boards have met and discussed some possible options for a relationship and revision of the Operating Agreement. Those facts are in the hands of Polk County at this time and PM anticipates that in the next week or so they will be back. This will probably take another several months as they work through this. It is an on-going process and very frustrating at times but it is necessary. They want both sides to approach the issues so that they can come to some understanding and reasonable solution.

Commissioner Peyton stated that he had voted against the PM budget. One of the reasons that he did was the initial budget, as he recalled, called for about $2 million more or less in charitable contributions. That was revised through the process of working with the County to about $300,000. It was his understanding that the funds that have been transferred to the County, have in fact been used for other purposes than debt retirement. The question raised in his mind is who is the true owner of this enterprise. Who is actually the owner of PM, and is the licensee the owner of the enterprise. He feels that is a question that directly relates to the licensee's ability to operate under the statute. What he is seeing here, is a method of operation that tells him that the licensee is not actually the true owner of this enterprise and that raises some serious questions, in his mind at least, as to whether this license is properly granted. This issue must be resolved. I don't want to see that the licensee is nothing more than a puppet to Polk County. RACI is the licensee and they are the only qualified licensee in this instance. He wanted to let them know that he was going to be looking very carefully at whether the licensee is the true owner. So he would like to put PM on notice of that.

Mr. Farinella responded that Commissioner Peyton's comments were made and clearly from the standpoint of RACI the ability to manage a horse racing program in central Iowa directly revolves around RACI's ability to identify funds that are essential to building that racing program. To the men and women on our Board of Directors, there is a commitment to take charge and make sure that those funds are allocated. From the stand point of the day-to-day operations of RACI, he assured the Commission that he was in charge. He is the CEO and the operations at RACI are run in accordance with the rules and regulations of the state of Iowa. There is no interference at the management level in any way, shape, or form from Polk County. We are operating under the Operating Agreement that we have with Polk County and it is very well laid out and specific as to the flow of funds so they are complying with the Operating Agreement. We do realize that we need to be more in charge of those resources and he feels that would evolve out of their discussions with the County. I trust that within the next several months that we will see some progress.

Chair Sealock stated that it is the Commission's job to make sure that the operation is run according to the rules set down by the Legislature and we to are looking at things very carefully. Commissioner Peyton is not just speaking for himself on this issue but for the Commission.

Mr. Ketterer asked about the debt retirement. He restated Mr. Farinella's statement that as far as RACI was concerned, the amount that was agreed upon between RACI and the County will be paid off in November. The Commission realizes that the County has bonded indebtedness that can't be prepaid. Officially all the debt on PM would not be paid off until all the bonds have been paid off. Is that correct?

Mr. Farinella responded that there were two major bond issues, one was for the renovation project, which has been totally diffused at this time. The only outstanding bond issue is the original bond for the construction of the facility and the County anticipates making the final diffusion on that in the March time frame.

Mr. Ketterer asked if the County could do that. Mr. Farinella responded that it would be totally diffused. There might be some restrictions on the County as to ownership and to the property values of the gaming equipment that will run for the period of the bonds particularly for the financing of the gaming equipment. But the actual bonds are intended to be diffused, we are told by the County, in March of 1997. That is their cash flow projections.

Mr. Ketterer then restated what has been agreed upon between RACI and the Commission, November is when RACI will have met its debt obligation to the County. I think that is what the Commission was looking for in terms of what the agreement would be between RACI and the County for the use of the facility and what the future relationship between the two is. Is there any reason now, why the Commission should not expect that will be resolved by November when the debt is retired?

Mr. Farinella responded that he could not guarantee anything, but from the staff's commitment and his commitment from the RACI Board's side there is a commitment to get the future resolved in recognizing that we have to take the banner here for PM. He feels that the County has shown an interest in getting a resolution also. He can only tell the Commission right now that there is a will on both sides and he feels that the direction and goal is established from the standpoint of where they need to be and he feels that all parties are working toward that at this time.

Commissioner Hansen stated that it seems to him that there needs to be some type of a closure to this process. It seems to continue to linger on and during that period we read reports of how the Polk County Supervisors are going to hire consultants to spend all this revenue and are devising all sorts of programs to utilize this revenue. If the debt becomes paid off and you are still negotiating, it seems to me that we are not fulfilling our mission or accomplishing the purpose of what we are about. Isn't there a closure time that needs to be talked about?

Mr. Farinella stated that from a standpoint of an actual fiscal completion of the total debt amount, they anticipate that will be in the November time frame. The real legal binding document that PM has with the County is the Operating Agreement. That Operating Agreement runs until December of 1999 unless there is a mutually agreed upon change or unless one of the covenants are broken. Then they would go to arbitration. From a legal standpoint, their contract for the use of the facility is tied into that Operating Agreement which is a legal binding contract with the County that runs until December of 1999. I think we all have a sense of urgency that there needs to be some change, but from a standpoint of law, there is an actual legal binding document that governs that relationship all the way up to and including December 1999. He recognizes that the debt has been paid but they have a contractual partner in this Operating Agreement that they have to bring to even terms and agree to make a change in the Operating Agreement. That is the dilemma that they are faced with. The point of closure is very important and that is the way they are working with the County, to identify through documents, the flow of funds and the total accumulation of the debt repayment. They at least have a point in time where they can say that the funds have been transferred to retire the debt in full so they can proceed with establishing a more amicable working relationship.

Chair Sealock then moved on to the contract approvals and recognized Jeff Terp from Ameristar Casinos. She thanked Mr. Terp for the tour of the Ameristar facilities and stated that it was very informative and impressive.

Mr. Terp stated that they had several contracts before the Commission for approval. The reason there are not many Iowa vendors is that they were unable to meet the necessary design or standards requirements for the various products.

Commissioner Whittenburg moved to approve the following contracts for Ameristar:

- Aspen Carpet Mills Corporation - Carpet in Hotel Guestrooms
- AT & T Corporation - Product Agreement - Cabling
- Chaircraft - Furniture
- Fleetwood Fine Furniture - Furniture
- Island Systems & Design - Sound/Music Paging System for the Boat & Landside Facilities
- McDonald Insurance - Commercial Property, General Liability, Inland Marine, Boiler and Machinery, and Excess Liability
- McDonald Insurance - Protection & Indemnity Liability Policy, Pollution Policy
- Omaha Bedding - Mattresses & Frames
- PDS Financial Corporation - Secured Equipment Financing

Commissioner Allen seconded the motion with all in favor. (See Order 96-67)

Chair Sealock then called on John Pavone, General Manager for the Belle of Sioux City, for their contract approvals. Mr. Pavone stated that out of the 15 contracts before the Commission, 13 of them are Sioux City or Iowa-based companies. Mr. Pavone said that they have put Argosy V back into operation three weeks ahead of schedule and will begin cruising on June 1.

Commissioner Whittenburg moved to approve the following contracts for the Belle of Sioux City:

- Indiana Gaming Co., L.P. Intercompany charges for March 1996
- MidAmerica Energy - Electricity
- Altman Software Associates - Computer hardware, software & consulting services
- Avery Brothers Sign Co. - Billboard advertising
- Food Service of America - Raw food products for restaurants
- Rochester, Rossiter & Wall - Advertising agency, placement of ads, creative services
- Pegler Sysco - Raw food products for restaurants
- P.A. Braunger Food Service - Raw food products for restaurants
- International Gaming Technology - Slot machine replacement parts, equipment and software service support
- Boulevard Liquor - Alcohol beverage purchases for resale in bars
- Wisner Charters and Auto World - Vehicle rentals, charter service and repairs
- Payless Cashways - Maintenance supplies and building materials
- Hart Beverage Company, Inc. - Pepsi products for restaurants and lounges
- Reinhardt Institutional foods - Raw food products for restaurants
- XoVox Management Inc. - Bill validators for slot machines

Commissioner Peyton seconded the motion with all in favor. (See Order 96-68)

The next item on the agenda was the contract approval for The President. Mark Lohman, General Manager for The President was available to answer any questions the Commissioners may have.

Hearing no discussion, the Chair entertained a motion to approve the contracts for The President. Commissioner Peyton moved to approve the following contracts:

- AT & T - Purchase agreement
- Adventure Destinations - Bus passengers
- Ashton Barnes Engineers - Engineering consulting services for 1996 for ongoing construction projects
- Bank of Boston - New England Mutual Life Ins. - 401 program
- Carlin Hellstrom & Bittner - Legal services
- Glory (USA) Inc. - GSA-500 sortmaster, coin handling equipment & parts
- J. Edward Connelly Assoc., Inc. - Misc. items for resale or promotional activities
- Klehr, Harrison, Harvey, Branzburg & Ellers - Legal services
- Principal Mutual Life Insurance Co. - Group insurance
- Signlite - Signs
- Treiber Construction Co. - Harrison St. Parking Lot/Peterson Block Parking Lot

Commissioner Whittenburg seconded the motion with all in favor. (See Order 96-69)

Chair Sealock took a minute to thank Harveys for the tour of their facilities and stated that the Commission was equally as excited about their facility.

The Chair then recognized Bob Ellis, Corporate Counsel for Lady Luck Bettendorf. Mr. Ellis stated that they have one contract before the Commission for approval, Acme Business Machines - MICROS 8700 Point of Sale System, after which he would like to address the Commission on another couple of issues.

Hearing no discussion, the Chair entertained a motion to approve the contract. Commissioner Hansen so moved. Commissioner Allen seconded the motion which passed unanimously. (See Order 96-70)

Mr. Ellis then continued that along with the contract submitted, there was a copy of a Letter of Intent that Lady Luck of Bettendorf has signed with Jumpin Jax which is a family entertainment child care center which is going to be located in the Mall area. They are anticipated to take up 22,000 square feet of the Mall and they are really pleased about the possibility of locating them there. They are a very aggressive company and they are locating with casinos all over the United States and are similar to a Kids Quest.

Mr. Ellis then introduced Michael Hlavsa from Lady Luck to give the Commission an update on the development. On their anniversary which was April 21, they announced that they were going to change the make-up of the retail center. Originally, they intended it to be an outlet center. Due to the economic conditions in the retail area last year and the size of the project, they just could not find the right components to put it all together. Through meetings with the City of Bettendorf and their administration, they have decided that they will have a mixed use of the area. The first use will be a child care center which will be more than a typical Discovery Zone. It will be a contracted day care which the employees will be able to use along with the residents of Bettendorf. In addition to that, they will probably have about 30,000 square feet of retail area which will be shops and then about 25,000 square feet of dining. There is an internal agreement between all the partners to commit about $3.5 million worth of capital to finish the retail area. They feel that it will be a real positive impact on the community.

Commissioner Whittenburg asked if they would provide some type of discount for their employees. Mr. Hlavsa stated that in the recruitment aspect of their business, they found there are a lot of single parents out there that do have child care responsibilities. They think that this will provide an incentive to get a better quality person to work at their facility.

Commissioner Whittenburg then asked if it was not true that during the last holiday season they did have a portion of the retail mall space occupied just for the holiday season to which Mr. Hlavsa replied that was true. They did what was called a warehouse liquidation sale and did have a number of tenants that did quite well. Some of them are interested in coming back and being with them in their 30,000 square foot retail area. Mr. Hlavsa then described the location of the mall in conjunction with the location of the boat.

Commissioner Whittenburg stated that he had mentioned a dining facility and asked if that would be operated by the boat or an independent. Mr. Hlavsa stated that they have decided internally that if they can not find a third party to commit approximately $1.5 million to the project by the end of the month, they will do the facility. It will be a family-type restaurant and probably a little more high-end restaurant banquet facility because there is a lack of those types of facilities in the city.

Mr. Ketterer asked when they intend to hire an on-site manager to which Mr. Hlavsa responded "very quickly". They were in negotiation with someone for a while but that did not work out for either party. They is a gentleman visiting the facility with his wife today and if that does not work, there is another real good candidate that they have interviewed. They are trying to be selective as they would like to have the right person at the facility.

Commissioner Allen voiced her concern on the child care. She asked if Jumpin Jax was planning to have the facility open 24 hours and what the maximum was for the in-take of children. Mr. Hlavsa was unable to answer. He believed that they were going to be open 24-hours a day with the

contracted child care. They are still in the negotiation process but they would take infants from 6 months old up to 14-15 years old, if necessary. He did not know the number of children the facility would hold. They have been working with the Department of Human Services.

Commissioner Allen was very interested in what the gaming industry does or intends to do and the support that they will give this child care focus. She will be very interested in hearing reports as this develops and to make sure that they adhere to all Iowa laws when it comes to child care.

Mr. Ellis stated that they want this to be an entire entertainment center. They will have the retail and restaurants there so if the parents want to come and shop they will have a place to leave their children and make sure that they receive quality care.

Mr. Ellis updated the Commission on Lady Luck Corporation, a publicly traded company. At the end of April, they finalized a resolution of issue they had with their bond holder regarding their corporate structure. As a result of that, they are in the process of doing some amendments to their Management and Operating Agreements with their joint venture partner. They should be done and submitted for the Commission's next meeting.

The Chair then recognized Dan Kehl, General Manager for Catfish Bend, for their contract approvals. Mr. Kehl informed the Commission that Catfish Bend just received the Job Training Partnership Act (JTPA) Employer of the Year Award. Businesses work with Southeast Community College to train people to gain skills to enter the job market which have been unable to previously get jobs. It is a good program and they have quite a few employees who are involved with the program.

Mr. Kehl stated that most of the contracts before the Commission, 19 of the 25, are from Iowa vendors - the majority of them in southeast Iowa. Catfish Bend is a very unique corporation in that they have 525 local investors for stockholders and when you include spouses and children you have well over 800 investors. His executive management, like this Commission, not only asks for Iowa vendors, they ask for southeast Iowa vendors if at all possible, so you will see a lot of related parties. We give stockholders an opportunity to bid on the project and if they give the lowest bid then they get the project. That is why you see so many related party contracts. We hope to stay competitive in southeast Iowa so we try to keep our business in southeast Iowa.

Commissioner Whittenburg stated that the explanation of the related party contracts was very well done and very much appreciated.

Commissioner Whittenburg moved to approve the Catfish Bend contracts as presented (see attached list). Commissioner Peyton seconded the motion with all in favor. (See Order 96-71)

Next on the agenda was the contract approval for Greater Dubuque Riverboat Entertainment Company and the Chair recognized Doug Gross, Counsel. Mr. Gross stated that the contract related to the "Little Jo", the previous boat. Since they brought the larger boat up, they have been in the process of marketing the "Little Jo". There is really no in-land water facility in the foreseeable future so their ability to market the boat depends on their ability to modify the boat to make it structurally sound for off-shore ventures. They have been talking to a couple groups and hope that in June they will be able to come to the Commission with a proposal for disposition of the boat. They are asking for approval of a $675,000 contract to do the construction modifications and painting so it would be available for off-shore use.

Commissioner Hansen moved to approve the Greater Dubuque Riverboat Entertainment Co. contract with LeeVac Shipyards, Inc. for modifications to the "Little Jo". Commissioner Allen seconded the motion with all in favor. (See Order 96-72)

The Chair then recognized Mr. Farinella for the PM contract approvals. Mr. Farinella stated that the American Express contract was the corporate card which they would use for travel purposes and in the event that it would get above $50,000 they wanted to have approval on that for this year. The Thomas Bus Sales of Iowa, Inc., contract is for shuttle services in the parking lot and cross-marketing with local motels and truck stops to bring patrons to PM. They are also equipped with handicapped facilities.

Commissioner Peyton stated that the request on the American Express is appropriate, however, if any one expenditure would exceed $50,000, which he doubted, this approval would not alleviate the need to bring that expenditure before the Commission for approval. Mr. Farinella stated that they understood that.

Commissioner Peyton moved to approve the following contracts for PM. Commissioner Whittenburg seconded the motion with all in favor. (See Order 96-73)

- American Express Travel Related Services - Corporate Credit Card for Travel Expenses
- Bally Gaming, Inc - Slot Machines Parts
- Learfield Communications, Inc. - Radio Iowa Network Advertising
- Loffredo Fresh Produce Co., Inc. - Fresh Produce
- Per Mar Security Services - Security Services & Supplies for Surveillance Dept.
- Postmaster (U.S. Post Office) - Postage & Services
- Smith's Wholesale Meats Co. - Meat Products
- Thomas Bus Sales of Iowa, Inc. - Passenger Bus

Following a short break, the Chair called up the hearing on the Belle of Sioux City and recognized Jeff Farrell, Assistant Attorney General for IRGC. Chair Sealock took the opportunity to thank Mr. Farrell for all of his advice and assistance throughout the year.

Mr. Farrell stated that the first hearing involves a case that went before an ALJ back in February involving the Belle of Sioux City (BSC). The ALJ found in favor of Sioux City and the Administrator is appealing that ruling. The issue that he sees in this case is similar to the one that the Commission heard last month regarding an intent requirement - did the licensee intentionally violate the rule. This is the same ALJ that made the same type of analysis that Mr. Farrell took exception to last month in a case before the Commission. The rule at issue here is one involving slot machines that require that the logic board and software eprom in the slot machine be in a locked area within the device and sealed with evidence tape. This is the key part of the rule that we are dealing with. During the 1995 audit that the Division of Criminal Investigation (DCI) conducted on the slot machines on the BSC, they found eight slot machines that were not covered with evidence tape. The evidence tape was completely missing from six of the eproms and on two of the boards part of the tape was there but the part covering the eprom chip was missing. As a result, the Gaming Board met and fined BSC $100 for each of these violations for a total of $800. That was appealed to the ALJ who conducted a five to six hour hearing on the matter and found that the evidence did not show that the BSC willfully put these devices into operation. At that time he made his decision, finding that part of the element, and reversed the Gaming Board's Ruling which we are appealing. It is our contention that there is no willfulness requirement contained in this rule. This is simply a provision setting forth a number of requirements that the licensee has to meet in order to comply with the regulations. It is a pretty important requirement. The eprom chip is the brains of the unit. It operates the slot machine. The only way the Commission can assure that the slot machine is paying the stated payout rate is by putting that chip into a device called a Kobetron machine and kobetron it to make sure that it is paying out the right payout rate or the one it is stated it will be paying out and then cover that chip with evidence tape. That way, the next time the DCI or IRGC looks at that chip, they can see the evidence tape and know that the chip has not been changed.

The first time the chips were tested at the BSC, it was done in an assembly line fashion where a number of people were actually going through these machines as the boat was getting ready to go on-line. The DCI would test and tape the chip and then give the board back to a person from the boat who would actually install it back in the machine. The DCI and the Commission staff members do not actually put the devices back into the machines. The last person who sees the board being put in the machine is someone from the BSC, not the DCI or IRGC. At that point, they should check the board to make sure that the device has evidence tape on it. If it does not, they should make sure that the evidence tape is put on after it is properly kobetroned. There is no question that the boat did not have the evidence tape on the devices. There is no question that they are the last ones to see the boards when they go into the machine. The violation is there and they had reason to know about it. Mr. Farrell stated that he felt the penalty was a fair penalty for the violation since it has the potential

to be a significant problem. Who knows how long the untaped chips were in operation. They could have been changed at any point and time, you do not know. The boat went on-line in October of 1994. The audits were not done until December of 1995. There is no allegation or proof that the chips were set at an incorrect rate, however, that is a possibility. That is the reason that you have the evidence tape so you do know that there is no tampering with the payout rate. The $100 penalty is very fair under the circumstances. I would argue that anything below that is really not enough money to deter this type of conduct. I think that the licensee, through their conduct at the hearing and prior to the hearing, really showed that they didn't give much credit to the rule. All they really came forward with was trying to blame the DCI for not placing the evidence tape on the boards. I am not sure that this is significant enough to deter the type of conduct prohibited by the rule. I ask that the Commission actually increase the penalty to make it a little more significant.

Commissioner Peyton asked whether these machines were in service at the time. Mr. Farrell replied that all machines were in service. There is an allegation that one machine was not in service at the time. They say that it was a new machine that was just being started that day. Actually, the evidence shows that the machine was in play prior to that day; however, they were in the process of changing the machine to a different type of payout.

Commissioner Peyton said that there was some language to the effect that the machines may have been off-lined and waiting to be taken. Is that correct? Mr. Farrell responded that was some of the evidence regarding just one of the machines.

When the DCI first began their audit, I think they found two or three machines that did not have tape. Mr. Paradise, the Gaming Representative at the boat at the time, suggested that they wait and see how the audit went before deciding whether or not to fine them. If only a couple of machines were found, maybe they would just give them a warning or something along that line. When the audit was completed, there were eight machines and Mr. Paradise decided that they had to move forward and issue some sort of sanction.

Commissioner Whittenburg agreed that the point of law was the same point of law they determined last month. That is whether or not this is a specific intent rule and she believed she gave the analogy at that time to criminal law. It is the determination here, was it a specific intent statute, is intent required, and if intent was required, was there intent on the part of the operator or is this a non-specific intent law. Mr. Farrell responded that it is his interpretation that it is not an intent statute.

Mr. Farrell stated that the Commission's role, as he understands it, is structured to put the onus on the licensee to make sure that they comply with all regulations set forth. If we are to prove willfulness in all these little violations, that could be disastrous. You are not going to be able to enforce anything. Commissioner Whittenburg responded that is why all traffic violations in Iowa are non-intent. No one is going to admit that they intended to speed. There is a certain factor set out

here that the licensee has to comply with and if they didn't comply with them, whether they meant to or not, intent does not matter. They violated the rule.

Mr. Farrell stated that the Commission was not alleging that they purposely tampered with these devices. He did not know if they did or didn't, all he knew was the evidence tape was missing and that is the requirement. That is what the evidence shows.

Commissioner Peyton asked if he was requesting a specific fine to which Mr. Farrell responded he was not, but they could impose a fine up to $1000 per violation.

The Chair then recognized Jeff Roberts, Associate General Counsel for Argosy. Mr. Roberts explained to the Commission the process they went through when they first became aware of the fine. Internally at Argosy, a fine is very significant. We operated for the first three years without ever having a fine in any state. We work very hard and very diligently to avoid fines. This particular fine, while apparently not significant from a dollar standpoint, is very significant to our company because the very element that is being punished is the very act which could give rise down the road for someone reading this filing to think that Argosy might have tampered with the eproms. That is something that is very serious. We took it very seriously, notwithstanding the fact that I believe that the Gaming Commission was very fair in the amount of the fine if that is indeed what the Commission believes they deserve. The point is they wanted to at least explore as best they could, with the ALJ, the facts. Let me review the facts, put them in context and perhaps things might seem a little different to you than they currently do.

Back in 1994, we were about to open the BSC in Sioux City. Previously, we had the Sioux City Sue. We bought out the operator and became the new operator; bringing in a boat about twice the size of the Sioux City Sue. We experienced significant pressure from the City, the non-profit group, and also significant market pressure to get the boat change done and get the new boat opened. Very kindly the IRGC and DCI staff came to Sioux City to help us do the checks on the equipment that needed to be done. The boat had operated primarily in the table game area down in Missouri and we also had poker machines. The eproms for all those machines, as well as for all the new slot machines which were being installed, had to be kobetroned by the DCI agents. There was an assembly line set up much like the tables that you are sitting at. There were DCI agents sitting at the tables. The first step was for all 460 machines to have the logic boards removed and brought up to the assembly line room where each logic board would be taken by one of our employees and the eprom chip was removed and handed to a DCI agent sitting at the table. The DCI agent then kobetroned that chip to ensure the integrity of the game. Once that chip was kobetroned, it was handed back to an Argosy employee who reinstalled the chip into the same board which was then handed to the next DCI agent. The DCI agent then taped the eprom and the board was placed in a box. This is the process. The boxes were collected at the end of this line and an Argosy employee would physically go down into the ship, take a board out of the box and place the board into a

machine. The spot on that logic board where the tape would have been located was on the side so that when you put it into the machine, in the very assembly line fashion that we did, the employee did not have occasion to see whether or not there was tape there. All of the evidence supports this. In fact, the ALJ states that neither the Appellant, as an entity, nor any of its employees knowingly, willfully, or intentionally placed in operation or continued in operation slot machines on which the eprom chips and reel chips were not covered with evidence tape. That was his finding.

We are not here to point blame at anyone. It is our responsibility and we will pay the fine. This is for you to decide but keep in mind that the assembly line process was being followed with each station having its own responsibility. Granted, the rules state, and we are not going to refute it or deny this, that it is the operator's responsibility to ensure that there is tape on the board. We are not going to deny this, there is no sense in denying it. We were trying to get the boat open and trying to get this beautiful facility for Sioux City opened; and we had a certain process that we were following. Perhaps we should have had a final step in place - a step where an Argosy employee verified that the eprom on each board had been taped appropriately. There is nothing in what you see, from my standpoint, that merits putting the stigma of a penalty or fine on Argosy's track record.

Every eprom chip that was tested by the DCI on our audit was fine. There had been no tampering. Five of these machines had never been taped. The tape that is placed on the eprom is of a nature that if you try to remove it, it shatters. It is virtually impossible to completely remove it from the back of one of these logic boards. We would have had no occasion during the first year and one-half of operation to remove these boards. I am not saying that it is anyone's fault. We were all working together to try and get the job done. On the other two boards, the wrong chip had been taped. That is a fact. That is what the ALJ found in his Decision after hearing evidence in the form of testimony. With regard to the last one, the machine was not even in use.

All that being said, whether you get into the issue of knowing or willfulness, we believe that there is no requirement for willfulness or intent or knowledge. You are still the final decision maker as to whether our conduct merits the stigma of a penalty. I look at each one of you and I say under the circumstances do we deserve one.

Chair Sealock stated that the Commission appreciates the fact that they stepped to the plate and did say that they accept and understand that compliance with all rules and regulations are their responsibility. Mr. Roberts responded that they are confident that it will not happen again and hoped that as the Commission considers this, they would consider the circumstances and the fact that there is nothing in the evidence that even suggests that they removed the tape. The eproms tested out and the audit verified that they had not tampered with them.

Commissioner Peyton asked if Mr. Farrell had any dispute with the characterization of the facts, that there was no evidence of tampering. He responded that he would agree with the fact that the eproms

on the machines that were not taped or particularly taped were tested and showed the same payout rates that were expected.

Commissioner Peyton then asked if that would not constitute no evidence of tampering to which Mr. Farrell replied no. The tape was not on the device. Commissioner Peyton stated that fact in and of itself does not indicate that there was tampering. It just indicates that it was an oversight on applying the tape. Mr. Farrell responded that was a possibility.

Mr. Farrell stated that when Mr. Roberts said that the board was not taped at all, he felt that Mr. Roberts was inferring that was at the time the DCI originally put the tape on. That might not be necessarily true as a whole new board could have been put in the machine. The other point Mr. Farrell wanted to make from Mr. Roberts' remarks was when he was talking about the assembly line fashion and the people putting the board back in the machine that they did not have an opportunity to see it. They would have had an opportunity to see it if they would have flipped it up to see if the tape was there. I do not recall any of their witnesses testifying at the hearing that they did not have a chance to see if the boards were taped. In fact, all of them testified that they were the one that put the board back in the machine.

Mr. Roberts clarified that if he said that they did not have an opportunity, and he didn't believe he said that, he intended to acknowledge that Argosy could have put an internal control in place to prevent this and we will in the future. This is exactly the way we did it in four other openings, we never had a step, after taping the board, where our employees verified that the tape was on. We will in the future but I never wanted to suggest that we did not have the opportunity to verify that the board was taped. We had the opportunity, we just did not recognize the need and it won't happen again.

Mr. Pavone stated that he was the General Manager of the BSC and he is the one that is ultimately responsible and there is no one in the state that takes that more seriously. We pride ourselves on the fact that up until this point we have had one fine for $75 for a camera malfunction. We have never been fined for any other issue and we do not intend to. With Mr. Paradise's help, we implemented a system, in the event that a board is changed, which requires the slot supervisor and DCI supervisor to sign a form after they inspect that machine and before that machine is put on-line. This has been put in place since this violation occurred. When it comes to willful intent, there was no willful intent on either side. The integrity question is one that I take deadly serious. I just wanted to take a minute to show the Commission that these things have been rectified.

Mr. Farrell stated that it is really not an integrity issue relating to an individual, it is an integrity issue relating to the game. That is the point. The integrity of the game comes in question when the tape is missing. We are not blaming anybody. The requirement is there and they are not complying with it.

Commissioner Peyton moved to affirm the portion of the ALJ's Decision which stated that one game was not on-line and reverse the ALJ's Decision decreasing the number of games involved based on evidence presented. He also moved that they find, specifically as to the licensee or the operator, there was no evidence of tampering or an attempt to manipulate any of those games. This is a technical violation in that there is a strict liability rule to require the taping of all machines.

Commissioner Whittenburg asked if the motion is finding that this rule has a willfulness requirement. Commissioner Peyton responded that he is agreeing with Mr. Farrell that it does not. He stated that he felt the rule would be impossible to enforce otherwise. It is opinion that to put the burden on the Commission to show willfulness in this situation would be an impossible burden and it does not exist in the rule. He feels that the burden should be on the operator to ensure that those rules are adhered to. It is relatively easy from what I have seen to make sure that it is taped. He believes that this is handled easier by the operator than forcing the Commission to prove that they intended not to tape the board. He went on to state that the Commission has to issue this particular ruling because he does not believe that we can tolerate that in the future. However, based on the facts presented here, there was no intention to manipulate or tamper with the actual payout and I think it should be made very clear. I would leave the dollar amount as is.

Commissioner Whittenburg agreed with leaving the dollar amount as is. She did not think that it was fair to be punitive just because an appeal is taken and a person does or does not prevail on appeal. Commissioner Whittenburg seconded the motion but she would have gone for all eight machines.

Commissioner Peyton asked what the particular effect of this machine being off-line was. Is it something that is manageable or reasonable to expect that a machine that is off-line would not be taped? Mr. Paradise responded that a machine can not be brought on-line until it does comply with the rules and regulations of the Commission. Any machine not turned on could be interpreted as being off-line. Mr. Paradise felt that the machine was on the floor and had been in play.

Commissioner Sealock asked Linda Vanderloo, Director of Racing/Administration for IRGC, if the assembly line was unique to this operation or common in opening a facility. Ms. Vanderloo responded that Mr. Hirsch had used the assembly line in opening all the boats and this was also used in opening the tracks. Mr. Hirsch stated that with the assembly line, there is a little bit of an onus on the operator to provide all the boards that need to be taped at that time.

Commissioner Peyton stated that under the premise of his motion, the machine was off-line and out of service and he would leave it open to future factual determination as to whether it might have been on-line. He felt that at this point they did not have any evidence to show that it was on-line but was willing to leave that issue open for future interpretation.

Commissioner Allen stated that pursuant to 491-26 upon which the ALJ based his decision, BSC was not willful nor persistent. She feels this is something in our rules that is bothersome. This rule is a serious breach of the Commission to function in future disposition of disciplinary action. The Commission should appeal this decision for no other reason than to expect the ruling to establish the Commission's latitude as it pertains to willful or persistence stand. She feels that the willful and persistence statement in our rules is quite ambiguous and opens the door to future legal confrontations. It is her suggestion that the Commission work on this and bring future recommendations to change the wording because it is and will be hard to judge these cases in the future if you go on a willful or persistence basis.

Hearing no further discussion, a roll call vote was taken with Commissioner Hansen voting nay. (See Order 96-74)

Chair Sealock reiterated that this was not a case of a personal issue with the Argosy Company but a rule violation with no willful intent.

Commissioner Whittenburg moved to continue the hearing regarding the Ameristar Casino's alleged violation of Iowa Code Section 99F.9. Commissioner Allen seconded the motion with all voting aye. (See Order 96-75)

The next item on the agenda was the appeal of Michael Paul Howard. Mr. Farrell stated that the appeal was made by the licensee. It was his understanding that Mr. Howard's attorney would not be here and the licensee would not be here, however, the attorney has presented a letter which is in your packet. Mr. Farrell was informed that the only argument Mr. Howard was going to present would be contained in the letter.

Mr. Farrell reiterated what was in the ALJ ruling (see attached). The ALJ did affirm the decision of the Gaming Board, however, he did change the date of the suspension to be consistent with the time his license had been pulled with which Mr. Farrell agreed. We just ask that the ALJ's decision be affirmed.

Commissioner Whittenburg moved to affirm the decision of the ALJ concerning the ruling regarding Michael Paul Howard. Commissioner Allen seconded the motion. A roll call vote was taken with all voting aye. (See Order 96-76)

The next item on the agenda was the National Cattle Congress (NCC)/Waterloo Greyhound Park (WGP) - Application for Rehearing on Denial of License Renewal. The Chair recognized John Titler, Counsel for NCC/WGP.

Mr. Titler stated that the Commission has a copy of the Motion for Rehearing. NCC received a response from Mr. Ketterer which stated that if the Application for Rehearing was granted, it would be heard immediately after the decision on the rehearing.

The NCC, as everyone knows has struggled through Chapter 11 Bankruptcy and other problems in conjunction with the Chapter 11 Bankruptcy. After confirmation of the Plan, NCC came back before the Commission seeking approval for live racing which we have been unable to do the last two years for various reasons. We presented financial projections with regard to the period of May 1, 1996 through April 30, 1997 because that appeared to be the appropriate period to address. For various reasons, the proposal was postponed up until last month. At that time, the Commission saw fit not to grant a license. We then filed our Application for Rehearing seeking a rehearing with regard to the issues which appear to be the basis for the non-renewal of the license. There are really five matters which we would like to address in some detail before the Commission at a rehearing.

The first is there was some mention by a staff member and some reference by Commissioners to the need for additional repairs and the expense involved in those repairs and capital improvements at the track. We feel that it would be appropriate at the hearing to address the exact extent to which those items have either been accomplished or for which cash escrows exist to accomplish those. There appears to be some mix-up as to what has been done, what we acknowledge needs to be done, and how, in fact, the NCC can accomplish that.

The second is the discussion on the basis for the financial projections. Both the income and expense projections and the relationship of those projections to the current financial performance. We would like to present a presentation by an individual, a third party, as to the basis for those financial projections and how they do, in fact, relate the prior performance to the present situation.

The third matter is there was some discussion about the exact cash position and a couple of specific accounts that exist; bank accounts, the amounts of those accounts, the purposes for which those accounts have been set aside, and the source of those accounts. That matter relates to both of the prior matters which I have mentioned.

The fourth matter is the question, controversy or need for clarification with the status of NCC after the proceedings. Again, that relates to the prior three but in essence is a separate matter. We need to clarify exactly what has been done and what if anything still needs to be done.

The fifth matter relates to the relationship between the NCC and the Mesquaki Tribe. I am certain there is a need for clarification with regard to what the present agreement and future commitment is on the part of the Mesquaki Tribe with regard to its relationship with NCC. We would be prepared to present, through evidence, a presentation with regards to that as a part of the rehearing. I think that presentation will clarify the pieces again for the projections regarding income and expenses and

show how the relationship between NCC and the Mesquaki Tribe is to work in the future and as a part of our entire reorganization in the development of the future of NCC.

The problem that we face is that the Commission's decision in the prior meeting was based upon a discussion of financial condition. There has been substantial discussion of the financial condition of NCC throughout the Chapter 11 proceeding. The discussion with regard to that has been fairly diffused. It has changed throughout that proceeding. I have been here several times attempting to explain what the status is and where it is going. The fact is, NCC is still in the process of reorganization with a small "r" and the pari-mutuel license issued by IRGC is an integral part of that reorganization. We have finished the Bankruptcy Court proceedings and we are preceding on. We are now in the period of time where we are presenting projections for May 1, 1996 through April 30, 1997. What we want is an opportunity to clarify, through the granting of the Application for Rehearing, what we believe our status will be during that period. We believe that we can show that NCC is and can be financially responsible as required under the status in that the maintenance of that license, the material portion continue to exist and what we are asking is for the Commission to allow us to continue to be licensed. If in fact there needs to be some continuing or review of that license on a period of less than 12 months, or if there are other conditions with regard to the financial projections, the status that we have projected or that we have put forth, we will certainly try to clarify those in a rehearing. We would be willing to accept those conditions. We understand that we are not in the same financial position as most of the other entities who have been here today but we are trying to get there. As I related to you last month, NCC is the only true non-profit that is both licensee and operator without a relationship with another owner or another company. We are also the only pari-mutuel licensee without slot machines. We believe that there is a future for this license and this organization. We would like to have an opportunity for a rehearing on this issue to present evidence. The proof, we feel, will clarify and prove our financial responsibility.

Mr. Farrell asked if the Request for Rehearing was limited to the five grounds just stated. Mention was made in the application concerning some allegation regarding 17A and due process. Mr. Farrell asked Mr. Titler to clarify if the grounds are based on 17A or limited to what you are talking about today.

Mr. Titler stated that the problem they have or everyone has in coming before the Commission is the relationship between the IRGC statute and the Administrative Procedure Act, particularly for people like himself who are lawyers, and sometimes the structure in regards to Commission matters is substantially different from other types of structures. The Administrative Procedures Act talks about contested cases. You are in the true sense not a judge, you are a Commission. I understand that your decision making process is not the same as the judicial process and in April if we had wanted to cover ourselves, we could have come in here and spent five or six hours of your time presenting all sorts of facts and things to you with regard to our basis for request for renewal of our license. We presented a lot of documentation before and there have been discussions. It is my feeling that these

five areas are areas that we really need to clarify because it appears to me that we either were not able to or did not fulfill the questions that you may have had about those areas. If we are granted the rehearing, the rehearing will create and give us the opportunity to present the material in those five areas and I believe if we choose to go on beyond that to the judicial system that will provide a record. I know what Mr. Farrell is referring to is the reference in my application to the necessity of due process with regard to the Iowa Administrative Procedures Act. Frankly, I struggled with this whole question as to how to deal with this. I struggled with it before the April meeting and I have struggled with it since. It appears to me, if you will grant us the rehearing, we are prepared to do it today, then that will resolve those arguments. If you don't, then I still believe that we have some arguments on the context with regards to the prior decision.

Mr. Farrell felt that it was important for the Commission to know exactly what deficiencies NCC claims concerning 17A when they make their decision whether they are going to grant a rehearing. For example, I am taking it for granted that you are not claiming there is inadequate notice. Mr. Titler responded he was not. Mr. Farrell then asked him to give some specific grounds where he believed may have been violated. He understood the five grounds pointed out. They seem to relate more to new evidence that you want to present opposed to any violation of 17A.

