IOWA RACING AND GAMING COMMISSION
COMMISSION MINUTES
JANUARY 21, 1999

The Iowa Racing and Gaming Commission met on Thursday, January 21, 1999 in the Granary Room at the Comfort Suites at Living History Farms, 11167 Hickman Road, Des Moines, Iowa. Commission members present were Brad Peyton, Chair; Jacquelyne Allen, Vice Chair; and members Rita Sealock, Bill Hansen and Harold White.

Chair Peyton called the meeting to order at 8:30 AM and requested a motion regarding the agenda. Commissioner Allen moved to approve the agenda as printed. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Peyton then moved to the approval of the minutes from the November 10, 1998 telephonic Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Peyton called for a motion regarding the minutes from the November 19, 1998 Commission meeting. Commissioner White moved to approve the minutes as submitted. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Peyton moved to the rules filed under Notice of Intended Action. Jack Ketterer, Administrator of IRGC, provided the following information regarding these rules:

1) Rule insures that the Board of Stewards can designate the dates, as well as the length of license suspensions. The Commission suggested the possibility of this rule following the Essman hearing.

2) Uniform rule regarding apprentice jockeys. The rule is being recommended by the Jockeys Guild, a national organization representing jockeys, for all jurisdictions.

3 & 4) Would allow a jackpot winner of the wide area progressive system to elect a single cash payment at the present value rather than periodic payments over several years. He noted that previous IRS rulings indicated that if this payment method were an option, it would constitute constructive receipt, requiring the taxpayer to pay taxes immediately on the present value even though actual receipt occurred over several years. The IRS recently changed its position. As these rule changes confer a benefit to the public, the rules are also being filed emergency.

Mr. Ketterer recommended adoption of the rules under Notice of Intended Action. Commissioner Hansen moved to approve the rules under Notice of Intended Action. Commissioner Allen seconded the motion, which carried unanimously. (See Order No. 99-1)

Chair Peyton moved to the final adopt rules. He recommended that the rules be dealt with individually except for those that pertain to both riverboats and racetracks. Mr. Ketterer stated that the Commission has acted on these rules under Notice of Intended

Action at previous Commission meetings, and that there have been no changes to the rules as originally presented.

Commissioner White asked Mr. Ketterer if public hearings had been held regarding these rules, and if there were comments the Commission should be made aware of. Mr. Ketterer indicated public hearings had been held, and that he was not aware of any comments.

Commissioner White moved to final adopt all of the rules listed on the agenda, based on Mr. Ketterer's comments that there have not been any public comments regarding the proposed rules. Commissioner Allen seconded the motion.

Commissioner Hansen stated that he wished to address the Gambling Treatment Program proposed rules, particularly 491-5.15(c), which states that the licensee shall include in its racing program and a substantial number of its advertisements information on the availability of the gambling treatment program. He stated that he is troubled by the specificity of what the licensees are required to do. Commissioner Hansen noted that the Commission had received reports from Frank Biagioli, Executive Director of the Iowa Gambling Treatment Program, which addressed the success of the advertising program and the other dealt with the demographics of problem gamblers.

Commissioner White stated that he recalled the amount of money available to the program, and how much was being used to advertise the existence of the program. In his opinion, the proposed rule does not add that big a burden to the licensee, and frees up funds currently being used for advertising to be used for programs.

Commissioner Hansen stated that he is very supportive of the gambling treatment program, but feels all that can be done in this area has been done. He reiterated his suggestion that the Commission needs to address addiction. He presented the following statistics: 86% of Iowans are aware of the program and 87% are aware of 1-800-BETS-OFF. Of that 86%, 54% became aware of the program because of TV ads, 13% from billboards, 12% from casinos, and 1% from lottery. The media's impact breaks down as follows: 59% - TV; 18% - radio; 16% - newspapers; and 7% from billboards. Due to the high percentage of individuals that are aware of the program, Commissioner Hansen feels the proposed rule is another instance of micro-managing on the part of the Commission. He asked if there is any interest in deleting (c).

Commissioner White stated that he wanted everyone in Iowa to be aware of the program, and that this is a low impact way of increasing the number of people who are aware of the program. He noted that some of the racetracks are already including the information in their racing programs and advertisements. Commissioner White noted that the gambling industry has not filed any objections to the proposed rule.

Commissioner Sealock stated that the rule did not include any requirements that are not already being done. She noted that an Omaha television did their own survey, including

the Lincoln area, which showed that a large number of Nebraskans are aware of the program because of television advertisements.

Hearing no further discussion, Chair Peyton called for a roll call vote on the motion to final adopt the rules as submitted. The motion carried unanimously. (See Order No. 99-2)

Chair Peyton moved to the Emergency Adopt rules, which were also filed under Notice of Intended Action. Hearing no discussion, Chair Peyton called for a motion. Commissioner Hansen moved to approve the emergency adoption of an amendment to subrule 491-26.17(7) and rescinding subrule 26.17(7), paragraph "n", sub-paragraph (6) and inserting a new paragraph. Commissioner White seconded the motion, which carried unanimously. (See Order No. 99-3)

Chair Peyton moved to the next agenda item – Review of Draft Order Pursuant to Action Taken by the Commission on November 19, 1998 Relating to Licensees' Compliance with Acceptance of Credit Cards for Gambling Purposes. Commissioner White, noting that the Commission had discussed com-check machines at the casinos in November, stated that there was a consensus the machines violated Iowa law. He noted the draft Order prepared by staff and an Assistant Attorney General did not contain any finding that the machines violated Iowa law, or the restrictions the Legislature placed on the acceptance of credit cards for gambling purposes. Commissioner White stated the proposed Order did contain a reference to a Legislative Hold placed on another rule.

Commissioner Sealock advised Commissioner White that other Commission members had not seen the original draft Order until the previous evening. Commissioner White stated that it was possible he had seen the draft order earlier and assumed all the other Commissioners had received it. Mr. Ketterer stated that proposed Order was drafted following the completion of the minutes. It was forwarded to Chair Peyton for his signature. Chair Peyton advised staff that he had some revisions, and would not sign the Order.

Chair Peyton stated that his primary concern with the draft Order was the statement focusing on the pending rule that had been placed on a Session Hold by the Legislative Rules Review Committee (LRRC). In his opinion, the rule does not have any effect on this particular action. After the rule has been acted upon by the Legislature, it will apply to a broader scope of activities such as the extension of credit through an ATM machine. In his opinion, the specific practice the Commission was addressing was the practice where the intent of the statute was being circumvented by the placement of a telephone or other device to authorize credit card advances and print checks payable to the casino or the patron in the cashier's cage. Iowa statute states that a licensee shall not accept a credit card for gambling purposes. Chair Peyton stated that he believes it is the Commission's responsibility to enforce that provision of the statute. If they don't, there is no one to do so as the Legislature does not have the ability to enforce its own laws.

Chair Peyton stated that this issue has concerned him to the point that he contacted the legislator, Rick Dickinson, who was responsible for proposing this amendment and language under discussion. Mr. Dickinson informed Chair Peyton that his understanding the practice as described to him was clearly a circumvention of what he intended the amendment to do – ban the use of credit card advances on the casino's premises. He indicated that he was disturbed that this particular statute had not been enforced. Chair Peyton stated that he feels the Commission has an obligation to enforce the statute.

Mr. Ketterer noted there had been some discussion as to whether the practice was illegal or not, but the minutes did contain a reference that the proposed Order could contain a reference to the pending rule.

Commissioner White stated the reference to the pending rule was to indicate that it was separate from this action. In his opinion, the discussion was about an existing prohibition put in place by the Legislature and the Commission was taking steps to enforce that statute. The reference was to make it clear to the Legislature that the Commission was not making a rule on top of the rule placed on Session Hold by the LRRC. Commissioner White stated that he felt the Commission was in agreement that the machines were in violation of the statute, and during the November meeting, the Commission denied a contract approval request from Bluffs Run Casino. One of the remedies proposed at the last meeting was that the machines be removed from the licensees' premises by a date certain. He noted that any action taken by the Commission is subject to judicial review in each county where a licensee does business. He further noted that any licensee could request a Stay of an Order pending an appeal.

Commissioner White stated that he is concerned about previous comments regarding the personal liability of individuals serving on state boards or commissions. He noted there was a reference during the November meeting that the Commissioners could be sued for interference with a contract. Following the November meeting, he reviewed the Iowa Code pertaining to tort claims against the state and its Commissions, and found that it contains a specific exemption for commission and board members. Commissioner White stated that the Commission does not have the authority to approve a contract that is contrary to Iowa law.

Commissioner White proposed a draft Order similar to the one he proposed at the November meeting, that calls for the machines in question to be removed from the licensees' premises by February 28, 1999. Commissioner White stated he chose that date because it allows sufficient time for the licensees to request a judicial review of the Commission's action and a stay hearing. He noted that if the Commission found that it had approved a game for a racetrack venue that was illegal in that setting, they would be very quick to order the removal of the game. In his opinion, the two situations are similar.

Chair Peyton requested that copies of the new proposed Order be distributed. He stated it was his understanding that it was a rewrite of the proposed Order submitted by Commissioner White at the November meeting. Commissioner White indicated that it

basically was the same Order, but moves the effective date to February 29, 1999. He noted that it contains a specific limitation indicating that the proposed Order does not apply to ATM machines, which permit electronic transactions between customers and their financial institution without the direct assistance or involvement of the licensee.

Chair Peyton stated that he wanted to address the procedural aspects because he felt the Commission was led astray because of the discussion during the November meeting. He noted there was considerable discussion about the effect on the licensees and the fact that by ordering the removal of the "cash advance" machines would create some type of civil liability on behalf of the licensees and Commission. He stated that Commissioner White's comments and research indicate that assumption is not necessarily correct. Chair Peyton stated that the Commission expects their decision will be appealed and that he does not object to the issue being decided in a judicial context. He further stated that if he believes this practice is in violation of current law, that he should be able to vote his conscience and let the judicial system do their job. In his opinion, that would be the most practical manner to resolve this issue.

Commissioner Hansen expressed concern over Commissioner White's interpretation, noting that he cast the deciding vote that prevented the Commission from discussing this issue in depth with the Assistant Attorney General, Jeff Farrell. He indicated that while he respected Commissioner White's interpretation, it always contains some degree of prejudice. In his opinion, the basic issue was whether or not the Commission was going to cease the practice in question as each contract expired or to set a specific date by which all "cash advance" machines would have to be removed from the licensees' facilities. Due to the conflicting statements from Commissioner White and the Attorney General's representative, he is now in the position of having to decide which interpretation to believe.

Commissioner Sealock stated that Commission members who were not aware of the original proposed Order or the re-writing of said Order are at a disadvantage. She noted that this item was added to the agenda late, she was not aware of why it was being added, and she had not seen the original Order. She did concur with Chair Peyton that it did not capture the Commission's intent at the November meeting. She expressed concern with Commissioner White's comparison of this situation with the Commission telling a gaming venue to remove a game from the gambling floor. Commissioner Sealock indicated it was not a fair comparison because a third party would not be involved. The problem as she sees it after reading the minutes and listening to Mr. Farrell's comments, is that once a licensee has submitted a contract for approval by the Commission, and the contract is approved, the licensee has the expectation that they can go forward with the contract. She noted that Mr. Farrell had stated that he did not feel the Commission could order the cancellation of the contracts without facing litigation, including individual action Commission members themselves. She stated that she was not going to disregard the advice offered by Mr. Farrell.

Commissioner White stated that the Commission has to be independent of direct political influence, including the Attorney General's office, not just lobbyists and lawyers

representing individuals. When contemplating an action, he asks himself how the licensees can prevent the Commission from taking action, and one of the ways is through an Attorney General opinion that they could find themselves involved in a lawsuit. The threat from a legal advisor that a specific action is going to subject you to personal liability could be used as a way to control the actions of a state board or commission. He stated that he is concerned about political influence on the Commission from any direction – the Democrats in Polk County, Prairie Meadows in Polk County, people who are in public office because a different party elected them. Commissioner White noted that the Legislature does not allow the Commission to seek independent legal advice without going through a lengthy process. He noted that the personal liability threat arises during situations with Prairie Meadows. Commissioner White noted that upon reading the Iowa Tort Claims Act, his knowledge of Iowa Code Chapter 669, and reviewing the immunities given state officials for official acts, that interference with contracts is specifically excluded, and that public officials are given a broad immunity. In his opinion, the legal advice he is being given does not agree with what he has read. He stated that he does not concur with Mr. Farrell's statements at the November meeting that the licensees have the right to rely on the Commission's approval of an illegal contract. Commissioner White stated that he deemed the approval of the "cash advance" contracts to be an illegal act. He reiterated his concern that the Commission remain strong and independent, and do what it believes to be right.

Commissioner Allen advised Chair Peyton that she would like to hear any comments that Jean Davis, Assistant Attorney General representing IRGC, had regarding Commissioner Sealock's comments and the other types of litigation that could be instigated against Commission members.

Ms. Davis stated that she would be happy to do so, but stated that it would be similar to Mr. Farrell's with regard to whether or not legal action could occur as a result of impairing legal contracts. She requested that portion of the discussion be held in closed session pursuant to Iowa Code Chapter 21.5(c). Ms. Davis stated that she could make her comments regarding the draft orders in public session by modifying her remarks.

Commissioner Allen, noting she had only received a copy of the original draft order the previous evening and just now received the revised order, stated that she preferred to have a little more time to review documents and agenda items on which the Commission is expected to decide at the meeting.

Ms. Davis stated it was her understanding that the original draft order was drafted to track the minutes and the action taken by the Commission. She stated that she felt it was Mr. Farrell's opinion that reference to the proposed rule was in order because the proposed rule on Session Hold is broad enough to capture the type of machine or transaction. Ms. Davis stated that she would echo the comments made at the November meeting with regard to some of the concerns in impairing existing contracts. She stated that, contrary to Commissioner White's opinion, she feels there is the potential for litigation other than judicial review to occur. In her opinion, it is possible to accomplish the Commission's goal within a short period of time based on the rule that has already been promulgated.

With that opinion in mind, she feels it is imprudent to proceed to impair the existing contracts.
Commissioner Allen wondered if the question had been asked during the November meeting as to when the various "cash advance" contracts would be up for renewal. Ms. Davis advised Commissioner Allen that the contracts she had reviewed contained self-renewing clauses. Commissioner Allen asked if that meant the Commission would continue to see these contracts as renewals, or never see them because of the contract clause. Ms. Davis stated that is the reason an order was used, because it would put licensees on notice that they would need to take the appropriate action prior to the self-renewal period to terminate the contract.

Commissioner Hansen asked Ms. Davis if she was stating that the only date reference contained in the Order would be upon the renewal of a contract by the licensee. Ms. Davis stated that was the way she interpreted the Order drafted by staff and Mr. Farrell.

Chair Peyton, indicated that he does not agree that the Order would impair an existing contract. He asked what the difference is between the Commission stating they are going to declare the practice, not the contracts, illegal and later indicating they are not going to approve the contracts because they are illegal. In his opinion, the effect is the same because they have terminated the contract. He also feels that if the Commission were subject to litigation under one scenario, then they would be subject to litigation under the second scenario.

Ms. Davis indicated that the difference is the way in which she interprets the rule that has been promulgated and placed on Session Hold. It is her opinion the rule takes care of the issue.

Chair Peyton stated that the rule is a separate issue, and that is how the matter got off track. The rule is designed to address the credit issue, but this matter involves a specific practice that is in violation of a statutory provision. He stated that the Commission has the statutory authority to interpret current law and enforce it. It is his opinion that the Commission has been led to believe that the pending rule prevents them from taking action to enforce the statute, and alleviates any kind of statutory enforcement action they may decide to take. Chair Peyton stated that is why he disagrees with the advice they have been given. He further stated that he disagreed with legal advice that declaring a specific practice illegal would impair existing contracts. He noted that the contracts he had reviewed regarding this issue do not set forth how the process works, it establishes the payment, percentages, and the agreement between the licensee and vendor. Chair Peyton stated that he has voted to approve these contracts in the past, but now that he is aware of how the process actually works, believes they violate the law. He stated that had he known the process involved in obtaining funds, he never would have voted to approve the contracts. Chair Peyton reiterated Commissioner White's earlier statement that the Commission can not approve an illegal practice, and that no one should be able to rely on that approval for indicating that the Commission can not enforce the law.

Commissioner White noted that at one time a gambling contract was a void contract in most jurisdictions. He stated that he did not know if anyone could have a cause of action to impair an illegal, void contract. The Commission is stating that the practice is illegal under Iowa law. A contract that is void can not be impaired.

Chair Peyton asked that any additional comments be focused on the actual language of the Order. Commissioner Allen stated that she wanted to add some language to the second draft Order. Chair Peyton stated that before the Order could be amended, there needed to be a motion.

Commissioner White moved to adopt the proposed Order he distributed, which is a rewrite of his proposal at the November Commission meeting, except that it contains an effective date of February 28, 1999. Chair Peyton asked Commissioner White to read the proposed Order into the record. The Order reads as follows:

> The Commission finds that it has previously approved contracts between its licensees and vendors for the installation and operation of telephones and related equipment on the premises licensed by the Commission whereby a customer, through a credit transaction with the direct assistance of the licensee, is able to obtain funds for the use of gambling through the use of a credit card.
>
> The Commission further finds that Section 99F.9(6) of the Iowa Code prohibits the licensee from accepting "a credit card as defined in Section 537.1301(16) to purchase coins, tokens, or other forms of credit being wagered on gambling games."
>
> The Commission further finds that installation and operation of telephone lines and related equipment on premises licensed by the Commission as described in the first paragraph constitutes a violation of Section 99F.9(6) of the Iowa Code.
>
> The Commission further finds that neither a licensee nor vendor can rely upon the Commission's prior approval of contracts between said licensee and vendor for the installation of telephones and related equipment as described in the first paragraph since the Commission could not approve a relationship between the licensee and its customers which is prohibited by Section 99F.9(6) of the Iowa Code.
>
> On or before midnight on February 28, 1999, each licensee shall remove from the premises licensed by the Commission, the telephones and related equipment as described in the first paragraph.
>
> This order does not pertain to ATM machines, which permit electronic transactions between customers and their financial institutions without the direct assistance or involvement of the licensee.