Mr. Titler responded that the question is when the Commission acts on things, as it acted on in regards to our license; we do not have the ability to know the basis for that action. There is not witnesses or evidence that is presented on one side or the other. All I can do it to try to guess what it is that is different from what I and my client saw the evidence with regard to financial responsibility. What I am asking for under this Application for Rehearing is an opportunity to present those items that appeared to have been misunderstood, in our opinion, and to clarify those matters before the Commission so that we know that data was, in fact, before the Commission when it made its final decision. Some of the data that is involved in these five items is data that was in documentation that was supplied to the Commission. Some of it probably was not but it is data that if we can present it in an orderly manner and make sure that the Commission knows this is what we have on a factual basis to prove financial responsibility, to show that our license should be renewed. Then we know that the decision has been made on those facts. At this point in time, I do not know for sure what evidence it is that the decision was based on. If you read the statute, I think it is 99D.8 or 9, the one that talks about financial responsibility, there are some requirements with regard to the existence of evidence disproving financial responsibility. I don't know what evidence it was the Commission was relying on regarding that.

Mr. Farrell said then you are saying that you have some questions as to what evidence the Commission used in coming to its decision. To which Mr. Titler replied yes. Mr. Farrell asked if this could be rectified if the Commission formally accepted evidence and explained the evidence that it was using to rely on their decision. Mr. Titler replied yes. His position is that if you grant them a rehearing, allow them the opportunity to formally present those items, then any argument that

NCC/WGP didn't get to present whatever it was that they wanted, goes away. I am here as a practical matter and just asking for an opportunity to present, in an orderly manner, evidence with regard to these five areas which we, in retrospect, believe need clarification.

Mr. Farrell stated that Commissioner Peyton, when he made his motion last month, made reference to the financial reports and income statement that were projections of NCC. If those were specifically identified, then I take it that you would not have an issue with that or do you have an issue with that type of evidence right now. Mr. Titler replied that he understands that by referencing those documents they probably became a part of the record. We are certainly aware of the fact that the Commission has the annual report and was given some current financial statements immediately before the April meeting as the result of the background check by the DCI. One of the things that I feel wasn't clarified well enough was the limitation with regards to those statements and the importance that they have. I think the thing that desperately needs to be done is that we all need to be working on the same set of facts with regard to the what the current financial situation is, the basis for our projections in the future, and our relationship with the Mesquaki Tribe.

Mr. Farrell stated he understood that Mr. Titler did not have an issue with what was referred to in the audit report and the projections submitted but Mr. Titler was concerned with the income statement. Mr. Titler responded yes and with the financials.

Commissioner Peyton asked if there are interim financials here today for operations through April. Mr. Titler stated that he did have the April statement. Commissioner Peyton stated that it was his understanding they continued to operate and are continuing to operate, to which Mr. Titler replied that was correct.

Commissioner Peyton asked if they were prepared to refute the discrepancy from those financial statements that you have today versus the ones that were entered into evidence at the last hearing. There were some interim financial statements prepared by your accounting department that we referred to. Mr. Titler replied that those statements were given to the DCI agent with the proviso that they were exactly that, interim statements and that the factual basis was correct. The inference that was drawn last April was that those somehow countermanded the projections of profitability that we had presented to the Commission. I think that is one of the things that really needs to be clarified.

Commissioner Peyton asked if the interim statements were prepared by NCC/WGP's accountant or accounting department. Mr. Titler stated that was correct. Commissioner Peyton said that whether they were given to the DCI or not is immaterial if they were prepared internally. Is there some discrepancy in those financials as they were given to us? Have they changed for the period? At the time of that hearing, were they incorrect and if so is there some evidence that you intend to present today to show us that they were incorrect. Mr. Titler said there were allocations that were made on

those financial statements with regards to expense items that relate to NCC as a whole that were attributed to WGP which may or may not be correct allocations.

Commissioner Peyton asked when you say may or may not be correct, are they or are they not correct? If there is a rehearing granted, we are going to want to know, are they accurate or aren't they. Mr. Titler stated that it is his opinion there is an allocation and an interpretation with regard to payroll matters that allocates too much payroll to WGP because there are people whose efforts entail more than just WGP. Commissioner Peyton said if that allocation was incorrect, that was an allocation that was made by your own accounting department. Mr. Titler said that is exactly right but that is why when we gave them to the DCI agent the disclaimer was made that these are interim statements and that was a percentage allocation that was being made on a historical basis. We have someone here who will clarify the history on that.

Commissioner Peyton asked what witnesses were here now that they were not able to produce last time. Mr. Titler replied that Mr. Seng is here from McGladrey and Pullen, an independent accountant.

Commissioner Whittenburg also wanted to know who the new witnesses would be that were not here last time. Mr. Titler replied that the people he intended to present were Mr. Koch, an employee to address the repair issues; Mr. Seng for the projections and the other accounting items, Tim Ward, an employee with regards to the bank accounts and the issue of the payment to all the creditors; and representing the Mesquaki Tribe would be Mr. Roberts, Chairperson for the Tribal Counsel.

Commissioner Hansen moved to grant a Rehearing for the purpose of allowing them to present the five items of new evidence and clarify any misunderstanding of fact previously presented. Commissioner Allen seconded the motion. A roll call vote was taken with Commissioners Hansen, Sealock and Allen voting aye and Commissioners Whittenburg and Peyton voting nay. (See Order 96-77)

Following a brief recess, Chair Sealock stated that there was some questions as to whether a vote was taken on the contract approval for Lady Luck Bettendorf. In order to be sure, Commissioner Whittenburg moved to approve the contract submitted by Lady Luck Bettendorf. Commissioner Peyton seconded the motion with all voting aye. (See Order 96-78)

The next item was the Rehearing on the NCC/WGP License Renewal. The following witnesses testified:

Jim Koch, Employee of NCC/WGP
Tim Ward, Employee of NCC/WGP
Frank Seng, Independent Auditor for McGladery & Pullen

Isaac Roberts, Chief of the Mesquaki Tribal Council
Leodean Peters
Ray Youngbear, Tribal Member
Tony Waseskuk, Tribal Member

All witnesses were sworn by Chair Sealock.

A transcript of the hearing is available in the Commission office.

Following the testimony of all witnesses, Commissioner Peyton moved that the license application of National Cattle Congress be denied on the basis that it does not constitute a viable enterprise, and further that it has not demonstrated financial responsibilities sufficient to meet adequately the requirements of the enterprise proposed; and that the staff be directed to prepare an appropriate ruling, including Findings of Fact and Determinations of Law, for signature by the appropriate person. Commissioner Whittenburg seconded the motion.

Commissioner Hansen felt that the issue before them today is potentially an extension of the one year license, or at least on the motion of denial of same, but he put it in that sense that we are not here talking about an original application. We are not here talking about a 2, 5, or ten year license extension; we are talking at the optimum, a one year extension. I look at the facts and figures presented by the Certified Public Accountant based on the fact that we are just looking at a maximum of a one year extension, I think there is a potential for a cash flow and, as you heard the figures, it could be $368,000. We can argue back and forth about that. I think the pertinent fact is that I'm willing to grant that opportunity for one year on the theory that I think it can cash flow itself. Beyond that, I would share a lot of the same reservations and concerns that other members of the Commission have expressed. But we have also heard from Mr. Titler and from the Tribal Council of changes in the reorganizational structure which lend themselves toward a more favorable fiscal situation. We have also looked at another appealing point, from my standpoint in my role as a Commissioner, and that is the potential of attracting more tax on a more viable situation than what we have had in the past, and I think that is positive. In summary, I just think that the new figures given today by the Certified Public Accountant, the re-understanding of the relationship are all things that are positive and that we should grant them a one-year extension. So I would oppose the motion as presented.

Commissioner Whittenburg respectfully disagreed with Commissioner Hansen's statement that we had new figures today from the accountant. I was here about two years ago, at the very onset of my term on this Commission, when this Commission voted 4-1 to deny, or revoke the license would be a more accurate statement, for WGP. I was the one person voting not to, and the reason at that time was because they were in bankruptcy and I wasn't sure whether or not it was proper to revoke because of bankruptcy. I agreed with the consensus that they weren't financially viable then, and

I don't think that they are now. I don't think that there has been any new offering or any new proof before us today. I don't think any of the figures given to us by McGladrey & Pullen are figures that we haven't previously seen.

With respect to some of the issues or items that were identified as maybe changing the financial picture: 1) With respect to the repairs, there was a disagreement in the evidence on that. The evidence from WGP was that all of the repairs have been identified, and all the money to satisfy those repairs has been escrowed; but the evidence from Ms. Vanderloo, has been that all of the repairs are not to this date identified, and the reason is because of the current status of this facility. The facility has not been reviewed by staff in quite some time. It is very likely and possible that additional repairs will be identified when, or if, a tour of this facility is taken by an IRGC staff member. 2) Change in management structure was identified as something that might change the financial picture. Yes, there may have been a change in management structure, but to date, we don't have a general manager of this facility, although it has been identified that it will be necessary to retain one. We don't have a controller, or someone who is going to run the financial end of it. Certainly, you need to have a CPA or someone who is going to run the business end, do the accounting, keep the books there. I would suspect that additionally if NCC is going to look at additional entertainment possibilities at this facility, I agree that there were some comments that came off the Commission that possibly there is going to be a need for additional staff for that. So while, yes, maybe at this point in time there have been some management changes, I foresee those as changing to include additional management salaries in the future if the track gets up and running again. As far as no referendum costs, that's just speculative. It is quite possible that could occur again, and would be something, as stated today, is something that would have to be paid for and probably paid for, in part at least, by WGP. One of the things that concerns me is that we know that the trend, in terms of the industry, has been that handles are declining and there has been no new evidence before us that is not going to be the case at Waterloo were it to be reopened. We know that in 1993 and 1994, when there was live racing, that the track operated at a loss. I do understand, and I do not remember the evidence, as to some of the reasons why that occurred and maybe some of those reasons have been alleviated, but I don't think that they all have. When there was simulcasting only, the track operated at a loss. I am not comfortable on the proof that has been given here today, that there is any proof or evidence, that would show or lead me to believe, even by preponderance, that this track is going to be financially profitable and viable in the future. That is the reason I seconded Commissioner Peyton's motion; and don't believe any questions should be referred.

Commissioner Sealock stated that she would try not be to redundant, however, there are two things she was very uncomfortable with, and has been for a long time. I have been on the Commission seven years, and for all of that time, Waterloo has had a swirl of controversy. When I went on the Commission, the controversy was with Dubuque because they were wanting overlapping dates. Waterloo was not being successful with the dates they had, and then it moved on to a swirl of controversy about the manager, Augie Masciotra. There was controversy in the community about

the management of the track. Then there was controversy with Cedar Falls because they wanted a referendum to add gaming so the two communities had controversy; then it just continued. Now we have this new idea. We have a new swirl of controversy with the new management company. I'm very concerned about the lack of personnel at the track - the lack of personnel to run it; the lack of personnel to do any kind of marketing activity to make it a new exciting place to come to - that takes experienced, knowledgeable people. I am very concerned about knowledgeable people to even run the financial programs they have - not that they're not loyal, not that they're not committed people, but they don't seem to be trained to do what they are being asked to do. I can't get very excited when your projections aren't optimistic. A break even position, to me, is not a viable operation. I'm not comfortable with the new management company. I don't see any stability there. I don't see the greyhound people represented in any of the decisions today, and I am very uncomfortable about that.

Commissioner Peyton stated that he agreed with what Nancy and Rita have both said. The only comment he wanted to make about the financial viability is, in his opinion, past results are more representative than future projections. That's not to say that the people that put the projections together are dishonest or trying to misrepresent the financial picture of the track. I just think that, I've never seen a set of projections yet prepared by the people who are operating an entity that showed a loss. It just doesn't happen. Everybody always expects to make money going in, otherwise, you wouldn't do it. The history of this facility, as demonstrated over a number of years, is that it is virtually impossible for that track to be viable in the short run as well as the long run. For that reason, based on the facts presented today and existing at this point in time, I can not support granting a license.

Commissioner Allen stated that it is very difficult to sit here and not feel support for the entities that have spoken for or against this license. I see a great strength by the Tribal members that are here today to bring out the very truth that they see and want to express. I see Mr. Titler's positioning and his concerns over this project going forward. I am one of the new members so I hadn't heard all of the background, yet I can not help but feel - is there support. I am still confused about the NCC relationship with the Mesquaki Tribe. I have heard nothing new since we reopened this hearing. I was an observer at the April 18th meeting held in Des Moines, and I too support the comments by Brad in as much as the long term financing - I don't see that coming together. What sanctions, if any, are imposed on the NCC by the Mesquaki Tribe - I'm not sure I see that coming together. Because ultimately for me, I need to ask the question, who will be in control of the track? That is still a question I am having a hard time figuring out, so I support the motion on the floor this afternoon.

Hearing no further discussion, the Chair called for a roll call vote. Commissioners Whittenburg, Sealock, Peyton, and Allen voting aye and Commissioner Hansen voting Nay. (See Order 96-79)

Following the Rehearing, the Chair called up the agenda item, Administrative Business and called upon Mr. Ketterer. Mr. Ketterer stated that they had a list of FY97 meeting dates and locations for

approval (see attached). Commissioner Allen voiced a concern with the November meeting and Mr. Ketterer stated he knew that there would be some conflict with the dates but this would be a starting point.

Commissioner Whittenburg moved to approve the meeting dates and locations subject to amendments throughout the year.. Commissioner Peyton seconded the motion with all in favor. (See Order 96-80)

Chair Sealock called for a motion to adjourn. Commissioner Peyton so moved with Commissioner Allen seconding the motion. All in favor.

The meeting adjourned at 3:00 p.m.

MINUTES TAKEN BY:

Karyl Jones

KARYL JONES

IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 20, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 20, 1996 at Advertureland Inn, Des Moines, Iowa. Commission members present were: Rita Sealock, Chair; Nancy Whittenburg, Vice Chair; and members Brad Peyton, Jackie Allen and Bill Hansen.

Chair Sealock called the meeting to order at 8:30 am, and requested a motion to approve the agenda. Commissioner Peyton moved to approve the agenda. Jack Ketterer, Administrator of IRGC, noted that the approval of the agenda would include the addendum, which was faxed to the Commissioners, licensees and the media, adding a contract submitted by the Belle of Sioux City for the sale of slot machines and the stock purchase agreement between Sodak and Gamblers Supply Management Company, Inc. for the Miss Marquette. Commissioner Allen seconded the motion. The motion carried unanimously.

Chair Sealock then called for a motion to go into Executive Session pursuant to Iowa Code Sections 21.5 (c) and (g) for the purpose of receiving advice from legal counsel and DCI background investigations. Commissioner Peyton so moved, and Commissioner Hansen seconded the motion. The motion carried unanimously.

The first item of business following Executive Session was the approval of the minutes from the previous Commission meeting. Commissioner Allen moved to approve the minutes following Chair Sealock's request for a motion. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-81)

The next item on the agenda was the final adoption of Administrative Rules. Chair Sealock called on Mr. Ketterer for an explanation. The three rules up for final adoption are as follows:

- Iowa Administrative Rule 491.13.2(1) - Duty to disclose and cooperate which requires each applicant for an occupational license to comply with any and all requests for information, and a refusal to do so could subject that individual to disciplinary action regarding their license;

- Iowa Administrative Rule 491-13.2(3) - Multiple license restrictions. There are no substantive change. It has been reworded so that it will read clearer;

- Iowa Administrative Rule 491-20.16 is rescinded which explains the requirement for the licensees to submit contracts in excess of $50,000 to the Commission. This rule is redundant as there is a rule in Chapter 4 which specifically sets forth the requirements for contract approvals: three year term, in excess of $50,000 or a related party contract.

Hearing no discussion regarding the above rules, Chair Sealock called for a motion. Commissioner Hansen moved to final adopt the above rules as submitted to the Commission. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-82)

Chair Sealock then asked Mr. Ketterer to explain the Admission Fee Schedule for Fiscal Year 1997. Each June, IRGC staff calculate the admission fee schedule for the riverboats for the following fiscal year based, to some extent, on the actions of the Legislature in their appropriations to the Commission for regulation of the riverboats. Iowa Code Section 99F.10(4) requires that the amount that is appropriated to the Commission plus 65% of the salary and benefits for the Department of Public Safety Riverboat Unit costs for four gaming enforcement officers and two full agents per boat. There are now nine boats. That figure is offset by the annual license fee found under 99F.5 of the Code which is $5.00 multiplied by the per person and crew capacity of the boat; and the estimated occupational license fees collected by IRGC from the employees and participants in riverboat gaming. The final amount that we arrived at was $5,324.50 per boat per week for the regulation of riverboat gaming for fiscal year 1997. This figure is slightly higher than last year, but primarily stems from the fact that the DCI did not have four gaming enforcement officers on each boat. Mr. Ketterer recommended approval. Commissioner Peyton moved to approve the Admission Fee Schedule for Fiscal Year 1997. Commissioner Allen seconded the motion which was passed unanimously. (See Order No. 96-83)

Chair Sealock moved to the next agenda item - approval of table games. Mr. Ketterer explained that the table games before the Commission for approval were variations of games which have already been approved. Some of the rules add a progressive feature. Terry Hirsch, Director of Riverboat Gambling, has provided the Commission members with a memorandum recommending approval. Mr. Ketterer requested that authority be delegated to IRGC staff to approve variations of games or the addition of a progressive feature to games which have previously been approved by the Commission. Prior to any of the games being initiated, staff would ensure that the operational procedures and rules of the particular game would be submitted. Mr. Hirsch's memo provides a brief description of each game. Chair Sealock noted that the DCI had done a good job of covering the various games during the Executive Session. Hearing no further discussion, she called for a motion. Commissioner Whittenburg moved to approve Let It Ride Poker, Mini Baccarat, Pai Gow Poker, Progressive Blackjack - progressive features for table games, and Royal Match 21 - added wageringfeatures for table games, and authorized staff to approve, at their discretion, progressive or additional features of games that are currently approved should any additional requests be submitted. Commissioner Allen seconded the motion which passed unanimously. (See Order No. 96-84)

Chair Sealock then called on Patsy Ramacitti, Secretary of the Scott County Regional Authority (SCRA). She introduced Michael Hlavsa, Lady Luck Gaming Corporation in Las Vegas, Mayor Ann Hutchins of Bettendorf, and Carol Nielsen, Treasurer of SCRA. She reported to the Commission that SCRA had just distributed over $1 million in a six month period to various organizations in the

Scott County area where they operate. They distributed over $370,000 to education, over $219,000 to government agencies, and over $412,000 to not-for-profit organizations. SCRA did some collaborating with the Riverboat Development Authority in order to provide larger grants for a bigger impact in the community, as well as special projects. In 1995, SCRA distributed $900,000 from revenues from the Lady Luck Corporation. Prior to 1995, they had approximately $115,000 from the Diamond Lady operation. To date, SCRA has given out over $1,900,000. For their spring grant program, they received 193 requests which exceeded $4 million for the amount they had to distribute which shows the impact the funds have on the community. They have received over $2.5 million from Lady Luck since they opened. They have made distributions to nine different communities. (Copy attached)

Ms. Ramacitti explained that SCRA accepts applications in the spring and fall. They categorize their grants into education, not-for-profit and government. There are 24 community people - eight for each of those subdivisions who read the grants and rate them numerically based on a rating system which SCRA uses. After all the requests are rated, a matrix is made to determine which grants rise and are the most important to the community. The distribution committee of the board reviews the grants to insure equity, diversity, impact and collaboration with other organizations within the community. All applicants are notified by mail of the results of the distribution. Contracts are entered into with each group selected to receive a grant. These groups are required to submit invoices to SCRA which has enabled them to save some money which is then available for the next distribution.

It was noted that Lady Luck Corporation has spent over $350,000 since they opened to support community events and sponsorships. They recently helped with the Iowa Sesquicentennial, the Big River Rendevouz, and $21,000 was given to the community learning center. The Roger Craig Celebrity Golf Tournament was just completed, and the proceeds will benefit the area public high school athletic programs. Funds have also been donated to United Way.

Chair Sealock noted the short length of time they have been operating within the state, and what has been accomplished within that time frame. She commended them on the close association with The President Riverboat and the Riverboat Development Association. Ms. Ramacitti noted that SCRA does not see a line between Bettendorf and Davenport, and fund communities within Scott County, including Davenport.

Mr. Ketterer asked Mr. Hlavsa what the adjusted gross revenue was for the Lady Luck through April. Mr. Hlavsa stated that he was not sure, but that it could have been around $155 million from which $92 or $93 million was deleted for grants.

Chair Sealock called on Greater Dubuque Riverboat Company (GDREC) regarding their request to distribute interest payments to the passive investors as set forth in the Operating Agreement. Doug

Gross, legal counsel, reported that the GDREC investors invested $50,000 in April 1993. As an inducement, they were offered a preferred distribution of cash with 10% interest. Since that time, the investors have not received any distribution of cash for various reasons. Due to the arrival of the new boat, there is now substantial cash on hand. When the letter requesting permission to make the distribution was sent to the Commission, there was $2.6 million; however, that figure has risen to $3.2 million which is available for distribution. GDREC is requesting that the cash distribution of approximately $575,000 be made to the passive investors, no funds are to be distributed to the active investors. That distribution would pay the passive investors their accrued interest through April 1995, bringing them current.

Chair Sealock asked for clarification as to what the actual request for distribution was. Mr. Gross indicated that he was not changing the amount of the request as stated in his correspondence with the Commission, he just wanted to provide the Commission with an update as to the amount of cash on hand. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Allen moved to approve GDREC's request to distribute funds to passive investors. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-85)

Chair Sealock then called on Tom Flynn, legal counsel for the Racing Association of Central Iowa (RACI)/Prairie Meadows (PM), to give their monthly update. Mr. Flynn reported that a special board meeting was held on Tuesday, June 11th to receive and discuss a proposal from the Strategic Planning Committee. A copy of what was submitted to the Board is attached and incorporated by this reference. The last page of the report focuses on purses as well as other items. The Committee, working with a six-year plan, carried the projections out to the year 2002. For the year 1997, purses are projected to be $12,725,000 and they increase each year. In 1997, approximately $10.5 million would be general purses, and the balance would be supplemental for Iowa breds. It is also projected that the number of race days for 1997 will increase to 145 from the current 62 - 60 days for thoroughbreds, 60 days for a mixed meet, and 25 days in the fall for harness racing. This proposal generated several comments and questions, as well as the need for additional facts and information; therefore, no action was taken. The proposal was discussed at the regular meeting of the RACI Board, and will be on the agenda for the July meeting as well, unless a special meeting is called. Polk County has received a copy of the proposal for their review and response. Mr. Flynn reported that he feels some progress has been made. He stressed that this is only a proposal from the Strategic Planning Committee and has not been adopted by the Board.

Norman Jesse, Manager for Development for Polk County, addressed the Commission. He introduced Liza Ovrum, Polk County Attorney; Mark Dickinson, of the Nyemaster Law Firm representing the Des Moines Development Corporation; David Hurd and Chuck Johnson of Des Moines Development Corporation. These individuals would also like to address the Commission following his remarks. The following members of the Polk County Board of Supervisors were also in attendance: John Mauro, Chairman; and members Florence Buhr, George Mills, Don Rowan, and

the new City Manager, Terri Caldwell-Johnson. A copy of Mr. Jesse's remarks is attached and incorporated herein by this reference.

Ms. Ovrum addressed the Operating Agreement between Polk County and RACI. She made the following points regarding the Operating Agreement:

- The agreement is very clear that once the debt on the facility is paid off, and after RACI has repaid the $17 million plus interest to the county, that the operating profits would continue to go to Polk County. The only thing that changes at that point is that RACI would retain $1 million annual management fee.

- RACI and Polk County are not in disagreement on this. The Operating Agreement is in place until 1999. There is no dispute that that is the arrangement set forth in the Operating Agreement.

- Thirdly, she addressed the wording contained in Iowa Code Section 99F.6(4)(a). The arrangement between Polk County and RACI falls within the language contained therein. It is legal for the gambling profits to go to Polk County as a governmental entity. This code section refers to Iowa Code Section 99B.7(3)(b). A copy of both statutes is attached hereto. The legislature specifically recognized that it was a proper use of gambling receipts to "lessen the burden of government" to go to public buildings or works, or civic or public purposes - all of which is happening to the money going to Polk County from RACI. The Operating Agreement between Polk County and RACI which provides that the operating profits go to Polk County falls squarely within the statutory language.

Commissioner Allen asked Ms. Ovrum about the $1 million per month management fee that RACI will be receiving once the debt to the County has been repaid. Ms. Ovrum corrected the statement by noting that RACI will be receiving a management fee of $1 million per year. Commissioner Allen asked if they would be receiving a percentage of the revenues. Ms. Ovrum stated they would not as that is prohibited due to the bonds that the County has issued to purchase and remodel the facility. Internal Revenue Service regulations prohibit a percentage of profit arrangement as long as the bonds are outstanding.

Mark Dickinson addressed the Commission on behalf of the Des Moines Development Corporation who had requested the Nyemaster firm to study the Prairie Meadows (PM) issue, the background, what the various issues involved are, and undertake the issue of who owned the operating profits. They performed an exhaustive study and produced a lengthy letter. Their opinion contains three areas as follows:

- Background: How did Prairie Meadows evolve? How did it get to where it is today?

- What is the current regulatory status? Operating Agreement - how does it all work?

- Third, the issue of the operating profits were addressed.

In order to reach their conclusions, they studied Iowa Code Section 99F and the accompanying regulations and found them to be silent on the issue of who owns operating profits. On the other hand, operating profits can be used for specified purposes, and the Operating Agreement with Polk County falls within the scope of the statute. It is their opinion that the issue is one which should be settled by contract between the parties; however, the Operating Agreement is in force until 1999. The Commission has previously approved the Operating Agreement. After careful review of the Operating Agreement, they feel it is the significant intent of the parties that the operating profits are to be owned by the County. Mr. Dickens indicated that the focus in going forward should not be on who owns the operating profit, but on moving the relationship between the parties forward and deal with the various issues confronting RACI and Polk County - some of which were addressed in Mr. Jesse's speech.

Dave Hurd, Emeritus Chair of The Principal Financial Group and Chair of the Des Moines Development Corporation, which is made up of 80 of the largest businesses in the metropolitan area, and whose mission is economic development. Des Moines Development Corporation has been interested in PM dating way back. The various companies provided $4 million in guarantees which were lost in the bankruptcy in 1993, $60,000 for a study on the future of PM, and $100,000 in the marketing effort for the referendum. Mr. Hurd stated that the citizens of Polk County look to the County government to spend approximately $100 million annually to run government services, therefore; these citizens are well aware of the caliber and capabilities of the Polk County government. As previously stated, the community paid the bill to run PM, took the risk of failure, paid the costs of failure and, today is taking the risk of future stumblings at PM. Much of the $1.5 billion bet in the first year has come from metropolitan households. It is because of these reasons, that the Des Moines Development Corporation supports the idea that the profits from PM belong to Polk County and its elected Board should determine how those profits are spent.

Chuck Johnson, CEO of Pioneer Hybrid and First Place Chair of the Greater Des Moines Chamber of Federation, stated that the Federation has sixteen chambers and twenty-one affiliates, and over 3,000 members in the nine counties in the Greater Des Moines area. They have also been a significant supporter of the track through the casino, in the role as taxpayers or as businesses that have made individual contributions and investments through the Greater Des Moines Development Corporation. They also strongly support the comments made by Mr. Hurd and the process by which RACI and the Board of Supervisors worked out the terms of the contract that is in place so that those who made the investment and took the risk - the citizens of Polk County - also substantially and significantly share in the benefits of having done so.

Chair Sealock noted that all IRGC meetings are open to the public, and Polk County is welcome to some or all of the meetings. Since RACI is the license holder, they are the entity which IRGC works with, and whom the Commission holds responsible which is why most of the conversations have been through RACI. She stated that it is the Commission's hope that RACI will do as requested and work cooperatively with Polk County to resolve whatever problems were addressed today. At this time, she inquired whether or not other Commission members had comments or questions.

Commissioner Peyton asked Mr. Jesse if it was Polk County's position that RACI is the true owner of this enterprise. Mr. Jesse replied that RACI is the undisputed holder of both the pari-mutuel and gaming licenses. Commissioner Peyton stated that he appreciated hearing the historical and legal perspective presented, and the fact that there were several individuals present on behalf of Polk County. He does feel there has been some failure to communicate. He noted that several interesting arguments made with the most interesting one being the one which indicated that Polk County was a charity. Commissioner Peyton stated that he felt a large majority of the discussion missed the point. He pointed out that the Commission is not a legislative body - they do not set policy, they enforce policy. Policy is set by the Legislature, and the Commission is governed by statute. Commissioner Peyton made the following point:

- Polk County is not allowed to be a licensee by statute. RACI is the licensee, and at such time as Polk County assumes the rights and obligations of a licensee, then it will become the Commission's duty to take whatever action is necessary to make sure there is no license to be assumed by Polk County. His main concern is who is in control of the enterprise - who is the true owner of this enterprise. RACI should and shall remain the true owner of this enterprise.

Mr. Jesse responded that Polk County is very much aware of the responsibilities of RACI as the licensee, and of their own responsibility as the owner of the facility. He stated that Polk County, in their relationship with RACI, has tried to be solicitous of that difference in roles. Polk County does not run racing or gambling. They do not have anything to say about those operations, except to the limited extent provided for in the Operating Agreement. RACI makes all of the management decisions, determine race dates, and how long the meet will be. Polk County approves purse contracts in total - they do not tell RACI what purses to offer on what day or how many days to run racing. Polk County makes a conscious effort to stay out of operational decisions. There are questions regarding the use of the facility about which Polk County does have concerns and they will continue to express those concerns. Some of these matters are addressed in the Operating Agreement which does give Polk County some limited authority which they intend to exercise. Mr. Jesse stated that he did not agree with Commissioner Peyton's statement that Polk County is prohibited from holding a license. He noted that when pari-mutuel gambling was originally passed, municipalities

and counties were specifically prohibited from holding a pari-mutuel license, but that is no longer the case. He noted that the Commission may not give Polk County a license, but that there may be other types of licenses available to them.

Commissioner Whittenburg noted that in order to have a casino license at a racetrack enclosure, the track had to be licensed as of January 1, 1994, which Polk County was not. Therefore, they would be ineligible to ever hold a gaming license. If Polk County desires to continue operating on the successful level which they have reached at PM with the combination of racing and gaming, they would not be able to do that as Polk County.

Mr. Jesse agreed, but noted there are other types of licenses available. He noted that Polk County is sensitive to the division of roles.

Commissioner Whittenburg reiterated Mr. Jesse's comment that Polk County does not take an active role in the management of the facility. She wondered if Polk County was happy with the management which RACI is providing at this time.

Mr. Jesse reported that he did not feel that Polk County had any quarrels with RACI's management. The financial reports have been reviewed, and it appears they are operating within their budget. Mr. Jesse noted that he feels the Commission has the perception that Polk County and RACI are constantly at odds with each other. Commissioner Whittenburg noted that is the perception which comes through from the comments from members of the Board and Polk County government which are repeated by the press. Mr. Jesse stated that Polk County and PM staff work together on a daily basis on questions which PM has requested assistance such as insurance, first aid training, hazmet training, etc. He noted that PM has elected to use the County's purchasing department due to their expertise.

Commissioner Whittenburg noted that the agenda calls for a report from RACI, but that Polk County is a part of what the Commission has requested a report on. The Commission has requested a report on the progress on the agreement between RACI and Polk County regarding the use of the facility and the relationship with Polk County after the debt on the facility is retired. This has been an agenda item for the past two or three months. She stated that it is her understanding that the debt to Polk County will be retired in November.

Mr. Jesse stated that may or may not be correct, depending on your point of view - whether you are talking about the items listed in the Operating Agreement and those amounts of money which have been paid to Polk County. If that is correct, it may be. If you are asking if all of the debts which Polk County has relating to PM will be defeased by November, he can not state that they will be.

Commissioner Whittenburg asked Mr. Jesse if he understood the Commission's directive to RACI. He stated that he understood the directive, but did not know if Polk County had the authority to accomplish the results requested. She then asked Mr. Jesse if he could tell the Commission the status of the talks with PM on the matter are. Mr. Jesse asked which matter she was referring to. Commissioner Whittenburg clarified that she was talking about the on-going discussions with RACI regarding the use of the facility and the relationship with one another when the debt is paid off. Mr. Jesse stated that Polk County has a contract with RACI for their exclusive use of the facility through 1999. That contract is in place and does not need negotiation. RACI has exclusive use of the facility through 1999 and Polk County makes repairs as needed, attempt to provide office space when needed, and provide for additional capital improvements. Commissioner Whittenburg then said "So, you are not having any talks with them?" Mr. Jesse stated they are having discussions on budget issues and on what they see as the future of PM, purse issues, and those discussions are continuing. He stated that he did not understand the significance of the use of the facility after the debt is paid, . . . Commissioner Whittenburg stated that the significance is that the facility is bringing in revenue two and one-half times greater than what was originally projected, and the Commission wants to know what the relationship between Polk County and RACI will be regarding the excess revenue. Mr. Jesse stated that he thought he had stated Polk County's position in his earlier statement, and that is that the excess profits belong to Polk County, and RACI has never asserted a legal right or a desire to deal with excess profits. RACI agreed with the arrangement as stated in the Operating Agreement. The Operating Agreement also provides that RACI may include in their operating budget amounts for charitable contributions which is negotiable, as was done last year, and hopefully an agreement will be reached.

Jeff Farrell, Assistant Attorney General for the Commission, asked Mr. Flynn if RACI agreed with the statement that Polk County should control all excess profits at PM. Mr. Flynn, after noting that he was speaking as counsel without having had an opportunity to canvas the Board, stated that the Operating Agreement clearly provides that all net profits go to Polk County. He did not think RACI took exception to that at all. RACI is a creature of statute just like every other casino and track, and all are a creature of IRGC's rules and regulations. RACI knows they were formed to help the horse industry in Iowa grow, and the only reason they have gaming is because PM as a horse track was not making it. Gaming was approved to help the track out financially, but also to supplement purses. The Commission has gone on record stating that since the revenues have so far exceeded projections, and profits have far exceeded projections, that the original projection submitted with the 1984 Operating Agreement for purses is inadequate. The Commission has made RACI aware of the fact that once the debt is paid off, and they come before the Commission for the 1997 season with the same purse proposal as submitted in prior years, the Commission will look at such a proposal with jaundiced eyes. With that admonition, RACI felt it was imperative for all parties involved look at the purse structure; however, if Polk County states that there is already an agreement in place and they don't have to negotiate, then RACI has a problem. Should the Commission indicate they will not renew the license unless purses are increased, RACI is caught in the middle and would prefer that

not happen. They are hoping to arrive at some type of proposal which will satisfy the horsemen, the Legislative intent, and the rules and regulations of this Commission that purses be increased. RACI is also aware of the charge of the Polk County Board of Supervisors that they are charged to take care of Polk County. RACI is hopeful that an agreement can be reached, but recognize the fact that they are operating in a fishbowl with lots of entities, people and personalities to satisfy. Mr. Flynn reiterated that the Operating Agreement clearly states that Polk County is to receive excess profits.

Mr. Farrell asked what right Polk County has to determine the purse amount spent at PM. Mr. Flynn stated that there is a provision in the Operating Agreement which states that the purse contracts are to be submitted by RACI to the County and the County has the right to approve purse contracts.

Chair Sealock made the comment that it appears there is literally nothing RACI can do without first getting the approval of Polk County. Mr. Flynn felt the term "literally" might be too strong, as Polk County does not interfere with the day-to-day operations. Chair Sealock asked if Polk County approved the operating plan. Mr. Flynn concurred that an operating plan had to be submitted to Polk County for approval on a yearly basis. Chair Sealock reiterated her comment that literally everything has to be approved by Polk County. Mr. Flynn stated that Polk County does have the power of the purse strings as they have the right to approve; but under the Operating Agreement, RACI is required to maintain their license.

Mr. Farrell asked what happens under the Operating Agreement if Polk County does not agree to the purse structure suggested by RACI. Mr. Flynn stated that if there is a disagreement, and the parties can not resolve it, they could go to arbitration. Originally, either party could terminate the contract on thirty days notice, but several provisions of the Operating Agreement are dictated by bond and tax considerations, so that provision was amended to state that the County could not terminate the agreement on its own for three years.

Mr. Farrell, referring to the Long Term Operations proposal of the Strategic Planning Committee, asked if RACI or Polk County would determine how much money would go to charitable organizations from the amounts shown on the line "Polk County and Charitables." Mr. Flynn stated that the RACI Board would make their proposal when submitting the annual budget to Polk County; however, it is RACI's intent to be competitive with the other licensees in charitable contributions. Mr. Farrell stated that, at least in the proposal, the Board has not determined how much would go to Polk County and how much to charitable organizations. Mr. Flynn agreed with the statement.

Chair Sealock stated that the line of communications between the various entities have been opened up. She congratulated Mr. Flynn on his report which did show some concrete evidence of progress.

Chair Sealock called on Harveys to present its contracts for approval. Art Hill, Comptroller, noted that 27 contracts are for vendors whom they use on a continual basis - 11 from the Council Bluffs

area and 10 from the Lincoln/Omaha area. Two of the contracts for insurance and legal services which are acquired at the corporate level. Four of the contracts are for specialized products which are supplied by nation-wide vendors. Of the 11 capital contracts, one is an Iowa vendor, three are local, and five are providing specialized services.

Commissioner Hansen moved to approve the contract submitted by Harveys. Commissioner Whittenburg seconded the motion which carried unanimously. (List attached) (See Order No. 96-86)

Chair Sealock asked for an update regarding the facilities. Verne Welch, Jr., General Manager, reported that the hotel facilities were opened on May 24th, and has been full ever since. The Convention Center opened on June 18th. There are several conventions already booked. The buffet is open as well. The Convention Center is booked into the Year 2000. The Food Court will be opening soon. U.S. Food Courts will be operating the food court. Landscaping will continue throughout this year and into early next year. The Top of Harveys Restaurant should be ready to open between October- November.