Chair Peyton called for a second to the motion. Commissioner Allen seconded the motion. She stated that once an individual becomes aware that a practice is illegal, they will not want to do something illegal by allowing the original illegal practice or process to continue. She noted that she was one of the Commissioners who voted to see the renewal contracts as they came due. After reviewing the two contracts, she stated that she wanted to add language to the fifth paragraph of the second proposed Order so that it would read as follows: Unless otherwise ruled by an official Attorney General's Opinion, this action would be in violation of state law," and then continue with existing language.

Chair Peyton, noting an amendment to the original motion was on the floor called for a second. The motion died for lack of a second. At this time, Chair Peyton called for additional discussion on the original motion.

Commissioner Hansen suggested that this issue be placed on the March agenda. He stated that he shares the concerns of the other Commission members and agrees that the process should be stopped, but wants to do so in a manner that is proper, legal and appropriate. He further stated that he feels it is his fiduciary responsibility as a Commission member to rely on the advice given by the Attorney General's office. Additionally, he indicated that to infer that the Attorney General's opinions are politically tainted is too harsh a criticism just because they have a different view. Based on his understanding that an opinion request is pending, Commissioner Hansen stated that he felt it would be better for the Commission to defer this issue to the March meeting at which time they could review a draft proposal from the AG's office as well as any others that may be presented and then make a final decision.

Chair Peyton requested that Commissioner Hansen put his request in the form of a motion. Commissioner Hansen moved to defer a decision on this matter until the March meeting. Commissioner Sealock seconded the motion. She explained that she did not have a problem with Commissioner Allen's earlier motion to add language to the proposed draft because she has a problem with bringing something of this nature to a public meeting, throwing it on the table and then be expected to make the right decision. Commissioner Sealock also indicated that she felt the Commission was obligated to give credence to the Attorney General's advice.

Commissioner Allen reiterated her earlier statement that if something is illegal, then steps need to be taken to put an end to the practice. She noted that the industry has had approximately 90 days notice of the Commission's position on this issue. She wondered how much longer she would have to wait for the official opinion from Attorney General Tom Miller since it had been requested a month ago.

Chair Peyton stated that he felt the discussion had gotten off track, and that it was unfair to direct comments toward the Attorney General's opinion on this issue. He noted that many times the advice received is dependent upon the question asked. If the right questions aren't asked, then you can't expect to receive the right answer. Chair Peyton stated that his interpretation of Mr. Farrell's comments at the last meeting is that a

reasonable Commission could determine that the practice could be in violation of Iowa law. Additionally, he feels Mr. Farrell was saying there are two ways in which to proceed on this issue, one way is more defensible in court. He did not interpret Mr. Farrell's comments to indicate that it would be improper for the Commission to adopt an order indicating that the contracts are illegal, but it puts the Commission in a position in which they are less likely to prevail in court. Chair Peyton asked Ms. Davis if that was a fair synopsis of Mr. Farrell's comments. Ms. Davis indicated it was an accurate portrayal of Mr. Farrell's comments at the November meeting; but added that Mr. Farrell had also requested the opportunity to provide a more detailed briefing on that point in closed session, which the Commission elected not to do. Ms. Davis stated that she agreed with Mr. Farrell that the end result would be a fact-based determination as to whether or not the contracts violate the referenced section of the statute. Chair Peyton stated that he was not in disagreement, but indicated that since the last meeting his stance has changed. He stated that he is not afraid of being wrong, but believes the Commission is right and needs to do the right thing.

Commissioner White clarified that his request for an Attorney General's opinion was not on this particular issue; but asked why the Commission is told from time to time that they can be held personally liable for their official acts in view of the Iowa law that requires the state to defend and indemnify commissioners in their official acts.

Commissioner Peyton called for a roll call vote on the motion to defer action on this agenda item until the March meeting. The motion failed on a 2-3 vote, Chair Peyton and Commissioners Allen and White voted no. (See Order No. 99-4)

Chair Peyton then requested a roll call vote on the motion to adopt the proposed Order submitted by Commissioner White. The motion carried on 3-2 vote, Commissioners Hansen and Sealock voted no. (See Order No. 99-5)

Chair Peyton moved to the next agenda item – a discussion of licensees' compliance with Rule 1.6(5) dealing with the location of satellite debit terminals (ATM machines) and taking action related thereto. Commissioner White noted that the Commission adopted the above-referenced rule, which became effective December 23rd. The rule states that satellite terminals as defined in Iowa Code Section 527.2 or any other devices or arrangement in which cash is dispensed to a licensees' customer through use of an access device that results in a debit to a customer asset account shall be located in non-gambling areas of the licensee's facility as approved by the Commission. Commissioner White stated that he happened to be on one of the riverboats shortly after the effective date of this rule, and found an ATM located in a closet in the stern of the boat. On this particular property, if a customer accessed this ATM machine, they would not be able to exit the boat without crossing the entire casino floor. That is not the scenario he had in mind, nor in his opinion, the Commission when the rule was adopted. Commissioner White stated that the purpose of the rule was to provide a "time-out" situation for customers who had lost all of the money they brought with them. Removing the ATM machines from the gaming area would require the customer to leave the gaming area in order to obtain additional cash and then leave the facility if they so desired. In his opinion, the location

of the ATM machine as stated above did not comply with the rule as he understood it. He stated that he is not aware that the Commission has taken any action to interpret, implement or enforce this particular provision.

Commissioner White questioned if there is sufficient distance from the gambling areas of the boat so that there can be a meaningful separation of the ATM machines from the gambling areas of the boat. He stated that one solution would be to establish a specific number of feet that an ATM machine could be located from the closest gambling device. A more uniform option would state that the ATM machines can not be located on the boat itself. Under this scenario, the ATM machine could be located near the entrance of the boat, allowing individuals to have access on their way into the casino. Commissioner White noted that the machines could be placed at the farthest location from the casino area at the racetracks. He stated that he felt the Commission needs to develop or consider some guidelines so the licensees know what the Commission expects and how approval would be obtained.

Chair Peyton asked Commissioner White if he had a specific proposal. Commissioner White stated that his proposal would require the Commission to approve each ATM machine location, which would be on-shore, not on the riverboat itself. For racetracks, the machines could be located at an entrance to the racetrack that is located the farthest from any gambling devices. He feels these proposals would be easy to implement. Commissioner White moved that the Commission adopt his previous statement concerning the approved locations for satellite debit terminals under Rule 1.6(5). Commissioner Allen seconded the motion.

Commissioner Sealock noted that after the rule was adopted, industry members were asking for additional direction on this issue.

Commissioner White stated that he felt this proposal should be effective February 28, 1999, to provide the licensees sufficient time to move their ATM machines if necessary. Commissioner Allen concurred with the amendment to the motion. Chair Peyton stated that the Commission would accept the amendment to the motion by consent.

Chair Peyton stated that he was not sure that every facility had off-shore facilities that would allow them to comply with the above proposal, and indicated that he felt there should be some flexibility in allowing those licensees to have some leeway. Commissioner White agreed there could be some locations that could have compliance issues, but felt it was up to them to bring those issues to the attention of the Commission or staff.

Commissioner Sealock asked if it was possible to hear comments from the licensees. She stated that she was interested in the safety issue. Mr. Ketterer noted that some riverboats have barges, but they are not located on shore. Chair Peyton stated it was his understanding that Commissioner White wanted the ATM machines located in a staging or entrance area as opposed to part of the gambling facility. Commissioner White stated

that his intent was that customers of the riverboats would not have access to an ATM machine during the two-hour cruise.

Commissioner Sealock asked Commissioner White if he was changing his motion as it states the machines are to be located "on shore". Commissioner White stated that his interpretation of "shore" is anything that is non-boat.

Commissioner Hansen stated that he felt the Commission was ill advised to be considering hip-pocket proposals that Commission and staff members have not had an opportunity to review, nor have the licensees or public.

Commissioner White noted that lengthy discussions had taken place at the time the rule was adopted. In his opinion, the proposal is straightforward in that it states the ATM machines can not be located on the boat. He does not feel there would be any problems with interpretation.

Chair Peyton stated that he felt the changes were substantive. He asked Commissioner White to put his comments in the form of an amendment to the original motion as he is dealing with two issues: 1) that the ATM does not necessarily have to be shore-based but that it is not to be located on the vessel, and 2) allowing some kind of flexibility for those licensees that can't comply to come to the Commission and ask for a variance.

Commissioner White moved that the Commission establish the following policy concerning Rule 1.6(5) concerning the location of ATM machines. On riverboats, the machines would be located off the boat, or that portion of the licensed premises that sails. For the racetracks, the ATM machines would be located inside the licensed facility, but should be located at a point that is the farthest away from the gambling area of the racetrack. If a licensee can show to the Commission that its facility prevents it from complying with this rule, it can apply to the Commission for an exception and special review. This motion was offered as a substitute motion.

Chair Peyton asked Commissioner White if he was agreeable to having a date beyond the next Commission meeting as an effective date, thereby allowing licensees the ability to make comments prior to the policy going into effect. Commissioner White stated that he felt March 15th would be acceptable. Chair Peyton called for a second. Commissioner Allen seconded the motion.

Chair Peyton acknowledged Jeff Terp, Vice President of Business Development for Ameristar Casinos. Mr. Terp indicated that he would like to comment on this particular issue, if it was appropriate. Mr. Terp stated that the industry was ordered to create non-gaming areas in order to comply with this rule. They were told that the machines were not to be placed in an area that would tempt the customer to spend additional funds after accessing his bank accounts. He felt there were some components of the issue that were not being addressed. Mr. Terp pointed out that even though Ameristar is in the gaming business, they are also in the business of servicing their customers, the business of following the intent and spirit of the legislation to create jobs, economic development and

taxes. He noted that they try to service their customers the best they can. If they have to keep moving the ATM machines farther and farther from the vessel, potentially clogging staging areas or entrances, then it raises some safety concerns for individuals trying to use the machines located in those areas. He feels the Commission is trying to create a solution for a problem that has not fully been thought out.

Mr. Terp noted that approximately a year ago the Commission expressed concern over the contracts and the amount of Iowa purchases. He noted that Commissioners Allen and Hansen worked cooperatively with industry members to establish criteria and reporting procedures to address those concerns rather than proposing a policy at the meeting and then acting on it. Mr. Terp suggested that because each of the facilities is different in size, he does not feel it is an issue that can be dealt with in a uniform manner. Mr. Terp encouraged the Commission to use the same cooperative approach used in resolving the contract issues.

Chair Peyton stated that Mr. Terp's suggestion was good, but that it would not preclude the Commission from taking action on this particular item. By deferring implementation of the proposed policy, there is more than sufficient time to allow the industry to address this issue. It is his understanding that the intent of the discussion is to set some kind of policy for implementation of the rule that is in effect in order to achieve some kind of uniformity at the various facilities. Chair Peyton stated that he was willing to appoint a committee to work with the industry on this issue.

Mr. Terp expressed his concern that the Commission was predisposing what they wanted for a rule by passing something today without knowing the impact, comment and cooperation from the industry. He is concerned about the March 15 compliance date. He noted that it took several meetings and months in order to reach a solution that addressed everyone's concerns in the contract issue. Mr. Terp suggested that the most prudent way to handle the situation is to table the determination, but proceed in an expeditious manner.

Art Hill, Director of Finance for Harveys Casino Hotel, voiced concern over the fact the solutions being proposed would put some licensees at a competitive disadvantage. He stated that he has not heard that the current environments have been reviewed at all of the facilities to determine whether or not the locations of the ATM machines meet the Commission's objectives when they enacted the rule. Mr. Hill stated that Harveys interpreted the objective of placing the ATM machines in a non-gaming area as an opportunity for customers who may have a gambling problem to take a time-out. He noted that Harveys put that interpretation in place in December 1995, prior to opening their facility in Council Bluffs. They have a specific non-gaming area at the entrance to the boat, similar to what has been proposed today. Mr. Hill stated that Harveys felt they did the responsible thing regarding ATM placement at that time, and still feel that way. He indicated that Harveys is fortunate enough to have a staging area large enough to handle the ATM machines, but questions what happens during the cruising season. He noted that even though they only cruise for two hours, the riverboats would be at a competitive disadvantage with the racetracks during that time. The customers would not

have access to a full range of services during that time frame. Mr. Hill stated that if the ATM machines were required to located on-shore for all riverboats, he would agree; however, during the course of this discussion he has heard the Commission attempt to make provisions for some of the riverboats to have exceptions to the proposed rule. Mr. Hill suggested that it might be more beneficial to determine how the solutions created by the various licensees help the Commission accomplish their original objective of the rule. Mr. Hill concurred with Mr. Terp's recommendation of putting together a committee to find a better solution.

Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino, noted that as the proposal was originally stated the location of the machines was tied to a main entrance, but was later changed to the location within the facility the furthest from the gaming machines. He stated that he would be showing the Commissioners a lay out of his facility later in the meeting and suggested they could just advise him of the desired location. Mr. Wentworth stated that the proposed rule assumes that the main entrance is the point within the facility farthest from the gaming machines, but may not always be the case. He felt that the language needed to provide the Commission with some latitude to allow on-site Commission staff to have a "reasonableness" test regarding the location. He pointed out that regardless of where the machines are located, he needs to have the ability to have it covered by a surveillance camera.

Commissioner White clarified that the proposed rule would require the ATM machine to be located at an entrance so that an individual could obtain additional funds and then exit the facility if they so desired. Mr. Wentworth stated that the entrance location was then tied into a location that was located the farthest from the gaming floor. Commissioner White stated that was an entrance or exit to the casino.

Chair Peyton stated that he intended to appoint a committee of two to work with the industry to develop more specificity. He stated that he wanted the committee to include some experts on the compulsive nature of the problem the Commission is attempting to address. Chair Peyton stated that whether or not the rule passes, he feels there is sufficient time between now and the next meeting that this issue can be addressed at the March meeting.

Hearing no further discussion on the motion, Chair Peyton called for a roll call vote. The motion was defeated. Commissioner White voted "Present", while the remaining Commission members voted no. (See Order No. 99-6)

At this time, Chair Peyton appointed Commissioners Sealock and White to study this issue and report back at the March meeting to propose some guidelines for licensees to comply with Rule 1.6(5). He indicated they are to work cooperatively with the industry to develop guidelines that will treat all licensees fairly, yet carry out the intent of the rule as adopted. Chair Peyton reiterated his earlier statement that he felt the discussions should take into account material, or include individuals, knowledgeable about compulsive gambling.

Following a short break, Chair Peyton moved to Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (PMR&C) – 1999 Season Approvals. Linda Vanderloo, Director of Administration/Racing for IRGC, advised the Commission that the Commission had approved the license for PMR&C to run in 1999. The purpose of this agenda item is to review the purse structure, staff, stewards, and actual race dates. She noted that IRGC rules require the season approvals to be submitted 45 days prior to the beginning of the meet. She advised the Commission that their meeting materials contained copies of the various purse agreements. Ms. Vanderloo noted that PMR&C is nominating the same steward they used last year. She noted there are several vacancies in the racing officials, as was the case last year. She stated that Derron Heldt, Director of Racing for PMR&C, has advised her that offer letters were going to be sent out at the beginning of the following week. Ms. Vanderloo noted that during the two previous racing seasons, there were times that the racing office seemed to be understaffed, creating long hours for the staff they do have, and raises the question of errors. She requested that PMR&C staff submit biographical information to the Commission as soon as the positions are filled to make sure the individuals are qualified, trained, and in place prior to the beginning of the meet. Ms. Vanderloo requested that any vacancies be filled immediately.

With regard to the schedule and wagering format, Ms. Vanderloo stated that PMR&C is planning a 53-day thoroughbred meet, running from Saturday, April 17 through July 6th with four performances during April and May and five during June and July. They will have nine races on Tuesday, Wednesday, Thursday, Friday and Saturday during the five-day meet. Ms. Vanderloo noted that their materials include the wagering formats they intend to make available to the public, as well as the simulcasting plan. As has been the past practice, new export/import simulcast contracts will be submitted to staff to insure they are in compliance with IRGC Code and rules.

Ms. Vanderloo advised the Commission that PMR&C's application for dates contained a request for two additional meets, a mixed meet and standardbred meet, to be held later in the racing season. Those 45-day plans will be submitted at a later date.

Ms. Vanderloo stated that the plan included information on the totalizator, photo finish and the starting gates. She noted that the Commissioners have a copy of the security plan, and further noted that it is a work in progress. As staff concerns arise, they meet with the appropriate personnel to resolve those issues. Ms. Vanderloo stated that the Commissioners had received a copy of a letter certifying that all contracts and financial documents have been submitted. She noted that their packets also included a copy of an all-purpose surety rider and 5-Year Thoroughbred Plan, which was discussed during this process last year.

With regard to the contracts, Ms. Vanderloo advised that some had been approved earlier but were resubmitted for the Commission's information. She noted that her recommendation shows which contracts were previously approved and those that need to be approved today. PMR&C submitted the following contracts with their season approval request:

- American Ambulance – Standby Medical Transport Service for Pre-Season Training and Live Racing Season for 1999, including the new practice track
- Cummins Allison Corp. – Service Contracts and Gaming Equipment
- Daktronics, Inc. – Board and Display Construction, Turnkey Project
- Data Business Equipment – Service Contracts and Gaming Equipment
- Iowa Quarter Horse Racing Enterprise – To Nurture, Grow, Promote and Develop the Iowa Quarter Horse Industry
- Rogan, Inc. – Gaming Equipment and Supplies
- Roberts Communications Network, Inc. – Data Transmission Fees for Simulcasting
- Sysco Food Service of Iowa – Dry Goods, Food Products
- International Association of Machinists, Local 254 – Collective Bargaining Agreement
- AFSCME – International Union of Operating Engineers – Collective Bargaining Agreement
- Iowa Thoroughbred Breeders and Owners Association Agreement Regarding Yearling Nomination Fees for 6 Iowa-bred Stakes Races
- 1999-2002 Thoroughbred Meet and Mixed Meet

Ms. Vanderloo reiterated her earlier concern that the individuals needed to complete the staff be hired as soon as possible so that the DCI background can be completed, get trained to perform their duties, and that there are no extended vacancies in the racing office.

Chair Peyton asked Ms. Vanderloo if staff was recommending approval of the 45-day plan, contingent upon the items just mentioned. Ms. Vanderloo indicated that was correct.

Chair Peyton asked Mr. Ketterer to address the specifics of the application. Mr. Ketterer started his remarks by recognizing Tom Timmons, Director of Operations for PMR&C, and Mr. Heldt for the 5-Year Plan. He noted that it is a starting point for determining where PMR&C is heading as a racetrack. Mr. Ketterer stated that he felt the Festival idea was a good one, but that some goals needed to be established as far as trying to make some of the races graded races at some point in the future. He noted that during the last quarter horse meet, twelve or thirteen stakes races were graded. Additionally, he noted that most racetracks that have established Festival races have scheduled community events, adding something each year. In his opinion, they have already done this with their Classic Night for the Iowa-breds in August.

Mr. Ketterer stated that he was happy to see that PMR&C had taken steps to get some of the Iowa-breds to race in the open races by increasing the supplement to 70% for Iowa-breds that place in open races and 40% in restricted races. They have also included some provisions for claiming prices, weight allowances, and conditions that would also encourage trainers to enter Iowa-breds in open races. He asked PMR&C if they had

established any benchmarks or measuring sticks that would enable them to determine whether or not they are meeting their goals.

Mr. Timmons advised Mr. Ketterer that one of the measuring sticks PMR&C is using is to look at the number of Iowa-breds that were entered in open races during the 1998 season, which equaled about 1.3% of the entries. Their goal for this year, after reviewing the number of Iowa-breds and the incentives provided, is 2.5%. They anticipate that the figure would continue to double each year for a period of time. Mr. Timmons stated that he feels there is a maximum number of Iowa-breds that could be entered in open races, but does not have any way of determining that number.

Mr. Ketterer stated that he didn't know how PMR&C could measure their success as a track when they are trying to increase their on-track attendance and handle, off-track handle through simulcasting, the number of graded races, and the number of graded stakes winners that compete at PMR&C. He noted that PMR&C has established the groundwork with their plan, but wondered what they are trying to achieve, and how they are going to measure success. Mr. Ketterer stated that he would be interested in knowing at a later date whether or not PMR&C has accomplished what they anticipated they would.

Mr. Ketterer stated that he felt PMR&C was moving the right direction by only having two restricted races per day. He noted that current law requires one restricted race per day. Mr. Ketterer stated that during the annual Symposium on Racing conference in Tucson, AZ, one of the topics discussed was a study conducted by Bloodstock Research and comments from members of the Thoroughbred Owners and Breeders Association as to what constitutes a good program. One of the things that slowed down a program immensely was restricted races or restricted overnight races. The study involved eight states, and in those eight states, the two highest rated states were Kentucky and Florida. In those two states, 70-75% range in terms of the number of state-bred horses that are entered in open races. Texas has 35% of state-breds entered in open races. Mr. Ketterer, while noting that PMR&C only has 1.3% of state-bred entered in open races, stated that in all fairness Iowa could not be compared with those states as they have had racing for a number of years. He stated that his main issue with restricted races at PMR&C was the fact that in 1994, the percentage of restricted thoroughbred races was 13.8%, and from 1995 through 1998 that figure increased to 16.8%, 26.9%, 27.5% and 33.5% last year, representing over one-third of the races. The two restricted races per day in the upcoming season will constitute approximately 22% of the races.

Commissioner White stated that if a business erects some kind of barrier to entry, then the business usually does not become competitive. He knows the Iowa horse industry needs some protection while it is trying to grow, but there has to be a balance between the protection and competition in order to allow it to continue to grow. Commissioner White asked Mr. Timmons if PMR&C has four or five restricted races on a race card that are supplemented, and only Iowa horses can be entered, if that has the effect of keeping the quality of Iowa-bred horses down. Mr. Timmons stated that it has the effect of keeping the quality of the Iowa-bred horses equal in the competitive level because wagering does

occur on the races. This is also the reason for the different conditions on the various races. Mr. Timmons noted that over the last three years, the purses at PMR&C have increased to such a level that sometimes the Iowa-bred quality has not kept pace with the level. He suggested that PMR&C grew too big too fast. Mr. Timmons stated that it takes three years from the time a horse is conceived until it is ready to race. PMR&C is just now beginning to see the results of breeders' decisions three years ago. With the new incentives, it is hoped that more Iowa-breds will race in the open races and be competitive.

Commissioner White noted that during the 1998 Thoroughbred season, 53 Iowa-bred thoroughbreds ran in unrestricted races during the 98 days of racing. He asked if that was the total number of horses that entered more than one race, or the total times that an Iowa-bred thoroughbred ran in an unrestricted race. Mr. Timmons stated that would the number of Iowa-breds that entered in all of the open races.

Commissioner White asked Mr. Timmons why PMR&C supplements the purse of an Iowa-bred horse running in an Iowa race rather than putting more supplements into the open races. Mr. Timmons stated that practice has occurred since Prairie Meadows started racing. He feels the practice helps them meet the intent of the law, which requires a portion of the casino revenue go to fund purses, particularly Iowa-bred purses. He noted that the supplement level has not changed over the years, but this year, PMR&C is increasing the supplement to Iowa-breds racing in the open races versus the restricted races. Commissioner White asked what would happen if no supplements were allowed for Iowa-bred horses running in restricted races, but went to Iowa-breds running in the open races instead. Mr. Timmons stated that under the current situation there would be a tremendous amount of money going to a very select number of horses.

Chair Peyton asked if there was a plan to reduce the supplement to the restricted races over a period of time to the point that it is non-existent or is insignificant. Mr. Timmons asked Chair Peyton if he was asking the same question posed by Commissioner White. Chair Peyton indicated he was. Mr. Timmons stated that PMR&C has planned for two years at which time they will assess the situation. If everything goes as planned, they will review the purse supplement issue, but don't want to make any commitments at this time. Commissioner White stated that he thought that PMR&C had proposed reducing the purse supplements to around 10% for the restricted races. Mr. Timmons indicated that he did not recall any such negotiations.

Chair Peyton asked Mr. Timmons if part of the problems in supplementing restricted races, or have too many restricted races, is that it creates a problem with stall allocations. Mr. Timmons indicated that is one possibility; but the main reason they were reviewing the issue from a racetrack perspective is the sheer number of horses being foaled in Iowa. He noted that in two-three years, if 60-70% of the Iowa-bred foals were to race at PMR&C, they could almost fill their entire stall space with Iowa-breds. Mr. Timmons stated PMR&C is trying to provide enough incentives that trainers would look at all of the races in the condition book for that particular day, not just the designated Iowa-bred races.

Chair Peyton stated that if he understood Mr. Ketterer's earlier comments, the industry recognizes that to the extent Iowa-breds are not pushed toward the open-company races, it has the effect of inhibiting the growth of the horse breeding and racing industry in Iowa. Mr. Timmons stated that was theoretically possible by only running two restricted races per day. He indicated that PMR&C is trying to reward the excellence in Iowa-bred horses.

Chair Peyton stated that he feels PMR&C needs to be a little more specific on their timetable and goals on achieving additional competition with the outside world. When reviewing the 5-year plan setting forth the number of races that will be closed and the percentage that will be Iowa restricted races, he doesn't see much change in the numbers until 2003. At that time, the two restricted races are reduced to one for the thoroughbred meet, and remains at two for the mixed meet. For the first four years of the plan, there is no change. Chair Peyton stated that he realizes PMR&C needs to make the changes gradually. He indicated his reluctance to approve a 5-year plan under those circumstances, and that he would like the opportunity to review the plan yearly to see what progress has been made, particularly on the percentage of Iowa-breds racing in open races.

Commissioner White expressed his concern that even the goal of an increase to 2.5% or 5%, compared to the current 1.3%, of Iowa-breds racing in open races seems modest for a two or three year period. Mr. Timmons stated that even though it seems small, it is important to remember that PMR&C is Iowa's only horse racetrack, while the other states mentioned by Mr. Ketterer earlier have several tracks. He noted that Iowa is an agricultural-based state and they are charged with the task of enhancing the breeding industry in Iowa.

Chair Peyton stated that he feels the practice of supplementing Iowa-breds in a restricted race should be eliminated over time. The time frame would be dictated by the progress made by the horse industry in Iowa. He stated that the idea of restricting the entries to Iowa-bred, pay the purses and then a supplement on top of that does not make any sense to him other than the fact that the industry is still growing in Iowa.

Gary Lucas, past president of the Iowa Thoroughbred Breeders & Owners Association (ITBOA) and current member of the RACI Board, stated that he felt the discussion had missed a couple of points. Referring back to Mr. Ketterer's remarks stemming from the Tucson conference, he noted that when Kentucky instituted their state program, 70+% of all the winners at the Kentucky tracks were Kentucky-breds. He pointed out that Kentucky has a huge horse population. In his opinion, there are two pluses going for Iowa's program, the restricted races and the breeding program. Iowa's breeding program allows breeders to breed their horse to any stallion in the United States that they feel can improve the breed. That openness is allowing the Iowa breeders to improve the quality of horses in Iowa faster than in any other state. Mr. Lucas stated that the thoroughbred population was very small in Iowa during the last five to ten years, and that as recent as two years ago, breeders were hesitant to make an investment as it was not clear whether

racing would continue in Iowa. Mr. Lucas stated that the plan submitted by PMR&C tells the breeders that there will be changes, that will be necessary for them to raise the level of quality in Iowa-bred horses in order to compete.

Scott Pope, current President of the ITBOA, advised the Commission that when slot machines were approved for PMR&C four years ago, Iowa breeders purchased 10% of the entire catalog of the Fassig-Tipton November Breeders Stock Sale of brood mares to improve the quality in Iowa. The foals from those mares will just now come to the racetrack as two-year olds in 1999. He indicated the best years for Iowa are ahead, and asked for some time. Mr. Pope noted that the ITBOA's yearling nominations for 1998 include several pedigree stallion names. He feels PMR&C's move to run only two restricted races per day will force Iowa-bred horses to run in open races as there are only so many opportunities to race. In discussing the five-year plan with Mr. Heldt, the ITBOA advised him that they would have more Iowa-breds racing in the open races regardless of what action PMR&C took on the supplement program due to the number of Iowa-bred horses that are ready to race. Mr. Pope stated that he feels the number of Iowa-breds racing in open races will be what the Commission would like to see.

Chair Peyton stated that the other side of the issue is that if PMR&C has trouble filling the race cards, and lack of sufficient stall space, then the whole plan is in jeopardy. As long as those issues don't create a problem, then he feels the reduction in the number of restricted races will force Iowa-breds to run in the open races.

Mr. Pope stated that as the purses increase at PMR&C, the caliber the horses coming to Iowa to compete continues to increase so that Iowa's breeders are chasing a rising bar every year, making it more difficult to compete. He informed the Commission that as an owner and breeder, he would not put one of his Iowa-breds in an open race in which he has no chance of competing. He pointed out that racehorses only have a certain number of outs (starts) in their career. Mr. Pope stated that Iowa's owners and breeders look for the best opportunity for their horse to compete and win, just as they do in other states. He noted that if an Iowa-bred can't compete in open races, there is no incentive high enough to get the owner/breeder to enter his horse in that race. The incentive is for ITBOA members to breed better horses, buy better mares and breed to better stallions, and Mr. Pope indicated they have done so.

Commissioner White asked Mr. Pope how long a horse could be stabled at PMR&C and not race. He asked if there was a rule stating that if the horse did not race within a certain number of days that it had to be removed from the track. Mr. Pope stated there are instances when a horse ends up on the veterinary's list or have injuries that prevent them from racing. He stated that is up to the Racing Department at the racetrack. He indicated they have done a good job of getting trainers to enter their horses in races. Mr. Pope reminded Commissioner White that every day a horse is in a stall at the racetrack, the owner is paying the trainer as much as $30 - $40 per day for upkeep, which is fairly expensive without any kind of return on the investment. He indicated that he didn't know too many owners who were willing to stable a horse at a racetrack for 90 days and only have it run in two races.

Commissioner White reiterated his question of how long a horse, depending on the deep pockets of its owner, remain in the stable at PMR&C without racing regardless of the reason. He wondered what happens when there is limited stall space, a horse is allotted stall space, and the owner has the ability to continue to meet expenses without racing. Mr. Timmons advised Commissioner White that it is the PMR&C's responsibility to monitor the number of starts for the horses assigned stall space. He advised that in the past, PMR&C has allocated stalls based on the trainer's stall application list. The trainer can bring in the horses they determine will be entering races. PMR&C keep a statistic called "Starts Per Stall", which shows the trainer and the number of horses they have actually started for the meet, which is then divided by number of stalls allocated. This year PMR&C is going to "lip" each horse at the gate and the stall applications will be allocated based on the horse so they will know which horses the trainers are bringing. In the past, even though a trainer may have a high number of starts per stall, they may bring in a 2-year old horse and have it there for most of the meet for training purposes and possibly run later in the meet. The new process is designed to limit that process; they prefer to have horses on the grounds that are running.

Commissioner White asked Mr. Timmons how PMR&C's proposal would prevent them from having open races without enough entries to fill the card. Mr. Timmons stated PMR&C would have to provide enough support to the Racing Office. He stated that the trainers have been made aware of the change in procedure. Commissioner White asked Mr. Timmons if PMR&C's condition book would address this issue. Mr. Timmons advised Commissioner White PMR&C has not taken the step, nor do they anticipate doing so, of evicting a horse if it is not entered in any races. They will still deal with the trainer; it is the trainer's responsibility to enter the horse into the races.

Commissioner White stated the reason for his question was he understood that the stables at PMR&C were full last year, but that there were times when PMR&C could not fill the open races. Mr. Timmons asked Commissioner White what he meant by "couldn't fill the races". Commissioner White asked Mr. Timmons how many horses he would like to have in every race. Mr. Timmons stated that he would like to have in excess of eight horses entered in every race. He stated that the national average is somewhat less than that. Commissioner White asked how many thoroughbred races were run at PMR&C with fewer entries than that. Mr. Timmons informed the Commission that PMR&C's average last year was 7.8 or 7.9.

Commissioner White asked if there was a minimum limit of three horses in a race in order to have win, place and show bet. Mr. Timmons stated there are rules that provide for a walkover race, which is one horse. He noted that PMR&C has held match races, which is for two horses. He further stated that he did not think there is a minimum number, because IRGC rules set forth the different types of wagers that are allowed with a specific number of horses in the race. Mr. Timmons advised the Commission that the rule require seven different betting interests in order to have a trifecta wager, their most popular wager.

Commissioner White asked Mr. Timmons what provisions were in the five-year plan that would help PMR&C fill the races with the number of horses they feel is appropriate for a race. Mr. Timmons stated that the plan contains many incentives for the Iowa-breds to entice them to enter the open races – the claiming price, reduction in some of the conditions to enter a race, and weight allowance. He feels PMR&C has offered enough incentives to get the Iowa-breds to enter the open races.

Commissioner White noted PMR&C was increasing the number of 3:00 PM races, and asked if that was a change in the proposed racing schedule. Mr. Timmons explained that in the previous season, PMR&C raced Tuesday afternoons. This season they are racing on Thursdays at 3:00 PM and on Wednesdays during the month of June. He stated this change was made to accommodate the simulcast markets, particularly the New York market, which has over 250 markets. In order to accomplish that, PMR&C has to meet the window of opportunity, which is 3:00 – 6:30 PM Iowa time. Commissioner White asked if the change would have any affect on live attendance and on-track handle. Mr. Timmons indicated that it would, but noted they would still have live races on Friday and Saturday, which are the most popular days. He stated there would be a slight decline in on-track handle. Commissioner White asked if there would be statistics available for the Commission to review to determine the effect on live attendance. Commissioner White stated that he did not want PMR&C to become a stage where Iowans go to watch races run in other states.

Commissioner Peyton asked Mr. Timmons and Mr. Pope to address the agreement between PMR&C and the ITBOA concerning the sharing of the state-bred thoroughbred nomination fees. He noted that the Commission had a previous discussion regarding the allocation of the fees and the fact that they had to be arms-length and related to the services provided. He expressed his concern that the process is set up to subsidize membership in the organization. If that were the case, it would be considered a contribution to a non-qualified organization, which would be in violation of statute. Mr. Timmons indicated the parties had negotiated the agreement at Commissioner White's directive. He stated there is a great deal of work involved in the registration, as well as keeping track of the yearling nominations and dividing them between the six selected races. ITBOA has established a full-time position to handle the work. Mr. Timmons stated that RACI and PMR&C felt that it would be better for the ITBOA to receive a percentage of the nomination fees with the rest of it going toward purses. Commissioner Peyton stated that he wanted some assurances that the agreement was an arms-length transaction and not a way for PMR&C to subsidize the ITBOA at the expense of the race entrants. Chair Peyton asked if RACI/PMR&C provided office space to the ITBOA in addition to the funds received under the agreement. Mr. Timmons indicated they did, as well as a desk and computer.

Mr. Pope advised the Commission that the ITBOA performs the following functions to facilitate the thoroughbred racing industry in Iowa: oversee the stallion stakes nominations, administrative functions to determine which horses are eligible, deal with all issues/problems as they arise for PMR&C, assist owners in determining the eligibility of their foals and advise them of any changes in the rules and regulations. Mr. Pope

stated ITBOA is a non-profit organization, and that all of the money raised through nominations and membership is used for the horse industry in Iowa, the thoroughbred breeding industry and to facilitate a horse industry in Iowa as mandated by the Legislature when they approved pari-mutuel racing and slot machines at PMR&C.
The ITBOA offers its members and non-members an auction of stallion seasons every year. They approach stallion owners around the Midwest and Kentucky asking them to voluntarily submit or donate a season to one of their stallions, which are then auctioned off to members or non-members. Horses of the progeny of the stallions that sell within that sale are eligible for the Stallion Stakes and Stallion Futurity, which are three-year old and two-year old races, once the foals are born. Expenses for the auction are taken out of the funds received and the balance is given to PMR&C for purse money.

Arlen Nichol, owner of 2 horses and non-member of ITBOA, stated after reviewing the agreement between RACI/PMR&C and ITBOA, it is the same program that was in place when the Commission issued a Stipulation in request for a Declaratory Ruling. Mr. Nichol indicated that he felt the agreement was in conflict with the Stipulation agreed to between the parties earlier. Chair Peyton clarified that the Stipulation stated that ITBOA membership was not required to participate in races. Mr. Nichol noted the ITBOA has listed six races, one of which is the Iowa Oaks, which is listed as an open event in the condition book.