Chair Sealock then called on Lady Luck to present its contracts. Bob Ellis, Corporate Counsel, noted that 15 contracts had been submitted for Commission approval - the first 12 of which are for various services. Several of the contracts are with out-of-state vendors; however, they are for services which are contracted through Lady Luck's corporate offices. The following contracts were submitted:

- Adventure Destinations - Bus subsidies
- AFCO - Insurance premiums
- Altorfer Machinery Company - Marine parts
- Comdata Consumer Services - ATM fees
- G & H Custom Craft, Inc. - Construction
- Lodging & Gaming Systems (LGS) - Computer equipment, services, training
- The Mark of the Quad Cities - Contract fees, tickets, sponsorship
- Mid American Energy Company - Gas & electric bill
- Mikohn Gaming Corporation - Games Division - Games - monthly lease fee
- Sanlyn Outdoor Advertising - Advertising
- Sierra Health & Life Company c/o John Stuart & Co. - Employee medical insurance
- Standard Dental c/o John Stuart & Co. - Employee dental insurance
- Lady Luck Gaming Finance Corporation - Equipment set forth on Schedule A to the Agreement
- Lady Luck Gaming Corporation/Lady Luck Casino, Inc. - First Amendment to previously approved Casino Management Agreement
- Bettendorf Riverfront Development Company/Lady Luck Quad Cities, Inc. - First Amendment to the previously approved Operating Agreement between Licensee's Members/Owners

Lady Luck Community Corporation has reached an agreement with bondholders on some issues so amendments have been made to the Operating Agreement and Management Agreement reflecting the changes. A new flow chart was submitted. The principal change is that Lady Luck Casino was the prior manager within the limited liability company organization which was the structure which was worked out in order to make sure that the manager was part of the organizational structure. Pursuant to the reorganization, Lady Luck Gaming Corporation will be assuming those management duties; therefore, Lady Luck Gaming Corporation has been inserted as the manager in Lady Luck Casino's spot. The amendments before the Commission relate to the substitution of Lady Luck Gaming Corporation, as well as the organizational changes, and the limited liability company replacing the manager within that structure.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts submitted by Lady Luck Bettendorf. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-87)

Mr. Hlavsa introduced the new general manager for Lady Luck, Tom Davis, who assumed those duties as of June 1, 1996. He has approximately 17 years of gaming experience, most recently with the Players Club International organization in Nevada.

Mr. Ellis provided an overall update on the master plan for the project. They currently lease approximately 25 acres, with about 90 acres of available riverfront. They are continuing to meet with architects regarding the plans for that area, including the occupancy of the retail center, a potential hotel project, RV park and other items. Meetings have also been held with the City of Bettendorf on their issues and how they want to proceed with the redevelopment of downtown Bettendorf.

Chair Sealock then called Jeff Terp, Vice President of Business Development for Ameristar, who presented the following contracts for Commission approval:

- Anchor Games - Slot machines
- Bally Gaming - Slot machines
- Commonwealth Electric Company - Change Order No. 1 to Contract 3C and Electrical Lighting
- Doll Distributing - Budweiser kegs and bottles
- Federal Signs - Various signs
- HMM Marketing - Production & advertising costs for newspapers, television, radio and billboards
- International Game Technology - Slot machines, bill acceptor and player tracking
- Norwest Bank Nebraska, N.A. - 4 Promissory Notes secured by vehicles and equipment
- Omaha World-Herald Company - Classified advertising

- Smith's Office Machine Company - Office furniture for Terminal Bldg., office chairs for Terminal Bldg.
- Tiles, Inc. - Ceiling tiles
- Today's Business Computers - MIS consulting fees
- Typographics, Inc. - Art and typographic work for promotional materials

Hearing no discussion relating to the contracts, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Allen seconded the motion which passed unanimously. (See Order No. 96-88)

Mr. Terp discussed an update of the facilities and various areas of operation as of June 20th which was distributed. Section 1 addresses the continuing landside development regarding the striping, siding, landscaping, and construction related items. The terminal building was formally opened on June 17th. Section 2 addresses the cruise history on a day-by-day basis since the beginning of the cruising season. The water level is still high and they are attempting to do the best they can to cruise. Section 3 provides an update on cross-training, new dealer training, and Project 21. The River Town Cafe and The Veranda Cafe have opened for business, and Kids Quest opened for business on June 17th. They have instituted a bicycle patrol for the outlying parking lots.

Commissioner Peyton, noting the number of disrupted cruises due to water conditions, asked Mr. Terp if Ameristar would have a problem meeting the cruising requirements. Mr. Terp indicated that he was not sure at this time. The Captain has been directed to go out every day. Currently, Ameristar is conducting two types of cruises - the official cruise which is the route approved by the Commission in March where they pass under the I-80 bridge, and the second is a limited cruise where they cruise between the two bridges. They are having to pass closer to the west side of the bank in order to attempt to pass under the bridge.

They have been accumulating information regarding the design assumptions that were made, how they arrived at what they did, and they would welcome any advice, discussion or leadership from the Commission relative to those issues.

Commissioner Peyton asked who made the decision on whether or not the vessel cruised. Mr. Terp indicated that the captain makes the decision based on what the Omaha river gauge is because they know what the air draft of the vessel is and the height of the bridges. There is a modification to the vessel on July 8th which will increase the capacity by 200. On that same day, the vessel will undergo another analysis to determine if they can meet the American with Disabilities Act requirements on the elevator shaft and obtain more air draft.

Chair Sealock asked if the Corps of Engineers had indicated that this was an abnormal year. The river was over 24' at this time. The release from Gavin's Point Dam has been well above average

this year, and they just received another notice that they will be increasing the water release to 54,000 cubic feet per second, approximately three times the normal rate. Ameristar is hopeful that the release rate is temporary, and also that they do not continue to retain that much water through the season which would then be released during the cruising season.

Commissioner Peyton asked what the solution would be should the above scenarios become the norm rather than the exception. Mr. Terp stated that one solution would be to modify the cruise route which would require the Commission's approval, or completely redesign and build a new vessel in order to comply with the existing cruise route. They are hopeful that LeeVac or someone might be able to come up with another solution.

Chair Sealock then called on Mark Lohman, General Manager of The President, to address the following contracts which were submitted for Commission approval:

- J. Edward Connelly Associates, Inc. - Miscellaneous items for resale or promotional activities
- PRC Management, Inc. - Self-insured health insurance, interest, and miscellaneous inter-company charges
- Sun Data, Inc. - Lease of casino system and related equipment
- Juneau Marine Refrigeration - HVAC work and change order
- Xerox - Xerox copier, includes support, tax and insurance

Hearing no discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-89)

Mr. Lohman reported that The President has completed the addition of two new parking areas adjacent to The President's Landing. Landscaping around those lots will be continuing. There will be a contract before the Commission in July for the expansion of the valet parking lot. They are also working with the Downtown Development Corporation to extend a city street through their President's Landing area which would improve patron access and traffic patterns in downtown Davenport. In the fall, they are planning to add a porte cochere grand entrance to the valet parking lot. Those contracts will be forthcoming.

At this time, Chair Sealock called on Ken Bonnet, President of Mississippi Belle II, to present their contract which is a loan from two shareholders to the company. Hearing no discussion, Chair Sealock called for a motion. Commissioner Allen moved to approve the contract as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-90)

At this time, Mr. Bonnet introduced Edward McMurphy, President of Crown Casino Corporation, and Skip Valdera, Corporate Counsel and Executive Vice President for Crown Casino. Crown Casino Corporation has purchased the assets and operations of the Mississippi Belle II. Bob Kehl is on the Board of Directors of Crown Casino, and Kehl Riverboats is the company's largest shareholder. They are a publicly traded company headquartered out of Dallas.

At this time Mr. Gross came forward to present the following contracts on behalf of the Dubuque Diamond Jo:

- Casino Canaveral Investment Company, L.C. (CCIC) - Charter Agreement leasing the "Little Jo"
- Casino Canaveral Investment Company, L.C. (CCIC) - Management Agreement
- River City Paving - Parking Lot Improvements for lots owned by Harbor Community Investment Company and leased by GDREC

Mr. Gross reminded the Commission that a year ago GDREC was before the Commission requesting permission to bring in a larger boat, which was accomplished. Since that time they have been attempting to market the smaller boat and paying the debt service on that boat which is over $3 million per year. Several of the investors of GDREC have formed another company called Casino Canaveral Investment Company, L.C. and secured the exclusive rights to a "cruise to nowhere" operation in Cape Canaveral, Florida. They have entered into a Charter Lease for the "Little Jo" for two years with a purchase option. During the first six months of the operation, GDREC would provide an on-site manager through a management agreement at the site. Casino Canaveral is a separate corporation with separate employees, different financing, etc. Mr. Gross indicated that if the Commission approved the Charter Agreement and the Management Agreement, the bottom line of GDREC would improve by approximately $3 million, as well as obtaining approximately one-half million dollars from the Management Agreement. It is anticipated that this operation will begin shortly after September 1st. The Commission will be provided with a list of the investors in Casino Canaveral Investment Company even though it will be a non-regulated entity.

Hearing no further discussion, Chair Sealock called for a motion regarding the contracts submitted by Dubuque Diamond Jo. Commissioner Hansen moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-91)

Chair Sealock called on Bluffs Run (BR) regarding the contracts which were submitted for Commission approval. Eric Wilson, Compliance Director for AIM, Inc., indicated he was present to answer any questions regarding the contract approvals, but primarily those dealing with simulcast. The following contracts were submitted:

- Up-link Contract with Tracstar to simulcast Bluffs Run races

- Agreement with IGA RE: Purses
- Simulcast Agreement with Gulf Greyhound Park
- Simulcast Agreement with Prairie Meadows
- Simulcast Agreement with Dakota Teletrack, Inc.
- Mikohn Gaming Corporation - Casino Floor Signage
- Mikohn Gaming Corporation - Colossus Slot Machine
- Mosler, Inc. - Jetsort/Mosler
- Pinnacle Furnishings - Replace Casino Seating
- Anchor Games - Wheel of Gold Slot Machines

Mr. Wilson noted that when the Commission granted BR's request to discontinue simulcasting last year, they also requested that BR look into simulcasting should conditions improve. BR received a special arrangement with their uplink company for a six-month experiment for a reduced cost. Through various discussions with IRGC and the Iowa Greyhound Association (IGA), BR was able to put together a simulcasting venture for six months on a trial basis. They anticipate entering into a contract with Dubuque Greyhound Park, but that contract has not yet been signed. They are also attempting to get contracts with additional sites.

Mr. Ketterer congratulated BR and IGA for being able to work together on this issue. He feels it is very important for the greyhound industry, the track, and pari-mutuel players that simulcasting resume and that the industry have that exposure.

Commissioner Allen asked what the simulcast fees per hour would be - $300 or up to $600 range. Mr. Wilson indicated they had been quoted a performance cost which included the uplink. He explained there are two different charges in uplinking - the actual fixed cost plus the hourly cost of satellite time. BR has been given the reduced rate of $1,000 per performance, so that the total uplink costs will be $7,000, including tote charges, phone charges, etc. Commissioner Allen asked if that was per week. Mr. Wilson indicated that was per performance. The $7,000 fee is a reduction of 35% to 36% of the normal rate.

Hearing no further discussion, Chair Sealock called for a motion regarding the contracts submitted by BR. Commissioner Allen moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which passed unanimously. (See Order No. 96-92)

Lynn Grobe, Vice President of Iowa West Racing Association (IWRA), provided the Commission with an update regarding their grants. He indicated that just finished awarding their spring grants. IWRA awarded funds to 59 organizations and 20 communities totalling $2.8 million. They are diligently working on plans to have two grant programs per year - one in the spring and another in the fall. Mr. Grobe stated that IWRA hopes to distribute approximately $8 million this year. They are also helping with the new library and the historic preservation center. Most of the grants given

by the IWRA are challenge grants in that the applicant has to raise a certain percentage of the funds themselves.

At this time, Chair Sealock called on John Pavone, General Manager of the Belle of Sioux City (BSC), to present their contract with U.S. Gaming Exports, Inc. Under this contract, BSC would sell U.S. Gaming 62 of their Universal slot machines. These machines would then be resold to a casino in South Africa. The sale of these machines would allow the BSC to start upgrading their machines which they hope to complete within the next 6-12 months.

Commissioner Whittenburg moved to approve the contract as submitted. Commissioner Peyton seconded the motion which passed unanimously. (See Order No. 96-93)

Mr. Pavone provided a brief update regarding the Sioux City operations. He also indicated that they hope to provide the Commission with an update from Missouri River Historical Development regarding their grant efforts at the August Commission meeting.

Chair Sealock moved to the contract submitted by Miss Marquette. Mike Diedrich, General Counsel and Vice President of Sodak Gaming, informed the Commission that Sodak, which is a publicly traded corporation, is in the process of purchasing all of the stock of Gamblers Supply Management Company (GSMC) to acquire the Miss Marquette in its entirety. Sodak Gaming already provides the financing for the project, and is the owner of the vessel. Sodak has submitted the notice to the Commission of what is intended and the stock purchase agreement with the details of the transaction. It is their intent that GSMC will be a wholly owned subsidiary of Sodak and will continue operation without any major changes at this point in time. Randy Lenth of the non-profit, Marquette Gaming Corporation - now called the Upper Mississippi Gaming Corporation, was present. The following individuals were present to answer any questions that might arise: Clay Trulson, Vice President of Accounting for Sodak; Don Gromer, Compliance Director for Sodak; John Parker, President of GMSC; Ryan Ross, General Counsel; and Wayne Wallace, General Manger of Miss Marquette. Mr. Diedrich stated that the expected closing date of the transaction is June 30th.

Mr. Ketterer asked if agreements had been reached regarding all the terms of the stock purchase. Mr. Diedrich indicated that was correct. He noted that the Commission will receive copies of the fully executed documents when they are available.

Commissioner Hansen noted that Sodak, within the last two years, has had five lawsuits filed against them with three still pending. Miss Marquette has had approximately ten filed with four still pending. He asked if any of these lawsuits were considered to be significant. Mr. Ross stated that three of the suits involving Sodak are class action suits filed against 43 different defendants, which includes all of the major casino operators in the U.S. Those cases were dismissed about one month ago; however, he feels the plaintiffs will refile an amended Complaint. Sodak is one of three

distributors, most are major operators. Sodak considers the action to be frivolous. Mr. Ross noted that the cases he reviewed regarding GSMC are minor cases. He noted the number of cases were not unusual for an operation of that size and number of employees. The number is not high enough to cause Sodak any concern about proceeding with the stock purchase agreement. Mr. Ross stated that there are no lawsuits pending or threatened against Sodak for any violation of any gaming laws or regulations in any jurisdiction.

Mr. Ketterer asked Mr. Lenth if the non-profit organization was comfortable with the stock purchase agreement. Mr. Lenth indicated they were - they felt it would be good for the city and the non-profit.

Commissioner Peyton asked if the Commission could approve the stock purchase agreement before a final document is prepared. Mr. Ketterer indicated that the Commission could approve it subject to viewing the final document. Mr. Ketterer asked if there were any substantial changes to the stock purchase agreement as submitted to the Commission. Mr. Ross indicated there were some language changes, but there were no material changes such as financing, structure of the agreement, or anything that would materially affect the operation for any regulatory requirements. The only thing close to a material change is that a note that Sodak is carrying for the sellers - they will not pay them all at once; they will pay them over a three year period.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve the stock purchase agreement subject to the right to review the final document as soon as it is available. Commissioner Allen seconded the motion which passed unanimously. (See Order No. 96-94)

Mr. Lenth explained the reason for the name change of the non-profit organization. The non-profit organization has experienced an identity crisis since the corporation separated from city of Marquette and the Marquette Gaming Corporation. The Board members decided to change the name to give more people ownership in the organization and to reflect the regional importance of the organization. Chair Sealock noted that was a request made by the Commission at the beginning. Mr. Lenth replied there were several things which were done very hurriedly when the organization was put together, and they are now finding they need to make some changes in order to do a better job.

Chair Sealock moved to the next agenda item - a hearing regarding Ameristar Casino's violation of Iowa Code Section 99F.9 which prohibits gambling by underage individuals. Mr. Ketterer explained that during the first week of March, a DCI agent observed two underage gamblers in the casino. One was determined to have gambled. Their presence and the gambling constitute a violation of Iowa Code 99F.9(5). As a result of numerous meetings between IRGC staff and Ameristar, a Stipulation was presented for the Commission's approval. The Stipulation consists of two parts: one is an Administrative penalty of $5,000. Ameristar has entered into Project 21 which is a national program instituted by Harrah's Casino focusing on the education and awareness of the problems associated

with underage gambling. Ameristar had budgeted $12,000 for this program. There are three essential parts to the program: scholarship program, a Project 21 collateral program which had cards, buttons, posters, etc. and an employee training program. Under the terms of the Stipulation, Ameristar will budget an additional $28,000 for a total commitment to Project 21 of $40,000. The remaining $28,000 is to be committed to target advertising, speaking engagements, direct mail and notices in company publications. (Exhibit A of the Stipulation. Copy of Stipulation attached) Exhibit B of the Stipulation incorporates policies and procedures that Ameristar has implemented since the incident to reduce the chances of underage gambling or underage individuals reaching the floor in the future. This is in addition to the training program already in place.

Mr. Ketterer stated that this approach was unusual in that it was different than an administrative penalty or suspension of the license. It is not likely that it will occur on a regular basis, but he felt this situation lent itself to a proactive approach rather than just a financial deterrent approach. He recommended approval of the Stipulation.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the Stipulation as recommended. She stated that she felt it did a good job of addressing all issues. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-95)

Chair Sealock moved to Administrative Business. She called on Linda Vanderloo, Director of Racing/Administration, for IRGC, who stated that each year in July the Commission reviews the Dog Promotion Fund and decides how it should be awarded. The purpose of this agenda item is provide notice to anyone that is interested in submitting a proposal for FY '97 that they need to do so by July 5th. The distribution of the funds will be done at the July 23rd Commission meeting. She also stated that the IGA, who received the funds last year, should provide an accounting of how the money they received last year was spent.

Mr. Ketterer noted that a corporate seminar, sponsored by the DCI, was being held in Clinton on June 24th & 25th. He invited licensees, their Security Departments, and supervisors to attend. IRGC staff and the gaming representatives will be attending. He feels this will be a very positive occurrence.

Mr. Ketterer also noted that IRGC staff had recently held a retreat and discussed the limitation of licenses. There were concepts and ideas discussed which he felt the Commission members might be interested in hearing in the future. At this point, Chair Sealock requested that Mr. Ketterer meet with each of the Commissioners and get their input and have this as an agenda item for July.

Commissioner Hansen commented on the late arrival of the application from Sodak. He stated that he felt the Commissioners should be able to have all the meeting materials in their hands seven days

ahead of time. The staff should ask for any material they need ten days prior to that which should be the cutoff date unless there is an emergency, otherwise the material would carry over to the next meeting. He felt that all Commissioners make a diligent effort to review all of the material they receive; however, to receive an application two days prior to the meeting does not allow sufficient time for a thorough review. Commissioner Whittenburg agreed with Commissioner Hansen's statements.

As there was no other Public Comment, Chair Sealock called for a motion to adjourn. Commissioner Peyton so moved, and Commissioner Allen seconded the motion which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

Julie D. Herrick CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 23, 1996

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 23, 1996 in the Auditorium of the Wallace State Office Building, Des Moines, Iowa. Commission members present were: Rita Sealock, Chair; Nancy Whittenburg, Vice-Chair; and members Brad Peyton, Jackie Allen and Bill Hansen.

Chair Sealock called the meeting to order at 9:00 am, and called for a motion to approve the agenda. Commissioner Peyton so moved, and Commissioner Whittenburg seconded the motion. The motion passed unanimously.

Chair Sealock moved to the next agenda item - Election of Chair and Vice-Chair. Commissioner Peyton nominated Rita Sealock as Chair, and Commissioner Whittenburg seconded the motion. Chair Sealock requested a roll call vote. The motion passed unanimously with Chair Sealock abstaining. (Order No. 96-96)

Commissioner Allen then nominated Nancy Whittenburg as Vice-Chair, and Commissioner Peyton seconded the motion. Chair Sealock requested a roll call vote. The motion passed unanimously with Commissioner Whittenburg abstaining. (Order No. 96-97)

Chair Sealock then called for a motion to approve the minutes from the June 20, 1996 Commission meeting. Commissioner Hansen noted that the minutes contained substantial amounts of dissertation, and clarified that approval of the minutes should not be construed as a sanction of the statements. He moved to approve the minutes from the June 20th Commission meeting with the annotation that such action shall not be construed as acquiescence to the report or content. Commissioner Peyton seconded the motion which passed unanimously. (Order No. 96-98)

The next agenda item was a Notice of Intended Action regarding an amendment to Subrule 20.15(1) on the duties and obligations of non-profit applicants and proposed operators pertaining to political campaign contributions. Jack Ketterer, IRGC Administrator, stated that the Attorney General's Office had advised us that there was some ambiguity in the above rule with regard to political campaign contributions and whether or not boat operators could make contributions to political campaigns. This rule has been in existence since the inception of riverboat gambling. IRGC added language to the rule in an attempt to clarify the rule which would not prohibit an applicant for a boat operator's license from making political campaign contributions which would otherwise be legal under state and federal law. It is against state law for the qualified sponsoring organization to make political campaign contributions. Mr. Ketterer noted that Commissioner Hansen had pointed out some possible inconsistencies dealing with applicants and whether or not that applies to licensees, and candidates versus office holders. Mr. Ketterer requested that this item be deferred until the August meeting to allow further review of this matter. Chair Sealock noted that this item would be deferred until the August meeting to allow further review of the proposed rule.

Chair Sealock then called on Verne Welch, General Manager for Harveys Kanesville Queen, to address Harveys' request to change the course of the cruise due to Ameristar's difficulty in clearing a bridge on the southern cruise route. The northerly cruise goes almost up to the Railroad bridge. Passenger counts for these cruises have been running anywhere from 350 to 1,000. Hearing no further discussion, Chair Sealock entertained a motion regarding Harveys' request. Commissioner Whittenburg moved to approve Harveys' request to change their cruise route. Commissioner Allen seconded the motion which passed unanimously. (Order No. 96-99)

Mr. Welch provided the Commission with a brief update regarding Harveys' operations in Council Bluffs. He noted that the hotel has been at 100% capacity since opening. Several conventions have been held, with several more booked into the future. They will continue to bring in live entertainment.

Chair Sealock then called on Linda Vanderloo, Director of Racing/Administration for IRGC, to cover the distribution of the Greyhound Promotion Fund authorized by Iowa code 99D.12(2)C. The public was advised of the upcoming distribution at an earlier Commission meeting as a non-profit group may apply for the funds to be used for research, education, marketing of the industry, public relations, etc. The Iowa Greyhound Association (IGA) has received the funds since 1991, and have provided an accounting of the funds received last year. No other requests were received, and Ms. Vanderloo recommended that the IGA receive the funds. Hearing no further comment, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the distribution of the Greyhound Promotion Fund to IGA. Commissioner Hansen seconded the motion which carried unanimously. (Order No. 99-100)

Chair Sealock requested that Bruce Wentworth, General Manager at Dubuque Greyhound Park, address Dubuque Racing Association's (DRA) application for license renewal and approval of live and simulcast racing dates for 1997 at Dubuque Greyhound Park & Casino (DGPC). Mr. Wentworth stated that DRA was requesting live racing dates from May 1, 1997 through October 26, 1997, with special holiday performances on Sunday evening, May 25; Monday Matinee, May 26; Friday Matinee, July 4; Sunday evening, August 31; and Monday Matinee, September 1; permission to simulcast the three "Triple Crown" horse race cards on May 3, May 17 and June 7, as well as continued simulcasts from Jacksonville Racing Circuit and Gulf Greyhound Park. This schedule is very similar to this year's schedule.

Mr. Ketterer noted that the casino at DGP&C had opened in late November, 1995, and asked that Mr. Wentworth inform the Commission on how the casino has performed versus the expectations, and how the casino has affected wagering on the live and simulcast races.

Mr. Wentworth stated that since the casino opened approximately 440,000 people have visited the facility. The projections on which the business plan was based called for win of approximately $12 million per year, and they are on track for about $19 million. Since May 1, the beginning of the

current live racing season, the mix between live and simulcast racing is down about 8% from last year when there was no casino. The live racing handle is up which he attributed to the quality of the racing greyhound at the track. Simulcast revenues from May 1st to the current date are down approximately 27%. He felt some of those attending the live and simulcast racing were cannibalizing some of their gaming dollars in the casino.

Mr. Ketterer then noted that Bluffs Run Casino (BRC) has entered into an agreement with the IGA whereby they are simulcasting their signal on a trial basis as they were able to obtain a competitive market rate. DGP&C is currently receiving simulcast signals from Gulf Greyhound Park and Jacksonville Racing Circuit. He indicated that the Commission would like to see DGP&C take BRC simulcast signal to show support, but that did not mean they had to forego the other signals. Mr. Wentworth indicated that DGP&C had taken BRC previously and would be willing to do so again and requested that the Commission provide that authorization at this time.

Ms. Vanderloo requested that all simulcast contracts be reviewed and approved by the Administrator of IRGC as they come up for renewal for all licensees.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve DGP&C's 1997 racing schedule as submitted. The simulcast will include not only the Jacksonville Racing Circuit and Gulf Greyhound Park but also BRC with the proviso that the simulcast racing contracts will be approved by the Administrator as those contracts are submitted to staff. Commissioner Peyton seconded the motion. Chair Sealock called for a roll call vote. The motion carried unanimously. (Order No. 96-101)

Chair Sealock then called on Barry Sevedge, Operations Director for Bluffs Run, to address Iowa West Racing Association's (IWRA) request for live and simulcast race dates for 1997. IWRA is requesting live race dates of January 1, 1997 through December 31, 1997, and continuation of the horse racing signals as negotiated by Prairie Meadows Racetrack & Casino (PMR&C), and will continue to simulcast their signal for the remainder of the year and review the issue later in the year to make a decision regarding 1997. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve IWRA's request for race and simulcast dates at BRC for 1997, with the proviso that the simulcast racing contracts will be approved by the Administrator as those contracts are submitted to staff. Commissioner Allen seconded the motion.

Mr. Ketterer noted that there was a question regarding the last two weeks in 1996. He suggested that issue be included in any motion. In previous years, the track shut down for the last two weeks of the year; however, with the opening of the casino, they have done away with this closing.

Hearing no further discussion, Chair Sealock called for a roll call vote. The motion passed unanimously. (Order No. 96-102)

Mr. Sevedge gave a brief update on BRC simulcast. During the first week, the simulcast handle was around $80,000, $91,000 the second week, and $110,000 the third week. The $110,000 is slightly less than half of what BRC projected they would need in order to break even; however, this is better than they expected. They are continuing to look for additional tracks to bring on line.

Chair Sealock asked if it would be helpful if DGP&C and PMR&C took their simulcast signal. Mr. Sevedge indicated they would take any handle they could get. Mr. Sevedge indicated the simulcast handle has replaced some of the handle lost when they ceased simulcasting, as well as some of the live handle which they have lost this year.

Mr. Sevedge clarified that BRC does receive quarter horse simulcast signals as well as thoroughbred signals.

George Beno, Executive Director of IWRA, addressed the Commission regarding their request for Commission approval of a deed and Lease Agreement between IWRA and Southwest Iowa Foundation, Inc. (SWIF) which is a new organization they had formed.

Commissioner Hansen indicated that he had some technical questions regarding the insurance coverage. He felt that under the terms set forth on Page 14 of the Lease, the tenant is required to cover all of the personal property as well as everything else. His main concern was with the building coverage. It appears to him that SWIF would have the insurable interest in the building, and have to be a policy holder, so the cost would be born by IWRA. He feels the insurance coverage is not adequately addressed in the lease. SWIF is being established to make charitable contributions; therefore, they will not have money available to them, without insurance, to replace the facility.

Mr. Beno stated that the lease is a triple net lease, and IWRA provides all of the insurance for the building as well as the facility. He asked Commissioner Hansen if he felt that was not covered adequately to replace the building.

Commissioner Hansen noted that on Page 14 of the Lease, all the different types of coverage and the covering of personal property are stipulated. He is aware of their unique situation, but did not understand why it was not stipulated that SWIF is the only one who would have an insurable interest in the building but that the costs would be born by the IWRA. However, that is not specifically stated anywhere in the lease. It does address their responsibility to replace the building.

Mr. Beno indicated they felt that was addressed in the triple net lease. Rod Anderson, of Arthur Anderson Company, stated that their intent was to structure the lease in such a way that there was an insurable interest from IWRA's standpoint in the triple net lease and they would be making the insurance payments as they came due so the facility would continue to be insured and the insurance aspects would be controlled, to a large extent, by IWRA as payer of the insurance premiums.

Commissioner Hansen asked why they had not addressed the building coverage issue on an itemized basis as they had on everything else in the insurance section. Mr. Andersen indicated they would look at the issue again to make sure they address Commissioner Hansen's concerns.

Commissioner Hansen questioned the selection of the Omaha Community Foundation and what their function is. Mr. Andersen indicated that one of the requirements they needed to address in reviewing the entity IWRA is affiliated with is that SWIF needed to be a non-private foundation because the transaction involves the transferring of the facility and then leasing it back to IWRA. That type of transaction can not be entered into with a private foundation; therefore IWRA needed a publicly supported organization for that purpose. Their wishes and intent, from a tax standpoint, was to get a broad-based entity which would permit them to make contributions to a wide range of organizations. Of the organizations from which they had to choose, the Omaha Community Foundation was the best choice as they are established specifically for the purpose of allowing other foundations to join with them in supporting their endeavors in the charitable area. They also support southwest Iowa charitable endeavors. There was some concern with some of the other organizations that their basis of support would be much narrower as to where IWRA would be able to transfer their charitable dollars. Mr. Beno noted that the Omaha Community Foundation would have no control over the grant award program. SWIF will make all the determinations on the grant awards.

Chair Sealock asked Mr. Beno if there were Omaha people serving on the Board that makes the decisions on the charitable contributions. Mr. Beno noted there will be five directors on that board, and one would be an Omaha person - potentially a member of the Omaha Community Foundation, and there would be four from SWIF. Commissioner Hansen asked if any of those individuals would be involved with Aksarben. Mr. Beno indicated they were not aware of any such involvement.

Commissioner Allen asked for Mr. Beno clarification regarding Omaha Community Foundation's role in the grant award program in that she felt he had just stated they would not be involved in that process. Mr. Beno noted that the Omaha Community Foundation would submit a director from its board plus a second one from southwestern Iowa for a total of five directors. They would be involved with SWIF, but IWRA would have a majority of 4-1 on the board, thereby controlling SWIF which will be making about $1.6 million in grants annually. Commissioner Allen asked if she understood correctly that there would be two boards/two foundations which would be making grants. Mr. Beno indicated that was correct. They will have the Iowa West Foundation and SWIF. Commissioner Allen clarified that one will be private and the other will be non-private.

Hearing no further discussion, Chair Sealock called for a motion which will need to incorporate Commissioner Hansen's concerns on the insurance. Commissioner Hansen moved to approve the Quit Claim Deed and the Lease Agreement contingent upon the parties clearly specifying the building insurance coverage issue. Commissioner Allen seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (Order No. 96-103)

Chair Sealock then moved to Racing Association of Central Iowa (RACI) request for live and simulcast racing dates for 1997. Bob Farinella, General Manager of PMR&C, informed the Commission that the request before them is for tentative approval. Their request is for a window of April 1, 1997 through November 30, 1997. The following meets are under consideration: a 60 day Thoroughbred meet, a mixed meet of Thoroughbred and quarter horse racing by itself in addition to the thoroughbred meet, or a 25 day standard bred meet. The race week could encompass five (5) days of live racing per week similar to the 1996 season. Based upon the above meets under consideration, the actual number of live racing days could fall in the window of 90 to 145 days. They will have inbound simulcast schedule will run from January 1, 1997 through December 31, 1997.

Chair Sealock asked Mr. Farinella if there was any reason why they could not increase their signal from Council Bluffs. Mr. Farinella noted that they would review the matter. They have noticed that since they lost BRC's signal last year, a number of their patrons have realigned their waging preferences.

Mr. Ketterer indicated that early in the season, he and Ms. Vanderloo attended an introductory meeting which concerned the reconstruction of the paddock and expansion of the jockey's room. He inquired as to the status of those projects. Mr. Farinella reported that they have not been on the front burner, but are still being considered as part of the plan for next year. They are tied into the major project which has been recommended to Polk County which has been put on hold at this time. That project also included the administrative facilities. Mr. Ketterer asked if additional barns were going to be built after the live meet has ended. Mr. Farinella indicated that two new barns will be constructed following the meet.

Mr. Ketterer noted that there have been numerous problems this year with the video operation and the equipment. He felt there had been an emphasis on trying to upgrade the quality of the simulcast product being sent out; however, several problems have been called to the attention of different individuals in official positions at PMR&C, and the problems are continuing. Mr. Ketterer stressed the importance of the stewards officiating the meet to have views from several cameras in order to make decisions regarding disqualifications, etc. He hoped that management would give this situation their full attention in order to immediately correct the problem. He went on to note that part of the process for correcting the situation would involve the number of cameras. There is a pan camera on the roof and two camera towers for head on shots . He felt that for the size of the track, the purses being offered, many riding infractions and issues regarding the outcome of races are decided on the turn, a tower and a camera view from what has been the quarter-mile pole near the head of the stretch should be available. Most regional tracks which PMR&C is comparable to have these cameras, and Mr. Ketterer encouraged PMR&C to consider installing these cameras prior to the live meet next year. Mr. Farinella indicated they would be willing to do that. He noted that new lenses had been installed in the TV cameras this year; however, they did not work out as well as anticipated. Mr. Ketterer noted that staff had received information as to what types of lenses other

tracks were using and would share that information with them and where they could obtain those lenses at a reasonable price.

Commissioner Peyton stated that he felt the request was a little uncertain. He felt the Commission was premature in considering this request at this time, and would like to have a little more definition as to what they are requesting, and requested that the matter be deferred. Mr. Farinella stated that in previous years they have requested a window which has usually been easier to project. Chair Sealock indicated that she would like to see something a little more definitive as well.

Commissioner Whittenburg agreed with the prior statements. She noted there were too many possibilities available with no way of knowing what the end result could be, and would be more comfortable with a greater degree of certainty before giving any type of approval.

Commissioner Peyton asked what the time constraints were facing PMR&C. Mr. Ketterer noted that IRGC has to turn in budget requests by September 1st, and the number of race days will have impact on that.

Mr. Ketterer asked Mr. Farinella what action had been taken on the proposed purses of $12 million and $22 million. Mr. Farinella stated there had been no further action as the Board had not met since the last Commission meeting. At the staff level, they have been considering various options of the windows submitted to the Commission today, and will discuss those with the Board tomorrow. There have been no changes to the original presentation to the Commission. Mr. Ketterer asked if agreements had been reached with the horsemen's groups, and Mr. Farinella indicated that formal negotiations have not been started, but they have had conversations.

Commissioner Peyton asked if a deferral at this time would cause PMR&C any hardships. Mr. Farinella indicated it would not as PMR&C's request was a proposed window, and PMR&C will have to come before the Commission with the formal dates for the season when they are established.

Chair Sealock requested that Mr. Ketterer work with PMR&C in resolving the various issues surrounding the paddock, jockey's room, and whether or not they will have harness racing which will need to be resolved before construction begins. She noted that this item would be deferred until a more definitive proposal was brought before the Commission.

Chair Sealock asked Mr. Farinella to address any progress made in discussions with Polk County. He stated that there is a new county manager and staff has met with him on two occasions in order to bring him up to speed regarding the various issues surrounding PMR&C. Commissioner Peyton asked Mr. Farinella if RACI had presented any figures to the County as far as projected income. Mr. Farinella stated that the only figures which had been submitted were those figures which were presented to the Commission at the last meeting and discussed at the last RACI board meeting. Commissioner Peyton asked if a preliminary budget for 1997 had been prepared. Mr. Farinella

indicated they had not, that the process will be started later in the year, but they feel certain that the major targets which were established in the original projections will serve as the limits for any expenses. The County would not normally receive a proposed budget for PMR&C until the first of December after it had been approved by the RACI Board in November.

Liza Ovrum, representing Polk County, indicated that the new county manager had intended to be present; however, the Polk County Board of Supervisors also meet on Tuesday mornings. She agreed with Mr. Farinella's statements regarding the meeting held between Polk County and PMR&C staff. She noted that Polk County has tried to set up a joint public meeting between the RACI Board of Directors and the Polk County Board of Supervisors so they could discuss purse issues and future issues facing them; however due to various reasons, RACI has not been able to make it. They will continue to work on arranging a meeting date and hope to accomplish this meeting prior to the Commission's next meeting.

Mr. Ketterer asked Ms. Ovrum what the County's concern was over the purse issue. Ms. Ovrum stated that it is part of the budget. Mr. Ketterer asked what their role would be if RACI and the various horsemen groups reached an agreement. Ms. Ovrum stated that the Operating Agreement gives Polk County authority to approve the purse contracts. Mr. Ketterer stated that he could see their concern prior to the debt being paid, but wondered what their concern was at this point. Ms. Ovrum stated that beyond having the authority to approve them, the County is concerned about promoting the horse industry, and not increasing the purses at a rate that would jeopardize the ability of Iowa horses to compete. Mr. Ketterer asked if that was the County's responsibility or RACI's. Ms. Ovrum stated that as the owner of the facility, they are interested in all aspects of racing - creating PMR&C, promoting the horse industry in Iowa.

Commissioner Peyton asked Ms. Ovrum if the County had any indication from PMR&C what RACI's budget will be in 1997. Ms. Ovrum indicated they did not. The proposal contained in the meeting packet was submitted to the RACI Board of Directors who have numerous questions. The Board has not met since the previous Commission meeting. Commissioner Peyton asked how Polk County could decide what they are going to do with the money they receive next year if they do not have an indication of what the budget will be. Ms. Ovrum indicated that no decision has been made penny by penny, but there has been a general plan developed to continue paying off the debt and Polk County will receive $17 million. Commissioner Peyton asked if an article in The Des Moines Register earlier in the week was accurate. Ms. Ovrum indicated she had seen the article, but without reading it again, she did not want to state that it was accurate. Commissioner Peyton indicated that it laid out what the County planned to do with the money. She felt that was paying off the debt and the $17 million that goes into Polk County's budget. Commissioner Peyton stated that the article referred to $23.4 million. Ms. Ovrum again indicated that she was not comfortable discussing the article without being able to reread it. Commissioner Whittenburg asked Commissioner Peyton if the article presumed how much money would be available to the County, and then asked how the County knew how much would be available if they haven't received a budget. Ms. Ovrum indicated

that the County doesn't know how much money will be available. Commissioner Whittenburg asked Ms. Ovrum how they came up with the figure of $48 million. She indicated that would have been a projection based on history. She does not want the Commission to think that the County is locked in and is planning a real detailed budget based on that projection. Chair Sealock asked Ms. Ovrum if she could see how the Commission could arrive at some of its thoughts based on the Des Moines Register article. She indicated that she could. Commissioner Whittenburg stated that this article was misleading since RACI has not even submitted a budget, and the County is presuming how much money will be available to them from PMR&C. Ms. Ovrum stated that the only formal action taken by the County was to approve some budget amendments required by law to handle some expenditures which have already been made. Commissioner Whittenburg noted that the appearance is that the County has already pre-determined what will be available.