Mr. Pope stated that in order to allow PMR&C to get some of their races graded, they felt the names of some of the races needed to be changed. The Iowa Oaks and Iowa Derby have always been restricted championship races for Iowa-bred fillies and mares. PMR&C approached the ITBOA and asked them to give up those names so they could be changed to open races, replacing the Heartland Oaks and Heartland Derby, giving them a better chance of getting the races graded. Mr. Pope stated that ITBOA has changed the names of their two-year old and three-year old races to the Iowa Breeders Derby and Iowa Breeders Oaks. At this point, Mr. Nichol stated there was an eligibility change due to the new name. He was advised that was not correct. Mr. Nichol further stated that he was confused about the Iowa Stallion Stakes. He asked if it was now the Iowa Stallion Stakes or the Iowa Stallion Futurity. Mr. Nichol also commented about the inclusion of the Horsemen's Benevolent & Protective Program being included in the agreement for $125,000 per year. He stated the organization is just a buffer between the owner and the trainer. He expressed concern over the fact that Dick Clark is supposed to administer this program when he is an active trainer. Mr. Nichol stated that he had a copy of the 1995 ITBOA application which states that "all foals sired by the stallion whose services are sold are eligible to enter and race according to the conditions in required payments of each state race regardless of state where foaled." He questioned why his horse would be eligible if he has an Iowa-bred by an Iowa stallion that is registered with the Iowa Dept. of Agriculture.

Mr. Pope addressed the issues raised by Mr. Nichol. He stated that Mr. Nichol's horse would only be eligible if the stallion sold in the ITBOA's stallion auction; only the progeny of the stallions sold within the stallion auction are eligible for those races. They are not required to be Iowa-breds. It was determined that Mr. Nichol's horse was not

eligible for this particular race, but was eligible for the other Iowa-bred races that had previously been discussed.

Mr. Pope moved to the number of Iowa-breds coming to PMR&C. He concurred with Mr. Timmons' earlier comment that the numbers have increased geometrically, but noted that the quality has improved as well. He stated that the ITBOA conducts two sales for members and non-members on a yearly basis – yearlings, weanlings, broodmares – in an attempt help those individuals sell their stock.

Mr. Pope stated that the ITBOA had implemented a "fantasy stable" with Iowa thoroughbreds, which allows race fans to sign up for a stable and go to the Winners Circle if one of the horses in that stable won. They would also have access to the backside. This gives those individuals an idea of what is involved in owning a racehorse. ITBOA's philosophy behind the program is that eventually some of these individuals may develop enough of an interest that they purchase a horse at one of their sales.

Mr. Pope advised the Commission that PMR&C had asked the ITBOA to spearhead the fundraising effort for the Don McBeth Memorial Fund, a national foundation that provides financial assistance to stable jockeys around the country. He noted that with the assistance of PMR&C, they raised more money than any other track in the country for the foundation.

Mr. Pope stated that his point was that ITBOA needs money to fund all of the programs, projects and events, as well as administer the services provided at PMR&C on a yearly basis. The parties agreed on a percentage because as the number of foals increase, the number of horses they are tracking increases, then administrative costs increase. Mr. Pope offered to meet with any of the Commissioners to show them how the money is spent and the various programs. Mr. Pope stated that some of the issues raised by Mr. Nichols are a result of his decision to not be a member of the ITBOA. Chair Peyton advised Mr. Pope that the Commission has a rule stating that it is inappropriate to require membership in order for a horse to be qualified. Mr. Pope stated the ITBOA was unaware of the rule, but has agreed to abide by them. He stated that ITBOA handle almost 99% of the administrative work for the Iowa-bred program.

Ms. Vanderloo advised the Commissioners that Mr. Timmons had informed her that the agreement for the 1999-2002 Thoroughbred Meet and Mixed Meet had been approved at the October Commission meeting.

Chair Peyton called for final comments. He stated that any approval given, including the five-year plan, does not preclude the Commission from addressing that the following year to evaluate any progress made in reaching the objective standards set forth previously.

Hearing no further discussion, Chair Peyton called for a motion regarding PMR&C's season approvals. Commissioner Hansen moved to approve the request by PMR&C, incorporating the caveats expressed by the Chair. Commissioner Sealock seconded the motion. Commissioner White clarified that the Commission would have the ability to

review the number of restricted races and the supplements on the open races and closed races, review the percentages and adjust them as they feel necessary. Commissioner Hansen clarified that his motion also included the caveats and staff recommendations as printed and stated by Ms. Vanderloo. Chair Peyton requested a roll call vote. The motion carried unanimously. (See Order No. 99-7)

Chair Peyton called for a motion regarding the contracts submitted by PMR&C for Commission approval. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hansen seconded the motion. The motion carried unanimously. (See Order No. 99-8)

Following a short break, Chair Peyton moved to the contract approval portion of the agenda. He called on John Pavone, General Manager of the Belle of Sioux City (BSC), who presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for October 1998 (RP)
- Argosy Gaming – Intercompany Charges for November 1998 (RP)
- Aristocrat, Inc. – Purchase of 6 Aristocrat Games (Replacements)
- Casino Data Systems – Purchase 16 Slot Machines (Replacements)
- Firstar Bank – 1 Year Extension on Office Rental Lease
- IGT – Purchase 28 Slot Machines (Replacements)
- Mikohn Worldwide – Purchase New Signage for Vessel
- Sigma Game Inc. – Purchase of 8 Sigma Games (Replacements)
- Video Lottery Consultants, Inc. – Purchase 24 Slot Machines and Related Equipment (Replacements)
- Williams Gaming – Purchase 28 Slot Machines and Related Equipment (Replacements)

Mr. Pavone advised the Commission that with the approval of the above replacement machines; BSC will have replaced 70% of their gaming equipment.

Chair Peyton asked Mr. Pavone if all of the intercompany charges were expenses directly attributable to the Sioux City operation, not a percentage of overhead being charged to the subsidiary. Mr. Pavone stated the charges were actual dollar for dollar expenses. Hearing no further discussion regarding the contracts, Chair Peyton requested a motion. Commissioner Sealock moved to approve the contracts as submitted by BSC. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 99-9)

At this time, Mr. Pavone introduced Pat Dodd, who has been hired by Argosy to ensure they are in compliance with the regulatory requirements in the five states in which they have riverboat operations. He is a former New Jersey senator, and former Commissioner and Vice Chairman of the New Jersey Casino Control Commission.

Chair Peyton called on Dan Kehl, General Manager of Catfish Bend Casinos, who presented the following contracts for Commission approval:

- Broker's National Life Assurance – Dental and Vision Insurance Coverage
- Pzazz Motor Inn Resort Complex – Rooms for Players Club Members, Meeting Room Rental (Transaction Amount Increase)
- Self Insured Services Company – Health Insurance Provider (Transaction Amount Increase)

Commissioner Allen questioned the increase in the amount from $650,000 to $800,000 for Self Insured Services Company, noting that last year the amount was only $449,000. Mr. Kehl stated that the increase is a direct result of the number of claims filed.

Hearing no further discussion, Chair Peyton requested a motion. Commissioner Hansen moved to approve the contracts as submitted by Catfish Bend. Commissioner White seconded the motion, which carried unanimously. (See Order No. 99-10)

Chair Peyton moved to the contracts submitted by Mississippi Belle II (MB II). Ken Bonnet, President of MB II, presented the following contracts for Commission approval:

- JII Sales Promotion – 1999 Mississippi Belle II Calendars and Miscellaneous Promotional Items
- Mississippi Valley Broadcasting Corp. – Radio Advertising
- Dubuque Bank & Trust – Loan to Shareholders
- Stock Purchase Agreements
  - Between Cynthia A. Winter and Robert A. Kehl, Daniel J. Kehl and Kenneth J. Bonnet
  - Between Christina M. Kehl and Robert A. Kehl, Daniel J. Kehl and Kenneth J. Bonnet

Commissioner Allen asked Mr. Bonnet why MBII was not using a Clinton bank for the loan to the shareholders. Mr. Bonnet advised Commissioner Allen that MB II has a long-standing relationship with the Dubuque Bank & Trust and Clinton National Bank. He noted that Clinton National Bank is not large enough to take the credit on its own, nor is Dubuque Bank & Trust. Dubuque will take the majority of the credit and then "participate out" the rest of it. Mr. Bonnet believes that Clinton National Bank will be used for some of the loan.

Hearing no further discussion regarding the contracts, Chair Peyton requested a motion. Commissioner Hansen moved to approve the contracts as submitted by MB II. Commissioner White seconded the motion, which carried unanimously. (See Order No. 99-11)

Chair Peyton called on The President Riverboat Casino. Doug Himmelman, Director of Finance, presented the following contracts for Commission approval:

- Hawkeye Food Systems, Inc. – Supplier of Food Products and Related Disposables

- Matthews Office Equipment, Inc. – Office Supplies/Furniture Supplier

Mr. Himmelman advised the Commission that the above were transaction amount increase requests for 1998 contracts that had exceeded $50,000. When reviewing contracts for submission at the November meeting, it was not anticipated that these contracts would exceed that amount.

Hearing no discussion regarding the contracts, Chair Peyton requested a motion. Commissioner White moved to approve the contracts as submitted by The President. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 99-12)

Chair Peyton called on Southern Iowa Gaming (SIG). Larry Seckington, legal counsel, presented a change order to the original contract with Brooner & Associates to add the dredging contract with Dredge America.

Commissioner Allen stated that it was her understanding from previous Commission meetings that the dredging contract would be a separate contract as outlined in SIG's letter to the Commission of November 5th, which stated there were three contracts under consideration – the general contract, the barge and the dredging work at the marina site. She asked what the rationale was behind making the dredging contract part of the general contract. She noted that Dredge America already has equipment on site. Mr. Seckington explained that the contract with Dredge America was negotiated separately. At that point, SIG could have issued a direct owner contract with Dredge America or issue a change order with the general contract adding it to his contract. He stated that SIG chose the change order option since the general contractor already has supervisory staff on site. A direct owner contract would have required SIG to supervise the work.

With regard to Commissioner Allen's comments regarding the timing of the contract, Mr. Seckington noted there was a special Commission meeting in November for approval of the general contractor contract. At that time, SIG anticipated the dredging contract and barge contract would be submitted shortly thereafter. They were expecting proposals from eight different companies on the dredging. At their request, the deadline for submitting bids was extended one week. All bids received were over budget. Mr. Seckington stated that Bill Grace, President of SIG, had been working to get one contract with reasonable terms. Mr. Seckington stated that he had amended the contract submission to show the only two bids they received. The other bid was from an Iowa contractor that was twice as high as the Dredge America contract.

In response to Commissioner Allen's comment that dredging equipment was already on site in Osceola, Mr. Seckington stated that the contractor had decided to go ahead and bring in the equipment. SIG had advised him that he could not begin work until the Commission approved the contract. Mr. Seckington stated that the contractor anticipated SIG would request a special telephonic meeting if he got the equipment in place; however, once he got the equipment in place, cold weather set in and he will not be able to perform any dredging until the lake thaws out.

Commissioner Allen then reviewed the various portions of the two bids received by SIG for the dredging work. She again referred to the November 5th letter, which stated that SIG was trying to work with Iowa vendors, but that the dredging contract is with a Missouri vendor. Mr. Seckington stated that the Missouri vendor was chosen because he submitted the low bid. He noted that SIG had submitted a proposed budget to the Commission and their lender, which had exceeded in a couple of areas and they can not afford to have $200,000 difference. Commissioner Allen stated that she was trying to show why Iowa vendors aren't chosen. Mr. Seckington advised the Commission that dredging plans were developed with the architectural firm. Each potential bidder received the same information. If there was a question about an interpretation, the architect sent the answer to every potential bidder.

In light of the fact that the dredging equipment is in place and the Commission had not seen a dredging contract until today, Commissioner Allen asked how Dredge America knew they were going to get the contract. Mr. Seckington stated he did not have an answer, and that the company put the equipment in place at their own risk. Chair Peyton noted that at the time Dredge America mobilized the equipment, SIG would have known what the bid was; and Dredge America chose to put the equipment in place because they had the low bid. Mr. Seckington stated that no equipment was moved on site until after Dredge America was advised they had submitted the low bid.

Mr. Ketterer asked Mr. Seckington for a status report on the barge. Mr. Seckington stated that the bids for the steel were extremely over budget, and that Mr. Grace had been working with various vendors and the general contractor. Mr. Seckington stated they have found a company, subject to written confirmation, that is willing to supply the steel slightly over budget and in a timely manner so they can meet their proposed completion date. He anticipated final negotiations would occur within the next week. Commissioner Sealock asked if SIG was still holding to the original completion date. Mr. Seckington indicated they were. Commissioner Allen asked for the date. Mr. Seckington indicated substantial completion of the project is scheduled for October 31st, with the punch list completion set for December 1st.

Commissioner White asked what contracts still needed to be approved by the Commission. Mr. Seckington advised that the interchange and barge contracts still needed to come before the Commission. Commissioner White asked if all the agreements with Osceola were in place. Mr. Seckington indicated they were and that the annexation process had been completed. He noted that SIG would have to obtain a construction permit from the City of Osceola after the City annexes the area. The County issued the current permit.

Commissioner White asked what the anticipated date is for gambling patrons to have access to the boat. Mr. Grace advised Commissioner White that it would be December 15th, subject to the Commission's approval. Commissioner White asked about the steak house and hotel. Mr. Grace indicated they would also be ready to open. He stated the

footings for the hotel have been poured. Commissioner Sealock advised Mr. Grace that rarely are all aspects of a project completed at the time the casino opens for business. Mr. Grace advised the Commission that the steel for the boat probably would not be purchased from an Iowa vendor. He stated they are unable to locate a fabricator in Iowa who can fabricate it on time. They are in negotiations with companies located in Indiana and Mississippi.

Hearing no further discussion regarding the contract or the project in Osceola, Chair Peyton requested a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner White seconded the motion, which carried unanimously. (See Order No. 99-13)

Chair Peyton called on Mr. Terp with Ameristar Casinos, who presented the following contracts for Commission approval:

- A.C. Coin & Slot Service, Inc. – 4 Video Slot Machines (Replacements)
- Aristocrat, Inc. – 15 Video Slot Machines (Replacements)
- Hillyard – Floor Coverings
- HyVee – Food Inventory Supplier
- Larsen Supply, Co. – Paper Goods and Can Liners
- Martin Bros. Distributing Co. Inc. – Supplier of Food Inventory
- Sam's Club Direct – Miscellaneous Gift Shop Supplies
- Silicon Gaming, Inc. – 12 Video Slot Machines (Replacements)
- Williams Gaming, Inc. – 12 Video Slot Machines (Replacements)
- Pratt Audio-Visual & Video Corporation – 9'x 12' Projection Television

Hearing no discussion regarding the contracts, Chair Peyton requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Allen seconded the motion, which carried unanimously. (See Order No. 99-14)

Chair Peyton called on Dubuque Diamond Jo. Doug Gross, legal counsel for Greater Dubuque Riverboat Entertainment Co. (GDREC), who presented the following contracts for Commission approval:

- Silicon Gaming – Purchase & License Agreement for 10 Odyssey Multigames (Replacements)
- A. B. Capital, L.L.C. – Sale of Assets
- Distribution to Unitholders of Greater Dubuque Riverboat Entertainment Co., L.C.
- Joseph P. Zwack – Transfer of Disclaimed Units (RP)

Mr. Gross addressed the contract with A. B. Capital L.L.C. for the sale of assets. He informed the Commission that Brent Stevens, controlling shareholder of A. B. Capital, Curt Beason, legal counsel for A. B. Capital, and Michael Luzich, another significant shareholder of A. B. Capital, L.L.C., were present to answer any questions. Mr. Gross

stated that GDREC had previously entered into an arrangement that would allow the unitholders of GDREC to be able to sell the company. In February 1998, the Commission approved a Letter of Intent to sell the company; however, the unitholders decided not to follow through with a definitive agreement due to the terms of the sale. With Commission approval, GDREC retained an investment banker to solicit the market to determine what was available in order to get the best value for the unitholders and the City of Dubuque. The agreement with A. B. Capital is a result of that search. The parties have reached an agreement that is subject to Commission approval. Based on that approval, A. B. Capital will proceed with licensure and financing. Part of the agreement includes a commitment by A. B. Capital for substantial portside development, entertainment center and hotel. Mr. Gross requested Commission approval of this contract.

Commissioner Allen asked what effect, if any, the Alfredo litigation would have on the contract with Joseph Zwack to transfer the ownership of the disclaimed units. Mr. Gross stated that Mr. Zwack had been holding these shares for the benefit of the GDREC since April 1993. The Court deemed that William Alfredo did not have any ownership interests in the shares. In anticipation of the sale, GDREC wants the shares back in the company. The agreement before the Commission reflects their agreement with Mr. Zwack, which states he will hold the shares until such time as they could be returned to GDREC, and GDREC would pay any taxes due. Mr. Zwack would not receive any tax benefits.

Mr. Gross then moved to the request to allow a tax distributions to unitholders of GDREC. He noted that the Commission has approved similar distributions in the past. At this time, GDREC has a significant amount of cash, and they are requesting that the Commission authorize $2 million to be distributed on a pro rata basis. Doing so would not have any impact on the proposed sale of the assets of the company or on the operation of the company.

Chair Peyton asked Mr. Ketterer if he had any comments to make at this time. Mr. Ketterer indicated that he did not, but would like to address someone from A. B. Capital at the appropriate time.

Commissioner White referred to a letter from the Attorney General's office regarding the continuation of the license if a referendum were to fail. He asked how much this opinion would restrict future Commissions if they choose to disagree with the advice given. Mr. Gross stated that future Commissions are bound by the statute that exists at the time of their decision. He noted that the AG's Office issues opinion, which do not have the force of law.

Mr. Gross introduced Brad Stevens, Managing Director for Jeffries, an investment-banking firm. He also advised the Commission that GDREC unitholders had received a highly confident letter from Jeffries related to the financing of the project.

Mr. Ketterer advised Mr. Steven that the Commission had found William Alfredo unsuitable for licensure, and that the Iowa Supreme Court upheld the finding. Because he is aware of some contract with Mr. Alfredo, Mr. Ketterer indicated that he wanted to make sure there were no financial relationships or other agreements with Mr. Alfredo that would jeopardize the purchaser's suitability or approval of the various backgrounds. It is his understanding that the agreement contains a clause requiring the purchaser to place $2.5 million into an escrow account, which would be forfeited to the seller should the Commission find a reason to not issue a license.

Hearing no further discussion, Chair Peyton called for a motion regarding the contract with A. B. Capital, L.L.C. for the sale of assets. Commissioner Allen moved to approve the contract as submitted. Commissioner Hansen seconded the motion.

Commissioner Sealock stated that she would be more comfortable by adding the following wording to the motion: Any approval should be contingent upon suitability and financial capacity to assume the operation and debt undertaking with the proposed purchase. The motion was adopted by consent.

Mr. Gross advised the Commission that specific sections of the agreement are effective upon approval by the Commission – GDREC's obligation not to shop the deal any further, A. B. Capital's obligation to place $2.5 million in an escrow fund that is forfeited to GDREC if they don't get financing or if they don't get licensed. He stated that he wanted to make certain that the effectiveness of those sections isn't impacted by the condition placed on the motion. Mr. Gross stated that both parties are aware that the Commission is not determining A. B. Capital's ability to be licensed and ability to obtain financing today.

Commissioner White asked Commissioner Sealock to withdraw her condition on the approval, which she did. The original motion carried unanimously. (See Order No. 98-15)

Chair Peyton called for a motion for DDJ's remaining contracts. Commissioner Sealock moved to approve them as presented. Commissioner White seconded the motion, which carried unanimously. (See Order No. 98-16)

Chair Peyton called on Art Hill, Director of Finance for Harveys Casino & Hotel, who presented the following contracts for Commission approval:

- HGM Associates, Inc. – Engineering & Design Services for Protective Cover over Levee
- Logan Construction Co. – Snow Removal Contract for 1999
- Oakview Rallo Joint Venture – Multi-level Parking Garage to be Located Adjacent to Riverboat and Hotel Facility
- Silicon Gaming Company – 20 Odyssey Multigame Slot Machines (Replacements)

He advised Commission members that Gary Armentrout, Senior Vice President of Development for Harveys, was also present to answer any questions regarding the parking garage contract.
Commissioner Allen stated that she was pleased to see Harveys proceeding with the parking garage. Mr. Hill stated that the parking garage was one of the key components to their master expansion plan as presented to the Commission last year.

Hearing no further discussion, Chair Peyton called for a motion. Commissioner Allen moved to approve the contracts as submitted by Harveys. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 99-17)

Chair Peyton called on Doug Okuniewicz, Director of Operations for Bluffs Run Casino (BRC), who presented the following contracts for Commission approval:

- Bobby Roberts Company, Inc. – Agent for Entertainers
- Capstar/Whiteco Outdoor – Rent Billboard Space
- Corporate 3 Design – Design House for Websites & Print Production
- Council Bluffs Nonpareil – Promotional Advertising
- Imperial Outdoor – Rent Billboard Space
- Light and Associates – Media Planner and Buyer
- Lincoln Journal Star – Advertising
- Omaha World-Herald – Advertising
- Outdoor Systems – Rent Billboard Space
- William Morris Agency, Inc. – Agent for Entertainers
- Acceptance Insurance Co. – Worker's Comp, Employer's Liability (RP)
- Redland Insurance Co. – Property, Liquor Liability & Garagekeepers' Legal Liability (RP)

Mr. Okuniewicz withdrew the contract with Global Cash Access, Inc. f/k/a Com Data for Cash Advance Services.

Chair Peyton noted that he had received a request to handle the contracts with Acceptance Insurance Company and Redland Insurance Company separately. Hearing no discussion on the other contracts listed, Chair Peyton requested a motion. Commissioner White moved to approve the first ten contracts as submitted. Commissioner Allen seconded the motion, which carried unanimously. (See Order No. 99-18)

Mr. Okuniewicz indicated that information had been provided to the Chair, but was not sure it had been distributed to the other Commission members. He stated that Bluffs Run was willing to rebid the contracts with Acceptance and Redland to insure that everyone was comfortable with the bidding process if the Commission was willing to allow them the time to do so. He also asked for clarification on the process desired by the Commission.

Chair Peyton noted that concerns had been raised at the last Commission meeting as to the independence of the bids for these two items. He stated that he was asked, informally, to look at the situation and propose some possible solutions. He indicated that he had contacted some brokers who sell the types of insurance in question. Chair Peyton conceded that workman's comp insurance requires comprehensive analysis to get an appropriate bid. He indicated that in fairness to Bluffs Run, Iowa West and John Nelson, President of the insurance companies and an IWRA board member that the bidding process is done as independently and objectively as possible. Chair Peyton suggested that a disinterested third party solicit the bids so that there can be no questions if Mr. Nelson's companies submitted the lowest bid. He stated that he felt some companies were reluctant to invest the time necessary to analyze the risk knowing that a related party was involved in the bidding process.

Commissioner White asked what action was required of the Commission regarding these two contracts, since BRC was not asking for approval at this time. Chair Peyton stated that it was his understanding that BRC was asking for a 90-day window to rebid the contracts, leaving the current ones in place, thereby allowing them to seek other bids on a fair and equitable basis that insures independence. Commissioner White asked at what future Commission meeting this issue would be brought back for consideration. Following a brief discussion, it was determined that the April meeting would be just under 90 days. Chair Peyton suggested that BRC should plan on either asking for an extension at that time or present a conclusion.

Lyle Ditmars, legal counsel, stated that BRC would either provide the Commission with the results of what they have accomplished at that time or give a progress report and provide them with an anticipated completion date. He noted it is a big bidding process, but BRC's goal is to remove the appearance of impropriety, and they will do whatever is necessary to accomplish that.

Commissioner White moved to allow BRC to keep the existing insurance in force through the April Commission meeting at which time BRC will present insurance contracts that are the result of an independent bidding process. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-19)

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

- Maryville Construction – General Construction
- Commercial Flooring – Floor Coverings
- Portzen Construction – Plumbing
- Giese Sheet Metal – HVAC
- A & G Electric – Electrical
- Williams Gaming – Lease 8 Monopoly Slot Machines (Replacements)

Mr. Wentworth reported that five of the contracts deal with building renovations within the existing facility, and one is for gaming equipment. Mr. Wentworth had several

layouts showing the floor plan of the facility and highlighting the areas DGP&C would like to renovate. He noted that DGP&C has worked with Durant, the initial engineering firm, to develop a better utilization of the building within existing space. The following changes will take place with Commission approval: move the restrooms toward the front of the building, change The Pub location to office and storage space, move the buffet toward the main entrance so that it is visible when guests enter, and the pari-mutuel betting lines will be moved closer to the seating for the pari-mutuel bettors. The result is a large room, approximately 5,000 square feet that can be divided in half (one-third/two-thirds) and be used for multiple purposes, including group meetings and special entertainment. Mr. Wentworth stated that DGP&C is trying to add enough technology to facilitate a drop-down screen and computer hook-ups so that it could be used for teleconferencing meetings.

Commissioner White asked Mr. Wentworth how the proposed changes would affect the space available to patrons watching the live races. Mr. Wentworth indicated they would lose a total of three rows of seating. He indicated that would not create any problems.

Commissioner White asked if the renovations would require the relocation of any of the existing gambling games. Mr. Wentworth indicated they would not. Commissioner White clarified that the planned renovations would occur within the existing walls. Mr. Wentworth indicated that was correct.

Chair Peyton stated that he was pleased to see a licensee improving the quality of the product and facility without basing the justification on additional gambling.

Commissioner Sealock noted that the facility would be much more customer friendly, and could see several uses for the large room. Mr. Wentworth indicated that it would be the largest, if not one of two of the largest, rooms in Dubuque. He stated that currently Dubuque does not have any meeting space large enough to handle a group of 300-400.

Chair Peyton noted that all of the debt on DGP&C's facility would be retired by fall 1999, at which time all of the debt on the pari-mutuel facilities would be retired.

Hearing no further questions, Chair Peyton requested a motion. Commissioner Hansen moved to approve the contracts as submitted by DGP&C. Commissioner White seconded the motion, which carried unanimously. (See Order No. 99-20)

Chair Peyton moved to Administrative Business. Ms. Vanderloo advised the Commissioners that their packets contained a Notice regarding the horse racing promotion fund. She stated there is $5,821.17 available for distribution for 1999. This notice is to advise non-profit organizations that they can submit a request for the funds. The non-profit organizations who received the funds last year are also required to submit an accounting of how they spent the funds received in 1998. Requests for the funds, and the accounting of how funds were spent last year, are due in the Commission office by February 12, 1999. The funds will be distributed at the March meeting.

Chair Peyton suggested that staff consider moving the contract approval portion of the meeting to the beginning of the meeting, or establish time frames for the consideration of contracts.

Chair Peyton moved to Public Comment. Mr. Wentworth noted that during the discussion of rules, the Commission had discussed the licensees' responsibility with regard to problem gaming, how to identify problem gamblers, and the issue of putting that message in their advertisements. He gave a copy of the Annual Report from the Iowa Lottery, in which the responsible gaming message is printed in black lettering on a dark blue background, making it very difficult to read.

As there was no further business before the Commission, Chair Peyton called for a motion to adjourn. Commissioner Hansen so moved. Commissioner White seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
COMMISSION MINUTES
FEBRUARY 12, 1999

The Iowa Racing and Gaming Commission held a telephonic meeting on Friday, February 12, 1999 at 10:00 AM in the Commission's office located at 717 E. Court Avenue, Suite B, Des Moines, Iowa. Commission members present were Brad Peyton, Chair; Jacquelyne Allen, Vice Chair; and members Rita Sealock, Bill Hansen and Harold White.

Chair Peyton called the meeting to order and requested a motion to approve the agenda as submitted. Commissioner Allen moved to approve the agenda as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

The next item of business before the Commission was a request for approval of a change order by Southern Iowa Gaming (SIG) with Brooner & Associates, the general contractor, for the fabrication and erection of the hull and deck of the vessel and for the super-structure steel. Chair Peyton called on Larry Seckington, legal counsel. Mr. Seckington stated that Bill Grace, President of SIG, had worked with an Iowa vendor for two weeks, even though he had the high bid, in an attempt to use an Iowa vendor. The main drawback to the bid was that they would not be able to deliver the steel for 10-12 weeks, thereby preventing the project from meeting their proposed opening date of December 15, 1999. Mr. Seckington stated that Brooner & Associates has agreed to continue to meet the deadline of December 15th. He noted that information submitted with the contract included a list of Iowa subcontractors that would be used on the Osceola project.

Hearing no discussion concerning the contract, Commissioner White moved to approve Change Order No. 2 as submitted by SIG. Commissioner Allen seconded the motion, but indicated that she did have some questions.

Commissioner Allen noted that the Request for Transaction Approval form listed a low bid of $1,460,000, but that she did not see the name of the company submitting the bid. Mr. Grace advised Commissioner Allen that Avondale Products from Louisiana submitted the low bid, and Johnson Machinery from Iowa submitted the other bid. He indicated the actual bids were submitted through the general contractor. Mr. Grace indicated that Avondale is a large company, and will produce the steel in three different mills. Commissioner Allen asked Mr. Grace if he had any experience with this company. Mr. Grace indicated that he did not, but that it was the only company who would meet their production schedule.

Commissioner Allen commented on the amount of the change order - $6,750,000, and that she felt it was astronomical. Mr. Seckington stated that they could have done a direct contract with the vendor, but that it would not have changed the cost of building the boat. He stated that the original projections submitted to the Commission anticipated that this

portion of the project would cost $6,000,000. Commissioner Allen asked if she was hearing that the cost of the steel was not increasing the overall cost of the project. Mr. Seckington indicated that was correct.

Commissioner Allen asked which of the general contractors – Brooner & Associates or Taylor Ball, would be lower when taking the two change orders into consideration. Mr. Seckington advised her that Brooner & Associates would still be lower by the difference between the original bids, assuming that Taylor & Ball could have obtained the two change order contracts for the same price as Brooner.

As there was no further discussion regarding Change Order #2 to the Brooner & Associates contract, Chair Peyton called for the vote. The motion carried unanimously. (See Order No. 99-21)

Commissioner Hansen stated that he has been led to believe that the boat will have a canvas top, and asked if that was correct. Mr. Grace stated that it was not, noting that the vessel will be two-stories costing another $6.5 million in addition to the amount just approved, or approximately $13 million. He indicated that it would have a 20-year roof on it.

Terry Hirsch, Director of Riverboat Gambling, stated that some may be confusing canvas with a rubber-like roof. He indicated there would be steel under the roof. Mr. Grace stated that the roof would be similar to that on a commercial building.

Hearing no further questions for Mr. Grace and Mr. Seckington, the Commission requested they disconnect from the conference call.

Chair Peyton called for a motion to go into Executive Session for the purpose of receiving advice from legal counsel on pending litigation. Commissioner Sealock moved to go into Executive Session. Commissioner Hansen seconded the motion. Chair Peyton requested a roll call vote. The motion carried unanimously. (See Order No. 99-22)

Following the Executive Session, Chair Peyton moved to Administrative Business. Mr. Ketterer advised the Commission that he had received a request from Ameristar to proceed with dredging the boat slip during the month of February, with the actual contract being submitted to the Commission for approval at the March meeting. Ameristar anticipates the cost will be between $40,000 and $75,000, but will not know the exact amount until work has started. The dredging process needs to be completed before the level of the river gets too high. Mr. Ketterer advised the Commission members that the contract is with an Iowa vendor, and is not a related party transaction.

Commissioner White asked Mr. Ketterer if there was any evidence that Ameristar had taken bids. Mr. Ketterer stated that the contract is with a company located in Crescent, Iowa, and one that Ameristar has used in the past. He stated that Ameristar spent

$94,000 for dredging, and this year they anticipate the cost will be between $40,000 and $75,000. Bid specifications could not be given due to the unknown quantity of silt to be removed.

Chair Peyton indicated that Mr. Ketterer should make sure Ameristar understands the Commission can not take any official action on this contract, and are subject to the possibility that the Commission could reject the contract at the March meeting. Mr. Ketterer stated that Ameristar was aware of those issues.

Chair Peyton asked if anyone had looked at a process for approving licensees' contracts that would be more flexible than just at the Commission meetings. He wondered if there was some way to do a pre-approval, noting that some issues can not wait 30 days, and he doesn't want to have a special meeting every time.

Mr. Ketterer advised him that the Commission can determine what level they are comfortable delegating to staff for approval, which would be more flexible, and what they wish to retain at the Commission level for review.

Commissioner Hansen stated that the Department of Transportation's contract policy, set by statute, allows for emergency actions and establishes a dollar cap. He indicated the Commission could follow the same procedure and allow staff to approve emergency contracts up to a specific dollar amount.

Chair Peyton requested staff to review the situation.

Commissioner White suggested that any meeting or action by the ATM Committee established at the January meeting be put on hold until such time as any changes to Commission members are made, and suggested canceling the telephonic meeting set for Monday, February 22nd. Chair Peyton indicated the committee should proceed as planned at this time. He indicated his preference to leave the committee as is at this time.

Hearing no further Administrative Business or Public Comment, Chair Peyton called for a motion to adjourn. Commissioner Hansen so moved. Commissioner Allen seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
COMMISSION MINUTES
MARCH 4, 1999

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 4, 1999 in the North Room at the Holiday Inn Gateway Center, US 30 and Elwood Drive, Ames, Iowa. Commission members present were Bill Hansen, Rita Sealock, Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Commissioner Hansen called the meeting to order as Chair Pro Tem. He asked the new commission members to introduce themselves and provide a brief background:

Diane Hamilton - Storm Lake, Community Volunteer
Jim Hassenfritz - Sperry, John Deere Dealer
Mike Mahaffey – Montezuma, Lawyer

Commissioner Hansen stated that he felt Governor Vilsack had appointed individuals who are dedicated public servants, intelligent, competent, and will act equitably and fairly on all matters that come before the Commission.

Commissioner Hansen moved to the election of Chair and Vice Chair of the Commission. Commissioner Sealock nominated Commissioner Hansen to serve as Chair. Commissioner Hassenfritz seconded the motion. Hearing no further nominations, Commissioner Hansen called for a motion. Commissioner Mahaffey so moved, Commissioner Hassenfritz seconded the motion. The motion carried unanimously. (See Order No. 99-23)

Chair Hansen then moved to the election of the Vice Chair. Commissioner Hassenfritz nominated Commissioner Sealock. Commissioner Hamilton seconded the motion. Hearing no further nominations, Chair Hansen called for a motion. Commissioner Mahaffey so moved, Commissioner Hassenfritz seconded the motion. The motion carried unanimously. (See Order No. 99-24)

Chair Hansen stated that he desired the direction of the Commission to be anchored in the following:

1) Abide by their constitutional, statutory case law guidelines, which set out the limitations of the Commission's authority. Act as regulators, not legislators.

2) Respect the advice of legal counsel provided by the Attorney General's Office, even though there may be occasions when they disagree.

3) Act without prejudice on issues before them and respect all individuals and opinions, even if they are different from their own.

4) Issues of substance will be printed and processed through the staff and Chair seven days in advance of the meeting so that everyone will have proper notice of substantive issues before the Commission.

Chair Hansen stated that the current Commission is not tilted toward a gaming philosophy, but is a change in functional operations. He stated that the philosophical gaming issue is back in the legislative arena; and committees are moving forward with legislation that will set forth the Commission's responsibilities. Chair Hansen stated the Commission would not act on any substantive rules until the 1999 Legislature has adjourned and provided some direction.

Chair Hansen moved to approval of the agenda. Jack Ketterer, Administrator of IRGC, advised Chair Hansen that items 10 and 11, the hearing and Executive Session, had been withdrawn, as the appeal has been resolved. Commissioner Hassenfritz moved to approve the agenda as amended. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-25)

Chair Hansen moved to the approval of the minutes from the January 21, 1999 Commission meeting and February 12, 1999 Telephonic Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-26)

Chair Hansen moved to the contract approvals. He advised the new Commission members that a subcommittee had previously reviewed the contract approval procedure. He noted that all contracts three years or longer in length, in excess of $50,000 or are with a related party need Commission approval.

Chair Hansen asked that licensee representatives introduce themselves and provide a brief overview of their facility. He called on Bob Farinella, General Manager of Prairie Meadows Racetrack & Casino (PMR&C) to present their contracts.

Mr. Farinella introduced Keith Hopkins and Terry Davis, members of the Racing Association of Central Iowa; Gary Palmer, Vice President of Development; Rich Gilson, Internal Auditor; Mo Hyder, Director of Accounting; and Tom Timmons, Vice President of Operations.

Mr. Farinella distributed a copy of the Annual Report for the Gaming Association of Iowa. He indicated the Association began preparing the report several years ago with the intent of providing information about gaming in the state of Iowa, including information regarding jobs, tourism, taxes and benefits to Iowa through the economic engines created by each individual licensee. He provided a brief overview of the information provided in the Annual Report.