At this point, Mr. Farinella informed Chair Sealock that there were representatives from the various horse groups at the Commission meeting, and wanted an opportunity to address the Commission. Suzanne Evans, representing the Horsemen's Benevolent and Protection Association (HBPA), noted that the HBPA Board consisted of eleven members who represented the thoroughbred trainers and owners at PMR&C. She noted that the pursed agreed upon for the 1996 season made it possible for fans to view better racing stock at PMR&C, and owners to upgrade their racing stock which makes the sport more marketable. The live and simulcast racing handles have increased this year due to the better racing stock. Racing dates and purses for 1997 are being discussed. PMR&C management has listened to various ideas and differences with an open mind. They appreciate the common sense approach and hope that any agreement they might reach will have the Commission's approval and support. PMR&C has supported the horsemen groups in their effort to interest slot players in racing. Tours are given of the facilities and information provided about the various aspects of what is day is like for the trainer, jockey, groom, trainer, vet, and the racehorse. The various groups are working to make the sport pay its own way - competitive purses will draw good horses which will draw more fans which will increase the live and simulcast handle. A training center is needed near the track to handle the overflow of horses.

Gary Lucas, representing the Iowa Thoroughbred Breeders and Owners Association (ITBOA), noted that the RACI Board has been very helpful in promoting the racing industry; and they hope to see it continue. He noted that the various horsemen groups had been very active and spent a considerable amount of money and time in the lobbying effort to save the racing industry and PMR&C. The ITBOA and other horsemen formed a coalition with Polk County to work to pass the current slot casino legislation for the racetracks. The legislation passed and the horsemen agreed that the first priority was to pay off the debt of PMR&C which is fast becoming a reality. He feels it is time for the horsemen to share fairly in the fruits of the combined efforts that passed the legislation. He took a moment to address Ms. Ovrum's comment that Polk County does not want to increase the purses so fast as to push Iowa horses out of the running. Mr. Lucas stated that if there were a zillion dollars in purses next year, it wouldn't affect the Iowa horses. The state of Iowa has a law which clarifies what an Iowa horse is. A racing horse can not be produced in Iowa without a three or four

year lead, and a horse becomes an Iowa-bred horse when it hits the ground as a foal. Iowa-bred horses will still compete against their own kind and their own kind of horse until the new generation comes to pass. That is not a sufficient reason to not increase the purses. The increased purses will improve the quality of the open company racing which will improve the competitive spirit of the Iowa horsemen in wanting to compete with their horses across the country in any open race. The increased purse money offered to Iowa bred horses will allow them to invest money to reach a higher level of racing stock.

He feels that top class racing will make Polk County and PMR&C a destination vacation spot if the purse levels reach the level which will attract top quality racing which he also feels Iowa should be able to enjoy. Mr. Lucas has a hard time accepting the comments that Polk County doesn't want PMR&C to be in the same class as Santa Anita or be as big as California. The purses which have been suggested are not anywhere near the purses at Santa Anita, and secondly, he questions why Iowa has to be second best. For 1997, he feels it is important that there is an increase in the purse structure and the number of available days of racing. Illinois has 400 days of racing, Ohio - 271; Kentucky - 209, and Nebraska, without Aksarben, has 146 days. Mr. Lucas is of the opinion that PMR&C should have a straight thoroughbred meet which would bring the top trainers and horses to Iowa and allow PMR&C signal to be marketed across the country. Thoroughbred people would support the quarter horse people in a mixed race meet as well.

George Lind, a member of the Board of Directors of the Iowa Quarter Horse Association, complimented the Commission on their decision to defer judgement on the proposal submitted to the Commission regarding 1997 live and simulcast racing dates. The quarter horse association also wants more information about the proposed meet. He is not aware of any meetings between RACI and the quarter horse association. Such a meeting needs to take place before a proposal which is fair to the quarter horse industry and thoroughbred industry can be formulated and submitted to the Commission for a vote. The quarter horse association is very much against the split meet as they feel it will endanger their existence.

Chair Sealock called on Mr. Ketterer to address the proposal to limit the time for submission of any future riverboat applications. IRGC staff was directed to bring proposals back to the Commission at this meeting. Mr. Ketterer noted that he had had an opportunity to meet with the Commissioners individually which gave him an opportunity to visit at length with the new Commissioners and found those discussions very helpful. He feels that if we look at where Iowa stands in the riverboat industry and the goals the legislature had which were development and revenue, there are some notable achievements which need to be recognized. Tax revenue in the last two years has increased from less than $10 million to in excess of $100 million for the general fund. As far as development, Iowa has experienced riverfront restoration, land-based development, creation of tourism for Iowa, as well as job creation. The qualified sponsoring organizations have distributed millions of dollars to various organizations and communities.

Iowa is now at the point of looking at the number of boats in the state and recognizing that some states have limits and some don't. The legislators in Illinois, Indiana and Louisiana limited the number and location of riverboats in their states. Mississippi, Missouri and Iowa legislators did not adopt similar limits which may have been due to different goals. Mississippi had the lowest per capita income in the nation, high unemployment and low funding and educational stature; however they did have great potential for resort development on the Gulf. Maximization of jobs and revenues were goals which they have met with a free market enterprise where only the best operations will survive. Missouri was similar to Iowa, and is currently discussing the same issue Iowa has over the past two years, namely, how many boats is the right number.

Mr. Ketterer noted that the Commission has discussed this issue at a number of meetings as a discussion item, not as an action item. The Commission has never considered a maximum limit even though the legislation states the Commission shall determine the number, location and type of boats. The Commission has felt that this is a legislative function. Through these various discussions, the Commission members presented their various philosophies and hoped that prospective applicants would realize the Commission would become more selective to avoid a plethora of casinos in Iowa which many anti-gambling individuals feel has already been reached. One of the Commissioners asked me why the Commission went through the process of accepting, processing and evaluating applications if the Commission is only going to deny the license based on a saturated market when Commission members and the applicant could be saved a lot of time, money and effort if they were so advised up front. The comment caused me to wonder what steps could be taken short of capping the number of casinos. Following a staff retreat in which this topic was addressed, IRGC staff focused spacing the time in which applications would be considered and what criteria would be most important for the Commission to consider before issuing future licenses. One of the things IRGC staff would recommend to the Commission for a proposed rule would be that applications would only be accepted in December of each year. This rule would need to be written so as not to shut out any current prospective applicants. November would be open for those counties who have not had referendums in their counties. This time frame would also provide the Commission with an opportunity to assess the economic and social impact of gaming from the previous year. The applications would be considered at the same time as the renewals of existing licensees. Additionally, IRGC is feeling a strong need at this time to focus on regulating the licensees. The casinos have grown from three to twelve facilities in two years, regulatory issues have increased proportionately and take more staff time. Staff would like to spend more time at the sites and increase the dialogue between the licensees and staff.

During my visits with the Commissioners regarding their thoughts on future applications and what criteria they would like to consider in deciding whether or not to issue new licenses, several interesting thoughts came forward. Some of those thoughts were:

- Receive documents every other year in December
- Listen to potential applicants

- Applicants should understand that they are coming to the Commission under different circumstances than when there were only a few licensees in the state. There is a reluctance to issue new licenses because to do so may cannibalize existing jobs and revenues.
- A minimum dollar amount be established for economic or land-based development
- Benefit a large segment of the population or, if located in a non-metropolitan area, benefit a geographic or regional location
- Ability to access new markets and revenues
- Flexibility to approve an outstanding proposal or project

For these reasons and others, the Commission has always been reluctant to put a cap on the number of licenses.

At this time Mr. Ketterer asked the individual Commissioners to express their individual philosophies regarding the refining of the application process and what their focus would be in terms of granting a license based on the criteria set forth in the rules.

Commissioner Hansen stated that it is not the Commission's prerogative to impose a cap. He does see an advantage in trying to create a more orderly process, but also feels that this issue is so significant that it shouldn't be done by the adoption of a policy statement by the Commission but by Administrative Rules so that there can be the greatest amount of input into the process on all new applications. To that extent, he submitted proposed Administrative Rules to the other Commissioners and Mr. Ketterer. One would set forth that the Commission would entertain new applications during the month of December to be acted upon by the following April, May or whatever. The second rule to assure every applicant a fair chance and maximize the objectivity of the process, and to look at the impact on existing licensees, the Commission would commit itself to engage an independent firm to study the market feasibility not only for the new applicant but the implications of the applicant upon any existing licensee.

Commissioner Whittenburg stated that she supported the concept that applicants should come forward on a yearly basis. She noted that six boats have started operations since she joined the Commission two years ago. The picture has changed considerably from the point of being able to place a boat about anywhere in the state when she started to the current status of nine riverboats around the state. The state has fifteen locations where individuals can go to gamble. From the various market studies presented to the Commission by Christiansen & Cummings, the markets have pretty much filled and few areas remain in the state where a new location could open without cannibalizing existing licensees. She feels it would behoove the Commission to look at all applicants together on an annual basis to view the entire market and view the entire state versus individual pockets. Commissioner Whittenburg stated that at this point it would be better to have an overall view of gaming in the state. She went on to point out that she would be in favor of having a market study done at the time the applicants are evaluated on an annual basis; however she would rather see that done by procedure rather than a rule.

Commissioner Allen indicated that Mr. Ketterer had impressed upon the Commissioners the need to step back and reassess their goals. She stated that she had concerns ranging from the economic pluses obtained from racing and gaming to the social ills that it has bred and the effect on a number of citizens. As far as funneling applications into a specific time frame, she feels the idea has merit. She sees the advantages of selecting December as the month as it would coincide with the renewal of the existing licenses and allow everyone to do some planning; but on the downside, it could become a bureaucratic log jam as the Commission could be faced with a number of applications at one time which would drastically increase the workload on the Commission members and IRGC staff. Commissioner Allen stated that even though the Commission has been given a wide latitude by the legislation; until they are mandated by law to cease consideration by law, then the Commission has an obligation to continue to be objective in their management of racing and gaming in Iowa. This does not mean that she advocates a casino in every county or specific area. If and when the moratorium is issued on the issuance of licenses, it is not a signal to existing operations to become complacent as the Commission is not in place to protect a monopoly but to regulate the racing and gaming industry.

Commissioner Peyton started by stating that he does not like moratoriums, nor does he particularly like rules and regulations which he feels are unnecessary. He feels the proposed rule/policy of not accepting applications except for the month of December has the practical effect of being a moratorium for a year which does not mean that he is in favor of more gaming operations in Iowa. He would prefer that there not be any additional gaming facilities in Iowa; however, as long as the Iowa legislature allows it and provides a mechanism for making an application for gaming operations, he feels it is the duty of the Commission to accomodate that in a reasonable manner. Commissioner Peyton feels the restriction as to accepting applications during one month of the year is beyond the scope of the Commission's authority. He feels the policy might create a situation which would provoke an application. Commissioner Peyton stated that as long as there is a right to apply for a license that the people should be able to do that whenever.

Chair Sealock noted that the Commission has been faced with a log jam of applications on two separate occasions. The first one occurred when the very first riverboat licenses were granted. All of them opened on the same day. The second occurred when the applications for Council Bluffs were submitted. She noted the tremendous burden placed on staff. When you look at how much the industry has grown over the past two years, the staff of the central Des Moines office has not increased during that time. These are the people charged with protecting the integrity of gaming in Iowa. Chair Sealock stated that she is not an advocate of gambling, but is very proud of what has been accomplished in the state. She feels there is room for this industry in Iowa as well as room for those individuals who are not interested in gaming. Her main concern is on the regulation of the industry - that it is consistent and thorough. The Commission now expects the applicants to show a commitment to the state and community in which they would be located.

Chair Sealock instructed Mr. Ketterer to draft a proposal for a Notice of Intended action limiting the time in which licenses may be submitted for the next Commission meeting.

Mr. Ketterer noted that it is not easy to gain a consensus. He stated that the IRGC staff is not trying to guide the philosophy of any of the Commission members, but rather feels it is important that they be able to express their philosophies at a public meeting in order to allow individuals who will be coming before the Commission with an application to have some expectation.

Chair Sealock called on Mr. Wentworth to present DGP&C's contract with Anchor Games for slot machines to the Commission. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contract as submitted. Commissioner Peyton seconded the motion which carried unanimously. (Order No. 96-104)

Ms. Vanderloo, at the request of Mr. Farinella, addressed the Commission concerning the contracts submitted for Commisison approval by PMR&C. The contracts were with Charles Gabus Ford for two vehicles which individuals would be able to win; and the second was with Cummins-Allison Corporation for coin counting equipment. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (Order No. 96-105)

Chair Sealock then called on Jeff Terp, Vice President of Business Development, of Ameristar to present their contracts. She also requested that he provide the Commission with an update. Ameristar submitted the following contracts for Commission approval:

- Aksarben Been - Meat & Cheese Products
- Feuring Promotion - Promotional Items
- Gear for Sports - Uniforms
- Kinseth Hotel Corporation - Waiver of condition in lease regarding timing of completion of work which was required as a condition of financing
- Lanoha Nurseries, Inc. - Site Landscaping
- M & S Grading, Inc. - Repair Levee, Subgrade South Parking Lot
- Nebraska Machinery - Purchase and Service of Caterpillar IT 2F
- Nogg Chemical & Paper Company - Paper Products
- Pepsi-Cola Company - Pepsi Products
- Red the Uniform Tailor - Uniforms
- Southside Press - Printing Services
- Sysco Food Service - Food & Supplies
- Timelox, Inc. - Card Locks for Hotel Room Doors
- Western Engineering Company, Inc. - South Parking Lot and Bike Trail
- William-Kincaid Gourp - Printing and Processing Direct Mailings

He specifically addressed the contract with Kinseth Hotel Corporation contract which is granting them an extension of time in which to complete the hotel. The extension was necessary in order to obtain financing. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (Order No. 96-106)

Mr. Terp indicated there were several issues on which he would be updating the Commission, but took a moment to introduce John Spina, Corporate Vice President of Operations, who directs all of Ameristar's operations across the country. He is in Council Bluffs at the present time overseeing the day-to-day operations due to some personnel changes. Mr. Terp also introduced Jane Bell who will serving as the Project 21 coordinator and is also Public Relations Manger. In-house training on Project 21 has commenced.

As far as an update concerning the facilities, the south parking lot is almost completed and the landscaping would have been completed except for some abnormally wet weather. The hotel is proceeding as fast as it can. The modifications to the vessel should be completed this week. The modifications will expand the capacity, and have made some changes in their table games which were approved at the June Commission meeting. Kids Quest has done well - averaging between 450 and 500 per week. The average stay for the youth has been 1.6 - 1.7 hours which is close to the projections submitted to the Commission. It is expected the number of children will increase as fall and winter come. The restaurants have been doing well since opening. The cafe has had approximately 1,350 people pass through in a day, and the buffet has been running at approximately 1,700 per day.

Mr. Terp distributed a riverboat cruise history for the month of July. The river gauge has continued to exceed what was projected at the normal level for the river and used in designing their vessel. This has prevented them from conducting official cruises. Year-to-date official cruises total 13, and they have had 39 limited cruises. They do attempt to cruise every day. As of this date, there are exactly 100 days left in the cruising season and they will continue to do the best they can. Chair Sealock noted that the river gauge on July 18 and 19 was very close to flood stage. Mr. Terp stated that according to the Army Corps of Engineers flood stage is 29.9, and that is when Ameristar clears their parking lot. Chair Sealock asked what they are doing actually doing at the present time about cruising. Mr. Terp stated that if they can't get under the I-80 bridge, they cruise between the Union Pacific Railroad bridge and the I-80 bridge for two hours. They are in motion during the entire time.

Mr. Ketterer informed Commission members that staff has had conversations with Mr. Terp on this issue and has requested additional information from the Corps of Engineers and any documentation they have with respect to the river gauge in previous years. When all of the information has been received they will have a meeting with Mr. Terp.

Chair Sealock noted that the river gauge for the month of July is higher than what they were informed was the average gauge. Mr. Terp noted they were told the normal river heighth was 16 feet, actually 15.6 feet. Ameristar was advised that the normal flucuation could be between 16 and 19 feet. If you go back to the start of the cruising season, and what they have found out since they have had cruising problems, is that 16 to 19 feet is not normal, especially this year with the Gavins Point Dam release. Chair Sealock asked how much difference there was in height between Ameristar and Harveys. Ameristar is 57.625 feet and Harveys is 53 feet with the stacks bolted down.

Ken Bonnet, President of the Mississippi Belle II (MB II), presented the following contracts for Commission approval:

- Andrew K. Thomsen d/b/a A. K. Thomsen & Son - Cost of Repairs from Storm Damage
- Dubuque Casino Belle, Inc. - Amounts in excess of $50,000
- East Dubuque Savings Bank - Irrevocable Letter of Credit Issued to Treasurer, State of Iowa for Gaming Taxes

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts as submitted. Commissioner Allen seconded the motion which passed unanimously. (Order No. 96-107)

Mr. Bonnet noted that their new partner, Crown Casino, has submitted all of their personal and corporate backgrounds within the last week. They are joining with several of the other boats on August 8th to do a "Make A Wish" foundation event. This is a first time event for the boats and there has been a good response to date.

Chair Sealock then called on Mark Lohman, General Manager of The President, to address the following contracts submitted for Commission approval:

- AT & T - Purchase Agreement of Definity G-1 Equipment
- Buck Kreihs Company, Inc. - Wharfage, repairs and work as directed for M/V President
- Downtown Davenport Development Corporation - Funding arrangement for construction of Biederbecke Drive
- IGT - License Agreement of Smart Plus Software
- Rutland Simmons - Creative services, consultations, typesetting, color separations
- Treiber Construction Company - Biederbecke Drive extension and streetscape
- Treiber Construction Company - Valet Parking Lot construction
- U. W. West Communications - US West Private Line, Transport DS1 Service

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (Order No. 96-108)

Mr. Lohman read a press release which their parent company, President Casinos, issued on July 22nd stating they had entered into a Letter of Intent with Primadonna Resorts, Inc. A copy of the press release is attached, and by this reference is incorporated into these minutes.

Chair Sealock then called on representatives of Lady Luck to discuss the contracts. Bob Ellis, Corporate Counsel, and Curt Beeson who has been involved in the negotiation of some of the contracts, presented the following contracts for Commission approval:

- Anchor Games - Wheel of Gold slot machines, Clear Winner slot machines, and Custom signage for Clear Winner slot machines
- Casino Data Systems - Slot machine parts
- Custom Sign Systems, Inc. - Sign package proposal
- Easybar Beverage Controls - Liquor equipment
- Greenwood Cleaning Systems - Cleaning supplies
- IGT - Slot machine parts
- JJAX Entertainment, Inc. - Management Fee, Equipment & set-up costs, 60% share of profits to JJAX, net losses as defined
- Lane & Waterman - Legal services
- Minter Weisman - Cigarettes, candy, liquor
- The Nevada Production Company - Television and radio commercial production services
- Paul Steelman Interiors, Inc. - Architectural designs
- Reinhart Institutional Foods, Inc. - Primary food service vendor proposal
- Wolfe Beverage Company - Liquor

Mr. Ellis indicated that half of the contracts were with in-state vendors, and half were with out-of-state vendors.

Commissioner Allen noted that the Bettendorf Planning and Zoning Board voted against a proposed amendment that would have allowed a child care site in a commercially zoned district. She asked the current status of their proposal, and what changes, if any, would need to be made to the agreement to comply with Bettendorf's restrictions. Mr. Beeson stated that the circumstances in the rezoning instance is a special zoning classification which was created at the time that riverboat gambling was started since the property needed to be rezoned. The City of Bettendorf created a special entertainment classification and the City Attorney drafted the zoning ordinance. Under the specifically stated uses in the ordinance, child care was not a listed use. The child care facility that is planned by Jumping Jax is slightly different than Kids Quest which is hourly care. This center will also provide contract long-term care as well. Because of the differences, the city attorney decided determined that a specific reference allowing child care should be added to the zoning ordinance. The Planning & Zoning Commission requested that certain safeguards which are included in the lease agreemet with Jumping Jax to be added to the zoning ordinance. Two items were requested to be added to the ordiance: 1) Radius restriction from the casino itself so as not to

be confused with the child care mandated in 99F; and 2) a separate entrance for the day care center from the video center for the older children.

Chair Sealock reminded Mr. Ellis and Mr. Beeson that any approval from the Commission regarding this contract would be contingent upon them obtaining the proper authoizations from the city of Bettendorf. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts submitted by Lady Luck Bettendorf. Commissioner Hansen seconded the motion which passed unanimously. (Order No. 96-109)

Chair Sealock then called on the Belle of Sioux City to present their contracts. Steve Norton, , stated that they had two contracts before the Commission for approval:

- Balley Gaming - Slot machines
- Shufflemaster - Single deck shuffler, License Agreement for Let It Ride

Hearing no discussion regarding the contracts, Chair Sealock called for a motion. Commisisoner Whittenburg moved to approve the contracts as submitted. Commissioner Allen seconded the motion which passed unanimously. (Order No. 96-110)

Mr. Norton stated they had been having discussions with Missouri River Historical Development and the city in an attempt to restructure the tax arrangement. They are also attempting to add more parking which will require approval from the City government. Mr. Norton stated the Belle of Sioux City held a "Make A Wish" function a year ago and raised more than $25,000. Mr. Pavone, through his association with the Iowa Gaming Association, has turned this into a statewide effort.

Jim Rix, General Manager of the Dubuque Diamond Jo (DDJ) and Doug Gross, legal counsel, came forward to present the following DDJ contracts for Commission approval:

- First of America Bank - Illinois, N.A. - Financing to purchase boat from President Casinos
- Funny Bone of Union Station, Inc. - Entertainment
- Harbor Community Investment, L.C. - Lease
- Image Brokers - Advertising production
- J & R Bakery - Food
- Reinhart Institutional Foods - Food, disposables, equipment
- Shuffle Master - Card deck shoes; Let It Ride Stud Poker
- Sunstar Equipment Co. - Equipment and repairs

Mr. Gross addressed the contract with First of America Bank which would allow GDREC to seek financing at 10% interest to purchse the existing boat, as well as doing some renovations and removing some existing slot machines. He also commented on the lease with Harbor Community Investment, which is made up of all the unit holders of GDREC, is purchasing the portside facility.

Mr. Ketterer asked what the long range plans are for the portside facility. Mr. Rix stated that immediate plans call for the addition of parking space. They would also like to see the addition of some retail development. The City of Dubuque is constructing a walkway which will start in the Main Street area and wind down into the Ice Harbor area.

Commissioner Peyton asked how the debt service on the financing change affect the cash flow. Mr. Gross indicated that they will still have a substantial bottom line. Mr. Rix indicated the revenue figures are very conservative. The current lease agreement with President Casinos includes a monthly payment of $344,500 per month; the new loan payment will be $355,000. The new loan includes two other loans, so in the long run, they will be saving $100,000 per month.

Commissioner Allen asked why they were using an Illinois bank instead of an Iowa bank to finance the purchase of the boat. Mr. Rix noted that the company they are using, Miller Schroder, contacted over a dozen, but less than two dozen, Iowa banks who were afraid of the lower interest rate, the gaming period, and they wanted a two or three year pay back which GDREC/DDJ did not feel was in their best interest. Mr. Rix did point out that the limited liability company is using an Iowa bank.

Hearing no further discussion regarding the contracts submitted by GDREC/DDJ, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (Order No. 96-111)

Chair Sealock called on Jeff Farrell, Assistant Attorney General, to address the hearing concerning Mississippi Belle II. Mr. Farrell informed the Commissioners that their packets contained a copy of an unsigned settlement. The signatures were in the process of being obtained at the time the packets were sent out. He received the original signed copy the evening before. The settlement provides for a $15,000 fine for the violation of Iowa Administrative Code 491-26.10(2)(a) - allowing a visibly intoxicated person to gamble. Mr. Farrell requested that the Commission approve the settlement. Hearing no further discussion regarding the settlement, Chair Sealock called for a motion. Commissioner Allen moved to approve the settlement. Commissioner Peyton seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (Order No. 96-112)

Chair Sealock announced that the next Commission meeting would be held in Sioux City on August 15th.

Otto Steele, retired Methodist pastor, expressed his appreciation of the Commission's careful study of various issues. A copy of Mr. Steele's presentation, along with various handouts, is incorporated into the minutes by this reference. He ended his presentation by quoting a warning from an ecumenical statement to the legislative leaders of Iowa: "Gambling takes a heavy toll on the very ones we seek to help. Gambling does not produce or serve. It does not lift self-esteem. It is not

painless . It is not something the most vulnerable can afford. It is not something which adds to the moral and ethical fabric of society; therefore, gambling must not be permitted to make further inroads into the lives of Iowa people."

Allen Kilbourg, Executive Vice President and Chief Operating Officer of the Pearl City Queen Riverboat in Muscatine, along with Chad James, Chairman of the Muscatine County Board of Commissioners and a member of the non-profit organization, and several other representatives were present to answer any questions the Commisison might have or any suggestions the Commission might have to offer.

Chuck DeVoss, of Osceola, thanked the Commission for denying Argosy a gaming license in Osceola. A copy of Mr. DeVoss' statement is attached and by this reference is made a part of the minutes.

As there was no further business to come before the Commission, Chair Sealock called for a motion to adjourn. Commissioner Whittenburg so moved, and Commissioner Hansen seconded the motin.

MINUTES TAKEN BY:

Julie D. Herrick

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 15, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, August 15, 1996, at 8:30 AM in Room 1of the Sioux City Convention Center, Sioux City, Iowa. Commission members present were: Rita Sealock, Chair; Nancy Whittenburg, Vice-Chair; and members Brad Peyton, Jackie Allen and Bill Hansen.

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

Chair Sealock called for a motion to go into Executive Session for the purpose of receiving advice from legal counsel and DCI background investigations pursuant to Iowa Code Section 21.5© and (g). Commissioner Whittenburg so moved. Commissioner Hansen seconded the motion which carried unanimously.

Upon reconvening in open session, the Commission was welcomed to Sioux City by The Honorable Bob Scott, Mayor of Sioux City.

Chair Sealock called for a motion to approve the minutes. Commissioner Hansen moved to approve the minutes as corrected. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-113)

Chair Sealock then called on Betty Strong, President of Missouri River Historical Development (MRHD) - the non-profit licensee for the Belle of Sioux City. She noted that MRHD had pledged $500,000 to the following special projects: The AID Center, The Woodbury County Fair Grounds, The Sioux City Art Center, The Sioux City Clock Tower for the new City Hall, and the Sioux City Museum's "Castle on the Hill" project. These pledges were in addition to their regular grants. A listing of those organizations which have received grants from MRHD is attached.

George Boykin, a member of the Woodbury County Board of Supervisors, also welcomed the Commission to Sioux City, and noted that the county is using some of the funds they receive from the boat to restore the Court House which was just named as a national landmark on the federal level. Some of the funds are going to be used to benefit the youth of the community.

John Pavone, General Manager of the Belle of Sioux City (BSC), noted that when he took over as general manager there were 116 employees, there are now 446. He noted that he was recently elected president of the Iowa Riverboat Association. The riverboat operators recently worked together to raise funds for The Make A Wish Foundation. Two years ago, the BSC held the first fundraiser and raised $23,000 which was the single largest event in the history of the Make A Wish Foundation in the state

of Iowa. This year the Dubuque Diamond Jo (DDJ), Lady Luck Bettendorf, Catfish Bend, Mississippi Belle II (MBII), Miss Marquette, and BSC raised $75,000.

Chair Sealock then called on John Nelson, President of Iowa West Foundation. He noted they are the qualified sponsoring organization for Ameristar and Harveys, and own and operate Bluffs Run Casino(BRC). Of the 13 board members, seven are from the original board. In 1996, they have received 78% of their receipts for charity from BRC, 12% from Ameristar and 10% from Harveys. From 1984 through 1996, including the spring grants, Iowa West has made 348 awards for a total of $7.3 million. These grants have been awarded throughout the general area - 71 communities in 9 counties. They feel it is their responsibility to be an organization that benefits more than just Pottawattamie County. Some of the highlights are:

- A Leadership Academy which has become well known in education circles nationwide. This academy benefits seventh graders from 27 southwest school districts. These students attend a forum at Iowa Western Community College over several days. To date, 1500 students have participated in the program.

- $30,000 towards the restoration of Broadway Avenue which is the main thoroughfare through Council Bluffs. This turned into a $3.5 million project.

- $2.5 million to the Council Bluffs Library to help with the building of a new library.

- Established an endowed scholarship fund at Iowa Western Community College which has provided funds to about 100 students who wouldn't have been able to attend college otherwise. They hope to announce a 4-year scholarship program. These scholarships would be approximately $4,000- $5,000 per year, and hopefully will benefit 50-100 students each year.

- School superintendents from 33 southwest Iowa school districts were asked to recommend a project which would best benefit students on a long-range basis. They gave a grant of $435,000 on a challenge basis to connect technology centers in 27 school districts with the Iowa Communications Network.

- $100,000 to the Metropolitan Family Services Program to enlarge the Council Bluffs office for the Gamblers Treatment Program, and continue to provide funds to addictive gambling response teams.

- $20,000 to Red Cross which developed and launched a $200,000 drive to build a new Red Cross center.

They have received over 100 applications for their fall grant program. They expect to give somewhere between $7 - $9 million away this year. Their objective is to try to improve the quality of life within their area and provide benefits which will enhance and make their area a better place to live from a social service, economic development, and beautification standpoint.

Commissioner Peyton commended Iowa West on the scope of their charitable causes which they support and the number of communities. He indicated that several individuals could learn from the selfless way in which Iowa West has distributed their funds, including some in Omaha.

Commissioner Whittenburg noted that she was impressed by the number of communities which had benefited from Iowa West's grants, and indicated that their program should serve as a model for other non-profit groups and licensees in the Iowa. She stressed that she was impressed that they were serving a region and not just a particular area or county.

Commissioner Sealock noted that the board members for Iowa West are from communities other than Council Bluffs.

Chair Sealock called on Jack Ketterer, Administrator for IRGC, to present the Notice of Intended Action on Administrative Rules 491-5.7(1), 20.15(1) and 20.15(2) which pertained to the duties and obligations of applicants and licensees. These rules prohibit licensees or applicants from giving anything of value with the intent to influence the action or decision of an individual on any matter brought before that individual acting in his or her official capacity, which includes, but is not limited to, members of the commission; any officer, agent or employee of the state, office holder or candidate for public office, or a spouse, lineal heir or employee of any of the persons previously listed. These rules do not prohibit a licensed boat operator or applicant for a boat operator's license from making political campaign contributions which would otherwise be legal under state or federal law.

Chair Sealock called for a motion regarding Administrative Rules 491-5.7(1), 491-20.15(1) and 491-20.15(2). Commissioner Peyton moved to adopt the above rules. Commissioner Hansen seconded the motion. Hearing no further discussion, Chair Sealock called for a roll call vote. The motion passed unanimously. (See Order No. 96-114)

Mr. Ketterer then moved on to Administrative Rule 491-6.1(9) which sets forth that the commission may engage an independent firm to perform a market feasibility study in the racing industry to determine the potential market of any proposed racetrack as well as the impact on existing licensees. Administrative Rule 491-21.10(9) allows the commission to engage an independent firm to perform a market feasibility study to determine the potential market of any proposed riverboat as well as the impact on existing licensees. Mr. Ketterer noted that the commission had engaged a firm to perform a market study regarding the last three or four applications. There was a question as to whether or not the rule is needed, or if a policy is already in existence. The word "may" is used instead of "shall" as there may be occasions when there would be a change in the licensee at an existing location where there would not be a need to have a market study; and the word "shall" would require that a market

study be done. Mr. Ketterer asked the Commissioners if they felt there was a need for this rule which would put the public on notice that this would be what the Commission would do or whether the policy which the Commission has had in the past covers the issue sufficiently.

Commissioner Sealock asked for comments from the Commissioners. Commissioner Peyton stated that he felt the Commission already had the ability to have market studies performed, and did not feel the rule was necessary. Commissioner Whittenburg noted that the rule would put the public on notice, but noted it is already a policy. Commissioner Hansen stated that he felt the rule is necessary in order to assure all applicants that the Commission will go about its research in an objective manner which would include having a professional consultant analyze the market impact. Hearing no further discussion, Chair Sealock called for a motion. Commissioner Hansen moved to approve Administrative Rules 491-6.1(9) and 491-21.10(9) as submitted. Commissioner Allen seconded the motion. Chair Sealock called for a roll call vote. The motion passed on a 4-1 vote with Commissioner Peyton voting no. (See Order No. 96-115)

Mr. Ketterer then moved on to the Notice of Intended Action on Administrative Rule 491-20.10(5) which pertains to application criteria which states that the Commission would only accept applications during the month of December to coincide with the submission of renewal applications. The Commission will receive the application of any applicant who was denied an application in 1996 after the one year period has expired under subrule 20.14(1)g . The last sentence was added so as to not adversely affect another Keokuk application which would not be eligible to reapply until April, 1997.

Mr. Ketterer clarified that the Commission is acting on this rule, as well as the previous rules, as Notice of Intended Action . The administrative rule making process is approximately 90-100 days long depending upon what day publication falls. Following Commission approval of the Notice of Intended Action, there is a publication period of three weeks in the Administrative Bulletin. The Administrative Rules Review Committee, made up of Legislators, is given an opportunity to review the proposed rules and comment. The proposed rules will come back before the Commission, probably at the October meeting, at which time they will be up for Final Adopt. They will then go through the publication process again, before the Administrative Rules Committee again, the Attorney General's Office for approval, and then following the last publication, and the passage of a certain number of days, the rules become effective. Mr. Ketterer noted that any applicants, other than Keokuk, could still file an application at any time up until December at which time this rule would become effective.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve Notice of Intended Action regarding Administrative Rule 491-20.10(5).

Commissioner Hansen seconded the motion. Chair Sealock requested a roll call vote. The motion passed on a 4-1 vote, with Commissioner Peyton voting no. (See Order No. 96-116)

Mr. Ketterer moved to the last item under Notice of Intended Action - 491-25.17(1) which would allow the Commission to suspend, deny, revoke or declare void any license applied for or issued by the Commission or fine a licensee or holder of an occupational license. The language "not exceeding $1,000 or both, or the Commission may revoke a license for a period of years." would be deleted. The Commission has the authority to revoke a license, and the "period of years" is redundant language. The amount of $1,000 limits the Commission and works to the disadvantage of everyone. The Code does not set forth a limit on fines. Mr. Ketterer felt the $1,000 amount was meant to apply to the holders of occupational licenses. There have been some instances with the riverboats which the Commission has addressed where there have been allegations in which the Commission has wanted to issue fines in excess of $1,000, and the only way to accomplish that was to meet and resolve those issues through a Stipulation and Order. The Commission may continue this practice in some cases. The only other alternative to the Commission would be to suspend the licensee which would have a significant financial setback for the riverboats. He feels the deletion of the language provides everyone more flexibility to deal with administrative penalties.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Hansen moved to approve the Notice of Intended Action regarding Administrative Rule 491-25.17(1). Commissioner Allen seconded the motion. Chair Sealock called for a roll call vote. The motion passed unanimously. (See Order No. 96-117)

Mr. Ketterer then moved to Administrative Rule 491-10.6(2), paragraph "g", subparagraph (3) which is before the Commission for Final Adoption. This rule sets the tolerance level for phenylbutazone at 2.2 micrograms per milliliter of blood. Mr. Ketterer noted that staff members and representatives from different areas of the industry appeared before the Administrative Rules Review Committee. The committee gave this rule its blessing and noted that the Commission was acting in the only way it could in order to enforce the phenylbutazone tolerance level that was contemplated in the statute. There was a deficiency in the statute which was not corrected during the last legislative session, but hopefully will be during the upcoming session.

Hearing no further discussion, Chair Sealock called for a motion regarding Administrative Rule 491-10.6(2), paragraph "g", subparagraph (3). Commissioner Peyton moved to final adopt the proposed rule. Commissioner Whittenburg seconded the motion. Hearing no further discussion, Chair Sealock requested a roll call vote. The motion passed unanimously. (See Order No. 96-118).

Chair Sealock then called on Tom Flynn, legal counsel for Racing Association of Central Iowa (RACI)/ Prairie Meadows (PM). He requested permission from the Commission to provide them with an update as to the progress made on resolving issues surrounding the 1997 racing season. Chair Sealock asked him to do so. Mr. Flynn noted that since the Commission's last meeting, the board of RACI approved a 4-point race program for 1997: 1) a split meet to have an exclusive thoroughbred meet followed by a mixed meet or exclusive quarter horse meet if there were sufficient quarter horses to fill it; 2) the purses for 1997 would not exceed $11.6 million total, with supplements; 3) the total race program would not exceed 115 days; and 4) there would not be any harness racing in 1997. Staff

members from PM met with representatives of the thoroughbred and quarter horse associations. A tentative agreement has been reached with the thoroughbred representatives which provides for 53 live racing days in 1997; the season would start on April 18, 1997 and go through July 5, 1997. There would be approximately $105,000 in purses per day, plus Iowa supplements, or $6.6 million total. The thoroughbred representatives feel the proposed agreement will be acceptable to their members.

The quarter horse representatives would prefer a mixed meet, however, they have been advised that they could have as many races in the second meet as they could fill. They were advised that the purses would be doubled to $5,000 per race, and would propose that they have 55 days to race in the second meet. Another meeting is scheduled for early next week. The quarter horse representatives have rejected the above proposal.

Mr. Ketterer advised Mr. Flynn that he had received a couple of phone calls from representatives of the quarter horse association who were interested in appearing before the Commission at this meeting; however, Mr. Ketterer assured them that no action would be taken on this issue at this meeting as it was not an agenda item. Mr. Ketterer asked if this issue would be resolved by the next Commission meeting. Mr Flynn indicated that it would be.

Commissioner Hansen noted that the myth is being dispelled that PM would never have any competition. He asked how Mr. Flynn would characterize the purse levels in terms of a competitive aspect. Mr. Flynn noted that the purse levels would place PM in the bottom third in this region of 7-8 states for 1996. The proposal for 1997 would then put PM in the lower part of the top third. He feels that PM will not face any competition or very little impact in 1997. Mr. Flynn noted that the goal of RACI and PM is to continue to promote the horse industry as well as providing funds to Polk County and charities.