Mr. Farinella advised the Commissioners that PMR&C is an integrated casino and live horse-racing facility, and offer live simulcast racing year-round. He noted they have three seasons during the summer meet: thoroughbred only, mixed quarter horse and thoroughbred, and standard-bred for the first time in a number of years. Mr. Farinella noted that approximately 10,000 patrons pass through PMR&C's doors on a daily basis. He noted PMR&C has paid in excess of $30 million in taxes, have 1400 employees with an annual payroll in excess of $30 million.

Mr. Farinella presented the following contracts for Commission approval:

- Atronic Casino Technology – 15 Slot Machines (Replacements)
- Carpet Max – Carpet Replacement and Other Repairs as Needed
- Casino Data Systems – 8 Slot Machines (Replacements)
- D.B. Acoustics – Rebuild Audio System throughout the Building
- McKinnie Systems, Inc. – Racing Office & Horsemen's Bookkeeper Application Software
- Olympic Wall Systems – Painting/Drywall Construction; Other Repairs as Needed
- Principal Financial Group – 401K Spin-off Plan for Bargaining Unit Employees
- Principal Financial Group – 401K Spin-off Plan for Non-Bargaining Unit Employees
- Pro-Line Co. Inc. – Miscellaneous Capital Projects (Barn Stall, Apron Deck, etc.)
- Silicon Gaming-Iowa – 9 Slot Machines (Replacements)

Chair Hansen called for any questions concerning the contracts. Commissioner Sealock noted that the insurance contracts are related party contracts, and that she did not see any explanation for selecting this company over another company or a record of bids. Mr. Farinella stated that the contracts are considered to be a related party contract because of David Hurd, a RACI board member. He further indicated that PMR&C had used Principal for its insurance needs prior to Mr. Hurd's involvement with the RACI Board. Mr. Farinella noted that, based on Commission approval, the union contracts were recently instituted at PMR&C. PMR&C has separated their 401K programs so that one part applies to the union contract, and the other will only apply to those employees not included in the non-bargaining unit. They have split the original contract as previously approved by the Commission.

Commissioner Sealock asked Mr. Farinella if PMR&C had checked with other companies to see if the fees are reasonable. Mr. Farinella stated that PMR&C had shopped the original contract and selected Principal over three other companies based on service. Commissioner Sealock asked if they would be seeking other bids when this contract comes up for renewal. Mr. Farinella indicated they would, but reiterated that at this time, PMR&C is not renewing the contract, just splitting the original contract.

Hearing no further questions regarding the contracts, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted by PMR&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-27)

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

- Andersen Construction Company – Replacement and Installment of HVAC Units
- Browning-Ferris Industries – Waste Disposal

- Hospitality Management Systems – Food Service Software
- IGT Gaming Systems – Replacement of Existing Hardware & Software for IGT Smart System
- WMS Gaming, Inc. – Lease of 10 Machines (Replacements)

Mr. Okuniewicz introduced Piers Bank, Director of Operations and Jerry Mathiason, Assistant Executive Director for Iowa West Racing Association.

Commissioner Hassenfritz asked Mr. Okuniewicz if there was an Iowa vendor that could provide the food service software being purchased from Hospitality Management Systems. Mr. Okuniewicz stated that BRC was unable to locate an Iowa vendor. Commissioner Hassenfritz stated that he thought there was a large vendor in Cedar Rapids, but was not sure whether it performed the type of services needed.

Mr. Banks indicated that it was necessary for this system to be able to integrate with the slot system or Players Club system. He believes that the system proposed by Hospitality is the only one that is compatible with the current system and Y2K compatible.

Hearing no further questions regarding the contracts submitted by BRC, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-28)

Chair Hansen moved to the Rules being presented under Notice of Intended Action. Mr. Ketterer explained that the rule changes proposed in the new Chapter 2 are due largely to legislation passed that amended Chapter 17A of the Iowa Code. He indicated that the proposed rules follow the Uniform Rules drafted by the Attorney General's Office for all state agencies. Mr. Ketterer stated that the Attorney General's Office would like the rules to be effective July 1, 1999; therefore, requiring that they be on this agenda in order to meet the deadline. Mr. Ketterer asked Jean Davis, Assistant Attorney General for IRGC, if she had additional comments. Ms. Davis indicated that she did not. Mr. Ketterer recommended approval of the new Chapter 2.

Hearing no further comments or questions regarding the noticed rules, Chair Hansen called for a motion. Commissioner Sealock moved to rescind the existing Chapter 2 in its entirety and replace it with the new Chapter 2. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-29)

Chair Hansen moved to the distribution of the horse racing promotion fund. Linda Vanderloo, Director of Administration/Racing for IRGC, advised the Commission that this is an annual distribution required by 99D.12. She made the following recommendation:

- Iowa Thoroughbred Breeders & Owners Association - $5,078.51
- Iowa Quarter Horse Racing Association - $589.44
- Iowa Harness Horseman's Association - $153.22

The amounts stated represent the amount generated by each type of racing to the horse racing promotion fund. The total amount available for distribution is $5,821.17. Ms. Vanderloo noted that each recipient must submit an accounting of how the funds were used prior to being considered for funds in 2000. She recommended approval of distribution as set forth.

Hearing no further discussion or questions, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the distribution of the horse racing promotion fund as submitted by IRGC staff. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-30)

Chair Hansen called on BRC and the Iowa Greyhound Association (IGA). Jerry Crawford and Brad Schroeder, representing the IGA, advised the Commission that the IGA had 350 farm owners, greyhound breeders, kennel owners and operators and trainers and greyhound owners who race year-round at BRC and 6 months at Dubuque Greyhound Park & Casino (DGP&C). Mr. Crawford stated that in 1995, former Commission member David Blair served as an arbitrator to determine the appropriate distribution of casino profits at BRC to supplement greyhound purses in 1996. Mr. Blair issued a Ruling stating that $4 million would go to purses to be distributed in 1996, with an additional $4 million being placed in an escrow fund for future purses at BRC. Between additional deposits from arbitration decisions and earnings from the fund, the fund now has a balance in excess of $10 million.

Mr. Crawford stated that the IGA, which appoints a Board to help oversee the management of the fund, has attempted to nurture the fund for future use rather than racing for all of the money immediately for a short-term gain. He noted that due to the casino supplements, purses at BRC and DGP&C have increased significantly and are nationally competitive purses. The purses draw greyhounds from all over the country.

Mr. Crawford noted that the plan has been to grow the escrow fund in order to help maintain the purse levels at a national competitive level if the time comes when casino supplements are not as great due to competition, increased tax rates, attrition, etc. It is hoped the escrow fund can provide some stability in the greyhound industry in Iowa.

Mr. Crawford informed the Commission that the proposal before them today provides for a number of additional stakes races to be offered at BRC this year, over and above the Iowa Breeders Classic. Every one of the new stakes races is an open race, meaning that it is not restricted to Iowa-bred greyhounds. Mr. Crawford stated that IGA is proud of the fact that Iowa-bred greyhounds are able to compete at the national level.

Mr. Crawford stated that BRC management had worked with the IGA in developing the proposed stakes race schedule, and requested Commission approval.

Commissioner Mahaffey asked Mr. Crawford how the income generated by the escrow fund was used. Mr. Crawford advised him that IGA is currently a 50/50 partner with BRC management in providing a simulcast signal of the races at BRC that is exported

across the country. He noted that when they first started exporting BRC's signal, they were operating at about a $400,000 annual deficit. As the quality of the races have improved and the number of tracks taking the signal has increased, the deficit has declined to approximately $160,000 annually and continues to decline regularly.

Commissioner Hassenfritz asked Mr. Crawford if BRC has been able to attract out-of-state competitors. Mr. Crawford advised him that out-of-state greyhounds have historically dominated the racing at BRC, and that there are a number of kennels that race out-of-state greyhounds exclusively. He noted that Kansas and Oklahoma are the top two breeding and training states. As far as where the best greyhounds race, he feels the top three states are Florida, Texas and Iowa.

Mr. Ketterer offered his congratulations to the IGA and BRC on the stakes race proposal. He indicated that he feels it is a prudent use of the funds and why the escrow fund was created. Mr. Ketterer asked for comments from BRC or Ms. Vanderloo.

Mr. Banks stated that BRC felt the initial stakes schedule was good and that BRC plans to continue the sechedule, subject to agreement by the IGA next year. He noted that the casino supplement makes BRC's purse payments for non-Iowa bred greyhound and supplements of Iowa-bred greyhounds in the top 5% of the country.

Commissioner Sealock noted that one of the goals of the IGA has been to grow the industry, and that the Commission has been disappointed in the lack of growth. Mr. Crawford stated that the numbers submitted by the Secretary of Agriculture's office during arbitration indicated a significant increase in the number of racing greyhound registrations. He feels the number of greyhounds being produced in Iowa is increasing. Mr. Crawford noted that they have been as focused on the quality of the product as on the quantity of the product. He stated that the top racing greyhound at BRC for the past two seasons has been an Iowa-bred greyhound, although a different animal each time. Mr. Crawford also noted that the top price ever received from a litter of pups occurred last year and was for an Iowa litter of pups.

As far as growth, Mr. Crawford noted that from the fall of 1998 through the present, IGA has distributed in excess of 10,000 fliers to prospective greyhound investors throughout Iowa, and have produced a video tape about getting involved as an owner or breeder. He indicated that this effort has been funded in part by funds from the escrow promotion fund and a voluntary check-off fund.

Hearing no further questions or comments, Chair Hansen requested a motion regarding the agenda items pertaining to BRC/IGA. Commissioner Mahaffey moved to approve the Stakes Race Schedule at BRC and the payment of the stakes purses as set forth in the Schedule with payment being withdrawn from the Escrow Fund. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-31)

Chair Hansen moved to Dubuque Greyhound Park & Casino's (DGP&C) 45-day Plan for their upcoming season. Bruce Wentworth, General Manager of Dubuque Racing

Association (DRA) – the non-profit organization that operates DGP&C. He noted that the City of Dubuque owns the facility. Mr. Wentworth noted that DGP&C was the first pari-mutuel facility to open, June 1, 1985, and held their first race at 7:30 PM. The success of racing at DGP&C allowed them to retire 20 years of debt in 7 years on a conservative basis, looking toward the arrival of competition. Competition arrived in 1989 in the form of 5 racetracks in Wisconsin, dropping DGP&C's handle by 40% from previous levels. The opening of the casino turned around the decline in handle. It is anticipated that 900,000 people will pass through the doors of DGP&C during the current budget year.

Mr. Wentworth advised the Commissioners that live racing would commence on May 1, 1999 and continue through October 31, 1999. He noted there will be 14 kennels based at DGP&C, 10 of which are Iowa-based. Of those 10, nine are eastern-Iowa based.

Ms. Vanderloo complimented DGP&C on the background information contained in their 45-day plan. She stated that IRGC's only concern is the number of young individuals who will be working in order to pay for high school or college. Ms. Vanderloo noted that it is very important that these individuals know their duties and responsibilities, and be provided with on-going training. She also requested assurance that there is sufficient trained staff during the live racing season. Ms. Vanderloo noted there is a new steward at the facility, who has previously been a support person. She also requested that management make sure that everyone has their DCI background completed and is licensed. Ms. Vanderloo recommended approval of the 45-day plan.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the 45-day plan as submitted with the completion of the appropriate DCI backgrounds. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-32)

Chair Hansen moved to the following contracts, which were submitted by DGP&C:

- BT Office Products – Restaurant Chairs
- Computerland – Computer Equipment
- International Association of Machinists & Aerospace Workers Local 1238 – Labor Agreement for Cage, Coat Check, Food & Beverage, Gift Shop, Players Club, Slots and Valet
- International Operating Engineers – Labor Agreement Covering Maintenance and Janitorial Employees
- Rapids Wholesale Equipment Co. – Equipment for the Renovation of the Clubhouse
- Tricor Insurance – Property and Casualty Insurance; Worker's Comp

Chair Hansen questioned the sizable increases in the amounts for the contracts with the two union groups. He asked if the previous contracts were for one year, and if the new contracts were for a longer period of time. Mr. Wentworth stated that both of the current contracts were negotiated for a 3-year term, and the percentage of wage increases over

the length of the contracts is 9.5%. He indicated that both sides agreed with the increased benefit package.

Commissioner Hassenfritz asked what the difference was between the International Association of Machinists & Aerospace Workers (IAM) and International Association of Operating Engineers (IOE). Mr. Wentworth advised him that IAM represents the machinists and IOE is the operating engineers contract. They are two different unions, and represent different employees. Mr. Wentworth advised Commissioner Hassenfritz that there are three different unions at DGP&C. He explained that the IAM has two different contracts – one for the pari-mutuel operations and one for the casino operations.

Hearing no further comments or questions, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-33)

Chair Hansen called on Frank Biagioli, Executive Officer of the Iowa Gambling Treatment Program, to report on the support of the program by the Excursion Gambling Boat Licensees. Mr. Biagioli distributed a packet of material to the Commissioners providing information on the various providers, other resources, calls to the help line, youth and problem gambling questions asked in a survey, a 1995 study on the prevalence of problem gambling, a history of gambling in Iowa, as well as other information. He noted that IRGC staff and past Commission members have been very supportive of the program, which leads to the licensees being extremely supportive in getting the message out on problem gambling. Mr. Biagioli noted that Mr. Ketterer had asked him to help develop some uniform standards for the licensees in this area, and hopes to have a presentation ready for the next Commission meeting. He noted that the program, aside from providing education and counseling in the local communities, also provides training over the ICN for providers to allow them to improve their skills. Mr. Biagioli stated that the riverboats and tracks have also sent representatives to these training sessions.

Mr. Biagioli stated that there has been a call for papers for a conference being held at the University of Nebraska at Omaha called Gambling and Gaming/Winners or Losers, which will be held April 29 – May 1, 1999. This conference will look at the effects, costs, opportunities, moral choices, and the future of gaming in our communities. He noted that Commissioner Sealock has been asked to participate as a panelist.

Mr. Biagioli noted that the Miss Marquette had recently requested training for their staff, which a local provider will be able to do. He stated that the signage on the DDJ regarding the Gambling Treatment Program is excellent. He recently received a telephone call from an individual referred to him by a Mississippi Belle II staff member. Mr. Biagioli stated that he had made some suggestions for changes at the Lady Luck and that they were extremely responsive. He stated that The President has been extremely diligent over the years in working with the local provider, and has recently established a committee to look at the issue, and is very committed to addressing problem gambling. He noted that Catfish has good signage and is working very well with the local provider.

Mr. Biagioli noted that much of the signage at Ameristar and Harveys contain language urging customers to bet responsibly, as well as the help line number. He commented on the strong corporate commitment at the Belle of Sioux City and Harveys to getting the message out. He noted that Iowa West recently held a retreat for its board members and asked him to make a presentation. He suggested that the non-profits include a message regarding responsible gambling in their grant applications. He noted that he was just trying to provide an overview of some of the different ways the licensees are addressing the issue of problem gambling, and that this report was not necessarily all-inclusive. Mr. Biagioli stated that the racetracks are just as proactive, but that this report was to address the riverboats as their licenses are up for renewal.

Commissioner Mahaffey asked if there have been any studies done to determine what percentage of the population with a gambling problem call for help. Mr. Biagioli stated that is difficult to assess, but the 1995 study estimated about 1% had a probable pathological gambling problem, 2.3% of adult Iowans 18 and over approaching the problem stage, or approximately 20,000 people. The help line has received approximately 3500 calls per year from gamblers and concerned individuals for the past three years. He feels the pro-activity and help from the Commission has helped to get the message out and has prevented some problems. He noted that Iowa has on occasion experienced a suicide related to problem gambling.

Commissioner Mahaffey asked Mr. Biagioli about the funding sources for the Gambling Treatment Program. Mr. Biagioli stated that the program receives 3/10 of 1% from the total lottery sales and the adjusted gross receipts from the riverboats and racetrack casinos, or about $2.6 million. These funds are used to provide counseling, treatment, education, messages for the public, training, etc.

Commissioner Mahaffey asked if there was any type of profile the licensees look for in identifying a problem gambler. Mr. Biagioli stated that the licensees' are pro-active in this area. He indicated there are various videos available to the licensees on this matter. He also stated that the local area providers could provide training in this area.

Commissioner Mahaffey asked Mr. Biagioli if the current funding was adequate to address the issue of problem gambling. Mr. Biagioli stated that he felt more could be done. He noted that many local providers only do outpatient counseling, but sometimes feel it would be better to have a location where the individual could go for inpatient counseling to allow them time to withdraw. He indicated problem gamblers experience withdrawal symptoms similar to alcohol or drug abuse withdrawal. Mr. Biagioli noted that occasionally legislative leaders have attempted to use the gambling treatment funds to fund other programs. He stated that the program has been very prudent with their funds, but feels there are other things they could be doing. It is his opinion that because the gambling treatment program has been proactive, they may be preventing the need for more intensive treatment for some clients.

Commissioner Mahaffey asked if he heard correctly that there were times when the gambling treatment program did not receive all of the $2.6 million. Mr. Biagioli stated

that was correct. He indicated that was the case when the program was transferred from the Department of Human Services to the Department of Public Health. At that time, $400,000 was given to the Substance Abuse Program as a grant. Last year $319,000 was given to the Governor's Alliance on Substance Abuse and Public Safety to provide training on the methamphetamine problem. Mr. Biagioli stated that when the program was initially funded, they received .5 of a percent from the lottery. When the riverboats came on board, the program originally received 3%, not three-tenths of 1%, of the adjusted gross receipts. The gambling treatment program was receiving this funding during the time when the State was in debt, and the Legislature transferred all program funding to the General Fund and established appropriations for the various programs. The gambling treatment program received $400,000, which was reduced to $250,000 the following year. During that time frame, the number of service providers dropped to seven. Mr. Biagioli stated that he has been rebuilding the program since FY 1994 when the Legislature realized there could be an increase in the number of problem gamblers with the removal of the limits. He stated that the program has become more efficient due to technology and the web page. Mr. Biagioli stated that all of the licensees are connected to the web page.

Chair Hansen stated that the three-tenths of 1% generated approximately $2.5 million. He asked if they were still expending 40% for advertising. Mr. Biagioli stated that approximately $1 million is devoted to advertising annually. That budget allows for some newspaper ads, billboards, and radio ads. He indicated that between $500,000 - $600,000 is used to purchase three flights of television advertising throughout the year. Mr. Biagioli stated that the TV advertising seems to reach the problem gamblers. During a recent television ad campaign, calls to the hotline increased from 28 calls per day to 55 calls per day.