Hearing no further discussion regarding the 1997 racing season, Mr. Flynn moved on to provide a progress report regarding RACI's relationship with Polk County. Mr. Flynn noted that since the Commission's last meeting, RACI had submitted a proposal to Polk County which included $11.6 million for purses for 1997. After all operating expenses, including wages, etc., there would be approximately $43 million to go to Polk County; however the proposal asked Polk County to commit some money back to the track for capital improvements. The proposal also suggested a pure landlord/tenant relationship which would remove the county from the approval process regarding contracts, management, purses, etc. At a joint meeting between the Polk County Board of Supervisors and RACI, it became quite clear that the Board of Supervisors did not like that proposal. The Supervisors came back with a counter proposal which agreed with the purses and landlord/tenant relationship; however, RACI would use the casino revenue to pay the state gaming taxes, and pay the county 40%. The second part of the proposal was that they did not think the RACI board was representative of the county, and should be expanded from nine members to eleven, the at-large members would be reduced from six to four, the County would still have three appointees, and four other members who would come from labor, charity, Polk County Taxpayers, and the Des Moines Development Corporation. RACI's board accepted the landlord/tenant relationship and no longer

having Polk County involved in the overview process. They did not accept the 40% to Polk County because it would not be economically feasible, nor did they accept the expansion of the board. RACI's board has since adopted a counter proposal to be sent back to the County which, assuming there is no material change in the competition or reduction in the revenues, provides for the County to receive 50% of casino revenues but the state gaming taxes had to be paid from that amount, and the county would no longer oversee the operations. The proposal also leaves the RACI board at nine members, but the county would still be able to have three appointees from wherever they wanted. The proposal also states that the County would own the track, fixtures and outside facilities; and RACI would own all of the personal property - gaming machines, equipment, etc. Mr. Flynn indicated that he felt progress had been made in resolving this issue.

Chair Sealock voiced the Commission's appreciation that the two sides have made progress. Mr. Ketterer asked Mr. Flynn to again cover the proposal which RACI is submitting to the County as no one was aware of that proposal since it had just happened. Mr. Flynn read from the proposal as it will be submitted to Polk County: "Assuming no material change in the competitive environment, and or PM Casino win revenues, RACI will distribute to Polk County 50% of its casino win revenues less any and all state gaming taxes, federal or state income taxes if they should ever be assessed and property taxes if they ever were to be assessed. From the remaining monies, RACI will be responsible for purses, capital improvements and other costs of operations." There is an exhibit attached to the proposal which showed that Polk County would receive about $33,880,000; $3,000,000 for charity, and $12 million left for capital improvements in 1997. Mr. Flynn indicated that he did not know what capital improvements might be done in 1997.

Commissioner Peyton asked where the purses would come in - are they taken out of the gaming win or after the gaming win. Mr. Flynn indicated that in the proposal submitted to the County by RACI, the purses would come out of RACI's funds.

Commissioner Whittenburg indicated that she was pleased to see some progress. She asked about the increase in purses which was included in the proposal, up from approximately $4 million to $11.6 million. Mr. Flynn noted that RACI's board had approved purses not to exceed $11.6 million. The purses discussed with the thoroughbred and quarter horse associations are likely to come closer to $11 million rather than $11.6 million. She is pleased that RACI wants to increase the purses.

Mr. Ketterer asked Mr. Flynn how much RACI would have under the projections for capital improvements, etc., keeping in mind that Polk County will receive approximately $33 million, and $3 million will go to charity. Mr. Flynn indicated that RACI will have approximately $12 million for capital improvements, replace slot machines, etc. Mr. Ketterer clarified that would be for 1997 only. He then noted there was a provision for a five year plan that purses would go from $11.5 million to $20 million. Mr. Ketterer wondered how the increase in purses would be implemented in future years - would it come out of the capital improvement funds assuming the same revenue or how much does RACI feel it would need for capital improvements in future years. Mr. Flynn noted that the proposal contains an exhibit which shows the purses increasing as previously proposed.

Commissioner Peyton addressed Polk County's suggestion that the board become more diversified. He feels there is merit in the suggestion in redefining how the Board is selected to make it more representative of the community and central Iowa, not just Polk County. He is not supportive of the County appointing individuals to RACI's board - particularly a majority as that would raise some control issues. He feels the Board should move to the next level where it would become more of a community/citizen board.

Commissioner Whittenburg indicated that she would have to give that idea some thought. Her thought process when she heard the County's proposal was who would have control, and she did not like the idea that the County would have control of the Board through the reconfiguration.

Mr. Flynn reiterated that the RACI board would go from nine to eleven members, and the at-large members would decrease from six to four, there would still be three county appointees, and four new positions which would come from Des Moines Taxpayers Association, Des Moines Development, a labor representative and a representative from a charitable organization - Polk County had suggested United Way.

Commissioner Hansen asked if Polk County would control seven of the eleven appointments. Mr. Flynn stated that Polk County would probably say no. Mr. Hansen asked who would select those seven people. Polk County would have its three appointees. Des Moines Development would select their own Board representative. The individual who might come to the Board is a former member of the Polk County Board of Supervisors. United Way would pick their Board member - again, the head of United Way is a former member of the Polk County Board of Supervisors. Mr. Flynn noted that RACI's board had a concern over the make-up of the enlarged RACI board as proposed by Polk County.

Terree Caldwell-Johnson, Polk County Manager, noted that she understood and appreciated the concerns of the Commission. She noted that it was not Polk County's intent to step on anyone's toes regarding their proposal; however, they were aware of a consensus among the community to redesign the membership of the RACI board to make it more representative of the people. Ms. Caldwell-Johnson noted that the proposal was the County's best thinking in terms of how to round out the board and bring a broader representation to the Board. She also feels that good progress is being made in resolving various issues. There have been several special meetings between representatives of the County and RACI in an attempt to bring this issue to closure.

Commissioner Sealock informed Ms. Caldwell-Johnson that she was glad she was in attendance as the Commission needed to hear from Polk County. She also assured Ms. Caldwell-Johnson that the Commission's interest is that the final agreement between Polk County and RACI is a reflection of Iowa's law.

Commissioner Whittenburg advised Ms. Caldwell-Johnson that if Polk County wanted to pursue the expansion of the RACI Board, they should look at Iowa West's Board because of their inclusiveness

of various communities within nine counties. She feels Polk County should look outside metro Des Moines and Polk County for Board representation as other communities from other counties are spending their money at PM as well.

Ms. Caldwell-Johnson noted that the point was well-taken and that she had listened to Iowa West's presentation very intently. She noted that Polk County is undertaking a needs assessment to determine how best to utilize the funds from PM for the purpose of economic development and community betterment in and around the Polk County area. She noted that in terms of the counter-proposal which Polk County received from RACI, they have a tendency based on the proposal to not want to be as inclusive as the Commission is suggesting. She feels everyone needs to look beyond their own personal interests and boundaries to determine what can be accomplished for the long term benefit of the communities in which we live.

Commissioner Allen asked if there was any representation on the RACI board from the horsemen's groups; and if not, why. Mr. Flynn noted that Chairman Rassmussen is a horse owner, but had purposely resigned any positions on any horse groups in order to avoid conflict. There currently are no representatives from the thoroughbred or quarter horse associations on the Board; however, the issue has been discussed. He went on to note that no one wanted to serve on the Board in 1994 when the track came out of bankruptcy. Chair Sealock asked if the horsemen would not have a conflict of issue regarding purse issues. Mr. Flynn noted they would not be able to vote on those issues.

Mr. Ketterer reiterated that race dates for 1997 needed to be submitted by the September meeting as IRGC needs to submit a budget request by October 1st and needs to know how many race dates there will be for staffing purposes. Mr. Flynn noted that the Board has agreed that racing will not start any earlier than April 18th and will go no later than October 4, 1997.

Chair Sealock then called on Jim Rix, Chief Operating Officer and General Manager of the Greater Dubuque Entertainment Company (GDREC) to present their documents to the Commission. He noted that a request had been made to the Des Moines Commission office to withdraw the request for Commission approval of an Amendment to the Operating Agreement to repurchase rights in the company. As that request was granted, the following contracts were submitted by GDREC for Commission approval:

- Anchor Games/Anchor Coin - Slot machine royalty
- Finova Capital Corporation - Amendment to Vessel Chattel Mortgage to reflect ownership of vessel by GDREC
- First Bank of America - Illinois, N.A. - Amendment to Loan Agreement
- Harbor Community Investment, L.C. - Lease for parking facilities
- Members of the Company who guaranteed the obligations of the Company to First of America Bank - Illinois, N.A. - Payment of annual fee equal to 1% of total amount guaranteed

Mr. Rix noted that they had closed on the $14 million loan which will be used to restructure the majority of the debt approximately two weeks ago, and two of the above contracts reflect amendment changes which had to be made during the closing of the loan. The Amendment to the Operating Agreement will be brought before the Commission at the September meeting.

Hearing no further discussion, Chair Sealock called for a motion regarding the above contracts. Commissioner Whittenburg moved to approve the contracts for GDREC as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-119)

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

- IGT - Slot machines
- Anchor Games - Totem Pole Style Slot Machines Participation Agreement

It is anticipated the Anchor games will be delivered sometime early next week.

Hearing no further discussion, Chair Sealock called for a motion to approve the contracts as submitted by DRA. Commissioner Hansen moved to approve the contracts. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-120)

Chair Sealock then called on Jane Bell, Public Relations Manager for Ameristar Casino, to present their contracts for Commission approval:

- Capital Guardian Trust Company - Payments for employee and employer 401K accounts
- Coast Drapery Services, Inc. - Bedspread and drapery fabrication
- Food Services of America - Food purchases
- Graphic Arts Center - Promotional materials
- Jacobsen Fish Company - Seafood
- KB Foods - Food purchases
- Lincoln Poultry - Food and supplies
- Mikohn Gaming Corporation - Caribbean Stud lease agreement
- Nationwide Advertising Service - Advertising
- R.O.I. Gaming, Inc. - Marketing and management services
- Western Iowa Wine Company - Beer

Hearing no discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts for Ameristar as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-121)

Chair Sealock asked Ms. Bell to provide the Commission with an update concerning the construction. Ms. Bell indicated that the landscaping is 90% completed. The parking lot is complete except for the

two-inch topping. The hotel tower shell continues toward completion with the dome now being finished. The hotel tower interior will be completed by October 15th. Carpet installation started earlier this week. The pool building and connectors will be started in August and are scheduled for completion to coincide with the opening of the Kinseth Hotel. The structural walls for the third floor of the Kinseth Hotel are in progress.

Chair Sealock if Ameristar had an anticipated opening date for their hotel. Ms. Bell indicated they did, however, it has not been made public. Chair Sealock asked of January 1st would be a problem, and Ms. Bell assured her that it would not.

Ms. Bell also provided the following update regarding Project 21: To date, they have 498 employees who have completed the required training. There are 20 other training sessions scheduled and it is anticipated all employees will have completed the training by August 25th. On September 10th & 11th, Ameristar will be hosting, along with Harveys and Bluffs Run, school officials from 48 school districts in southwest Iowa and the metro area to introduce the scholarship program which is a $10,000 scholarship program, and scholarships will be awarded to 20 participants. All of their advertising is tagged with the Project 21 logo, and signage has been installed in the pavilion and rampway.

Chair Sealock called on Dan Kehl, General Manager of Catfish Bend Casinos, to present their contracts for Commission approval:

- Hinda, Inc. - Players Club gifts
- Mikohn Gaming Corporation - Caribbean Stud license fee, equipment, and sales tax
- Self Insured Services Company - Health insurance
- Contract between City of Burlington and Catfish Bend Casinos, L.C. related to Riverfront Improvements

Hearing no discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts for Catfish Bend Casinos as submitted. Commissioner Allen seconded the motion which passed unanimously. (See Order No. 96-122)

Chair Sealock then called on Art Hill, Controller for Harveys Kanesville Queen, to present their contracts. Before doing so, Mr. Hill noted that Harveys is working hard to get Project 21 launched, and feels that it is going well. Mr. Hill noted that the following contracts will represent most of the capital which has gone into the project as they are nearing completion of the project; therefore, more of these contracts are with out-of-state contracts. Mr. Hill presented the following contracts for Commission approval:

- Ad Art - Pylon signs
- Anchor Games - Lease 7 Wheel of Gold and 2 Clear Winner slot machines
- BET Technology, Inc. - Royal Match Game
- Crescent City Sculpture Company - Column design and fabrication

- Hospitality Network - In-room movie services
- Maddock Design Associates - Food service design
- Per Mar Security Services - Surveillance, camera and security system
- Shuffle Master Gaming - Shuffle Master machines; Let It Ride games
- Smith, Nelson and Oatis - Interior and exterior signage and related services
- Thompson Outdoor Advertising - 3 year billboard lease
- USA Food Courts - 5 year lease of space from Harveys

Hearing no further discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts for Harveys as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-123)

Chair Sealock then called on Curt Beeson, legal counsel for Lady Luck Bettendorf, L.C., to present their contracts for Commission approval. Mr. Beeson noted there are a couple of smaller contracts included with this submission which have not yet reached the $50,000 limit. He will also be working with a couple of engineering contracts with local engineering firms - Misman Stanley and Shive Haterly. Chair Sealock noted the interest surrounding the proposed hotel in Bettendorf.

The following contracts were submitted:

- Aristocrat Inc. - Preliminary Agreement to Purchase 10 Aristocrat Gaming Machines
- Bally Gaming, Inc. - Slot machines and parts
- Bawden & Associates - Concept, Development and Production of TV & Radio Spots to promote events
- Gage Corporation - Proposed vendor for ceiling tiles
- Scott County Sesquicentennial Commission - Sponsorship for Big River Rendezvous October 10-13, 1996
- Swiss Valley Farms, Co. - Dairy Products
- U.S. Axminster - Proposed vendor for 1st deck carpet replacement
- Urban Design Group - Chicago - Proposed vendor for Master Plan Design and Construction Drawing for Hotel Interior Design Plan
- John Wagner - Assortment of clothing and hats for gift shop

Hearing no further discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts submitted by Lady Luck Bettendorf. Commissioner Allen noted that the contracts for Gage Corporation, U.S. Axminster and John Wager did not indicate whether these contracts were oral, written, purchase agreement, or lease agreement. Mr. Beeson indicated that all of those contracts were in written form. The motion carried unanimously. (See Order No. 96-124)

Kim Kreber, Controller for Miss Marquette, submitted the following contracts on behalf of the Miss Marquette:

- Cole Paper - Supplies
- Chronicle Office Supply - Office supplies, Printing
- Boen & Associates - Insurance coverage
- BAAI - Group insurance premiums
- Comdata Telecommunications - Long distance service
- AFCO - Insurance coverage
- Delta Dental - Group insurance premiums
- Dial Net - Telephone service repair
- Emmons Napp - Office supplies
- Frana Beer Co., Inc. - Beer & liquor supplies
- Frank Hardie Advertising - Advertisement/Billboards
- H & H Food Service - Food supplies
- Howe Printing - Printing & Advertisement
- Iowa Coaches Tour & Travel - Bus/Group Tours
- Paw Marketing - Resale items, Promotional items
- Kenistons - Food supplies
- Monona Greenhouse - Beer & liquor supplies
- Myers Cox Co. - Vending & food supplies
- J & W Distributing - Beer & liquor supplies
- Pepsi Cola Co. - Beverage supplier
- Reinhart Foods - Food supplies
- Peircy, Bowler, Taylor Kern - Legal accounting services
- Royal Flush Shuttle - Bus/Group Tours
- Spahn & Rose Lumber Co. - Misc. building supplies
- Superior Coffee - Coffee supplier
- Sysco Food Service - Food supplies
- Three Rivers FS - LP/Fuel
- Tri-State Tours - Bus/Group Tours
- US West Communications - Telephone service
- Waste Management - Garbage pickup service

Hearing no further discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-125)

Mick Lura, representing Mark Lohman, General Manager for The President, presented the following contracts for Commission approval:

- Anchor Games - Wheel of Gold slot machines royalty agreement

- Anchor Games - Totem Pole slot machine participation agreement
- The Coca Cola Bottling Company of Mid-America - Soft drink business agreement
- Coca-Cola USA Fountain - Soft drink business agreement
- Firstar Bank Iowa, N.A. - Master ATM agreement
- Gemaco Playing Card Company - Custom design playing cards
- Shuffle Master, Inc. d/b/a Shuffle Master Gaming - "Let It Ride" stud poker license royalty
- Tri State Tours - Line run charter services

Mr. Lura noted that the contracts with Coca-Cola USA Fountain and Gemaco Playing Card Company are corporate contracts.

Hearing no further discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts for The President as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-126)

Mr. Lura reported that the parking lot has been completed, the roadway is under construction, a new porte cochere will added. It is anticipated that everything will be completed in October.

Chair Sealock moved to any Administrative Business that might be before the Commission. Mr. Ketterer asked if the Commissioners' schedules would allow the October meeting in Dubuque to be moved from October 17th to Friday, October 18th. All Commissioners were in agreement with the change in meeting dates.

Chair Sealock then asked for any public comments. Bob Ellis, representing Casino America, Inc., introduced Jack Gallaway, President and Chief Operating Officer, and Chris Rice, Director of New Development, for Casino America. An informational packet was distributed to the Commission. Mr. Gallaway made a brief presentation regarding the company and their proposed project to be located in Dallas County. The company currently operates four casinos - two in Mississippi and two in Louisiana. The company operates their casinos in "Isle style" - lot of space, bright colors (blues, greens, purples, yellows, etc.), with the same basic environment at all casinos.

Chair Sealock inquired if there was anyone else who wished to address the Commission. Commissioner Hansen asked to clarify the insurance issues regarding Iowa West and Southwest Iowa Foundation (SWIF) lease which he raised at the July meeting. Commissioner Hansen noted that 50% of the problem had been resolved as there has been agreement that the building coverage was not properly considered within the lease. Two amendments have been made to the lease to include the building in the lease. The unresolved issue deals with technical issue of insurable interest. The section of the lease they are dealing with speaks to tenant insurance, and this is a landlord insurance issue. Insurance laws require that liability interest must be present at the time the policy is written,

and a property interest must be there at the time of claim or loss. Commissioner Hansen feels that Iowa West and SWIF must address the fact that the insurance policy will be in the name of SWIF but paid for by Iowa West.

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

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS, SECRETARY

IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 19, 1996

The Iowa Racing and Gaming Commission (IRGC) met at the Wallace State Office Building Auditorium, 502 East 9th Street, Des Moines, Iowa, on Thursday, September 19, 1996. Commission members present were Rita Sealock, Chair; Nancy L. Whittenburg, Vice-Chair; and members Brad Peyton, Bill Hansen and Jackie Allen.

Chair Sealock called the meeting to order at 8:30 am, and called for a motion to approve the agenda. Commissioner Allen moved to approve the agenda. Commissioner Whittenburg seconded the motion which carried unanimously.

Chair Sealock then called for a motion to go into Executive Session pursuant to Iowa Code Section 21.5(c) and (g) for the purpose of receiving advice from legal counsel and DCI background investigations. Commissioner Whittenburg so moved. Commissioner Hansen seconded the motion which carried unanimously.

Following Executive Session, Chair Sealock requested a motion regarding the minutes from the August 15, 1996 Commission meeting. Commissioner Hansen noted that there was a correction to be made on the last page, first line. It should read "... and a property interest must be there at the time of claim or loss." As there were no further corrections or additions to the minutes, Commissioner Hansen moved to approve the minutes as amended. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-127)

Chair Sealock called on Frank Biagioli, Manager of the Iowa Gambling Treatment Program, to provide the Commission with an update of the activities of the program. A copy of Mr. Biagioli's comments is attached. Commissioner Allen asked if the "No Trespass" system was working as a way of treating problem gamblers. Mr. Biagioli indicated that he felt it was effective provided the individual was also willing to go through with the rest of the treatment program.

Chair Sealock moved to the next agenda item - Racing Association of Central Iowa/Prairie Meadows (RACI/PM) and their report on the progress made in reaching an agreement on the use of the facility and relationship with Polk County after the debt on the facility is retired. Tom Flynn, legal counsel, and Robert Farinella, General Manager of PM, came forward to make the report. Mr. Flynn reported that since the August Commission meeting, representatives of RACI had met with representatives of Polk County to discuss the arrangements between the parties; however, it was relatively short as Polk County representatives advised that unless RACI was prepared to change the configuration of the Board, Polk County did not wish to discuss any amendments or changes to the existing Operating Agreement which is in effect until November 1, 1999. RACI representatives did not have the authority to discuss the change. The RACI board has not met to discuss this issue; however they will be meeting next week. Mr. Flynn noted that if there is going to be any amendments made to the

existing Operating Agreement, the board configuration is an issue which will have to be worked through.

Mr. Flynn reported that the terms for the agreements with the various horsemen groups, which were discussed at last month's Commission meeting, were substantially accepted by those groups. The contracts have been signed and delivered to the County as of September 11, 1996.

Jack Ketterer, IRGC Administrator, asked Mr. Flynn about the race dates which he indicated he would have for the Commission at the last meeting. Mr. Flynn reported that the meet would run from April 18, 1997 through July 5, 1997 for a thoroughbred meet, and July 14 through September 27, 1997 would be the mixed meet. Mr. Ketterer noted that the Commission would not be able to take any action regarding the dates as they are not on the agenda, and that there are issues which staff would need to address prior to recommending approval.

Terree Caldwell-Johnson, Polk County Manager, addressed the Commission regarding the status of the negotiations with RACI, the Circus Circus proposal and the planned action by the County, and the needs assessment study regarding gaming revenues. Ms. Caldwell-Johnson noted that during last month's Commission meeting, she felt that RACI tried to convey that the County was trying to gain control of the Board through its proposal to change the structure of said Board. The County's proposal was a means of setting forth different categories which could be used to make the board more representative of the County. She agreed with Mr. Flynn's statement that negotiations have reached a stalemate at this point as the County has stated that it will not proceed with any form of negotiation until a change in the Board structure was agreed to by RACI.

Chair Sealock asked Ms. Caldwell-Johnson if the County was anticipating asking for a new license under a new non-profit organization. She replied that they were not. The new board would consist of three representatives appointed by the Board of Supervisors, individuals appointed at-large by RACI, which would allow them to include current members of the Board if they desired, and representation from three or four community-based organizations - labor, Polk-Des Moines Taxpayers, charitable organizations, and Des Moines Development Corporation.

Chair Sealock then asked Mr. Ketterer and Jeff Farrell, Assistant Attorney General, how much change could be made to the non-profit board before they would need to apply for a new license. Mr. Ketterer stated that as long as it was the same entity holding the license, he assumed that it would comply with the law. There are other issues which could be raised - whether or not the licensee is in control of its own destiny. Mr. Farrell agreed that the Commission would need to determine whether or not the entity had changed; particularly since the Commission has approved changes in boards in the past. Ms. Caldwell-Johnson stated that it would be the County's position that the identity of the entity had not changed, they would just be adding two new members and how the membership is balanced in terms of the perspective brought to the Board.

Mr. Ketterer asked if Polk County objected to having one or more members on the Board from outside of Polk County. Ms. Caldwell-Johnson stated that she did not feel the Supervisors had taken a position on that issue; but did note that there is currently a member on the Board who lives outside Polk County. She also noted there is a possibility for that to exist based on the number of at-large representatives that could be named to the Board.

Mr. Farrell asked for clarification on his understanding that Polk County would not proceed with negotiations or with a new contract unless RACI agrees to a change in the membership of the Board. Ms. Caldwell-Johnson stated that was the position of the Board of Supervisors at the present time. The current Operating Agreement is in effect until 1999 which all parties - RACI, the County and IRGC - agreed to, and will not agree to any changes in that Operating Agreement without a change in RACI's Board structure.

Regarding the Circus Circus proposal, Ms. Caldwell-Johnson stated that the proposal was made to RACI, not Polk County, and the County is waiting for a response from RACI on that particular issue. Last week, Polk County held a press conference to set forth the guidelines under which they would entertain any proposal that may come before them for the sale of PM. The first issue to be dealt with is whether or not the sale of PM would jeopardize the tax exempt status of the bonds issued for the purchase and expansion of PM. The second issue is Polk County's eligibility to receive a lump sum payment without undue tax implications. Over the last several weeks, Polk County has received several inquiries as to whether or not they are interested in selling the facility. Given the amount of interest, Polk County feels the process must be open to allow other individuals to submit bids or proposals for the purchase of PM.

The last issue Ms. Caldwell-Johnson discussed with the Commission is Polk County's desire to make the best utilization of revenues received from PM to better the community. A comprehensive community-wide, county-wide needs assessment which allow Polk County to receive input from community leaders and individuals throughout the county to aid them in determining the best long range utilization of PM revenues. Polk County has hired consultants from the University of Indiana Institute on Public Policy and Environment to assist Polk County in undertaking the comprehensive review. The first series of meetings are to begin next week with key community leaders, then to focus groups, community forums and community meetings to help determine the best utilization of these funds in Polk County. Polk County will keep the Commission informed of the progress of this needs assessment and the outcome.

Mr. Ketterer noted that the Commission has requested that RACI provide the Commission with a report regarding their relationship with Polk County once the debt is paid off for the last nine or ten months. He noted that the Operating Agreement will be up in two to three years between Polk County and RACI, and based on the progress made over that period of time, he is not optimistic that there will be a PM, Agreement or licensed operation in two years. He felt more progress should have

been made by this point if the relationship is going to be prolonged prior to any concerted effort being made as to how the money will be spent, particularly since the County does not have a license for gaming in the future, and RACI does not have a facility in which to conduct gaming or live race meets.

Commissioner Whittenburg expressed her disappointment regarding the lack of progress made since the previous Commission meeting between RACI and Polk County.

Ms. Caldwell-Johnson noted that Polk County was disappointed as well. They attempted to submit a proposal which provided for maintenance to some degree of status quo of the existing board, but also provided opportunities to expand the Board to include a broad base of community perspective. Polk County hopes that the RACI Board will seriously consider broadening the board, maybe not to eleven members, but to provide for community input. They hope to report that progress has been made at the October Commission meeting.

Chair Sealock then called on Ken Bonnet, President of the Clinton County Gaming Association, Ltd./Crown-Mississippi Belle II, Inc. (CCGA/C-MB II) regarding the application for Crown-Mississippi Belle. He noted that the following items have not yet been completed: the DCI background investigations of the Crown people, the lease between the City of Clinton and CCGA regarding the 300 feet of riverfront which the boat occupies, and the final agreement between CCGA and C-MB II. Mr. Bonnet was informed that the agreement had been forwarded to the Commissioners. It was CCGA's wish to make sure they had a long range agreement with the boat operator in Clinton. Crown had the same philosophy; therefore, the two parties agreed to contract to the year 2010 with five-year extensions on that contract. The other area of concern for CCGA was an increase in revenues. The two parties agreed that CCGA will receive a larger percentage of gaming revenues. The lease between CCGA and Clinton is currently going through public hearings, and the Council will have their final vote on that particular issue on September 24. CCGA/C-MB II hopes to have everything in order and completed prior to the October Commission meeting.

Chair Sealock pointed out that Mr. Bonnet was addressing the license application which was the second portion of this agenda item. Mr. Ketterer asked Mr. Bonnet if CCGA/C-MB II wanted the Commission to take action regarding the Articles and Plan of Merger of Roberts River Rides, Inc. and MB II, Inc. Mr. Bonnet indicated that it was their desire for the Commission to proceed with those items. Mr. Ketterer asked Mr. Bonnet to provide the Commission with some background on those items as well, and then answer questions regarding either agenda item.

Mr. Bonnet stated that MB II, Inc. is the operating company which runs the casino, has the employees, owns the gaming equipment, etc. Roberts River Rides, Inc. is the entity which owns the riverboat. Due to some tax planning strategies and to make the transactions with Crown clearer and easier, it has been decided to merge the two companies so all assets will be in one entity. This will

make the transfer to Crown go smoother. Chair Sealock asked Mr. Bonnet if MB II wanted the merger regardless of whether or not the Crown-MB II application is approved. Mr. Bonnet explained they felt the merger needed to occur prior to the Crown issue happening, so the merger will become effective on October 1. Chair Sealock asked if the merger of MB II, Inc. and Roberts River Rides was tied to the approval of the Crown-MB II application. Mr. Bonnet stated the two issues were not tied together.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the Articles and Plan of Merger of Roberts River Rides, Inc. and Mississippi Belle II, Inc. Commissioner Peyton seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-128)

Chair Sealock asked if there were any questions regarding the Crown-MB II application for license. Commissioner Hansen noted that the application contained the 1993 and 1994 tax returns, but did not include the 1995 tax returns and cash flow information. Mr. Bonnet stated that he did not know why the information was not included, but noted that their fiscal year end is April 30 and their audit was just published. He stated that he will make sure the Commission receives copies of the audit.

Commissioner Hansen stated that the reason for his concern is that the returns for 1993 and 1994 put Crown in a decidedly negative cash flow of approximately $13 million, although he felt there were material circumstances creating the negative cash flow. Mr. Bonnet indicated that he believed Crown earned around $15 million in 1995. They were involved in a series of transactions involving riverboat gaming which substantially increased their balance sheet position.

Chair Sealock call on Jeff Terp, Vice President of Business Development for Ameristar Casino, to present their contracts for Commission approval. Those contracts were:

- Anchor Games - Totem Pole Slot Machines Participation Agreement
- Perini-Andersen - Change Orders 1-10

Hearing no discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Allen moved to approve the contracts as submitted. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-129)

Mr. Terp provided an update regarding Project 21. On September 10-11, 1996, Ameristar, Harveys and Bluffs Run co-hosted luncheons with 42 different school officials representing 39 school districts in western Iowa. The purpose of the meetings was to explain Project 21 to them and what the goals are. Ameristar has had 982 employees go through orientation. They are involved in a direct-mail campaign and hope to have a video completed by October 1. The video will be used to supplement presentations made by Jane Bell, Project 21 Coordinator, as well as being available through loan

programs. Approximately 80% of company material, advertising, marketing information, etc. have the Project 21 logo on them. Mr. Terp distributed a folder containing information regarding Project 21 to the Commission. At the next Commission meeting, Ameristar will be submitting a quarterly update regarding the budget and projections.

Chair Sealock noted that she had had an opportunity to attend one of the luncheons as a school board member. The cooperation between the three entities in Council Bluffs is very evident.

Chair Sealock moved to the contracts submitted by Catfish Bend Casinos. She went on to note the listed contracts had already been approved by the Commission, so no action was needed. Dan Kehl, General Manger, informed the Commission that they are getting ready to move the boat to Burlington on October 27, and begin operations on October 28.

Chair Sealock then called on Greater Dubuque Riverboat Entertainment Company (GDREC) to present their contracts. Doug Gross, legal counsel, submitted the following contracts for Commission approval:

- Bally Gaming, Inc. - Gamemaker V7000 14" Upright Bill Validator, Systems Top Box
- DeJeng Lebep, Inc. - Marine architectural services on an as-needed basis
- LeeVac Shipyards, Inc. - Further modifications to "Little Jo" to make it seaworthy for coastal waterways

Mr. Gross specifically addressed the contract with LeeVac Shipyards, Inc. When the necessary renovations were started, it was determined that additional changes would be required to make it seaworthy.

Commissioner Hansen asked Mr. Gross about the contract with DeJeng Lebep for architectural services as he noted that it was an oral contract and there was no actual contract total except to note that it would exceed $50,000. One of the Commission's responsibilities under Administrative Rule 491-4.28 is to see that gaming profits are not improperly distributed. He would like to see an upper parameter on these contracts rather than the contracts just stating that they will exceed $50,000. He asked Mr. Gross if there was any idea of the cost involved with this particular contract. Mr. Gross said they did not expect anything beyond $100,000, but indicated that copies of the invoices could be provided if he wished. Mr. Gross asked Commissioner Hansen if he would rather see a "Not to exceed" figure rather than a "To exceed number". Commissioner Hansen stated that would be his preference as he is concerned that this area could become perfunctory. He noted that licensees have done an excellent job in being specific about the contracts.

Hearing no further discussion regarding GDREC's contracts, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-130)

Chair Sealock moved to the contracts submitted by Lady Luck Bettendorf, L.C. Michael Hlavsa, acting General Manager, presented the following contracts for Commission approval:

- American Association of Professional Baseball Players - Celebrity Appearance Booking
- Burns Sports Celebrity Service, Inc. - Celebrity Appearance Booking
- Idea Center - Slot Glass and Signs
- KLJB-TV - Televised Advertising
- Lanktree Sports Celebrity Network - Celebrity Appearance Booking
- SCA Promotions - Insure Top Award for Slot Promotion
- Sigma Game, Inc. - Sigma C-7 Derby Game
- Suburban Landscape - Grounds Maintenance, Landscaping
- Tri-City Blacktop, Inc. - Blacktop Resurfacing
- Video Lottery Consultants - 10 Video Poker Machines on Trial Basis
- WQAD-TV - Televised Advertising

Commissioner Hansen noted that ten of their eleven contracts simply stated "Expected to exceed $50,000" rather than giving an upper parameter, but noted there is a difference between $50,000, $500,000, or $5 million. Mr. Hlavsa stated that they are attempting to anticipate those companies with whom they anticipate doing business in excess of $50,000. They have started including language on their contracts with vendors stating that amounts in excess of $50,000 are subject to Commission approval, but the vendors don't understand that they are at risk for that amount of money. They are attempting to be a little more pro-active on this issue. Mr. Hlavsa noted that none of the above contracts will exceed $100,000. They are agreeable to showing a top range figure.

Commissioner Hansen also noted that the contracts with Idea Center, SCA Promotions and Suburban Landscape were incomplete as they did not show what type of contract was in place. Mr. Hlavsa stated that no permanent contracts are in place; however, these are businesses with whom they conduct business on an on-going basis and expect to exceed $50,000.

Chair Sealock directed IRGC staff to work with the licensees on this issue and tailor a solution which will work for the licensees submitting the contracts and allow the Commission to have a better sense of the dollar value of the contracts being acted upon. She asked Commissioner Hansen if that would work for him. Commissioner Hansen indicated that it would and requested that the solution be done in such a way to maintain the current flexibility of the licensees and still conform to Commission rules.

Mr. Ketterer informed Chair Sealock that staff has had discussions on the matter of handling contracts and this issue could be incorporated into the way the Commission will handle contract approvals for next year.

Chair Sealock asked Commissioner Hansen how he felt about acting on the contracts before the Commission now. Commissioner Hansen stated that his concerns had been addressed. He clarified that none of the contracts submitted by Lady Luck will exceed $100,000, and that contracts are still in the negotiation process with the three companies noted above. Mr. Hlavsa noted that lady Luck is entertaining designs from various companies and they may or may not be doing business with Idea Center, but have done some business with them and are approaching the $50,000 mark which is why the contract was submitted.

Commissioner Hansen moved to approve the contracts submitted by Lady Luck Bettendorf, L.C. based on Mr. Hlavsa's responses, the provision of additional information and the caveat that staff will review the contract approval process. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-131)

Chair Sealock called on Mr. Bonnet of the MB II to present their contracts for approval:

- Anchor Games - Rental of 6 Wheel of Gold Slot Machines
- Atlantic City Coin & Slot Service Co. - Rental of Crap Shoot Table
- Shuffle Master Gaming, Inc. - Poker Shuffler; "Let It Ride" License Royalty

Mr. Bonnet stated that two of the contracts were related to new types of table games and the other is for a new type of slot machine.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-132)

Chair Sealock then called on Mark Lohman, General Manager of The President, who submitted a contract with General Contractors, Inc. for construction of the porte cochere. Mr. Lohman noted that the final terms of the contract are still being negotiated; however, steel fabrication was reaching the $50,000 limit. Mr. Lohman anticipates the contract amount to be approximately $750,000.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contract as submitted. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-133)

Chair Sealock then called on Barry Sevedge, Director of Operations for Bluffs Run Casino (BRC), who submitted a contract with Andersen Construction Co., Inc. for improvements to the parking lot. In March, BRC looked at their overall property to determine what was available for future development and if they had adequate space to meet all of the zoning requirements of Council Bluffs. The plans call for three entrances/exits to the property. The contract before the Commission today does not involve the RV parking lot as the bids came in higher than expected after re-evaluating the feasibility of the project.

Chair Sealock, in reviewing the proposed Master Plan, asked Mr. Sevedge if it would preclude such activities as "Hoop It Up" and "Air It Out". Mr. Sevedge noted that the BRC would have the same capacity for cars, but would have a problem with those events requiring grass. BRC will continue to sponsor "Hoop It Up" regardless of where it is held. Chair Commissioner asked Mr. Sevedge how many football teams had participated in "Air It Out". Mr. Sevedge noted that 400 teams had participated. Mr. Sevedge noted that BRC is also in the process of adding some additional landscaping in an attempt to soften the outside appearance of the facilities.

Commissioner Peyton asked if competitive bids had been requested for this project. Mr. Sevedge indicated they had been. Commissioner Peyton moved to approve the contract as submitted. Commissioner Allen seconded the motion which passed unanimously. (See Order No. 96-134)

Chair Sealock then called on Mr. Farinella of PMR & C who submitted the following contracts for Commission approval:

- Clement Auto & Truck, Inc. - 1997 Jeep Grand Cherokee
- Crescent Chevrolet Geo - 1997 Chevrolet Blazers

Commissioner Hansen noted that the contract with Clement Auto & Truck showed a unit cost of $34,600, but a showed a total of $50,000+. Mr. Farinella stated that was accurate as they used this company earlier in the year for a promotional vehicle; therefore, the purchase of this vehicle will put this vendor over the $50,000 mark.

Hearing no further discussion, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-135)

Chair Sealock then called on Mr. Ketterer regarding the hearings for Ameristar Casino and Dubuque Greyhound Park & Casino for allowing underage gambling. Mr. Ketterer noted that Stipulations have been entered into with the licensees in both cases. Referring to Mr. Biagioli's earlier comments, Mr. Ketterer reiterated the importance of disseminating information regarding the gambling treatment program and to create an awareness for those individuals who do have a gambling problem that help

is available. He also referred to Mr. Biagioli's comment that individuals need to accept responsibility for their own actions in order for treatment to be effective. Two areas in which Mr. Ketterer feels it is difficult for individuals to take responsibility for their actions are minors and intoxicated individuals and the Commission has placed some emphasis on these areas when reviewing any violations of those rules or statutes occurring at any of the licensees. He noted that the licensees have done an excellent job in light of the fact that they are required to allow minors access to the boat but must insure that the rules regarding underage gambling are adhered to.

For the Ameristar hearing, Mr. Ketterer commended Ameristar for making a very strong effort in this area with Project 21. This incident was a result of a direct mailing to all Players Club members which occurred in June prior to an Order issued by the Commission which involved a minor who had been on the boat on several instances. This individual's name had not been removed from the list, received the mailing, was able to gain access to the boat but was stopped at the cage attempting to redeem a coupon Since the June Order, Ameristar has made a strong commitment in this area; however, it is important that the Commission treat all licensees with fairness and consistency. It is important that, as an industry, vigilant control be maintained over these issues. In that light, staff has entered into a Stipulation which calls for an administrative penalty of $20,000. Mr. Ketterer requested that the Commission approve the Stipulation.

Commissioner Allen voiced her disappointment over the repeat violation at Ameristar and the necessity for the Commission to impose such a steep fine.

Hearing no further comments, Chair Sealock called for a motion regarding the Stipulation entered into between Ameristar Casino and IRGC. Commissioner Whittenburg moved to approve the Stipulation. Commissioner Hansen seconded the motion. Chair Sealock requested a roll call vote. The motion passed unanimously. (See Order No. 96-136)

Mr. Ketterer moved on to the Dubuque Greyhound Park & Casino (DGP & C) Stipulation. This situation involved a female minor who was found on the casino floor by their security. When requested to show proof of age, it was determined that the individual was a minor. Further investigation by DGP & C, through surveillance tapes, showed that she had been there for 2-3 hours and that she had played slot machines. This situation occurred in early July, and DGP & C has implemented corrective procedures. This is the first occurrence at DGP & C. Mr. Ketterer recommended that the Commission approve the Stipulation with a penalty of $12,000.

Hearing no additional comments, Chair Sealock called for a motion. Commissioner Peyton moved to approve the Stipulation between DGP & C and IRGC. Commissioner Hansen seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-137)

Commissioner Whittenburg stated that when she reviewed the agenda and the Stipulations, the thought that occurred to her relate back to some of Mr. Ketterer's comments about individuals taking personal responsibility for their actions. She wondered what, if anything, happens to the juvenile as far as a juvenile court prosecution for being present, contrary to the law, on a riverboat in a gaming area. She is aware that there are statutes in Iowa which make it illegal for someone under the age of 21 to possess or consume alcohol and statutes which make it illegal for someone under the age of 18 to possess tobacco. Both of these instances have scheduled fines under those laws, and wonders if there is a statute in the Code which makes it illegal for juveniles to be in casinos, and if not, is there another criminal statute that would apply to the juvenile's activity. Usually a juvenile is considered to have violated a State Code, and it is up to law enforcement to issue a citation for that behavior and refer the situation to a juvenile court probation officer in the county of the juvenile's residence or where the activity occurred. Commissioner Whittenburg wondered if there was any follow through, either formal or informal, in juvenile court with the individual so there was some type of consequence to them as well and not just to the licensee. IRGC is addressing the licensee's ability to identify those individuals and remove them from the premises, and the juvenile needs to be held accountable for their action. She wondered if it would be proper for the Commission to make some type of public policy statement regarding their desire that law enforcement follow through and prosecute these juveniles, either formally or informally, for violating the gaming laws in Iowa.

Chair Sealock informed Commissioner Whittenburg that the information provided to the Commission is even broader than that. In many instances, the juvenile has been brought on board by their parents. Chair Sealock noted that she would be in favor of the Commission issuing a statement.

Jeff Farrell, Assistant Attorney General, indicated that he had spoken to an Assistant County Attorney from Council Bluffs after an earlier incident in which the County Attorney expressed concern as Iowa law is not clear as to whether or not the juvenile could be charged. Based on the ambiguity of the law, the prosecutor was unwilling to go forward with the charge due to due process consideration. Part of the Commission's proposal to the Legislature last year included language which would have clarified that situation. These proposals were not acted on by the Legislature.

Commissioner Allen asked if the parent could be charged with contributing to the delinquency of a minor. Mr. Farrell stated that a parent can be charged, and read the statute, 99F.15(2), which states "A person knowingly permitting a person under the age of twenty-one years to make a wager is guilty of a simple misdemeanor."

Commissioner Whittenburg reiterated her opinion that the minor needs to be held responsible for their part in underage gambling.

Mr. Ketterer advised Chair Sealock that the same language would be resubmitted for possible action by the Legislature this year. He also noted that if the rest of the Commission was agreeable, he would

visit with Commissioner Whittenburg about the possibility of directing some correspondence to law enforcement regarding this issue.

Commissioner Whittenburg moved that the Commission draft a policy statement and/or letter setting forth the Commission's policy regarding prosecution of underage gamblers in the state of Iowa and adults who are a party to the minor gambling. Upon Commission approval, the letter would be submitted to the following, but not limited to: County Attorneys, officers of law enforcement agencies and juvenile court officers in the counties within the state which have gaming licenses. Commissioner Hansen seconded the motion. Hearing no further discussion, Chair Sealock called for a roll call vote. The motion carried unanimously. (See Order No. 96-138)

Gene Meyer, Assistant Director of the Division of Criminal Investigation (DCI), agreed with the above motion. He noted that the DCI has filed charges on juveniles in the past and ended up citing two or three different sections of the Code. He felt that clarification and more specificity in Iowa law would be beneficial.

Chair Sealock called on Mr. Ketterer to address the Administrative Business issues. Mr. Ketterer noted that the October meeting has been changed from Thursday, October 17 to Friday, October 18. The November meeting has been changed from Thursday, November 21 to the following Tuesday, November 26.

Commissioner Hansen informed the Commission that the insurance problem regarding Iowa West and Southwest Iowa Foundation has been resolved to his satisfaction.

As there was no further business to come before the Commission, Chair Sealock entertained a motion to adjourn. Commissioner Whittenburg so moved, and Commissioner Peyton seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 18, 1996

The Iowa Racing and Gaming Commission (IRGC) met at the Symposium in the Midway Hotel 3100 Dodge Street, Dubuque, Iowa, on Friday, October 18, 1996. Commission members present were Rita Sealock, Chair; Nancy L. Whittenburg, Vice-Chair; and members Brad Peyton, Bill Hansen and Jackie Allen.

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

Chair Sealock entertained a motion to go into Executive Session pursuant to Iowa Code Section 21.5(c) and (g) for the purpose of receiving advice from legal counsel and DCI background investigations. Commissioner Peyton so moved, and Commissioner Allen seconded the motion which carried unanimously.

Following Executive Session, Linda Vanderloo, Director of Racing/Administration, introduced IRGC employees who were in attendance at the meeting from Dubuque and Clinton.

Ms. Vanderloo advised Chair Sealock that Jim Rix, General Manager and Chief Operating Officer of the Dubuque Diamond Jo, wished to welcome the Commission to Dubuque. Mr. Rix advised the Commission that gaming in Dubuque is doing very well. He indicated that there is a very strong relationship between the riverboat and the track. Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino (DGP&C), also welcomed the Commission to Dubuque on behalf of the Dubuque Racing Association (DRA), and invited the Commission to take an opportunity to tour the track facilities.

Chair Sealock called for a motion to approve the minutes for the September 19, 1996 Commission meeting. She noted there was one correction to be made at the beginning of the third paragraph. This paragraph should start with "Following Executive Session" to indicate that the Commission did leave Executive Session to conduct its business. Commissioner Allen moved to approve the minutes as corrected. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-139)

At this time, Chair Sealock called on Jack Ketterer, Administrator of IRGC, to address the rules as shown on the agenda. Mr. Ketterer took the opportunity to advise those in attendance at the meeting that the offices of IRGC would be relocated effective November 25, 1996 to the Iowa Motor Truck Association's building at 717 E. Court Avenue, Suite B. In preparation for the move, staff has been reviewing records in order to determine those records that needed to be retained and stored, as well as those that could be destroyed. This process caused some clarification to be made to IRGC's rules

regarding record retention. The clarification also clears up some record retention issues for licensees. This is a Notice of Intended Action on these rules. They should come back before the Commission in January for final adoption. Chair Sealock called for a motion regarding these rules. Commissioner Whittenburg moved to approve the Notice of Intended Action regarding Iowa Administrative Rules 491-4.31 and 491-24.15 - Retention, storage and destruction of books, records and documents. Commissioner Allen seconded the motion. The motion carried unanimously. (See Order No. 96-140)

At this time, Chair Sealock requested that Mr. Ketterer address the rules up for final adoption. Mr. Ketterer stated that these are the same rules which were voted on at the August Commission meeting in Sioux City. These rules deal with the duties and obligations of applicants and licensees pertaining to giving anything of value to influence a vote. They also include rules pertaining to the Commission's ability to request a market feasibility study in connection with any application for license, and amend the application criteria to indicate that the Commission will accept riverboat applications only during the month of December to coincide with the submission of renewal applications and that the Commission will receive the application of any entity whose license was denied in 1996 after the one year period has expired. There is also an amendment which would remove the $1,000 fine restriction for gaming licensees. This amendment provides the Commission with more flexibility. Currently, the Commission is required to suspend a license or enter into a Stipulation or Order with licensees.

Chair Sealock called for a motion regarding the rules up for final adoption. Commissioner Hansen requested clarification as to which license applications would be affected by the amendment to Iowa Administrative Rule 20.10(5) allowing for riverboat license applications to be submitted in December. Mr. Ketterer noted that the only applicant who is really affected is Keokuk as Argosy/Osceola's one year time period elapsed as of July 20, 1996. Under the current rule, Keokuk would not have been eligible to reapply until April 1997. If this amendment would be put into effect without the final sentence, Keokuk would not be eligible to reapply until December 1997.

Commissioner Peyton asked if this proposal would also affect a change in a licensee - like Crown Casino at Clinton, Marquette or any of those situations where you have a change. Mr. Ketterer indicated this amendment would apply to any new application. Renewal applications are also due in December. This rule would effectively prohibit any change in ownership except during the month of December. Commissioner Peyton indicated that he felt the amendment was unreasonable as it does not recognize the fact that companies change hands when there is a buyer and seller, not when the Commission decides to act on applications during one month of the year. He does not feel the amendment follows the intent of the Legislature. Mr. Ketterer noted that the statute does not permit the buying or selling of the license. There have been some similar situations; however in weighing the other issues with respect to reviewing new applications and balancing them against the applicants that are renewing, it would be a more orderly process to have them come in at the same time, and

be examined at the same time. Anytime there is a new application, there are lengthy DCI investigations on the backgrounds of the new applicants and there are applications which are submitted to all of you for review. Mr. Ketterer voiced his opinion that he did not feel it was an imposition upon them to recognize that the Commission's rule only allows for new applications in December of each year.

Commissioner Allen noted that she had comments on this particular rule and then had a question for Jeff Farrell, Asst. Attorney General for IRGC, regarding Item 1. She stated that the more she considered the funneling concept for all applications to be filed in December, she wondered if it would be too rigid of a concept. Based on the proposal before us, if an applicant were to miss that window of time, it could be up to 16 months before any action could be taken. She suggested that the Commission consider the filing of applications in June and December with Commission action to be taken within the six month period following the filing of the application. Those times would encompass both the calendar and fiscal year, and at the same time alleviate applicants having to wait up to 16 months for action on their application. Scenarios which could affect licensees are possible bankruptcy, or other financial dilemma, and under the present proposal before the Commission, if this situation occurred in March, any hopes for that facility could be lost or seriously hampered if no filing could be made until December, let alone any action being taken. She also brought up the scenario at Prairie Meadows. She feels that filing in June and December would provide more flexibility and fairness and allow for a more orderly process for the reviewing of license applications.

Mr. Ketterer informed Commissioner Allen that statute precludes IRGC from licensing anyone who has not met their financial obligations or is financially viable. The statute also precludes the sale of a license. The proposed rule applies to riverboat applications only. On the track side, the gaming licensees can not be different than those who were licensed as of January 1, 1994.

As there were no further questions, Chair Sealock stated that she felt 20.10(5) should be voted on separately. She noted that she would entertain a motion regarding the final adoption of Administrative Rules. Commissioner Allen indicated that she had a question regarding Administrative Rule 5.7(1) - Duties and obligations of applicants and licensees. She asked if "or other entity" should be inserted after "No person". She felt it would be clearer if the wording was inserted because "other entity" as PAC groups, organizations or corporations would specifically be prohibited from influencing decisions. Mr. Farrell noted that "person" is a common word used in numerous statutory/regulatory language to interpret entities and companies. He feels the intent of the rule is to prohibit the giving of items of value to influence a member of the Commission or other official. He is comfortable with the wording as it stands.

Chair Sealock noted that she would entertain a motion regarding all of the amendments up for final adoption except 20.10(5). Commissioner Hansen moved to approve Administrative Rules 5.7(1),

6.1(9), 20.15(1), 20.15(2) , 21.10(9) and 25.17(1) for final adoption. Commissioner Whittenburg seconded the motion which carried unanimously. (See Order No. 96-141)

Chair Sealock then entertained a motion regarding Administrative Rule 20.10(5). Commissioner Whittenburg moved to approve 20.10(5) for final adoption. Commissioner Hansen seconded the motion, but noted that he concurred to a certain degree with earlier comments made by Commissioners Allen and Peyton. He hopes the Commission would review this rule at a later date and consider adding a second date for the filing of license applications. Chair Sealock requested a roll call vote. The motion carried on a 4-1 vote, Commissioner Peyton voting no. (See Order No. 96-142)

Chair Sealock took a moment to recognize Dick Canella, a former Commission member, who was in attendance.

Chair Sealock called on the Racing Association of Central Iowa/Prairie Meadows (RACI/PM). Bob Farinella, General Manager of PM, stated that he is encouraged by the process regarding the long term operations of PM and their relationship with Polk County. He feels comments made by Commission members continue to bolster the direction PM has taken in the negotiations with Polk County. The financial viability of the entity is very important during these negotiations for the present as well as the long term. It is PM's goal to ensure that they remain a strong licensee.

Mr. Farinella noted that numerous meetings have been held with County staff since the last Commission meeting. At this time, negotiations are continuing in good faith; however, a consensus, has not been reached. There are two sides who are approaching the issues with ample energy and diligence to reach a reasonable solution. From RACI's standpoint, they are interested in the long-term fiscal viability of PM, but are also making sure they are not compromising the law.

PM is actively engaged in the preparation of their 1997 plan. Several budgetary development meetings have been held. Contract negotiations with the horsemen groups were completed in September and those contracts should be included in the live racing season package that will be submitted to the Commission prior to the 1997 live racing season. Purses and supplements for 1997 will total $10.8 million. Mr. Farinella stated that under the administrative process, and the Operating Agreement with Polk County, PM has not received any objections from Polk County to the purse structure as submitted. Additionally, PM has identified significant capital improvements that need to be made to the facility, taking into consideration conversations with Commission staff, including increased camera coverage in the form of a quarter-pole tower, to change and review the illumination at the three-quarter mile shoot, and to insure that the quality of camera coverage and training of camera staff is up to the expectations of PM and Commission staff. The lasix barn will be modified to meet guidelines provided by Dr. Brad Gordon. In summary, PM has continued to meet in good faith, and continues to do so. They have taken steps regarding the increase in purses. There are

plans for charitable contributions in 1997 as PM is on target for having the debt paid off by the end of the year. He feels PM owes $7 million or less to the County at the present time. Mr. Farinella stated that he felt the Commission would be happy with the package that will eventually be brought before the Commission.

Chair Sealock asked Mr. Farinella if he was hopeful that an agreement would be reached with Polk County at approximately the same time that the debt is retired. Mr. Farinella reiterated that both sides are continuing to energetically represent their position. There may be a need for some outside mediation, but the intent is still there. In the meantime, PM will proceed with a firm agreement for the 1997 season. With the purse levels, investments required to be made in the facility, and the charitables, Mr. Farinella feels that PM should be well in compliance with their responsibilities as a licensee.

Chair Sealock noted that the Commission expected that an agreement would be reached with Polk County by the time the debt was retired.

Commissioner Hansen noted that the finish line has become very elusive. He asked Mr. Farinella to characterize the main impediment to a resolution between the two parties. Mr. Farinella stated there have been two major points. One is the proposed reconfiguration of the Board of Directors under the supposition that it would be more representative of the county. The current board was formed in conjunction with the County when they entered the current Operating Agreement. The Board has also agreed that they are willing to address changes to the Board to satisfy the needs for greater representation. The second part is a financial arrangement to satisfy the arms-length transaction of a tenant-landlord relationship that we consider imperative with the independence of the licensee and operating this facility. The first part has been worked out, but the second part still needs work.

Chair Sealock called on Terree Caldwell-Johnson, Polk County Manager. Ms. Caldwell-Johnson noted that the negotiations going on between Polk County and PM have been precipitated by the IRGC and its desire to restructure the relationship between the parties upon the retirement of the debt. The discussions have centered around the pertinent terms and conditions of a landlord-tenant relationship which would remove the County from the active role that it currently assumes under the terms and conditions of the existing Operating Agreement. The various proposals exchanged by RACI and Polk County established the ground for the arms-length relationship that RACI has requested. The County's ability to take its share of the profits off the top and leave all of the decisions regarding staffing, finances, programs, purses, capital and other aspects of the business to RACI seemed to be a workable solution which would ultimately address the concerns expressed by the Commission, and still allow RACI to achieve the ultimate relationship they desire. She noted that the County and RACI have both come to the negotiating table in an effort to resolve all of the issues at hand. Both are aware of the need to insure the long-term viability of the racing and gaming

operations, and the synergy that exists between them. Finally, both understand and respect the other's role and entered into negotiations in good faith, focused on forging an agreement that could be supported by all parties.

Ms. Caldwell-Johnson noted that when RACI and Polk County discussed the terms and conditions of a long-term arrangement, they found it nearly impossible to arrive at an equitable distribution of the profits which would allow for personal services, operating expenses, purses, capital, charitables and an allocation to the County at the levels required. Given the tenuous nature of the gambling business, the escalating state tax, relative effects and impact of competition, and the potential new gaming license to be granted in close proximity to Polk County, neither party was comfortable with forging a long-term relationship which would lock either in to financial commitments that could not be honored and require renegotiation or change pending the imminent eventualities of a new licensee. The ability of RACI and the County to honor their commitment to IRGC is predicated somewhat on their ability to predict and forecast the elements of the equation which are ultimately controlled by IRGC and the pending licensing decision. Additionally, they do not wish to be faced with going through this arduous process knowing that it could possibly have been avoided had they waited on a decision by the IRGC on which licenses to be issued. Therefore, each party agreed to go back to the existing Operating Agreement approved by RACI, Polk County and the IRGC until all unknowns which could potentially affect a long-term lease arrangement are determined. At that time, the parties will feel confident that they can develop projections which will drive a realistic lease agreement and terms and conditions that can meet the needs of all parties involved. Ms. Caldwell-Johnson assured the Commission that Polk County and RACI are dedicated to reopening the discussions in the near future, but currently have agreed to work together to insure the viability of the operation while using the approved Agreement as their guide.

Commissioner Whittenburg asked how the current Operating Agreement accommodates the revised purse schedule. Ms. Caldwell-Johnson stated that the current Operating Agreement allows Polk County 30 days upon receipt of the purse contract to take action. If the County does not take action within that time, the purse structure is approved. As RACI and Polk County were engaged in negotiations, the County felt that the terms and conditions of a lease agreement would be worked out which would negate the necessity for them to approve purse levels, charitables, capitals and many other elements of the equation. With the decision to continue to operate under the existing Operating Agreement, the Board of Supervisors will have an agenda item at their meeting next Tuesday to review the terms and conditions stipulated in the purse contracts.

Commissioner Hansen asked Ms. Caldwell-Johnson if he understood her to say that the discussions between Polk County and RACI were going to be held in abeyance until the Commission has acted on any potential competitor in central Iowa or other areas. Ms. Caldwell-Johnson replied that based on the discussions held on Thursday, October 17th that Polk County was uncomfortable committing to financial projections and making commitments on dividing up the pieces of the revenue without

knowing what the impact or relative effect of any competition would be on their ability to ultimately determine what any of the parties might receive under a long-term lease agreement. Polk County does not feel confident they can predict and project what the effect of competition might be on their operation. All of the parties, in good faith, determined that until such time as they can relatively determine what the impact of competition might be, it would be futile to attempt to divide the revenues. Commissioner Hansen noted that in actuality these discussions could be carried over into the spring. Ms. Caldwell-Johnson agreed; however, she noted that there are still many issues beyond the long-term lease agreement on which a consensus needs to be reached with RACI - capitals, business plan, budget, all of which have to be determined in a very short period of time.

Chair Sealock asked Ms. Caldwell-Johnson if she felt there would ever be a time when Polk County would have the assurances they feel they need in order to negotiate the terms and conditions of a long-term lease agreement. Ms. Caldwell-Johnson indicated that she did not feel that was possible; however, Polk County does know that something is pending in the very short term and they want to take a "wait and see" attitude toward the short-term issues which they feel will affect their ability to reasonably negotiate the terms and conditions of a long-term arrangement.

Chair Sealock asked Ms. Caldwell-Johnson what she felt had been accomplished to date, and what will be accomplished by continuing to meet. Ms. Caldwell-Johnson replied that a great deal has been accomplished to date. The lines of communication are more open than they have been for awhile. The parties continue to meet to discuss the issues, and better understand each other's dilemma. Both sides agree that there are some honest disagreements which have to be worked through.

Chair Sealock noted that there is considerable discussion about PM away from the table, and she is encouraged by the fact that the parties are going to continue to meet to work on the various issues. She called for any other questions or comments.

Commissioner Whittenburg stated that the decision to return to the original Operating Agreement for the reason that there are pending applications before the Commission for central Iowa that may, if an applicant were granted a license, affect the profits of PM is not a very good reason to do so. She noted that any application that the Commission may act on will not be acted on until the coming winter or spring, and if a license was granted, it would take that licensee another nine or twelve months or longer to even begin operations to have an impact on PM during which time PM and Polk County are looking at a year to a year and one-half in which these two parties could be operating under a very different agreement if they so chose. Ms. Caldwell-Johnson did not feel Commissioner Whittenburg's comment was an accurate characterization of the PM/Polk County decision. She stated that the two parties do intend to reach an agreement, but want to determine who the new licensee will be, and the relative impact that license may have on PM's operations. Both parties understand it will be quite some time before the new operation is up and running, but they feel that

if they know who it is, and their proximity to PM, they will be able to be better predict the impact of that license in order to do revenue projections.

Mr. Farinella, noting that he was not present at the meeting held on Thursday, October 17th, stated that RACI was very clear that as they approach the 1997 season, those issues that need to be done from a business standpoint for the business plan for next year will be correctly identified. He stated that if there were issues which could not be resolved through the budget process, the Operating Agreement allows for a third party resolution of those differences.

At this time, Chair Sealock moved to the approval of the race dates submitted by RACI/PM for the 1997 season. Mr. Farinella stated that he had previously addressed some of the Commission's concerns regarding the lasix barn, the lighting, and camera tower. The Commission has also received a written response to those concerns which he hopes has satisfactorily addressed the concerns as part of PM plan for next year. It is PM's intent to make sure that all of those changes occur to the degree that is necessary to protect the integrity of the race program and to insure that PM has a program that is unparalleled and in accordance with Iowa rules.

Mr. Ketterer thanked Mr. Farinella for the opportunity to meet and straighten out some regulatory concerns of Commission staff. RACI/PM submitted a request for a Thoroughbred Meet consisting of 53 days beginning on or about April 17, 1997 and running through July 5, 1997; and a Mixed Thoroughbred/Quarter Horse Meet consisting of 45 days running from July 14, 1997 through September 29, 1997. In connection with the race date submission, IRGC received copies of the Agreements reached with the Iowa Quarter Horse Racing Enterprise, Inc. and the Iowa Division of the Horsemen's Benevolent and Protective Association, Inc. Mr. Ketterer asked Mr. Farinella if he felt the Commission should grant the race dates prior to consideration of these contracts for approval. Mr. Farinella noted that RACI/PM has negotiated with the horsemen, and the contracts were submitted to Polk County on September 11. Under the Operating Agreement, there is a 30-day window for action or approval through no action. To date, there has been no response from the County, so PM has taken the position that under the Operating Agreement process the purses have been approved by RACI's Board and the County Board. These contracts will come before the Commission as part of RACI/PM package 45 days before the 1997 season starts. Mr. Ketterer asked Mr. Farinella if he was saying that the purses had been submitted to Polk County on September 11, and by virtue of the Operating Agreement, that they have been approved by the County's non-action on October 11. Mr. Farinella stated that was his interpretation of the Operating Agreement.

Chair Sealock called for a motion regarding the race dates submitted by RACI/PM. Ms. Vanderloo advised Chair Sealock that she would appreciate the motion noting the Commission's budget has been sent to the Department of Management, and the approval of the race dates would be contingent upon IRGC having the funds and staff available to appropriately regulate the meet in relation to the additional days.

Commissioner Peyton asked if the Commission was obligated to provide staff to regulate the meet if the race dates were approved. Mr. Ketterer explained that it would be necessary for IRGC to have the funds appropriated. Most of IRGC's expenses are varied based on the number of racing dates. In the past, PM has had 60 days of racing, and the current proposal has 90 days. The Commission would need to submit a package requesting additional funding for the stewards, vets, Iowa State University for drug testing on the animals, etc. If we did not get appropriated the additional funds, IRGC would not be able to effectively regulate that number of racing days.

Chair Sealock again called for a motion regarding the race dates submitted by RACI/PM. Commissioner Whittenburg moved to approve the race dates as submitted by PM contingent upon IRGC being given sufficient appropriations by the Iowa Legislature to provide staff and have the necessary funds available to meet regulatory obligations. Commissioner Hansen seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-143)

Chair Sealock called on Mr. Wentworth of DGP&C to present their license renewal application for the casino at the track. He reminded the Commission that Dubuque was the first track to open in Iowa. Mr. Wentworth apprised the Commission of what the two licenses in Dubuque have done for the community and how important it is for the two licenses to remain active and healthy. When admissions for the track and the riverboat are added together, they will have upwards of two million visitors for the year. At the end of each operating year - November 30, DRA reviews their cash position, and 50% of the cash will be distributed to the city, 25% to local area charitable organizations, and the other 25% will be retained by DRA for debt retirement, capital improvement projects and reserve funds. Last year, the 50% distribution to the city amounted to approximately $536,000, and $268,000 went to charity. Those distributions were made with only eight days of casino operation as the casino opened on November 22, 1995.

The lease with the city calls for one-half of one percent of the coin in to be remitted in the form of rental lease payments. Since the beginning of the casino, DRA has given the city approximately $1.2 million in the form of rent. They estimate the final figure will be about $1.4 million. DRA will announce shortly the dollar amount given to the city, charity, and what was used for debt retirement.

Mr. Wentworth introduced Laura Carstens, City Planning Services Manager, who explained to the Commission what gaming dollars mean to Dubuque and how they flow into Dubuque. She had several large posters depicting the riverboat and track sites and the facilities available at those sites, as well as what they hope to do to at those sites in the future. Gaming dollars have been used to enhance the quality of life, improvements in Dubuque and enhance the riverfront development.

Mr. Ketterer noted that estimates provided at the time the license was granted indicated the casino would have $12-$15 million of adjusted gross revenue, and he wondered what Mr. Wentworth

thought the final number would be. Mr. Wentworth stated adjusted gross revenue had already exceeded $17 million and appears it will be $20 million. The casino is averaging 1,700 people per day. Last weekend, due to the leaf season, they had over 4,000 through the casino on Saturday, and 3,000 on Sunday.

Commissioner Hansen asked Mr. Wentworth if he knew what percentage of the traffic is coming from out-of-state. Mr. Wentworth replied that southwest Wisconsin is twice as good to them as Illinois. When they first opened in 1985, they had traffic from the entire Chicago-Milwaukee corridor. This has changed due to increased competition.

Ms. Vanderloo noted that when the Commission reviews license applications or renewals, one of the issues they look for is to see if the Iowa Gambling Treatment Program has been involved. She asked that Frank Biagioli, Manager of the Iowa Gambling Treatment Program, address the Commission very briefly regarding DGP&C's commitment to addressing problem gambling. Mr. Biagioli indicated that they have been very cooperative in displaying materials and posting the help line numbers. Earlier this year, the Director of Racing contacted him and advised that a section of the racing program had been reserved for an ad about the Iowa Gambling Treatment Program.

Chair Sealock called on Ms. Vanderloo who recommended approval of the license renewal. Chair Sealock called for a motion. Commissioner Allen moved to approve the license renewal application for the gaming license at DGP&C. Commissioner Peyton seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-144)

Chair Sealock called on Clinton County Gaming Association, Ltd./Crown-Mississippi Belle II, Inc. (CCGA/C-MB II) regarding their application for a license. Edward McMurphy, President and Chief Executive Officer of Crown Casino Corporation, introduced Skip Falgout, Executive Vice President and General Counsel; Mark Slusser, Chief Financial Officer; Bob Kehl, a member of the Board of Directors and largest single shareholder; Ken Bonnett, President of Mississippi Belle II; Steve Juergens, Iowa counsel for Mississippi Belle II and has also helped with the application process; and Tom Fullerton with the Clinton National Bank and a director of CCGC. Mr. McMurphy stated that C-MB II was seeking approval of their application for a boat license in conjunction with CCGA pursuant to their proposed acquisition of the assets of the MB II. The acquisition is more of a merger than an acquisition as the Kehl family is the largest single shareholder in Crown, and Mr. Kehl serves on the Board of Directors. Additionally, existing family members will remain in their management roles on the MB II under Crown's ownership. Mr. McMurphy advised the Commission that Crown Casino Corporation was founded in 1983 in Alabama, and became a publicly traded company in 1986. There are over 5,000 public shareholders, with no shareholder owning more than 9% of the company. Crown entered the gaming business in June, 1993 through the acquisition of St. Charles Gaming Company - one of the companies to receive preliminary approval for a gaming license in Louisiana. After completing the acquisition, Crown went through the licensing process

and was licensed to conduct riverboat gaming operations. Subsequently, a half interest in the company was sold to a partnership comprised of Casino America and Edward J. DeBartolo. In May, 1996, Crown sold the rest of their interest in the riverboat to Casino America which eventually bought out Mr. DeBartolo's interest. Due to the sale, Crown had a pre-tax gain of $40 million. Their earnings were $12.3 million last year, and $13.6 million in the first quarter of this year. The management team has over 50 years of combined executive, legal and financial experience.

Mr. Falgout summarized the Crown-Mississippi Belle II transaction. Crown will pay MB II $40 million cash for all of the assets of the MB II, assume all of the ongoing contractual obligations, and all employees, including management, will continue in their present positions and keep their current benefits. Crown is putting $20 million of its equity into the transaction, and has arranged financing with Wells Fargo and Clinton National Bank for $20 million. The loan is a three year loan with an interest rate of prime plus 1%, and quarterly reduction of the principle. The loan can be extended if they so request, and the bank agrees to the extension. The contract is CCGA has been extended to 2010 with three 5-year renewal options. Under the new agreement, Crown will pay CCGA 3.6% of the adjusted gross fees from closing to the year 2000, 4% from 2000 - 2005, and 4.5% through 2005 through 2010. Crown was able to extend the lease with the City of Clinton to coincide with the CCGA contract. The contract with MB II has a cut-off date of November 15, 1996.

Mr. Bonnet informed the Commission that the MB II has 482 slots and 20 table games. Their food and entertainment facilities are actually on the boat which allows them to do some things which are unique and fun. He estimated that 40% of their players club members are from communities which are approximately 2 hours away. Mr. Bonnet stated that the original intent of gaming was economic development which he feels they have accomplished in Clinton. The MB II created 425 jobs in Clinton. The boat is the fifth or sixth largest employer in Clinton. Two of the 26 managers came from outside of Iowa; however, all other employees were residents of the area prior to gaming and have moved themselves up the ranks. Mr. Bonnet noted that 19% of their employees are single parents and 4% are senior citizens.

Commissioner Hansen noted that at the last meeting, it was noted that a 1995 tax return was not included in the application, and according to the minutes, Mr. Bonnet indicated that the audit had been published and copies would be forthcoming for the Commission. However, the only information the Commission received was a letter indicating that an income tax extension had been requested. Mr. Bonnet indicated that he was not really involved in that aspect of the application and would like someone else to answer that question. Mr. McMurphy advised Commissioner Hansen that the 1995 tax return is not due until January 15, 1997, but that they had provided the Commission with copies of the year-end statement dated April 30, 1996 and first quarter statement which have been filed with the SEC. Commissioner Hansen reiterated that it was stated that the audit had been published, and the disclosure that there has been an income tax extension does not provide figures. Mr. McMurphy noted that the most recent tax return filed is for 1994, and they are preparing the

1995 return. Financial statements which have been provided to the Commission are up-to-date and very thorough. Mr. Slusser advised that Crown's fiscal year ends on April 30, so the 1995 tax return will be for the year ended April 30, 1996, and it is Crown's practice to request an extension. The return is usually prepared during October-November, and filed in December or January. The audited financial statements, which are prepared on a GAP basis, have been prepared and filed with the SEC. Commissioner Hansen feels this is a pertinent issue as Crown experienced some negative cash flow in previous years, but from statements made today, it seems 1996 was a very good year which would materially change their financial picture. He would like to have more data.

Mr. Fullerton addressed the application from CCGA's standpoint. CCGA has unanimously approved the new contract with C-MB II. Everyone on the board and in the community are looking forward to the new relationship. Since 1991, CCGA has reinvested over $2 million in other non-profit and economic projects in Clinton County. He gave a brief summary of some of those contributions. The new agreement with Crown will enhance CCGA's ability to reinvest in economic and cultural events in Clinton County, and asked for the Commission's full support of the application before them today.

Chair Sealock asked if there were any additional questions concerning the application. Hearing none, she noted that C-MB II was anxious to have action taken regarding the application, but that the Commission would have to defer action until such time as the background investigation has been completed by the DCI.

Chair Sealock called for a motion regarding the application of Crown-Mississippi Belle II. Commissioner Whittenburg moved to defer any action on the application from CCGA/C-MB II, Inc. until completion of the background check by the DCI. Commissioner Peyton seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-145)

Chair Sealock then called on Southeast Iowa Regional Riverboat Company/Catfish Bend Casinos, L.C. (SIRRC/CBC) to present their proposal for the expansion of their existing facilities. Jim Rheinschmidt, President of SIRRC and an original member of the organization, noted that the original concept for a riverboat in Ft. Madison was to provide entertainment and dining facilities along with riverboat gaming. He went on to provide a brief history of riverboat gaming in the area. CB has been operating for just under 2 years, have accomplished what SIRRC had hoped and followed the guidelines agreed upon. He noted that the approval of the current proposal would not only allow them to get back to where they were in 1992, but go one step further with a larger boat with more amenities. The current boat is limited in entertainment and dining space capabilities. SIRRC took note of the Commission's signal to work on improving the relationship with Keokuk and including them in future docking arrangements. At their September 1996 meeting, the SIRRC board passed a resolution directing legal counsel to work with CB's legal counsel on wording changes to the Operating Agreement with CB to remove language restrictions regarding CB pursuing

negotiations with Keokuk for the future. A final draft was presented and is on SIRRC's November agenda for action. At this time, it appears there is unanimous approval. SIRRC and CB have agreed to changes in the boarding fee schedule. The adjustment would lessen the restrictions in the upper level, and provide a more stable cash flow for SIRRC. Mr. Rheinschmidt requested the Commission's favorable approval on CB's request to obtain a larger boat.

John Schuldt, President of Catfish Bend Casinos LC, asked for Commission approval of Phase 3 of their plan to establish one of the premier gaming operations in mid-America. CB feels that in order to accomplish this goal and cement their long term commitment to southeast Iowa, they must replace the present boat with a larger vessel providing the customer with a greater variety of those activities which make the gaming experience more enjoyable - enhanced gaming in a comfortable casino setting, expanded dining facilities including a new land-based kitchen, new and improved children's activity center, better office and break facilities for line and staff employees, and a venue for live entertainment. CB and SIRRC feel that Players Riverboat Casino I vessel, at $5.8 million, is the right boat for the area, and have submitted a detailed contract for the Commission's consideration. The anticipated cost for the entire expansion plan is in excess of $12 million. CB opened for business on November 16, 1994, and has been able to generate substantial revenues to city, county and state governments. CB currently employs 340 people with an annual payroll in excess of $5.35 million. The proposal before the Commission will expand the job base and employment opportunities in the area. CB has completed two minor renovations to the present facilities. During the first 12 months of operations, CB had 519,670 admissions, and 1996 totals are projected at approximately 510,125 admissions. Based on a market study they commissioned earlier this year, they feel that additional business can be generated in the trading area, as do the results of a gaming study conducted by Christiansen/Cummings. CB has based their financial projections for the expansion on anticipated gaming revenues of between $24 million and $28 million. SIRRC and CB want to grow the market and remain financially viable for a long term presence in southeast Iowa. They feel in order to reach those goals they must expand the property to offer the amenities expected by their customers.

Gary Hoyer, legal counsel for CB, and Dan Kehl, General Manager of CB, came forward to address any questions the Commission might have. Mr. Hoyer noted that CB had previously submitted the expansion proposal to them which contained four contracts for Commission approval.

Chair Sealock informed Mr. Hoyer that the Commission was only considering the proposal for expansion at this time. She asked if there were any questions.

Commissioner Allen referred to the market study performed by DeLoitte & Touche which stated that the "Catfish Bend operation experiences a significant degree of inefficiency when it makes the transition from Ft. Madison to Burlington and back again. CB is continually in the process of re-educating its customer base as to where it will be located. Customers will gravitate to a gaming

facility that offers permanence and consistency. The Keokuk operators will understand this as well, and will do all it can to capitalize on that fact to lure additional customers away from CB's facilities." She wondered if this statement was correct, especially as to permanency and with Keokuk already dropped from the route, if it wouldn't be more advantageous for CB to also drop Burlington. Mr. Hoyer explained that riverboat gaming in southeastern Iowa was created by a combination of the three communities - Ft. Madison, Burlington and Keokuk - which are relatively small communities. SIRRC was organized with nine members - three representatives from each community. When Steamboat Southeast was there, they attempted to serve all three ports, changing ports every day, sometimes several times. Since CB opened in 1994, they have observed some inefficiencies in trying to serve multiple ports. They have spent quite a lot on marketing trying to educate their customers. They have noticed some drop-off in attendance when they change locations, but SIRRC has taken the position that it is important for the regional approach in southeast Iowa to try and serve as many communities as possible.

Commissioner Allen then asked if they would be expanding their operation to Keokuk in the near future. Mr. Hoyer noted that there are lots of possibilities and opportunities there; however, at this time, CB feels it is necessary to go forward with an expansion of what they can offer their customers in their current operation. CB, under the current operating agreement with SIRRC, spends 6 months in Ft. Madison and 6 months in Burlington. Mr. Kehl explained that what is before the Commission today is just an expansion of the current operation. They are aware that Keokuk is out there, and may come up in April. Several individuals have approached CB about purchasing the current vessel; however, the Board has decided to keep that vessel as they may be able to use it to help solve the Keokuk issue and bring regionalism back to the area. Operationally, it is easier to operate one boat and financial projections indicate that the one boat would be successful. It is possible CB could operate two boats and remain financially viable.