Chair Hansen advised the new Commissioners that the packet contained two documents they should review – the 1998 evaluation and booklet from Bill Symington, both of which were provided to the Legislature in December. He stated that the booklet addresses the penetration level of the advertising, which is about 85%. Chair Hansen asked if it was fair to assume that the advertising dollar is at a plateau level or if more needed to be spent on advertising. Mr. Biagioli stated that the current amount provides a presence, and is sufficient at this time. He expressed concern about reaching those currently not being reached via any advertising.

Chair Hansen asked how the remainder of the funds were used. Mr. Biagioli stated the majority is used for gambling treatment education by the local providers, counseling services, and funding the help line. He indicated some funds would also be used to co-sponsor the conference at the University of Nebraska-Omaha.

Chair Hansen asked Mr. Biagioli if the gambling treatment program makes a specific allocation for the help line. Mr. Biagioli stated that RFP's are sent out for advertising, the help line, counseling and education services. He stated that RFPs were received last July regarding the help line in order to streamline the process. He noted that when a call comes in on the help line now, the individual is transferred directly to local area provider.

Chair Hansen asked Mr. Biagioli if Iowa was still one of the top states with regard to funding of the gambling treatment program. Mr. Biagioli stated that Iowa is in the top three, if it is not the top. He stated that he would put Iowa's program up against any other program in the nation. He is not aware of any other jurisdiction doing what Iowa does with regard to problem gambling.

Chair Hansen asked Mr. Biagioli if it was possible to quantify the success rate of the counseling programs. Mr. Biagioli stated that it was difficult to provide a firm answer. He stated that the program would like to issue an RFP to have someone objectively query some of the individuals who have gone through the counseling program to determine what kind of success they have had and determine how success is to be measured.

Commissioner Sealock stated that problem gambling is a really hot issue in the Council Bluffs/Omaha area right now. She noted that since Class III gaming came to Iowa, the Omaha government has been very bitter, and that the mayor in particular has been very outspoken about the problems created by gambling. She asked Mr. Biagioli to explain how Iowa has addressed that issue. Mr. Biagioli stated that the local area providers have partnered up to provide services in the southwest area. One of the providers also has a contract with the Nebraska Gambling Treatment Program to provide treatment to Nebraska residents as well.

Hearing no further comments or questions for Mr. Biagioli, Chair Hansen thanked him for his time, and indicated there would be a short break.

Following the break, Chair Hansen called IWRA/Ameristar Casino to present their license renewal. Jeff Terp, Vice President of Business Development, introduced Ray Neilsen, General Manager of the Council Bluffs facility, Tony Taubel, Assistant General Manager, and Jane Bell, Director of Public Relations.

Mr. Terp advised the Commission that Ameristar was licensed to operate in Council Bluffs in 1996, and that facility is one of five operated by Ameristar, which is a publicly traded company. He stated that the Council Bluffs facility employs 1,225, approximately 56% are Iowa residents. The facility has 1,097 slot machines, 43 table games and several entertainment and restaurant venues available for patrons. He noted the property has a 5,000 square foot convention center with a pre-function area, and a 160-room hotel. Mr. Terp advised the new Commission members that their facility also has a Kids Quest Entertainment facility, which is similar to a drop-in child care center that is supervised. He noted that Kinseth Hospitality, a company based in Coralville, Iowa, operates a 140-room Holiday Inn Suites on Ameristar's property. Mr. Terp stated they are currently adding a new building with 50 more hotel rooms.

Mr. Terp noted that Ameristar made a commitment to the Commission and the Council Bluffs community that they would operate their facility in the highest quality fashion possible. He noted that Ameristar had been awarded the Triple A 4-Diamond award. He noted that only about 3% of the 25,000 rated hotels and only 4% of the 11,000 restaurants

across the nation receive this award. Mr. Terp stated that Ameristar is the only riverboat in the country to receive this designation.

Mr. Terp presented the following contracts for Commission approval:

- International Game Technology – Purchase of 10 "Triple Play Poker" with $15.00/day/Machine Software Lease from IGT (Replacements)
- International Game Technology – Lease of 4 IGT "Elvis" Wide Area Progressive Games (Replacements)
- Leazenby Construction – Dredging of Boat Slip
- Spin, Inc. – Sale by Ameristar of 280 Used Slot Machines

Commissioner Sealock stated that the renewal application was easy to review. She also called attention to the Outstanding Achievement Award that Ameristar received from Pottawattamie County for creating employment opportunities for individuals with disabilities. Commissioner Sealock indicated the percentage of Iowa residents employed was commendable because of the proximity to Omaha/Nebraska. She noted that a number of their advertisements include the language "Bet with your head, not over it", and that Ameristar had won an award for the artwork. In addition, Ameristar produced a Project 21 video, addressing the underage gambling problem. She noted that Council Bluffs is the first community to start fining the underage gambler, and requiring their parents to pick them up at the police station. Commissioner Sealock also commended Ameristar on its purchasing policy.

Commissioner Sealock asked Mr. Terp if Ameristar had had any success in attracting employees from the Native American population as requested during the licensing process. Mr. Terp stated that Ameristar has made several attempts but have not been successful in hiring a large number due to certain demands requested of Ameristar that were unacceptable and unfair to the rest of their employees.

Chair Hansen asked the other Commission members if they wished to roll the additional contracts into the approval of the license renewal or handle them separately. Commissioner Hassenfritz indicated that he preferred to handle them together.

Hearing no further questions or comments regarding the Ameristar renewal application or contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal and contracts as submitted by IWRA/Ameristar Casino. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-34)

Chair Hansen moved to the license renewal application of IWRA/Harveys Casino Hotel for the Kanesville Queen in Council Bluffs. Verne Welch, General Manager, introduced the following individuals: Art Hill, Director of Finance; Dan Roy, Vice President of Casino Operations; Jeff Graber, Surveillance Manager; and Grant Gruber, Assistant Controller.

Mr. Welch distributed a brochure listing the donations made to various organizations over and beyond those made by IWRA. Mr. Welch introduced Jerry Mathiason, Associate Director of IWRA.

Mr. Hill informed the Commissioners that over the past year approximately 2.7 million guests passed through their doors, and no underage gamblers were detected. He noted that Harveys has increased the number of Iowa vendors they use. Currently Harveys employs 1,268 employees, 55% are Iowans. In addition to using Iowa vendors, Harveys looks to make future investments in Iowa. A recent example would be their $15 million commitment to build a parking garage using local businesses.

Mr. Hill noted that with recent ownership change, Harveys has changed from a publicly traded company to a private investment company, they will be able to make additional capital investments in the future.

With respect to their property, Mr. Hill stated that Harveys has several food venues available, a tremendous entertainment program with national entertainment at least once a month, as well as providing the types of gambling games preferred by the customer. They have tried to create a property that will attract various meetings and conventions from the surrounding states as well as Iowa.

With regard to problem gambling, Mr. Hill stated that Harveys engages in many of the activities mentioned by Mr. Biagioli and the other licensees. They have self-bar programs, work with Project 21 to educate underage people and the Iowa Gambling Treatment Program. Harveys has made a five-figure commitment to the National Center for Responsible Gambling, a study group as an offshoot of the American Gaming Association.

Mr. Hill advised the Commission that Harveys' employees are very active in community projects.

Mr. Hill presented a contract with The Omni Center LLC that revised the rental agreement for Warehouse Storage Space and Office Space for Equipment, Documents and Related Materials.

Commissioner Sealock complimented Harveys on being a good corporate citizen. She noted that an employee had won an award for the slogan, "When playing with real dollars, use real sense". Mr. Hill stated that the slogan was used nationwide. She commented on their involvement with Project 21.

Commissioner Sealock asked Harveys to discuss their cruise route, and how they interpreted the new definition of a cruise. Mr. Welch stated that Harveys intends to start their cruise season on April 1, cruising from 7:30 to 9:30 AM. The route will go three miles north on the Missouri River, just shy of Epply Airfield. He indicated that it would be necessary to do some dredging at the mooring site. Mr. Welch stated that the river has

been stable at around 15 feet to 15 feet 6 inches in the center. That depth is sufficient to allow both Ameristar and Harveys to cruise safely under the bridge.

Commissioner Hassenfritz asked if any of the gaming equipment companies had given any thought to establishing a facility in Iowa to allow them to service their equipment located in Iowa, Illinois and Missouri. Mr. Welch advised him that IGT has recently established an office in Council Bluffs due to the introduction of their Wide Area Progressive machines in Iowa. He stated that Harveys has asked the gaming companies to establish offices in Iowa because of the Iowa vendor requirement. Mr. Welch noted that Harveys has had several vendors move their offices in state, noting that one of the companies they use to book entertainment recently moved from Omaha, NE to Crescent, IA.

Hearing no further discussion, Chair Hansen called for a motion on the renewal application and contract for Harveys. Commissioner Hassenfritz moved to approve the license renewal and contract as submitted by IWRA and Harveys. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-35)

Mr. Mathiason stated that IWRA receives excellent support from all three of its licensees. He noted that IWRA has distributed $30 million to 93 communities. Mr. Mathiason indicated that IWRA plans to follow through on some of the suggestions made by Mr. Biagioli at a recent retreat held for the various Board members. IWRA participates in the Newspapers in Education project, which provides newspapers to the Pottawattamie County School District that allows them to run coordinating advertising on Project 21.

Chair Hansen called on Missouri River Historical Development, Inc. (MRHD)/Belle of Sioux City, L.P. John Pavone, General Manager of the Belle of Sioux City (BSC), and President of the Iowa Riverboat Association, introduced Betty Strong, President of MRHD. He stated that BSC has just experienced the two best consecutive years in its history. Cash flow has increased over 60% for the last two years. BSC is currently in the middle of a $2.5 million renovation project. Mr. Pavone noted that they had replaced approximately 60% of the gaming equipment in 1998, and that the remaining equipment will be replaced in 1999. Mr. Pavone estimated that they would have an entirely new facility in Sioux City by the end of the third quarter.

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

- Argosy Gaming – Intercompany Charges for December 1998 (RP)
- Argosy Gaming – Intercompany Charges for January 1999 (RP)

Commissioner Sealock asked if her understanding that MRHD only makes grant distributions in Woodbury County was correct. Mr. Pavone stated that was correct. He noted that BSC makes donations above and beyond what MRHD does to organizations in and outside of Woodbury County.

Commissioner Sealock commented on the fact that BSC requires a parent or guardian to accompany, and remain, with a child while they are in the child care center. Mr. Pavone stated that was correct. BSC provides security, but is concerned about leaving a child with a security or child-care person without the parent being present. He indicated that situation is being reviewed for 1999. Commissioner Sealock also commented on the fact that there is no time limit on the length of time a child can be at the center. Mr. Pavone stated that they have not noticed an increase or decrease in the length of time that a child is in the child-care facility.

Mr. Ketterer asked Mr. Pavone to provide the Commission with some background as to where the facility was at prior to undertaking the renovation project. Mr. Pavone stated Argosy took over the operations in Sioux City in December 1995. The majority of the gaming equipment was six years old, only 16 had bill validators. During the last 13 months, approximately 65% of the games have been replaced, and they have added wide area progressive machines. He estimated the capital expenditures for 1998-1999 will be about $3.5 million. Mr. Pavone stated that BSC hopes to be presenting some additional projects to the Commission at the May meeting.

Mr. Ketterer stated that the Commission has been concerned about the Sioux City operation, as there was a feeling there were issues that prevented BSC from reaching its potential. He stated that he had an opportunity to meet with Jim Perry, President of Argosy prior to Thanksgiving. Mr. Ketterer set out his expectations for BSC and indicated that they would be brought up at the time of the license renewal. He asked Mr. Perry to submit a letter setting out Argosy's intentions with regard to BSC. Mr. Perry's letter indicates Argosy is considering moving a 3-story landing barge valued at approximately $15 million to Sioux City. The facility would include restaurants, convention facilities and additional office space, as well as a lounge, enabling them to offer headline entertainment. This proposal is contingent upon several issues: the barge is currently being used in Illinois and is being considered for another project, resolving issues with MRHD, and the capacity constraints caused by a lack of parking. Mr. Perry's letter stated that under the above circumstances, Argosy is not convinced that it makes sense to increase the size of the property. Mr. Ketterer noted that if a first time applicant came to the Commission and indicated they were having difficulty with their partner and non-profit, and had no intention of addressing a lack of parking, the Commission would be wise to deny the request for a license. Mr. Ketterer stated that he was not suggesting the license should not be renewed, but indicated the above were not valid reasons why improvements should not be made to the property.

Mr. Pavone stated that Argosy and MRHD have a meeting scheduled for April 11th. The biggest concern is parking. When Argosy took over the Sioux City operation, they brought in a boat with a capacity of 1,350 with 157 parking spaces. They are concerned about overtaxing the parking with potential gamblers without being able to produce the revenue to produce a return on the initial investment. He noted that there is no land available to add additional parking near the facility.

Mr. Ketterer stated that the numbers reflect that the investments have paid off. Mr. Pavone stated that the 220 new slot machines produced 73% of the total revenue.

Following some additional comments regarding the parking situation, Chair Hansen called for some comments from MRHD. Ms. Strong invited the Commission to come to Sioux City to view the renovations. She indicated the non-profit board and operator are working together.

Hearing no further comments or questions regarding the renewal application or contracts for the BSC, Chair Hansen called for a motion. Commissioner Sealock moved to approve the renewal application and contracts as submitted by MRHD/BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-36)

Chair Hansen called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C. (SIRRC/CBC) to present the renewal application and contracts for Catfish Bend Casino. Bob Winkler, Assistant General Manager, introduced John Schuldt, President of Catfish Bend Casinos and Gary Hoyer, legal counsel. Dave Walker, a representative of SIRRC who intended to attend the meeting and speak on behalf of CBC, was unable to do so because of personal reasons.

The following contracts were also submitted for Commission approval:

- Fort Madison Bank & Trust – Purchase of Certificates of Deposit
- Rheinschmidt's, Inc. – Purchase of Carpet, Wallpaper and Supplies

Commissioner Hassenfritz noted that the contract with Fort Madison Bank & Trust only showed two bids. He asked if other bids were solicited, and if so, how many. Mr. Winkler stated CBC sent bids to five banks. He pointed out that CBC is the only licensee with two primary sites of operation – cruise from Ft. Madison in the summer and are dockside in Burlington during the winter months. Whenever services are required, CBC solicits bids from both Des Moines and Lee County entities. This time they contacted two banks in Burlington and three in Ft. Madison. Commissioner Hassenfritz asked Mr. Winkler if they considered banks outside the Burlington or Ft. Madison area. Mr. Winkler indicated they did not. Commissioner Hassenfritz noted there are many smaller independent banks in the area. Mr. Winkler indicated that Lee County Bank, who holds the mortgage on the boat, has a consortium of 12 banks that they canvas in order to get the best rates. Commissioner Hassenfritz stated that he was not questioning the integrity of the bids.

Commissioner Sealock commented on the fact that they closely monitor the number of hours a minor spends in the youth activity center. She noted that they had won the 1998 Tourism Award. In addition, they are an Iowa company run by Iowa people. Commissioner Sealock asked Mr. Winkler to explain the fee schedule for the non-profit.

Mr. Winkler explained there are three partners in the non-profit, which goes back to the time when the Emerald Lady sailed from Burlington, Ft. Madison and Keokuk. Even though CBC does not have any operations in Keokuk, that city still receives one-third of the charitable distribution of funds.

Commissioner Sealock then asked about the per person fee schedule. Mr. Winkler stated that for the first 500,000 guests, the non-profit receives $1.75 per person, after that the fee drops to $1.00 per person. She asked if this schedule included Keokuk, and if it would end in the near future. Mr. Winkler advised that the schedule did include Keokuk, and that the present arrangement will not end in the near future.

Mr. Winkler advised the Commission that a $243,000 wide area progressive jackpot was won over the weekend.

Mr. Ketterer asked about the contract with Rheinschmidt's for carpet, wallpaper and supplies in the amount of $2,500. He noted that no other bids were listed on the contract, and the explanation simply states that CBC has purchased these types of items before, and that this contract is being submitted in the event CBC would need to purchase matching or replacement materials. Mr. Winkler stated that CBC has purchased these types of materials from two other businesses in Ft. Madison and one in Burlington.

Hearing no further comments, Chair Hansen called for a motion regarding the license renewal and contracts. Commissioner Mahaffey moved to approve the license renewal and contracts as submitted by CBC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-37)

Following a short break, Chair Hansen called on Dubuque Racing Association/Greater Dubuque Riverboat Entertainment Company, L.C. (DRA/GDREC). Jim Rix, General Manager of GDREC, operator of Dubuque Diamond Jo, noted that the Dubuque market has changed a number of times over the last several years. The Dubuque Casino Belle opened in April 1991 and was operated by the Kehl family. A year later the Silver Eagle opened in East Dubuque, IL. Shortly thereafter, the Dubuque Casino Belle closed. In May 1994, GDREC began operations on what was called the "Little Jo" with 17 tables, 322 slot machines and no ancillary facilities. In October 1995, GDREC opened a larger facility that doubled the size of the gaming positions, doubled the number the employees, added a restaurant, deli, coffee shop, lounge and banquet facilities and a portside gift shop. Dubuque Greyhound Park & Casino opened their slot casino in November 1995. Over the next 18 months, the Silver Eagle opened and closed twice and has been permanently closed for over 2 years. At this time, the Dubuque market has stabilized. Mr. Rix requested approval of the renewal application.

Commissioner Sealock complimented DRA/GDREC on their grant distribution program. Funds have been distributed to 12 counties in three states. She asked if they had a Conflict of Interest paragraph for the grant program. Bruce Wentworth, General manager of DRA, advised Commissioner Sealock that the by-laws for DRA contains a paragraph that states none of the volunteer board members shall profit while serving as a board

member. During the grant distributions, board members abstain from voting on any grant requests submitted by an organization with whom they are affiliated.

Chair Sealock commented on the large number of self-barred patrons at the facility. Mr. Rix stated that they have made a concentrated effort to monitor individuals they feel may have a problem by watching the number of comps, players club, number of checks cashed, etc.