Commissioner Peyton found it interesting that CB was using the Christiansen/Cummings report to support their expansion request as they claimed the report was too generous when presented to the Commission in April in conjunction with the Keokuk application. This position illustrates the paradox that several boat operators are in - being an opponent when someone else wants to expand in the same market, but a proponent when wanting to expand their own facility. He noted that he is not criticizing CB as he recognizes that their projections are lower than what Mr. Cummings indicated the market was for southeast Iowa, but it does validate that the market is larger than what they thought it was in April, large enough to facilitate a larger facility, if not two operations. If that market is larger, he would like to see some competition. He does not feel the Commission's role is to restrict the number of operators in a market if the market is large enough to support more than one viable operation. Commissioner Peyton stated that he felt this request was unfair to Keokuk, and would like to see the two projects considered side by side so the Commission could determine if the market was better served by one operation or competing operations.

Mr. Hoyer stated that CB is not saying anything different than what they said in April. The CC report was not significantly different from the DeLoitte & Touche report. CB agreed there was additional market there, and during their resistance to the Keokuk application, stated they wanted an opportunity to grow. CB is still firmly committed to the position that the market in southeast Iowa is not large enough for two competing operations that can provide the type of gaming amenities that are sought by the gaming patron. The projections for the expansion before the Commission estimate gaming revenue in the $24-26-28 million range; the DeLoitte & Touche study was $26+, and the CC study was over $30 million. CB is moving forward, and needs to expand. The proposed expansion would be the same proposal that would be put forward regardless of what happens in Keokuk. Today's gaming patron wants to have more opportunities for entertainment and dining, as well as sufficient space to gamble in comfort.

Commissioner Peyton asked if they felt this expansion would preclude another operator in the market. Mr. Kehl stated that he did not, that if Midwest Gaming feels the market is that much larger, they will proceed. CB's vessel is small and smoky; there is nothing to do on the boat except gamble. They are not able to attract the out-of-state tourists. Regardless of what happens in April, one of the reasons for the expansion is to remain competitive. Commissioner Peyton noted that CB is talking about more than just upgrading the facility, they are requesting permission to more than double the number of slots and gaming positions. From that standpoint, if you look at the $24-$28 million projections, they would be underutilizing the number of gaming positions. Commissioner Peyton stated that it is one thing to upgrade the facilities, and another matter entirely to double the number of gaming positions which could be provided by a competing operation. He does not believe there should only be one operator in a market which is large enough to support two operators. Commissioner Peyton noted that if the expansion were approved, according to the arguments made by CB during Keokuk's license application, it would effectively saturate the market as CB is doubling their number of gaming positions.

Commissioner Whittenburg asked how many gaming positions CB currently has and how many they anticipate adding. Mr. Hoyer stated that CB currently has 302 slot machines. Under the proposal, they would be adding another 250 slot machines. CB currently has 13 blackjack tables, 2 craps tables, 2 roulette tables and 5 poker tables. In addition to the proposed slots, CB would also be adding an additional craps table, a roulette table, 6 more 21 tables, and one more Caribbean Stud table. On busy nights, CB has been experiencing some crowding on the slots; however, they do not have the necessary facilities which would draw individuals to the casino during the week. Attendance numbers are running fairly close to what their projections were as stated in April. The expansion will allow CB to do a better job of serving their customers on those nights when they are crowded. Commissioner Peyton replied that the answer to overcrowding is a second, competing vessel. He does not feel that the overcrowding is sufficient justification to expand the current facility. Mr. Kehl explained that if CB waits on this issue, the replacement boat may not be available to them.

Chair Sealock noted that it is not unusual for the venues to come before the Commission for the purpose of upgrading their facilities. This would be the fourth time the Commission has been approached on this issue since she has been on the Commission. Previous requests for upgrading facilities have been based on the licensee being able to stay competitive. The only difference between the others and CB's request is that instead of just bringing in a larger boat, they are also requesting additional gaming positions. Commissioner Whittenburg noted that the requests from Dubuque and Clinton did include additional land-based development. Chair Sealock advised that all previous requests to upgrade facilities had been granted.

Mr. Hoyer stated that he felt the Commission needed to decide whether it was better to have two marginal operators or a viable, growing operator.

Commissioner Allen commented that CB's proposal referred to the CC report which used three different projections which included a new boat at Keokuk. Under the worst case scenario, the revenues in the area would increase to a total of $22.5 million or a 16% increase. On the high side, it was estimated that the total market would be $41 million or a 111% increase. Using a middle of the road approach, gaming revenues would rise to $31.7 million or a 64% increase. This report also stated that the dollar amount expended by southeast Iowa was well below the rest of the state, and that a new boat would help to increase that amount. Mr. Hoyer stated that the CC report, commissioned by IRGC, was added as a study to their proposal to insure that the two new commissioners had copies. The approach taken by CC was essentially a high-low approach, and then figured an average. CB took some exception to the methodology, but the Deloitte & Touche study indicated a possibility of 600,000 - 700,000 patrons which would translate into a gaming revenue of approximately $26.2 million. The market is somewhat dependent upon which calculations are used.

Chair Sealock noted that Midwest Gaming had requested that they be allowed to respond to this proposal by CB. Chair Sealock asked if anyone was present to address the Commission. Bruce McDonald, representing Midwest Gaming and ILLIAMO Racing and Gaming Commission, introduced various citizens from Keokuk, and stated that he would attempt to express the opinions of the citizens of Keokuk regarding the situation with SIRRC, CB and the lack of a riverboat in Keokuk. The previous boat, The Emerald Lady, served Burlington, Ft. Madison and Keokuk. Since CB began its operations, the boat has not docked in Keokuk resulting in the loss of ridership fees to Keokuk and the loss of economic benefits which could be derived from a boat docking in Keokuk. Keokuk has invested nearly $1 million in the dock site which now lies dormant. The citizens of Keokuk were disappointed with the denial of their license application in April, but continue to support the endeavor of Midwest Gaming and ILLIAMO. He presented the Commission with over 780 letters in support of a boat in Keokuk. By a resolution, the Keokuk City Council has extended the exclusive lease to Midwest Gaming through December, 1997 in order to facilitate the reapplication which is planned for April 1997. The project is supported by the Keokuk Chamber of

Commerce, Keokuk Convention and Tourism Bureau, and the Keokuk Economic Development Council, as well as numerous private investors. Mr. McDonald referred to Chair Sealock's statement that requests to expand facilities are not unusual, but wondered how many had been made six months subsequent to stating that the market area would not accommodate an additional facility.

Chair Sealock reiterated that the other expansions were made for competitive reasons. Mr. McDonald stated that to the best of his recollection, the interpretation given to the CC report by CB and SIRRC today is materially different than their interpretation of the same study in April. The citizens of Keokuk feel that if the Commission grants CB's request it will foreclose on their opportunity to have a riverboat in Keokuk. Since Keokuk has extended its exclusive lease to Midwest Gaming, it will make it harder for CB to approach the City of Keokuk. Mr. McDonald urged the Commission to defer any action of CB's application until such time as Keokuk can make its application.

Chair Sealock asked Mr. McDonald if he was implying that a condition of their license would be that the Commission would agree that neither Ft. Madison nor Keokuk would improve their facilities meaning that CB would have to maintain the status quo. When the Council Bluffs licenses were granted, Ameristar and Harveys projected they would spend around $70 million, but have now exceeded the $100 million mark and continue to improve their facilities. Her interpretation of Mr. McDonald's comments are that if the Commission allows CB to expand their facilities, that Keokuk will not reapply for a license. Mr. McDonald felt that was not a fair interpretation of his comments. He felt he was attempting to point out the difference in interpretation of the CC market study by CB between April 1996 and today. CB is using the CC report to support its expansion request, but in April, they claimed it was not accurate and the market would not accommodate a boat in Keokuk. Mr. McDonald again requested that the Commission defer action on CB's expansion request until Keokuk has had an opportunity to file it application so all relevant facts can be considered at the same time.

Bill Grace, President of Midwest Gaming, stated that he was amazed at the flexibility in analyzing reports. He requested that the Commissioners be provided with a copy of the minutes from the April Commission meeting which addressed these same issues, same studies and presenters as being brought before the Commission today. Chair Sealock informed Mr. Grace that the Commissioners had received copies of those minutes. Mr. Grace also addressed the possibility of SIRRC putting a boat in Keokuk. He stated they requested to put a boat in Keokuk prior to the time he came into the picture, and he has also requested that he be allowed to put a boat in Keokuk to operate under SIRRC.

During Midwest Gaming's application, in reviewing the 18 criteria, Mr. Grace stated they were advised that the market study would be the most important part of their application. The results of the market studies commissioned by IRGC and Midwest Gaming were almost identical. These

studies indicated that the market was there, but was not being served by the current operator. CB hired Deloitte and Touche to do a market study. This study showed that the market was being adequately served and could not be expanded for fear of causing financial devastation to CB. The CC report indicated sufficient market for another boat, and that the markets in the most southern portion of the state, Missouri and in Illinois were not currently being served. Mr. Grace went on to note that CB felt there was a market which was not being served, and that CB filed an application for LaGrange, Missouri, twenty-five miles south of Keokuk.

The Commission denied Midwest Gaming's license application on a 3-2 vote as they were afraid it would cannibalize CB's operation, they wanted more land-based facilities and local investors. Midwest Gaming has been working on those issues with the City of Keokuk, putting together a local investor pool, and will be filing another application with the Commission in April. The original application was for 400 slots and 20 tables. Under CB's proposal, they would go from 300 slots to 546 slots, add 6 tables plus additional craps and roulette. Mr. Grace also noted that CB's proposal did not contain any land-based development.

Mr. Grace requested that Midwest Gaming's new license application, CB's expansion proposal, and Muscatine's proposal all be heard at the same time to provide everyone with the same opportunity. He feels that CB has tried to maintain a monopoly at Keokuk's expense. Competition in this market will improve the market and be better for the state of Iowa.

Roger Lande, representing Pearl City Queen, noted that they were present to become acquainted with the process while awaiting the November 5 referendum. He requested that the CB proposal be considered in the funnel that is being established for applications, not because they are against CB improving their property, or any other operator's improving their property, but don't want it to be used to block their application.

Chair Sealock asked her fellow Commissioners if they had any further questions or comments. Commissioner Whittenburg referred to Mr. Grace's comment that CB's proposal did not contain any land-based development. She noted that this agenda item is not an application for a new license. In reviewing the minutes covering the Keokuk decision, then Chair Canella advised that there are 22 criteria which are looked at when a new license is being considered - land-based development being one of those criteria. CB's request is a request to expand or change boats, and she does not feel that land-based development is a necessity in these types of situations.

Commissioner Allen stated that she is somewhat mystified by CB's request to increase their gaming device capacity and boat size when less than six months ago, they strongly opposed Keokuk's license application as it would cannibalize their market. She commended their desire to expand and noted that timing is very important, but went on to note that the rationale for approving their project and denying Midwest Gaming six months ago needs further scrutiny. Commissioner Allen stated

that it was her obligation, in all fairness to Keokuk and Midwest Gaming, to recommend that any decision on CB's application be held in abeyance until Midwest is given the opportunity to refile their license application in April 1997.

Chair Sealock asked Commissioner Allen if her statement was a motion, or just a comment. Commissioner Peyton stated that he would make Commissioner Allen's comment a motion. He stated that he is bothered by the fact that the discussion is playing out as keeping CB from improving their product. A product can be improved to meet competition or the safety of patrons without adding additional slot machines. In his opinion, CB is using the improvement of the facility to justify the additional slot machines, when in fact, it is the slot machines which justify the improvement to the facility. It is his opinion that when competition exists in a market, all operators produce a better product. He strongly feels that as long as a market will support more than one viable operation, there is an obligation to at least make the market available to other competitors and not perpetuate a monopolistic situation. Commissioner Peyton stated that he felt CB's facility would be upgraded significantly if a second operator came into the area.

Commissioner Peyton moved to defer consideration of CB's request until April 1997. Commissioner Allen seconded the motion. Chair Sealock asked if there were additional comments.

Chair Sealock noted that Sioux City has always included Council Bluffs/Omaha in their market, and Dubuque has included Clinton in their market as well.

Commissioner Whittenburg noted that every time the Commission has granted a request to replace a boat, the number of gaming positions have always been increased. Chair Sealock concurred.

Hearing no further discussion, Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-146)

At this time, Chair Sealock moved to the contracts submitted by CB in conjunction with their expansion proposal. Mr. Hoyer stated that he felt CB would need to pull the contracts since the Commission denied the expansion at this time. Commissioner Whittenburg stated that she disagrees with previous comments about expanding facilities and not adding slots, she did not see any reason why CB could not go ahead and purchase the boat if they chose to assume the risk that the Commission would grant approval in April. The Commission could vote on the contracts individually. Mr. Hoyer asked for some time to discuss the issues with his client. Chair Sealock granted his request, and the Commission will return to this matter later in the meeting.

Chair Sealock called on Mr. Bonnet to provide the Commission with a report on the simulated disaster training held on the MB II. He introduced Captain Reggie White, Marine Manager, who was on duty the day of the drill. P.J. Anglin, Property Manager, and Capt. White spent a

considerable amount of time preparing and developing crew techniques and working with local emergency agencies in order to be able to hold the drill.

Captain White stated that they had contacted the Coast Guard (CG) at the end of April as MB II was aware that the CG would require all riverboats to hold a emergency contingency drill as they are considered high volume passenger carrying vessel which has stricter policies regarding evacuation personnel and passengers in emergencies. The CG contacted the MB II at the end of August inquiring if they were ready to hold the drill. Boat personnel were put through extensive training to prepare them to handle the various emergency situations.

MB II was required to design a plan other than what the CG requires the vessel to carry. CG requirements state that the boat man a station bell with 12 crew members who are required to be present whenever the boat is open or passengers are on board. They are the first responders to a fire, collision, man over board, etc. The full scale disaster drill was a fire on the boat which would require the evacuation of all passengers on the boat. MB II included an additional 59 personnel to assist in the evacuation of passengers. The drill was actually held on September 10, 1996. At this point, Captain White read the "After Action Report" issued by the CG after the completion of the drill. (Copy attached) Captain White provided a brief description of how the "disaster" escalated. The CG threw some extra "disasters" at them as they were performing so well.

Chair Sealock thanked Captain White for his report. When riverboat gaming first started in the state, the operators were surprised to learn the depth of the requirements for CG certification.

Chair Sealock moved to the contract approvals before the Commission. She called on Michael Hlavsa, of Lady Luck Bettendorf, who presented the following contracts:

- Bettendorf Holiday Inn - Complimentary Guest Lodging; Corporate Personnel Lodging
- Farmer Brothers, Co. - Food Service Vendor
- GDC, Inc. - Casino tokens
- At Work Uniforms - Uniforms

As there was no discussion regarding the contracts, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-147)

Chair Sealock then called on Mark Lohman, General Manager of The President, to present their contracts for Commission approval:

- Davenport Electric Contract Company - Shore Power Manufacturing & Installation
- Heritage Landscape Design - Valet & Parking Lot Landscaping; Peterson Block Parking Lot

Landscaping
- Mississippi Valley Broadcasting, Inc. - Advertising & Promotion

Hearing no further comments regarding the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order 96-148)

Mr. Lohman advised the Commission that The President has made numerous parking lot improvements over the past several months. They are in the process of constructing a porte cochere which should be completed in mid-December.

Chair Sealock called on Jim Rix, General Manager of the Dubuque Diamond Jo, who informed the Commission that their contract with The Floor Show Interiors for carpeting is a 100% Iowa company and is based in Dubuque. Chair Sealock called for a motion. Commissioner Peyton moved to approve the contract as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-149)

Mr. Rix advised the Commission that the sale had been closed on their building. Six acres are currently being graded and tiled in preparation for the addition of 475 parking spaces. The Ice Harbor Mall was included in their purchase, part of which is occupied by tenants selling a variety of items from antiques to knick knacks. They are in the process of developing a plan to redevelop that. Once the new parking lot is completed, the entrance into the Ice Harbor facility will change from the west to the east. The Ice Harbor museum, a $10 million project, will be about 100 yards from their entrance. A walkway is being planned for the riverfront.

Chair Sealock called on Mr. Wentworth to present DGP & C's contract with ComData Corporation, Gaming Services for a Cash Advance Commission to the contract. Hearing no additional comments, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contract as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-150)

Chair Sealock then called on Barry Sevedge, Director of Operations for Bluffs Run Casino (BRC), who presented the following contracts for approval:

- Andersen Construction Co., Inc. - Change Order to Contract approve on 9/19/96 for Parking Lot Construction - Addition of RV Park
- First Reinsurance Co. Of Hartford - Liability Insurance for Primary Directors and Officers
- RI - Directors and Officers Liability Insurance

Mr. Sevedge advised the Commission that the issues concerning the RV parking lot had been resolved, and have decided to include it in the contract approved by the Commission at its September meeting. The new parking lot will be on the west and have 700+ parking spaces. It is to be completed by the end of next week. Construction and grading techniques have been changed on the new lot due to the water level in the ground. The landscaping plan was let for bids, and only one landscaper bid on the whole project due to the availability of plants, etc. Therefore, limited landscaping will be done this winter. The RV park will be started and work will progress through the winter. They hope to open it in April, no later than May. The park will have a reception building, 147 spaces, showers and laundry building, heating, water and electric hook-ups, surveillance, picnic areas, and the entire park will be fenced in order to control access.

The following improvements are planned for the racetrack and clubhouse: painting, laminates, redecorating, changing the escalator and stair access to the club house, and reworking the tote board. Contracts regarding these improvements will come before the Commission at its next meeting.

Hearing no further questions concerning BRC's contracts, Chair Sealock called for a motion. Commissioner Allen moved to approve the contracts for BRC as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-151)

Under Administrative Business, Mr. Ketterer reminded everyone in attendance that the November Commission meeting had been changed to Tuesday, November 26th in Des Moines. Additionally, license renewals for all riverboat licensees are due in the Commission's office by December 31.

Chair Sealock asked if anyone in attendance had comments. Hearing none, the Commission returned to Agenda Item 8B, the contracts under Catfish Bend's proposal to expand their facilities. As there was some perceived confusion regarding the action taken by the Commission on this matter earlier in the meeting, Mr. Hoyer requested clarification regarding this matter and asked how the previous motion regarding this matter was stated. Recording Secretary Julie Herrick noted that the motion called for deferral of any action regarding the request until April 1997. Mr. Hoyer stated that the proposal which was submitted included four contracts and they were not clear how they could proceed to purchase the vessel for expansion, the gaming equipment and related items if it was deferred. Chair Sealock stated that the motion only pertained to Item A which read "Proposal for Expansion of Existing Facilities". Mr. Hoyer reiterated that the proposal which was submitted was essentially one proposal which included the contracts. The way the agenda was set up, it appeared that they were separate items. Catfish Bend will lose its option with Players Lake Charles, LLC for the larger vessel if it is not completed by November 1, 1996.

Chair Sealock asked Mr. Farrell if he felt the items could be handled separately. Mr. Farrell stated that the contracts could be handled separately, but the issues do seem intertwined. The financing is to buy the new boat. Mr. Hoyer requested that the Commission act on the items as a package. Chair

Sealock indicated that she felt a new motion should be made regarding the issue to clarify the matter. Chair Sealock indicated she would entertain a motion pertaining to Agenda Item 8B - the contracts under the proposed expansion project for Catfish Bend.

Mr. Ketterer noted that the Commission has approved contracts that are included in license applications; however, he also pointed out that this is not a license application. Commissioner Peyton agreed but stated that it is a specific proposal to expand the facility. Commissioner Whittenburg likened this situation to the Dubuque Diamond Jo request for a larger boat and all the problems they encountered with the financing. The Commission deferred action a number of times, and they kept coming back before the Commission until they were finally given approval to purchase a larger boat. Commissioner Peyton agreed, but wondered why the action on Agenda Item 8A - Proposal for Expansion of Existing Facilities - would not be considered a deferral of the whole issue. Commissioner Whittenburg stated that it should be, it just wasn't worded that way and; therefore, there are clarification problems.

Chair Sealock asked Mr. Farrell for his opinion. Mr. Farrell stated that he felt the Commission should clarify that 8B, the contracts, would be deferred until April 1997, the same as the expansion proposal as they are the same thing. The essence of the expansion proposal is the contracts listed in 8B. They are just asking for clarification that the issue is being deferred, denied or whatever; but based on previous actions, the Commission should defer the whole issue.

Chair Sealock noted that she would entertain a motion. Commissioner Hansen moved. Commissioner Peyton noted that his original motion was a deferral of the entire issue. Commissioner Whittenburg noted that is the clarification being sought. Commissioner Peyton wondered why anyone would question that it would be anything other than that. Mr. Hoyer stated they became confused when Chair Sealock indicated they would move on to the contracts.

Chair Sealock reminded everyone that there is a motion on the floor made by Commissioner Hansen. Mr. Farrell asked what the motion was. Commissioner Whittenburg stated that it was to defer 8A & 8B until April 1997. Chair Sealock requested a second. Chair Sealock asked what would happen if the issue died for lack of a second. Mr. Hoyer stated that he felt the issue would be deferred. Mr. Farrell asked what the wording was on the first motion. He went on to point out that the Commission took action on the matter, and then someone indicated they would move on to 8B, indicating that 8B was still open. Commissioner Whittenburg noted that when Catfish Bend was originally called up to the podium they were called up to address 8A which is what is causing all of the confusion. All Catfish Bend is asking for is clarification of the Commission's action.

Chair Sealock noted that the Commission can not go back and change a motion that was already made and passed, so they would either have to make a new motion or nullify the previous motion with a new motion. Commissioner Peyton stated that his motion was to defer this issue until April

1997. Mr. Farrell noted that the only action being taken was to clarify the previous motion. Commissioner Whittenburg seconded the motion. Chair Sealock noted that the motion has been made and seconded to defer action on the contracts along with the proposal for expansion of facilities until April 1997. She requested a roll call vote. The motion passed on a 4-1 vote, Commissioner Peyton voting no. (See Order No. 96-152)

Commissioner Hansen moved to adjourn the meeting. Commissioner Peyton seconded the motion which carried unanimously. The meeting adjourned at 2:00 PM.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS
SECRETARY

MINUTES
IOWA RACING AND GAMING COMMISSION
OCTOBER 29, 1996

The Iowa Racing and Gaming Commission held a telephonic meeting on October 29, 1996 at 10:00 AM in the Commission's office located in the Lucas State Office Building, 321 E. 12th Street, Des Moines, Iowa. Commission members present were: Rita Sealock, Chair; Nancy Whittenburg, Vice Chair; and members Brad Peyton, Bill Hansen and Jackie Allen.

Chair Sealock called the meeting to order by requesting an official roll call, and that each venue identify the parties present at that location. Following the roll call, she requested a motion to approve the agenda. Commissioner Whittenburg so moved. Commissioner Allen seconded the motion which carried unanimously.

Chair Sealock called on Southeast Iowa Regional Riverboat Company/Catfish Bend Casinos, L.C. regarding their request for Commission approval of contracts relating to acquiring a larger vessel without additional gaming positions. Chair Sealock noted that she had spoken with Dan Kehl, General Manager of Catfish Bend (CB) the previous evening. Mr. Kehl advised her that he had met with or spoken with each Commissioner in an attempt to address their concerns or answer any questions. At this time, Chair Sealock asked Jack Ketterer, Administrator of IRGC, if he had any comments. Mr. Ketterer suggested that either Mr. Kehl or Gary Hoyer, legal counsel for CB, summarize Mr. Kehl's letter of October 22, 1996 requesting this agenda item. He noted there are individuals included in the meeting who may not have had an opportunity to see and review the letter.

Mr. Hoyer stated that the October 22, 1996 letter requested a special telephonic Commission meeting for the Commission to consider approval of a contract with Players Lake Charles, LLC which was previously submitted as a part of CB's expansion request considered at the October 18, 1996 Commission meeting. This contract is for the acquisition of the Players Riverboat Casino I for $5.8 million, and is scheduled to expire on November 1, 1996 if IRGC does not approve the contract by that date. The purpose of the submission before the Commission today is to acquire a larger replacement riverboat.

As part of the acquisition package, a loan commitment letter from Lee County Bank & Trust, N.A. of Ft. Madison is also being submitted for Commission approval. This is the same letter previously submitted under the expansion request, except for a reduced amount of borrowing authority. The current letter of commitment is for $8 million as opposed to the $10 million which was previously submitted. CB is seeking the Commission's approval to replace their existing vessel with the larger riverboat without seeking approval of additional gaming positions at this time. They reserve the opportunity to do that in April when other proposals are considered.

Additionally, SIRRC and CB have submitted the amended contract with SIRRC pertaining to an adjustment in the fee schedule in the event that the larger riverboat would be approved for acquisition. CB is a small, local Iowa company and the proposed project will be financed through the combined effort of several Iowa banks. The project is owned by Iowa investors, they have Iowa employees which were hired from the local job pool, and the proposal before the Commission would result in an increase in the number of Iowa jobs.

Mr. Hoyer reiterated that CB needs to expand and improve its current facilities as they have received complaints regarding the air quality, not enough elbow room, etc. They would also like to be able to provide additional entertainment opportunities. He stated that he did not recall that the Commission has ever denied an opportunity in the past for an operation to enhance its facility.

Chair Sealock asked if the other Commission members had questions. Commissioner Allen commented about Mr. Hoyer's statement and Mr. Kehl's letter which stated he was shocked by the decision of the Commission to defer CB's expansion plan. Mr. Kehl's letter also stated that he does not recall an occasion in the past where the Commission has limited the number of gaming positions due to a potential or pending license application. Commissioner Allen stated that she did not feel that past actions of the Commission should dictate present policy, especially since this is an unusual situation.

Commissioner Whittenburg stated that she felt it was very important for the Commission to try to maintain consistency in its policies, just as in court rulings in which a precedent is set. To some degree, past precedent controls future actions so that the public would be able, to some degree, to depend on future actions of a Commission, court, board, etc. because of consistency in their actions. She feels the comments contained in the letter were accurate as they related to past actions of the Commission. Commissioner Allen stated that she understood Commissioner Whittenburg's comments, and that Commissioner Whittenburg had underscored the issue when she referred to "past actions".

Commissioner Peyton requested that either Mr. Kehl or Mr. Hoyer provide the Commission with a synopsis of how the additional debt and larger facility will affect their profit/loss and cash flow. Mr. Hoyer noted that with the existing number of gaming positions on the current vessel, they anticipate they will have $21.5 million in total gaming revenues for this calendar year. They had previously submitted three different revenue scenarios - $24 million, $26 million, and $28 million. Without any additional gaming positions, CB would lean more toward the $24 million gaming revenue projections. Using that projection, they anticipate their profit/loss and cash flow would essentially be the same. Without the additional $2 million in additional gaming equipment projected in the previous proposal, they expect their net income would change through the elimination of some depreciation, amortization, and interest. They would anticipate having $3.4 million of net income opposed to $3.7 million. If CB's operation were to remain the same in terms of gaming revenues

through the introduction of the larger vessel, and they stay in the $21.5 gaming revenue projections, their net income would be approximately $2.7 million. The project is still financially feasible for CB with these projections. The addition of dining and food amenities for the customer will hopefully improve, to some extent, the gaming revenues available to CB. CB anticipates that the addition of dining facilities will improve their mid-week customer base.

Chair Sealock called for any additional comments or questions. Hearing none, she called for a motion. Commissioner Peyton, noting that there was a motion at the October 18 Commission meeting to defer action until April 1997, asked if a motion to reconsider was necessary or something to counteract that deferral. Commissioner Whittenburg stated that she felt one of the contracts before the Commission was an entirely new contract. Mr. Hoyer advised the Commission that CB was considering these contracts to be a revised application since it does not include the gaming expansion previously submitted.

Mr. Ketterer advised Chair Sealock that she may want to allow some of the other parties listening to the call if they had comments. Chair Sealock indicated that she was going to ask for further discussion following the motion. She again called for a motion.

Commissioner Whittenburg moved to approve the following contracts submitted by Southeast Iowa Regional Riverboat Company/Catfish Bend Casinos, L.C.:

- Players Lake Charles, LLC - Riverboat Casino
- Southeast Iowa Regional Riverboat Commission - Admission Fees
- Lee County Bank & Trust, N.A. - Loan

Commissioner Peyton seconded the motion.

Chair Sealock asked if there were any additional comments regarding this agenda item.

Doug Gross, representing Midwest Gaming and Keokuk, indicated their approval of CB's move to go forward and improve the venue. They also had a question relating to Commissioner Peyton's comments regarding financial viability. They are presuming, that even with a larger vessel and the current number of gaming positions, that the project would be an economically viable venue and would continue to be even if competition entered the market. It is Midwest Gaming's hope that the Commission, by its approval, would not preclude the possibility of additional licenses in that market. Chair Sealock advised Mr. Gross that his comments were accepted and assured him that their assumptions are true.

Commissioner Hansen stated that, in his opinion, the Commission's actions today are without prejudice or future connotations toward expansion of gaming in that area. Chair Sealock concurred.

Roger Lande, legal counsel for the Pearl City Queen in Muscatine, asked Mr. Kehl or John Schuldt, President of Catfish Bend Casinos, L.C., to comment on Mr. Hoyer's statement that this application is simply to serve the venue. Pearl City Queen's main concern was that some individuals feel that CB would use the larger vessel to block a boat in Muscatine. Mr. Hoyer responded that regardless of what would happen with other pending or potential applications, or those previously submitted, CB would proceed with the purchase of the larger vessel. Mr. Lande asked whether the motivation for getting a larger vessel in Ft. Madison was to argue that Keokuk and Muscatine did not need licenses. Mr. Hoyer noted that Muscatine has not even passed a referendum at this time, or submitted an application. Depending upon what the application contains in terms of positions, type of vessel, etc. will have an impact on how CB will respond to the application. Mr. Hoyer stated that CB would like to change their vessel in order to provide more entertainment opportunities and amenities to their customers. CB would proceed with the larger vessel regardless of applications which may be received by the Commission in the future.

Mr. Lande advised the Commission that Pearl City Queen is in favor of free enterprise and feels that competition makes all operators better and serves the market better. They feel it is good for the Iowa venues to encourage quality. They are in favor of the application before the Commission, and the pending motion, as it is to improve various problems encountered on the current CB vessel.

Chair Sealock asked if there were any more comments relative to the motion before the Commission. Mr. Ketterer asked Mr. Schuldt and Jim Rheinschmidt, President of SIRRC, to clarify the language in Exhibit A-I in the Operating Agreement. He does not feel the language says what they want it to say. It currently states: "If the total annual attendance is not over 500,000, the license fee will be $1.75 per person. If the total annual attendance is over 500,000, it will be $1.00 per person." Last year, CB had 514,000 admissions in the fiscal year. Under the current language, if there were 490,000 people at $1.75, that would be $873,000. As soon as the number reached 500,000, they would get $1.00 per person, and the amount would drop to $500,000 and would not reach the $870,000 mark until an additional 370,000 people visited the boat. He wondered if the language was meant to be "For each admission up to 500,000, a $1.75, and for each admission over 500,000, $1.00. Mr. Hoyer stated that the parties have agreed that the admission fee will be $1.75 per person for every admission up to 500,000, and anything over 500,000 would be at $1.00 per person. There is no disagreement between CB and SIRRC on the issue. The language was taken from their past agreement, but might be able to be cleaned up slightly. Mr. Rheinscmidt backed up Mr. Hoyer's comments on this issue.

Chair Sealock asked Mr. Ketterer if the motion needed to incorporate the clarification of the language in Exhibit A-I of the Operating Agreement. Mr. Ketterer indicated that the motion could include the clarification as stated. Commissioner Whittenburg amended her motion, and Commissioner Peyton seconded the amendment.

Chair Sealock indicated a vote would be taken on the amendment first, and then on the motion. Commissioner Allen asked for clarification regarding the amendment. Mr. Ketterer advised her that the amendment was to clarify the language in the Operating Agreement, Exhibit A-I for the license fee paid by CB to SIRRC. The Commission generally refers to those fees as an admission fee.

Chair Sealock requested a roll call vote. The amendment passed on a unanimous vote. (See Order No. 96-153)

Chair Sealock then requested a roll call vote on the original motion. Commissioner Allen stated that she approves of CB's enthusiasm and desire to expand, but noted that at the Commission's last meeting they agreed to consolidate applications into a one month period in order to better regulate and allow sufficient time to process requests regardless of whether it is a new application or a request for expansion. She does not feel the intent was for the Commission to act in a hasty manner, and feels this request by CB to have occurred in a hasty time frame. She believes that CB has placed an unrealistic time frame on the Commission. It is her belief that the Commission has not had sufficient time to consider the ramifications of the expansion request (contract). She went on to note that it is unfortunate that CB is placed in the position of trying to firm up the acquisition of the larger vessel, but is not sure that is any of her concern. She feels if the Commission approves the larger vessel at this time, they are putting the cart before the horse; and sends the wrong message to future applicants.

Hearing no further comments, Chair Sealock requested a roll call vote. The original motion passed on a 4-1 vote with Commissioner Allen voting no. (See Order No. 96-154).

Chair Sealock moved on to Administrative Business. Mr. Ketterer advised her there was no Administrative Business at this time.

Chair Sealock asked if there were additional public comments. Mr. Kehl thanked everyone, and apologized for the need for a telephonic meeting. Mr. Rheinschmidt also thanked everyone for being understanding of the situation, and that SIRRC appreciates the Commission's support.

Chair Sealock stated that it has been interesting to be a part of the Commission and watch Kehl and Company and their three projects in three different communities:

- Dubuque where they started out too large and left because of competitive reasons,
- Clinton where they started small and developed slowly, and
- Ft. Madison where they are following the pattern established in Clinton

She indicated that even though the meeting was held telephonically, she hoped everyone felt they had an opportunity to voice their views.

At this point, Chair Sealock called for a motion to adjourn. Commissioner Whittenburg so moved, and Commissioner Peyton seconded the motion. The motion carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS
SECRETARY

IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 26, 1996

The Iowa Racing and Gaming Commission (IRGC) met on Tuesday, November 26, 1996 at 8:30 AM in the Auditorium of the Wallace State Office Building, Des Moines, Iowa 50309. Commission members present were: Rita Sealock, Chair; Nancy L. Whittenburg, Vice-Chair, and members Brad Peyton, Bill Hansen and Jackie Allen.

Chair Sealock called the meeting to order at 8:30 A.M. and called for a motion to approve the agenda. Commissioner Hansen so moved. Commissioner Whittenburg seconded the motion which carried unanimously.

Chair Sealock then called for a motion to go into Executive Session for the purpose of receiving advice from legal counsel and DCI background investigations pursuant to Iowa Code Section 21.5(c) and (g). Commissioner Whittenburg moved to go into Executive Session. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-155)

Following Executive Session, Chair Sealock requested a motion regarding the approval of the minutes from the October 18, 1996 and October 29, 1996 Commission meetings. Commissioner Hansen moved to approve the minutes as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-156)

Chair Sealock recognized Linda Vanderloo, Director of Racing/Administration, who introduced Juan Garcia and Shirley Stokes who are Gaming Representatives at Prairie Meadows.

Chair Sealock then called Racing Association of Central Iowa/Prairie Meadows (RACI/PM) to give the Commission an update on the progress being made in discussions with Polk County regarding the use of the facility and relationship with Polk County after the debt on the facility is retired. Tom Flynn, legal counsel for RACI/PM, indicated that on or about December 13, 1996, the remainder of approximately $2 million of the indebtedness will be paid in full. Discussions are continuing with the County as to what the relationship will be after the debt is paid. The PM Board had a meeting on November 12, 1996 in which they passed the 1997 Budget and Operating Plan. The Budget and Operating Plan was then submitted to the County on the following day. Under the terms of the Operating Agreement, the County has 30 days, or Friday, December 13, 1996, to respond. If they do not respond by that date, it would be deemed approved. Members of both staffs have been meeting to go through the various details. If differences can not be reconciled between the two Boards, the matter would go to arbitration under the terms of the Operating Agreement. Arbitration would more than likely occur in January, 1997.

Eliza Ovrum, Assistant County Attorney for Polk County, indicated that she agreed with most of what Mr. Flynn stated; however, she did not agree that the Budget and Operating Plan had to be approved within 30 days under the Operating Agreement. The Operating Agreement states that the parties will have a goal of reaching an agreement within 30 days. She noted that fairly intense

meetings have been ongoing between PM and County staffs regarding the Budget and Operating Plan. Chair Sealock asked if she was optimistic that an agreement would be reached. She stated she felt there were points upon which they will reach agreement, but is not sure if agreement will be reached on the entire budget and operating plan as submitted. She noted that the proposal given to the County showed $20 million coming to the County next year as opposed to the amount received this year - about $35 million less.

Chair Sealock moved to RACI/PM Petition for Rulemaking. Pete Scarnatti, Director of Pari-Mutuel Operations at PM, noted they had submitted several Petitions for Rulemaking. Mr. Scarnatti indicated that PM has noticed they have a large number of patrons who come to the facility that are watching, but not participating to any great extent. They want to formulate and implement a new wagering product geared to those individuals who are not familiar with pari-mutuel wagering. PM wants to come up with a simple wager which is easy to understand, and most importantly, one in which the patron has a theoretical 50-50 chance of winning. The wager which is being proposed is an over-under wager. It is PM's intent that a program number would be set which would be a half number eliminating the possibility of a tie. The program numbers for the first finishers in a race would be added in order to determine the relationship to the point number that has previously been set. PM feels the wager would have some appeal to seasoned handicappers as it is somewhat similar to a quinella-type wager. They feel this wager will have broad potential as far as attracting dollars into a pool from novice players as well as more seasoned players.

Mr. Ketterer asked if anyone was available from United Tote who would be able to address the length of time of programming, what the cost would be, and if that cost is acceptable to PM. Mr. Scarnatti stated that Roger Johnson, Regional Manager for United Tote, was available to answer any questions. Mr. Johnson indicated there would not be a charge for the software as long as implementation of the rule would allow the software to be used by all tracks. He would not estimate the time frame needed to do the programming.

Mr. Ketterer asked Mr. Scarnatti if PM had conducted any patron surveys on the proposed wager. Mr. Scarnatti noted there are pari-mutuel hosts on staff who have had some discussions with patrons during simulcast cards explaining what PM is contemplating and then following through as if the patron were making a wager. He indicated that it is hard to gauge interest at this time of year as the majority of the patrons now are simulcast players who are more knowledgeable, set-in-their-way type horse players, but have obtained some positive feedback from some of those individuals. There is not a comfort level at this point as it is a wager, as far as PM knows, that has not been attempted elsewhere; however, Mr. Scarnatti feels that most of the patrons are looking at the wager as a side-wager.

Mr. Ketterer informed Mr. Scarnatti that he had talked with Verne Glaser at Maywood Park in Chicago who indicated that they had tried this same wager in 1991 or 1992 and that it did not attract

much action due to the low payout after the takeout. They discontinued the wager after a month or two. Mr. Ketterer also talked with Mark Plano at the Illinois Racing Board who indicated the same thing as Mr. Glaser. These conversations prompted his question regarding the patron surveys. He did not feel the simulcast patrons would have much interest in the wager as they are attracted to larger payouts, the same as slot players. He acknowledged their goal is to attract new patrons to pari-mutuel wagering. Mr. Ketterer went on to point out that he was bringing up the lack of interest in Illinois for this particular wager as the rulemaking process takes approximately 90 to 120 days and is hesitant to initiate the process for something that might have a short life span. Mr. Ketterer noted that in earlier conversations with PM representatives, a forward-thinking comment was made about the possibility of reducing the takeout on this particular wager - possibly only 10% or 11% on this wager. Mr. Ketterer indicated his agreement with their thought process on this issue. Takeout at racetracks has traditionally been 18-25%, but Iowa broke new ground when it allowed racetracks to have slot casinos. PM has stated that they will have their debt paid off on December 13, 1996, and there is no debt remaining on the other two racetracks. The Commission has a rule for slot machines and other games of chance which requires the licensees to pay back at least eighty cents on the dollar, and in fact, it is averaging around 92 - 94% so nly 6-8% is being taken out. He questioned why a slot player who is getting a return of 92-94% would want to go to the pari-mutuel side when they would only get 75-80% back on every dollar. Mr. Ketterer indicated that he felt the best thing to be done for those people since the debt has been retired and the purses have been increased for all of the horse and dog owners is to provide a break to the pari-mutuel patron by reducing the take out on the races so that it is similar to what is being done on some of the other games. He stated that he would be more inclined to recommend that the Commission take another look at the proposed wager at the January meeting in conjunction with a reduction of the takeout on all the other wagers which are offered down into the 10-11-12% range.

Mr. Scarnatti indicated that Mr. Ketterer had made some interesting points. He noted that PM had looked at, and will very likely with this wager, offer a substantially lower takeout rate than Iowa law prescribes for a two-horse exotic wager, possibly in the 10-11-12% range in order to keep the pay out as high as possible. Mr. Scarnatti feels that reducing the takeout on the other wagers and pools to the rate suggested by Mr. Ketterer would cause PM to lose several of the simulcast partners. When sending and receiving a signal from another track, one of the first items to be reviewed is the takeout rate because that is how the tracks make their money. If PM were to offer a pool with a 10% takeout to an outlet in Texas, they would pay PM a fixed fee and the remainder of the takeout would be their profit; therefore a reduction in the takeout fee from 24% to 10% would effectively reduce the amount of profit in half, reducing the attractiveness of the signal to management. Mr. Ketterer asked Mr. Scarnatti if he felt the reduction in takeout would make the signal more attractive to the wagering patrons on the opposite end. Mr. Scarnatti agreed that was possible if two things occurred: 1) the pools would need to be large enough for the players to be able to play, and 2) if management would decide to take the signal. He went on to note that if a 10% takeout was the thing to do in the industry, he feels some of the major players in the industry would already be doing it. Mr. Ketterer

asked what would happen if there was a separate pool for the simulcast wager. Mr. Scarnatti stated that he felt PM would not see $100 in the trifecta pool if PM were to establish the various pools. Mr. Ketterer asked Mr. Scarnatti what percentage of their handle was on-track versus off-track. Mr. Scarnatti indicated that in 1996, PM had about 66% off track betting and 33% on-track wagering. If PM goal is to increase their patronage and wagering on-track, Mr. Ketterer asked why PM could not have the reduced takeout for them and the larger takeout for the simulcast in their own pool. Mr. Scarnatti indicated there could be some tote concerns with that process. He was not sure if PM's tote system could handle that many different "performances".

Mr. Ketterer noted that he did not disagree with Mr. Scarnatti's comments that PM could lose some simulcast partners; however, the major simulcast players around the country are leaving the racetracks and going to Las Vegas because they can get better payouts. If the players make their feelings known to management, he feels the reduced takeouts could be very beneficial to a track like PM.

Chair Sealock asked if the other Commissioners had any comments they wished to make. Commissioner Peyton noted that he did not feel this particular wager would be as simple as stated. He admitted that he did know a lot about wagering, but felt he could determine a 1-2-3 finish easier. He feels this wager is designed to attract the novice, and therefore, it creates a potentially misleading situation and will be perceived as a 50/50 proposition. In fact, the house takes a pretty big cut of that and I think for that reason that it will be preceived by novices that being a 50/50 proposition that it really won't be. I have some concerns about it from just a representation of potentially misleading perception.

Mr. Scarnatti stated that there are factors involved in any wager that will influence the outcome just like in an NFL game. There is over /under betting on NFL games and there are only two outcomes but I don't think any one thinks of it as a 50/50 type situation because there are factors that by just the nature of the game that can influence it one way or another. One defense might be strong or both defenses could be strong and might influence it to a 100, rather than a 50/50 over/under split. The same thing could be true in a field of horses. I don't think we want to get away from taking the element of horse racing completely out of any wager we offer as that would be counter productive. We are targeting novices, but lets look at what the novices play now. You're talking about $2.00 to show, so I think if there is going to be any effect on a pool, per se, that it would probably be on the show pool. In the show pool, the horse has to finish 1, 2, 3. I don't know if there is any perception of what the percentages would be of winning that wager other than the traditional statistical information that shows favorites running in the money 67% of the time. That doesn't mean it's a 67-33 propostition - it's not by the nature of the random elements of the match. And to take any element out, we are not attempting to make a 2 outcome bet to take the patrons focus completely away from the racing contest, because that is part of the mixture here. We want that contest to be part of it, to indoctrinate that novice player into maybe taking it the next step and really

beginning to understand how to play the pari-mutuel wager. Understanding the information and developing some folks that are not pari-mutuel players now, but through the virtue of that they can tag, certainly seems to me a person would attach a wager such as this more often with a positive reinforcement rather than always losing or trying some super hard wager win, like a huge jackpot payoff-type wager which people continually bet and lose. We are taking the step where we want people to be able to win more often; therefore, reinforcing the experience of winning and maybe hopefully that will develop a course over a long period of time into the player becoming more interested in pari-mutuel.

Chair Sealock asked if anyone had any comments. She went on to note that the Commission does not take the process of establishing rules lightly, and does not want to create rules unless they have a strong belief that they are needed. She asked Mr. Scarnatti if he wanted to withdraw the Petitions for Rulemaking at this time, or follow up on Mr. Ketterer's suggestions. Mr. Ketterer indicated that he would like to see PM conduct a slot patron survey which would show a greater interest than what he had learned about Illinois' experience with this type of wager. Additionally, in January, he would like PM to come back with a proposal which would reduce the takeout on all of the wagers, not just the over/under wager.

Mr. Scarnatti said that was a decision he was not able to make, and would have to defer that to upper management. He did say that PM was not targeting slot players with this wager. Slot players, when they come to PM during the live races, are playing the slot machines and they are not watching the races. He stated they are going after the individuals who are accompanying someone who is playing the slot machines. PM actually physically gave tickets to slot players during the course of live racing and found half of them didn't even want the ticket. Mr. Scarnatti confirmed that the January report should also contain information about reducing the takeout on all wagers.

Chair Sealock called for a motion regarding this agenda item. Commissioner Whittenburg moved to defer RACI's Petiton for Rulemaking until the January meeting pending the licensee's desire to submit the requested information and keep it on the January agenda. Commissioner Hansen seconded the motion. Jeff Farrell, Assistant Attorney General for IRGC, advised the Commission that our rules contain a provision which indicates the Commission should act on a Petition for Rulemaking within 60 days, and the next meeting is more than 60 days from the submission. He suggested the Commission ask RACI if they would consent to a deferral. Commissioner Sealock asked Mr. Scarnatti if RACI would consent to the deferral. Mr. Scarnatti consented. Chair Sealock requested a roll call vote. The motion passed on a 4-1 vote, Commissioner Peyton voting no. (See Order No. 96-157)

Chair Sealock called on Iowa West Racing Association/Bluffs Run Casino (IWRA/BRC) to present their request for the 1997 racing season. Eric Woolson noted that the Commissioners should have their request for racing dates of January 2, 1997 through December 31, 1997 with additional

performances on Memorial Day, Labor Day, and New Year's Eve. There will be seven performances per week with evening performances on Tuesday, Thursday, Friday and Saturday, and afternoon performances on Sunday, Wednesday and Saturday. Those packets should also contain BRC requests for contract approvals. Chair Sealock asked if there were any questions.

Ms. Vanderloo noted that the Commissioner's packets also contained a comprehensive listing that she provided to them. She advised the Commissioners that for the most part there is only one major consideration and that is that the purse supplement has not been approved by two parties. She suggested the Commission might want to address that issue before taking any further action. Ms. Vanderloo informed the Commissioners that their packets contained a copy of a letter that IRGC sent to the two parties saying that they have to have a purse supplement agreement reached by December 20, 1996 so we can take that subject up at the regularly scheduled January meeting. Chair Sealock indicated that the Commission might as well address the issue now.

Chair Sealock called on Jerry Crawford, legal counsel for the Iowa Greyhound Association (IGA). Mr. Crawford indicated that he had not heard Ms. Vanderloo's presentation but gathered that the topic is an update on the status of the negotiations with Bluffs. Mr. Crawford indicated that he had just spoken with Lorraine May who indicated that she had had a brief conversation with Rick Olson the previous evening. He went on to state that the statute states that the Commission shall select a third person in the event that the two people selected by each party are unable to agree on a third person. The other two individuals selected to be on the arbitration panel have not had an opportunity to agree, let alone start the process to select a third person. Ms. May had suggested two names to the IGA the previous day and they indicated both were acceptable. Mr. Crawford expressed his confidence that the parties, as the statute contemplates, can agree on a third person and would encourage the Commission to allow that process to go forward.

Chair Sealock asked Mr. Crawford why the IGA was not ready to go ahead and suggest a third person. Mr. Crawford stated that he did not feel the agenda item was appropriate and had indicated as much to Lyle Ditmars, legal counsel for IWRA, as the statute and the agenda item contemplate that if the Commission were to take action today, it would be because the representatives selected by each party had been unable to reach an agreement as to the third person and that is not so.

Chair Sealock noted that Mr. Ditmars and his staff had been staying in contact with the IRGC office to keep them apprised of the situation. Mr. Crawford indicated that he had been in contact with the office as well. Chair Sealock asked Mr. Crawford what his plan was for how this issue should be resolved. Mr. Crawford reiterated his high confidence that the two people already selected can reach an agreement as the statue contemplates on a third person.

Commissioner Peyton asked if there were some time contraints. Ms. Vanderloo informed the Commission that what happened last year is similar to what occurred this year, that the Commission

took the 45-day plan, and the race dates and approved them in December and approved the purse structure in January. Next year, all issues will be discussed and voted on at the December meeting.

Chair Sealock asked Mr. Ditmars for his suggestion on how to handle item D - Imposition of the timetable for negotiation of the contract between IGA and IWRA concerning the amount of "gambling game proceeds dedicated to supplement the purses of live dog races." Mr. Ditmars stated that IWRA was not happy being before the Commission in November discussing this particular issue. He noted that this process was started back in September when he wrote to Mr. Crawford indicating the need to get this process going. He requested some information, and noted the need for the two sides to talk . A preliminary meeting was held on October 17th. He indicated that since he was aware of the commission meeting dates and the agenda deadlines, he knew that if there was a problem it had to be resolved at this meeting. Mr. Ditmars stated that he had suggested three agenda items which he felt were related to this particular issue and one additional agenda item which is not. It is more of a beginning process for this issue. He noted that he had suggested these three items in the hopes that IWRA would cover themselves in the event the two people who have been selected (which were selected pursuant to guidelines which Ms. Vanderloo set down as the two sides hadn't reached that point yet), and the knowledge that if we got past this meeting we had a problem. That's why I asked for these issues to be put on the agenda. In terms of what we would like to have happen, I do agree with Mr. Crawford that the parties have not yet been able to agree upon the third person. My suggestion would be that each side make a suggestion to the commission today as to the third person, and that person, once decided upon by the Commission, would be the third person in the event that the two parties can not agree. That way the matter is resolved. Mr. Ditmars indicated that he didn't want to leave today without having the third person named and take a chance of having some problems with our season beginning January 1st, which would be a disaster. They are prepared to make their suggestion, tell the Commission the reasons for their suggestion and then Mr. Crawford can proceed if that is how the Commission chooses to proceed.

Mr. Crawford stated that he did not feel Mr. Ditmars intended to indicate that the two people already selected have been unable to agree because that is absolutely untrue, and I know he didn't want to leave that impression. Mr. Crawford noted that Rick Olson, who was selected by the IGA, has been in a homicide trial for the last week or so. He reiterated the fact that Lorraine May had mentioned two different individuals, and the IGA approved both. He went on to note that it's now his understanding this morning that the suggestions from Iowa West and AIM are other than those two suggestions, and he does not have approval from the IGA. He stated he did not have the authority to say "Yes" or "No" to some other person, and feels that IGA is entitled to be consulted about IWRA/AIM's suggestions. Mr. Crawford stated that he didn't have any reason to suspect that Lorraine May and Rick Olson would be unable to agree on a third party. That is very clearly what the statute contemplates. Now for a related problem, if I can take just a second, and that is the timing. It is highlighted here and the Commission is aware of the time constraints. We have indicated that we are available the entire week of December 16th to do the arbitration . The arbitration will take

less than one day. Mr. Crawford believes that Ms. Vanderloo feels that if the matter has been submitted, that is to say the parties have met with the three arbitrators, made their presentations and the matter is fully submitted for decision prior to the 20th that we are in compliance with the intention of the Commission's resolution at its last meeting. Mr. Crawford reiterated the fact that he was available the entire week of December 16th so that there is no problem with timing. Iowa West is entitled to know that there be no business interruption. Obviously, we are equally committed to that, being equally vested in the on going operation.

Chair Sealock asked Mr. Crawford for his suggestion as to when the third person should be named. Mr. Crawford indicated that he felt the third person could be selected by the end of the week and the Commission notified by Monday. He is also hopeful that a tentative date can be arranged today depending on the availability of the third arbitrator. Chair Sealock clarified that Mr. Crawford was saying no later than Friday, November 29th.

Mr. Ditmars again expressed his concern over what would happen if the two sides were unable to agree on a third arbitrator. He reiterated his suggestion that both sides name a third person for the Commission to determine, with the motion being contingent upon the fact that the two parties were unable to agree on a third person.

Chair Sealock asked if the Commission had the ability to determine whether or not this issue was decided today. Mr. Farrell noted that the Code states "... two representatives may select as a Commissioner one of its members as the third party. Alternatively, each party shall submit the name of a third person to the Commission who shall select one of the two persons to serve as the third party." Mr. Farrell noted that that step had not been done. Chair Sealock read the next sentence: "If at the time of the submission of this agenda item, IWRA and IGA have not reached an agreement as to the supplement issue or as to who is to be involved in the process, she asked if that meant that the Commission could name the third person.

Mr. Farrell stated that the two representatives may select and may choose someone for the third person. Alternatively if they can't agree on a third person, then each party submits the name of a proposed third person to the Commission and then the Commission would choose the third person.

Commissioner Peyton indicated that he would give an even broader interpretation to the rule to say that the two representatives may select, and that even if they haven't made an attempt to select, as an alternative solution, each party could submit a name to the Commission. He asked if that wouldn't be a logical solution. Mr. Farrell agreed. Commissioner Peyton noted that his suggestion is an an alternative. He is of the opinion that if the Commission asks the two sides to submit names, the Commission can select the third person without the other representatives ever selecting someone. Commissioner Peyton pointed out that the rule said "may" not "shall." This is an alternative way to select the third person. Mr. Farrell agreed that each side would have to submit one name to the

Commission and then the Commission would choose between the two. Chair Sealock asked Mr. Crawford he was willing to submit a name.

Mr. Crawford indicated that his interpretation of the following rule ".. If the two parties can not reach an agreement, each party shall select a representative, and the two representatives shall select a third person" meant that Ms. May and Mr. Olson would select the third person because it states "they shall select". Commissioner Peyton pointed out that it goes on to say ".. Each party shall submit the name of a proposed third person to the Commission who shall then select one." It does not say anything about the two representatives having to agree or not. Mr. Crawford stated he assumed that was the way an impasse would be handled if a third person had not even been hinted at in the instance. He felt the placement of that language subsequent to the two representatives shall select a third representative and the fact that the Code seemed to contemplate the first two representatives reaching an agreement. The first two representative have not failed to reach an agreement, they have not had an opportunity to actually discuss the issue. For that reason, Mr. Crawford did not seek the authority to approve or disapprove, or suggest or not suggest, a third person. He reitereated his belief that the Code contemplates the best result being agreement by the two parties on the third party they will work with toward resolution of the matters.

Chair Sealock stated that this process was not something the Commission wanted to do, but they do want the process completed in a timely manner. She indicated that she was not sure why the process had not been completed.

Ms. Vanderloo pointed out that the most important thing of this whole issue is the continuation of greyhound racing at Bluffs Run, and that a process is developed so that the negotiations will proceed smoothly. Ms. Vanderloo indicated that it is important that the individual have an interest in the negotiation and have the ability to analyze the negotiation process and the information that is being provided in order to come up with some answers as quickly as possible. She feels there is limited time between today and December 20th due to the upcoming holidays and everyone's busy schedules, that Mr. Crawford should give the name of the first choice to the Commission and that BR should provide their name, and the Commission should proceed.

Chair Sealock, taking notice of the recommendation from staff, asked for a motion. Commissioner Whittenburg indicated that she liked Mr. Ditmars' suggestion of having a contingent person named in the event the two individuals already selected were unable to agree on the third person but was not sure whether or not the Commission had the ability to do that. However, the rule states each party shall (mandatory) name a representative and then the two representatives shall (mandatory) select a third party. She feels the second sentence which states the representatives may select the Commission or one of its members to serve just defines the pool from which the two representatives may choose someone. She interprets the third sentence to say that in the alternative, each party shall submit the name of a proposed third person to the Commission who shall then select one of the two

persons. She agreed that December 20th is fast approaching, and it is the holiday season when everyone's schedules are much busier in their business, as well as personal, lives. She did state that Mr. Ditmars' suggestion did have some appeal to her; but feels that Mr. Olson and Ms. May are very capable of selecting a third person.

Mr. Ditmars asked if Ms. May and Mr. Olson agreed on a third person, then the Commission would not need to be involved in that process. Mr. Ketterer and Commissioner Whittenburg confirmed his statement. Commissioner Whittenburg noted that Ms. May and Mr. Olson have the ability under the first sentence to pick the third person. Mr. Ditmars stated that if that was correct, then he opted to let Ms. May and Mr. Olson select the third person. He did feel that a deadline for them to select that individual needed to be established.

Mr. Ditmars stated that he agreed with Commissioner Whittenburg's comments, and did not want to take away Ms. May's and Mr. Olson's right to select the third party; but would like to have a safety net and have the matter resolved. He suggested that each party should name a third party, the Commission select the individual to be the third party only in the event the other two parties are unable to agree by a specific date, and if it is the Commission's decision that be Friday, November 29th at 5:00 - so be it.

Commissioner Peyton indicated that he did not like that idea as there is the possibility that the Commission could select someone for whom it could be difficult for one of the first two parties to work with. He would rather give Ms. May and Mr. Olson an opportunity to select the third person, and tentatively schedule a telephonic Commission meeting for Monday, December 2nd so there would be no outside interference.

Mr. Crawford indicated that he had no problem with the Commission's suggestion.

Chair Sealock called for a motion regarding this agenda item. Commissioner Peyton moved that if the two representatives have not selected a third person by 5:00 PM Central Time, November 29, 1996, that the Commission shall have a telephonic hearing as soon thereafter as possible. Commissioner Whittenburg seconded motion. Mr. Farrell advised the Commission that they should consider incorporating into the above motion a stipulation that both parties would be required to submit proposed names for the third individual if they are unable to agree on that individual by the established deadline so that, if necessary, the Commission would be able to select the third person at the telephonic Commission meeting if one is necessary. Commissioner Peyton amended his motion so that both parties will submit a name by 5:00 PM on Friday, November 29, 1996 if Ms. May and Mr. Olson have been unable to agree on a third party. Commissioner Whittenburg agreed with the amendment.

Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-158)

Mr. Ditmars then addressed agenda item D - Imposition of the timetable for negotiation of the contract between the IGA and IWRA concerning the amount of "gambling games proceeds dedicated to supplement the purses of live dog races". He indicated that Ms. Vanderloo had sent a letter establishing some time tables and guidelines, but there are a couple of issues IWRA would like resolved in addtion. One would be that the finding of the panel would be binding upon both parties. Secondly, they would like the Commission to approve the time table established by Ms. Vanderloo if they deemed it necessary. It was determined that Commission approval was not necessary.

The other issue he brought up regarding the abritration process is to clarify that the only issues to be discussed will be the purse supplement, and depending upon the Commission's discretion, the use of the escrow fund. Mr. Ketterer advised Mr. Ditmars that he did not feel that issue had the same urgency as the 1997 purse fund. Mr. Ditmars pointed out that part of the arbitration decision last year required IWRA to place $4 million in escrow by the end of the year. The decision went on to state that the money was to be used for future purses and the parties were to reach an agreement as to the usage. The parties have not been able to do so up to this point, and IWRA feels it is important that this issue be discussed at this time for the following reasons: 1) it is an unprecedented opportunity for the dog breeding people and others involved in greyhound racing in Iowa to establish a long-term plan to further everyone's interest in greyhound racing; and 2) IWRA feels that in order for the arbitration panel to make the proper decision it needs to be aware of what monies are available and what things will be transpiring in the future. He indicated that it would be a real tragedy if IWRA was before the Commission in five years with $4 million still in escrow with no use or plan established. IWRA would like the arbitration panel to have the opportunity to see how the funds will be used and when they will be used so that it can take those issues into consideration when they make their determination.

Mr. Ketterer stated that he did not disagree with any of Mr. Ditmars' comments; but clarified that he did not think the Commission would object to the parties agreeing to bring that issue up in arbitration. He went on to note that he was not sure it was something the Commission would want to require to be done at this time which is what he felt Mr. Ditmars was asking. Mr. Ditmars concurred that that was what he was asking as the parties have been aware of these funds for a year and have not been able to make any progress regarding their use.

Barry Sevedge, Director of Operations for Bluffs Run, addressed the Commission regarding some practical problems in the relationship as they pertain to current year purses that are escrow and simulcast. He noted that BRC had a six-month agreement with IGA to see if it was feasible to reinstitute simulcasting at BRC, and if not, the two parties would share the operating loss of the simulcast experiment. Mr. Sevedge stated that the experiment and the contract with the uplink company will expire on December 31, 1996 as the parties were unable, under the terms of the

agreement and the contract with the uplink provider, to commit to buy another segment. In lieu of those issues, simulcasting will end on December 31, 1996. Simulcasting is not something that tracks can start and end at will as it damages their credibility with the customers and other tracks. Mr. Sevedge stated the IGA has, during simulcast discussions, indicated that they wanted to use some of the funds from the escrow account to pay for their share of the simulcast operations. Until issues like the use of the escrow funds are settled, or IGA locates other funds to pay their part of the simulcast fees, simulcasting will be not able to continue. Mr. Sevedge feels all of the above issues are inter-related and should not be dealt with individually. He feels they should all be combined in total for the long term in order to build up the breeding industry in Iowa, which should be the overriding concern.

Mr. Crawford informed the Commission that the IGA and Dubuque Racing Association had reached a purse agreement in less than an hour of conversation. He went on to state that he did not disagree with Mr. Dimars' or Mr. Sevedge's comments. After hearing their comments, he feels the two parties are close to being able to reach an agreement about the use of the escrow funds. Mr. Crawford noted that is critical to the IGA that the substantial escrow fund not be used to create a short-term windfall for some existing participants, but that it be used to create long-term stability for this part of the racing industry in Iowa. IGA feels that an appropriate use of the interest funds from the escrow account would be for them to help fund simulcasting at BRC as that is one way of securing the future of the greyhound racing industry in Iowa. Mr. Crawford stated that IGA would do everthing in their power to reach an agreement with BRC to use the interest funds from the escrow account to insure that simulcasting continues at BRC.

Mr. Ditmars then addressed Agenda Item 5F - Implementation of a requirement for the use of Iowa bred greyhounds by each kennel at Bluffs Run. They are not requesting Commission action today. This is simply a proposal, and a copy has been provided to the IGA and staff. This is simply a first step toward something which BRC feels is desirable - the encouragememt of the racing of Iowa bred greyhounds at BR. Currently, there are three kennels at BR which do not have any Iowa bred greyhounds. The latest available statistics indicate that 31% of the greyhounds racing at BR are Iowa bred, down slightly from last year.

Mr. Crawford noted that this particular agenda item is in response to a Petition for Rulemaking which he was going to present to the Commission today. The IGA is not seeking any action on this issue today. The IGA would like to insure that 50% of the kennels at each of the facilities are owned and operated by Iowa residents who own and utilize Iowa property, pay Iowa property taxes and employs Iowans, and continue to build the greyhound industry in Iowa. IGA is concerned that the language submitted by Mr. Ditmars, taken alone, is that there could be 16 kennels owned and operated by individuals in other states who purchase Iowa bred dogs, therefore, those proceeds would leave the state.

Ms. Vanderloo noted that both parties are in agreement; however, a final agreement is needed regarding the December 20th date.

Mr.Ditmars noted that the parties do have a disagreement regarding the breeders and kennels. BR feels the breeders, which have greater numbers, will be the basis of the industry in Iowa. They feel that in order for the breeders to be successful they have to have greyhounds which are sought nationally so they are not reliant upon BR for the success of their business. He noted that most kennel contracts are set up so that 65%of the regular purse goes to the kennel and 35% to the owner or breeder; however, for Iowa bred purses it is 65% to the Iowa owner/breeder and 35% to the kennel owner. Mr. Ditmars noted that the Petition for Rulemaking submitted by the IGA requires that owners, operators and managers must live in Iowa for two years. He feels this may preclude an operation from bringing in quality individuals to work in the operation. BR's emphasis is on the breeder whereas IGA is placing their emphasis on the kennel.

Chair Sealock returned to IWRA/BRC's request for approval of the 1997 racing season and accompanying contracts. Ms. Vanderloo recommended approval provided answers have been provided to the Commisison by December 20th. Chair Sealock called for comments from the other Commissioners. Hearing none, she called for a motion. Commissioner Peyton moved to approve the race dates, subject to the specific conclusion reached by arbitration. Commissioner Whittenburg seconded the motion. Commissioner Peyton then asked if the arbitration decision was subject to the Commission's approval. Mr. Ketterer noted that the arbitration decison would be before the Commission at its January meeting. Commissioner Peyton amended his motion to show that approval was given subject to the Commission's approval of the arbitration decision. Commissioner Whittenburg seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-159)

Chair Sealock then called on Mr. Sevedge to give the Commission an update on property improvements at the racetrack and clubhouse: painting, laminates, redecorating, changing the escalator and stair access to the clubhouse, and reworking the tote board. Mr. Sevedge noted that all projects are ready to be started as soon as he returns to Council Bluffs. None of the improvements on their own will exceed $50,000 so Commission approval is not required.

Chair Sealock called on Randy Lenth, Executive Director of the non-profit for Miss Marquette. They are requesting the Commission's approval of their name change from Marquette Gaming Corporation to Upper Mississippi Gaming Corporation. Chair Sealock noted that the new board is much more representative of the area. Commissioner Whittenburg noted that that change provides a regional feel to the board. She went on to make a motion to approve the name change. Commissioner Hansen seconded the motion which carried unanimously. (See Order No. 96-160)

Mr. Lenth noted that the non-proft organization is happy with Sodak as the new owner of the Miss Marquette.

Chair Sealock called on Miss Marquette to present their contracts for Commission approval. Jim Starr, General Manager, presented the following contracts for Commission approval:

- Hot Pink, Inc./Franklin & Associates - Creative work for Print, TV, Advertising
- Paulson Gaming Supplies - Gaming Supplies (Cards, Chips, Dice, etc.)
- Sodak Gaming, Inc. - VCR Purchases
- Tech-Art - Card Readers

Hearing no comments from the Commissioners, Chair Sealock requested a motion. Commissioner Whittenburg moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-161)

Chair Sealock then called on Jeff Terp, Vice President of Business Development for Ameristar Casinos, to present their contracts for Commission approval. They were as follows:

- Andersen Construction Company - Change Order to Contrct #6, Vinyl Storage Racks, Miscellaneous Concrete, and Amerisports Bar
- Perini-Andersen (Joint Venture) - Change Order #11 - Misc. Architectural
- Perini-Andersen (Joint Venture) - Change Order #12 - Misc. Architectural
- Western Engineering Company, Inc. - Employee Parking Lot Paving; Change Order #1

The Offering Memorandum has been placed on hold at this time.

Hearing no comments from the Commissioners, Chair Sealock requested a motion regarding the above contracts. Commissioner Whittenburg asked about the hotel opening. Mr. Terp noted that the hotel opened on November 1st, and the official grand opening and dedication was held on November 15th. They also dedicated the Make a Wish fountain that day as well. It is anticipated that the sports bar will open in the latter part of December. The actual date will be dependent upon how much training they are able to accomplish. Kinseth Hotel and the pool are on schedule to open on March 1st.

Commissioner Hansen asked Mr. Terp about the potential liquidated damages and possibly not meeting the construction schedule. Mr. Terp noted they are in arbitration at the request of Perini. According to the terms of the contract, Perini owes Ameristar a substantial amount of money for liquidated damages for construction delays.

Chair Sealock again requested a motion regarding Ameristar's contracts. Commissioner Hansen

moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-162)

Mr. Terp advised the Commission that Ameristar has completed the video they were making in conjunction with Project 21 and have started distributing and using it. They plan to place about $15,000 worth of advertisements in the college newspapers. Chair Sealock suggested that they may want to send a copy of their video to the Governor's office.

Chair Sealock then called on Lady Luck Bettendorf to present their contracts for Commission approval. Curt Beeson, legal counsel, presented the following contracts:

- Koesters Linoleum Shop - Bathroom Renovations, one of three vendors bidding
- Weis Tile - Bathroom Renovations, one of three vendors bidding
- Floor Crafters, Inc. - Bathroom Renovations, one of three vendors bidding
- Money Processing Consultants, Inc. - Count Rooms Equipment
- Classic Weavers - Carpet for First Deck/Lobby Areas
- Long's Carpet and Interiors - Carpet Installation for the First Deck/Lobby Area
- Kuhlman Design Group - Jumpin' Jax Plans and Development
- Green Bridge Company/Bettendorf Riverfront Development - Amendment to Real Estate Lease

Mr. Beeson noted that the first three contracts are alternative bid contracts, and are still open. The contract with Kuhlman Design Group represents some cost overruns on the engineering for the floor plans for the Jumpin' Jax facility. The contract between Green Bridge and Bettendorf Riverfront Development is an extension of the lease agreement which was originally for 70 years, but has been extended to 100 years at the lender's request.

Chair Sealock called for any comments or a motion. Commissioner Allen requested clarification on the Kuhlman contract. Mr. Beeson noted that the contract today is to cover fees charged by Kuhlman for doing some reconfiguration of the Lady Luck Center. Commissioner Allen moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-163)

Chair Sealock called on Harveys to present their contracts for Commission approval. Art Hill, Property Controller for Harveys, presented twenty contracts for approval. (See attached list). Mr. Hill noted that 75% of the contracts are with Iowa vendors or within the local area, and five are for specialized items.

Commissioner Hansen questioned the contract with Letvin, Diccicco and Battista, Inc. (LDB) from Horsham, Pennsylvania as they stated they were not aware of an Iowa company who provided the

same services or product. He wondered if they have entertained bids from other Iowa advertising services in the past. Mr. Hill indicated they had, and in fact, had conducted an extensive search for an advertising firm when they entered the market in 1995. At that time, a firm from Omaha received the contract for their advertising. After reviewing the results from the first six months, it was determined that the advertising was not well placed or was not successful. Mr. Hill explained that LDB would not receive the full amount of the contract, ranging from $1.5 to $2.5 million. They will receive a $15,000/month retainer and a commission on the advertising placed. The bulk of the dollars in this contract will be spent with the various media outlets in the area - newspapers, television stations and radio stations, etc. Commissioner Hansen felt that their statement "We are not aware of an Iowa company providing such services or product." was not accurate as he feels Harveys did not prefer the Iowa companies which did offer a similar service. Commissioner Whittenburg stated that she felt that statment was indicating that there were no Iowa companies with the expertise to provide the specific type of advertising they need in order to draw customers. Mr. Ketterer also stated that he felt the justification would have been more accurate had they omitted that statement.

Chair Sealock called for any additional comments or questions. Hearing none, she requested a motion. Commissioner Whittenburg moved to approve Harveys' contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-164)

Chair Sealock then called on Dan Kehl, General Manager of Catfish Bend Casinos, to present their contracts for Commission approval. Mr. Kehl presented the following contracts:

- Burlington Area Development Corporation - Real Property
- Lee County Bank and Trust, N.A. - Change in Loan
- Marsh and McLennan, Inc. - Marine Insurance
- New Era Printing, Inc. - Printed Material

Hearing no additional comments or questions, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-165)

Mr. Kehl provided the Commission with a brief update. He noted that the new boat is sitting at the dock in Ft. Madison. Work on the renovations has already started. They hope to open with the new boat in Ft. Madison in the spring. They have purchased the old Sioux City Sue barge out of bankruptcy for $51,000.

Chair Sealock moved on to the contracts submitted by the Dubuque Diamond Jo. Doug Gross, legal counsel for Greater Dubuque Riverboat Entertainment Company (GDREC), submitted the following contracts:

- Ocean Capital Investment Company, L.C. - Asset Purchase Agreement for Sale of "Dubuque Diamond Jo", US Coast Guard No. 686316
- Ocean Capital Investment Company, L.C. - Guaranty Agreement
- Ocean Capital Investment Company, L.C. - Preferred Ship Mortgage
- Ocean Capital Investment Company, L.C. - Promissory Note

These contracts relate to the disposal of the old Dubuque Diamond Jo. At the July Commission meeting, a Charter Lease was approved to lease the vessel to a Florida venue and a management agreement whereby GDREC would manage the operation. At the request of several shareholders, a sale was arranged in the amount of $4.67 million, and GDREC will not be managing the operation. There will be a significant loss in connection with the sale if it is closed this year which will be extremely beneficial to GDREC. The guarantors will be ahead of GDREC in the event of any default which would not be the case under the Charter Lease Agreement.

Hearing no additional questions or comments, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-166)

Chair Sealock then called on Ken Bonnet, President of Mississippi Belle II, who presented the following contracts for Commission approval:

- Honkamp, Krueger & Co. P.C. CPA - Auditing and Tax Services
- Mississippi Valley Broadcast Corp. - Advertising - Various Radio Stations
- Crown-MB II - Termination Agreement

Hearing no additional comments or questions, Chair Sealock called for a motion. Commissioner Peyton moved to approve the contracts as submitted. Commissioner Allen seconded the motion which carried unanimously. (See Order No. 96-167)

Chair Sealock called on Prairie Meadows Racetrack & Casino to present their contract for Commission approval. Mr. Timmons presented a contract with Stew Hansen's Dodge City for six pickups.

Hearing no additional comments or questions, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contract for PM Racetrack & Casino as submitted. Commissioner Peyton seconded the motion which carried unanimously. (See Order No. 96-168)

Chair Sealock called on Bluffs Run Casino to present their contracts for Commission approval. Mr. Sevedge presented the following contracts:

- Brill Hygenic Products - Hygo Plast
- Paramount Linen and Uniform Rental - Linen Rental

Hearing no additional comments, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the contracts for BRC as submitted. Commisisoner Allen seconded the motion which carried unanimously. (See Order No. 96-169)

Chair Sealock then moved to the hearing for Harveys Iowa Management Company, Inc. for violation of Iowa Code Section 99F.9 for underage gambling. Mr. Ketterer advised that the parties had been able to agree to a Stipulation. There were two incidents of underage gambling at the licensee's facilities - one in August and the other in October. The first incident involved an underage female who was in the casino for approximately 45 minutes prior to being discovered by Harveys security personnel. She did not gamble during the time she was in the casino. The second incident involved a male and female (she was the underage person) who entered the casino. She was in the casino approximately 2 hours and did gamble during that time. She left to get something to eat and was stopped by security when she attempted to re-enter the casino. Mr. Ketterer noted that an administrative penalty of $17,500 had been agreed upon by the parties. He went to point out that Harveys has posted additional signage reflecting the legal gambling age but also the consequences of the new ordinance passed in Council Bluffs relating to minors' gambling and consumption of alcohol.

Mr. Ketterer stated that the Commission had sent out letters, signed by Commissioner Whittenburg, to the County Attorneys in the jurisdictions where the licensees are located. The letter reflected her comments regarding underage gambling made at a Commission meeting. The Commission has received positive feed back from about six of those individuals.

Mr. Ketterer requested that the Commission approve the proposed Stipulation with Harveys. Chair Sealock noted that the proposed Stipulation is consistent with prior Stipulations. Hearing no additional comments or questions, Chair Sealock called for a motion. Commissioner Whittenburg moved to approve the Stipulation as submitted. Commissioner Allen seconded the motion. Chair Sealock requested a roll call vote. The motion carried unanimously. (See Order No. 96-170)

Chair Sealock moved to Administrative Business. Mr. Ketterer advised the Commissioners that staff had a meeting with the licensees on the previous day in order to review the process for renewal applications for riverboats which are due in the office by December 31st. The licensees have been

asked to include all of the contracts they are aware they will be entering into during the course of the year in the renewal application. The renewal applications will be addressed at the March Commission meeting. Additional contracts will be handled as necessary.

Chair Sealock moved to Public Comment. As there were none, Chair Sealock called for a motion to adjourn. Commissioner Peyton so moved, and Commissioner Allen seconded the motion.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS
SECRETARY