Hearing no further comments or questions, Chair Hansen called for a motion regarding the license renewal of DRA/GDREC. Commissioner Hamilton moved to approve the license renewal application as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-38)

Chair Hansen called on Scott County Regional Authority/Lady Luck Bettendorf, L.C. (SCRA/LLB) – Lady Luck Bettendorf. Nancy Donovan, General Manager, introduced the following individuals: Michael Hirsch, Assistant General Manager and Director of Finance; Patsy Ramascitti, Director/Secretary of SCRA; Curt Beason, legal counsel; and Bob Ellis, manager with the joint venture partnership.

Ms. Donovan provided a brief history of the Bettendorf operation: In April 1998, LLB received the Commission's approval to add 230 slot machines and 6 table games, which was related to the increased patronage expected due to the opening of their 256-room hotel. At that time, there were questions about the Quad Cities market that LLB shares with The President in Davenport and Casino Rock Island in Illinois. She stated that the market is strong and continues to grow. In 1997, the annual projected gross receipts for the market was $150 million. Ms. Donovan noted that The President and LLB increased the number of gaming positions in the market by 10% during 1998, and the adjusted gross receipts have increased by 11%, up to $167 million. In September, LLB opened their hotel, followed two weeks later by the 16,000 square foot convention center. For the first six months, LLB has experienced an average increase in the monthly adjusted gross receipts of 21% and an average monthly increase in passengers/customers of 23%. It is expected these increases will continue through 1999.

Ms. Donovan noted that Bettendorf is undergoing a $125 million expansion that will last for 5-7 years. The first step is the demolition of the Plaza Building, LLB's former office space. The plan encompasses $140 million in residential housing, $30 million in hotels and retail development and $20 million in high-rise office complex developments.

The following contracts were submitted for Commission approval:

- Johnson Contracting – Marine Engineering Equipment, Supplies, Maintenance (HVAC Equipment Supplier)
- Metro Wrecking & Excavating, Inc. – Demolition of Plaza Building located at 1821 State Street, Bettendorf, Iowa
- Silicon Gaming-Iowa – Trial and Possible Purchase of 10 Slot Machines (Replacements)

- JS Uniforms, Inc. – Employee Uniform Purchases
- Request for "Preliminary" Approval of Lady Luck Gaming Corporation Bond Refinancing

Ms. Ramascitti stated that SCRA has a very positive relationship with LLB. In 1998, SCRA awarded $3.3 million in grants, for a total of $10 million that has been distributed to 19 communities in the area. The funds are primarily awarded for educational purposes, not-for-profit organizations, and governmental organizations, including some community development. A packet of material was distributed showing the type of grants awarded, grant application, and a copy of the bookplate given to the schools and libraries to show how the equipment was purchased.

Ms. Ramascitti noted that one of their recent grants was to the Junior Achievement group to assist in the development of Exchange City, an instructional venue in Davenport to provide hands-on experience for all 6th graders in the Quad Cities area in how businesses and government offices function.

Ms. Ramascitti pointed out that LLB is a good corporate and community citizen. They fund the Roger Craig Celebrity Golf Tournament each year with the proceeds going to United Way of the Quad Cities. They also sponsor the Quad City Air Show and the PGA Golf Tournament now known as the John Deere Classic, which includes "Birdies for Charity", which benefits many local non-profit organizations.

Mr. Hirsch addressed the request for "preliminary" approval of Lady Luck Gaming Corporation bond refinancing. He noted that LL is in the strongest financial position it has experienced for a number of years, and just reported record annual earnings for last year. Due to that fact and the low interest rates, LL is attempting to reorganize its capital structure and lower their cost of funds. LL currently has $173.5 million in first mortgage notes that pay a coupon interest rate of 11 7/8%. The refinancing will allow them to retire those notes and replace them with approximately $150 - $175 million of subordinated notes that would pay interest between 10 3/8% and 10 5/8%. They are also attempting to obtain a $50 million revolving credit line that will provide more flexibility than their current capital structure allows. LL hopes to finalize the deal in mid-April, and will forward final executable documents to IRGC staff for final approval. At this time, they are asking for preliminary approval of the concept to provide some comfort level to the lenders.

Commissioner Mahaffey asked to hear from Mr. Ketterer or staff regarding this matter. Mr. Ketterer deferred to Mr. Beason. Mr. Beason indicated the matter is more of a time issue. LL had hoped to have more finalized documents available prior to the meeting. It is now anticipated that final documents will be ready for Commission approval at the April 15th Commission meeting. The preliminary approval is simply being requested to provide the underwriters some assurances that the package is acceptable to the various regulatory bodies in the states where Lady Luck conducts business.

Chair Hansen stated that he felt it would be appropriate to have a separate motion regarding the request for preliminary approval of bond refinancing. Commissioner Hassenfritz moved to give "preliminary" approval to Lady Luck's request for corporate bond refinancing, with final documents to be presented for review at the April Commission meeting. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-39)

Commissioner Sealock complimented the non-profit groups for LLB and The President as they both operate in the Quad Cities area, and award collaborative grants to some organizations. She noted that the section of the renewal application pertaining to problem gambling was excellent. She also noted that for being a border city, LLB has an extremely high economic impact favoring Iowa.

Commissioner Sealock questioned why the arcade room was only open during the cruise season. Ms. Donovan stated LLB took that action based on communication received from Mr. Ketterer. She noted that the room is open prior to the beginning of the cruise and is closed shortly after the completion of the cruise. Under this scenario, the arcade will be available for families who wish to enjoy the scenery during the cruise.

Chair Hansen complimented them on their percentage of Iowa employees – 54%, even though Iowans in the metro trade area only account for 47%.

Mr. Ketterer congratulated LL on the success of the hotel and new improvements. The increased business shows that investment in the property paid off. It is also a good example of private and public partnership as the city was involved in the project. Mr. Ketterer noted that casinos consider their market area to be a 75-mile radius, but a hotel allows the casino to expand its market area and expand tourism.

Hearing no further comments or questions regarding LLB's renewal application and contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the license renewal and the first four contracts. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-40)

Chair Hansen then called on Upper Mississippi Gaming Corporation/Gamblers Supply Management Company (UMGC/GSMC), operators of the Miss Marquette. Kim Hardy, General Manager, introduced Kim Kreber, Assistant General Manager, and Sara Christopherson, Executive Director of the non-profit organization.

Mr. Hardy advised the Commission that the Miss Marquette employs 540 individuals, 61% from Iowa. The property includes a 24-room hotel, a showroom with seating for 250, buffet seating for 180+, 42-slip marina, 698 slots and 38 table games.

Commissioner Sealock indicated that the application was put together well. She commented on the charitable grants of $662,000 and the impact it must have on the area since the community is so small. Commissioner Sealock complimented Mr. Hardy on the fact that the Miss Marquette chooses to cruise later in the day because of the scenery.

Hearing no further comments or questions, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the renewal application of UMGC/GSMC to operate the Miss Marquette. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-41)

Chair Hansen called on Clinton County Gaming Association/Mississippi Belle II, Inc. (CCGA/MB II). Ken Bonnet, President of MB II, introduced Jerome Murkin, a new CCGA board member, and Jim McGraw, President of CCGA. Mr. McGraw advised the Commission that the MB II has had positive effect on the area's economy.

Commissioner Sealock commented on the fact that CCGA only makes charitable distributions to Clinton County organizations. Mr. McGraw indicated that was correct, but that it was an issue they have struggled with and continue to look for guidelines from the Commission. CCGA receives grant applications totaling approximately $3 million for the $800,000 available for distribution.

Commissioner Sealock noted that the MB II cruises from 1-3 PM. Mr. Bonnet stated they have always cruised at that time. They have a number of motor coaches that come from Chicago. Those times allow them to arrive, have lunch and get ready for the cruise. Mr. Bonnet stated that the MB II was one of the few facilities that has dining facilities on the vessel.

Mr. Bonnet submitted a new Shareholders' Stock Redemption and Cross Purchase Agreement for Commission approval.

Commissioner Sealock also commented on the fact that 83% of the MB II employees are from Iowa. She also noted the MB II has a 3-hour maximum on the length of time a child can be left in the child care center. Mr. Bonnet stated that the room is not overly large, and has a limit of 5-6 children at a time. Commissioner Sealock also commented on their alcohol procedure.

Commissioner Sealock expressed concern about the large number of related party contracts. Mr. Bonnet stated that a couple of things had occurred since the renewal application was submitted in December. Tina Kehl owned one of the businesses for which a contract was submitted. She was also an owner of the MB II. Ms. Kehl is no longer an owner of the MB II, and is in the process of selling the rental business. The contract with Baker Distributing, MB II's Pepsi vendor, is a national contract established in 1991. Mr. Baker, a member of the non-profit organization, does not have any input in the pricing structure.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the license renewal application of CCGA/MB II, Inc. to operate the Mississippi Belle II and the contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-42)

Chair Hansen called on Riverboat Development Authority (RDA)/The Connelly Group, L.P., operators of The President. Mark Lohman, General Manager, introduced Mary Ellen Chamberlin, President of RDA, and Jim Zweifel, Executive Vice President and Chief Financial Officer of the parent company, President Casinos, Inc.

Mr. Lohman advised the Commission that The President was one of the first riverboats to open in April 1991. The President was originally called The Cincinnati and was built in 1923. The vessel is a National Historic Landmark. It was outfitted for gaming in 1990 – 925 slot machines and 44 table games. The President employs approximately 800, with approximately 58% being Iowans. An affiliated company owns and operates The Black Hawk Hotel in downtown Davenport. The facility is a major tourism draw in the area. Davenport hosted the Women's International Bowling Congress last summer, which brought approximately 45,000 people to the area over a 3-month period.

Mr. Lohman submitted the following contracts for Commission approval:

- Tournament Players Club of Illinois, Inc. – Founder Corporate Membership Deposit (Tournament Players Club at Deere Run)
- U S Food Service of Illinois – Supplier of Food Products and Related Disposables

Ms. Chamberlin stated that the non-profit has 14 board members, plus her as a non-Board President. The Board has been in operation since 1989. This year the Board will complete the rotation of Board members. The last four original members will rotate off the Board at the annual meeting in April, at which time all Board members will have been on the Board for less than three years. Over the years, the RDA has given contributions to 239 separate entities, including 5 school districts, 16 communities, and 8 colleges and universities. In October 1998, RDA distributed $1.7 million, for a total of $18.5 million since they began making grant distributions. Of the $1.7 million distributed in October, over 20% went to the school districts for technology. RDA has an ongoing program with four public school districts to provide technology funding over a 3-5 year period. They also provided funds to help with the expansion of the public TV system in the area.

Mr. Ketterer stated that IRGC had received a quarterly financial report that showed that the company was on track to lose approximately $12 million in operating revenue, and they lost a similar amount last year. He noted that the Davenport facility generates the most cash flow for the Company. For these reasons, he asked Mr. Lohman if he or someone from the parent company could address the short and long term goals of the Company.

Mr. Zweifel stated that Mr. Ketterer's comments were correct. The President's net loss was approximately $15 million, and will be about $13-14 million this year. President Casinos, Inc. operates three facilities: The President in Davenport, The Admiral in St. Louis and The President Casino in Biloxi, MS. These facilities generated cash flow last year of $17.1 million – Davenport generated $14.8 million with the other two facilities

making up the balance. The President's fiscal year end is February, and they are projecting approximately $22 million of cash flow from operations. At the end of the third quarter this year, they were ahead of last year's figures by $2-3 million. A key aspect to this year's figures was The President's attempt to open a cruise-to-nowhere operation in New York City. They had 215 employees, slot machines, boat, and had even taken three practice runs before the mayor changed his mind about having gaming in New York. If you take the projected cash flow of $22 million and add back in non-recurring expenses of approximately $6 million, they would have a cash flow of $28 million from operations. Mr. Zweifel noted that all three properties have had a good year. He stated that one of the contributing factors to a negative bottom line is their interest expense, which is approximately $18-19 million, and depreciation of $14-15 million. Mr. Zweifel stated that The President has been putting money back into the company for capital expenditures, and has put approximately $16 million into the Davenport operation over the last four years.

Mr. Zweifel stated that the Company is not in a serious danger zone from a cash standpoint on a consolidated basis. There is some growth opportunities available that have the potential of turning the Company around and bring it back to profitability. They recently refinanced approximately $25 million in bonds, and are currently working with some investment bankers to refinance $100 million in outstanding debt.

Mr. Zweifel stated that the key to President Casinos returning profitability is being successful in one of the growth opportunities. Within the next 6-9 months, they will know whether they will develop or not. The biggest opportunity will occur next Monday in Philadelphia, PA, where they have an option on 18 acres located on the Delaware River. On February 9th, the House of Representatives approved a bill allowing the electorate to vote on whether or not they want gaming in the state. The Senate will vote on the bill next week. If the Senate approves, the referendum will be held on May 18th.

Additionally, President Casinos is moving the St. Louis riverboat 1,000 feet north of its current location. They anticipate this move will increase the EBIDA from $5 million to $10 million as there will be better ingress and egress. It is anticipated that Missouri will change its regulations to allow for continuous boarding.

The other growth opportunity is in Biloxi where they are developing a village concept that will be a destination resort including 6 casinos and 6 hotels in a cluster in the Gulf of Mexico. They are waiting for approval from the Corps of Engineers with regard to environmental issues.

Commissioner Hassenfritz asked about the contract with US Food Service of Illinois. Mr. Lohman indicated they won the bid about 18 months ago. At that time, Chair Hansen asked a number of questions and requested they seek an Iowa food vendor. At the end of 1998, they opened their food service contract for bids, and the contract was awarded to Sysco Food Service of Des Moines. The contract before the Commission is for the buyout of the remaining printed material previously purchased from US Food Service.

Hearing no further comments or questions, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the renewal license application and contracts as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-43)

Chair Hansen moved to Administrative Business and requested a report from the ATM Committee. Mr. Hill stated that following the January Commission meeting eight individuals were selected to study the issues of ATM machines in response to a proposed order removing them from riverboats. The committee consisted of representatives from the industry, gambling treatment program and regulators. The committee met on February 22nd telephonically and followed up with a short meeting earlier today. At both meetings, there was a general consensus that most of the casinos had made physical efforts, and well thought out efforts, to make the ATM machines more remote from the gaming areas in order to provide a "cooling off period". They also discussed whether or not distance was an important factor in the location of the machines. It was determined that distance was not as important as the message being given to the individuals using the ATM. Mr. Ketterer advised the committee that the Legislature is looking into the issue, and that some kind of legislation would probably be forthcoming. With that in mind, the committee decided to not take any further action until they receive some guidance from the Legislature.

Commissioner Sealock stated that the committee wanted to leave a strong message with the casinos to proceed with the various signage options discussed as that will not be negatively impacted by any legislation.

Chair Hansen called on Southern Iowa Gaming for an update on their project. Larry Seckington, legal counsel, stated that this would not be a typical Iowa riverboat casino as it is located on an inland lake. The boat will be constructed on-site. The steel is currently being fabricated and will be transported to Iowa. They anticipate the first delivery of steel in the middle of March. An Iowa company will erect the steel. Plans and specifications have been distributed to 42-44 contractors, 38 of them from Iowa, for the interstate interchange, bridge and ramps off I-35 onto Clay Street and onto SIG's property. The bids are due March 22nd, and they hope to have the contract before the Commission for approval at its April meeting. The general contractor has poured the foundation for the hotel and convention center, and the retaining wall behind those facilities is now being constructed. Mr. Seckington stated they would have no problem meeting the deadline for the completion of the land-based facilities. The general contractor has indicated the boat construction is on schedule, and it should be in the water sometime in July or the first part of August. Construction of the superstructure will begin after that. Mr. Seckington noted that Mr. Grace, the principal owner, committed to the Commission at its January meeting that the facility would be open on December 15, 1999.

Hearing no comments or questions regarding Mr. Seckington's report, Chair Hansen moved to Public Comment. Ray Lasell addressed the Commission. A copy of his presentation is attached to the minutes, and is incorporated by this reference.

Commissioner Sealock asked Mr. Lasell what action he was requesting of the Commission. Mr. Lasell stated that he just wanted the Commission to know about the Truth about Gambling Foundation.

Commissioner Mahaffey noted that during Mr. Biagioli's presentation there was a discussion concerning the allocation of funds to treat problem gambling. He asked Mr. Lasell if his foundation has any thoughts on that issue, and if not, asked that he submit them in the future on how to effectively address gambling addiction in Iowa. Mr. Lasell stated that Truth about Gambling Foundation would like to see two studies done – update the Voldberg study and a study of the social economic costs.

Chair Hansen encouraged Mr. Lasell to make his information available to the Legislature. Mr. Lasell indicated that was being done.

Commissioner Mahaffey noted that Mr. Biagioli indicated that 1% of the population has a gambling problem with another 1.5% being considered pathological gamblers, while a study refers to 5.4%. He questioned the wide range. Mr. Biagioli stated that he tends to use the conservative estimates of current problem and pathological gamblers. By "current", the study took a look at the activities of people in the previous 12 months. Mr. Lasell quoted a measure used in a 1989 study, which was a lifetime measure. Mr. Lasell stated that his point was that the lifetime measure increased from 1.7% in 1989 to 5.4% in 1994, and that the increase occurred during the five-year span when riverboats came to Iowa.

Commissioner Mahaffey stated that his interpretation of a pathological gambler is an individual who will have a gambling problem no matter what he does or how long he lives, while a problem gambler is treatable. Mr. Lasell stated that both are treatable.

Chair Hansen stated that there are additional studies coming, one of them from the National Gaming Association and another from the Harvard Medical School on addiction. He stated that would like to see the Iowa Legislature commit some funding to the University of Iowa to study the addiction problem. He feels that not enough attention is paid to the core problem causing individuals to engage in addictive habits.

Hearing no further comments, Chair Hansen called for a motion to adjourn. Commissioner Hassenfritz so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
APRIL 15, 1999
MINUTES

The Iowa Racing and Gaming Commission met on Thursday, April 15, 1999 in Room 3, Adventureland Inn, I-80 at Highway 65, Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:30 am, and requested a motion to approve the agenda. Commissioner Hamilton so moved, and Commissioner Mahaffey seconded the motion. Mr. Ketterer advised Chair Hansen that there were two items being withdrawn: the final approval of corporate debt refinancing for Lady Luck Bettendorf under Contract Approvals and Racing Association of Central Iowa (RACI) – Petition for Declaratory Ruling. Commissioners Hamilton and Mahaffey amended their motions regarding the agenda. The motion carried unanimously.

Chair Hansen called for a motion to go into Executive Session. Commissioner Hassenfritz moved to go into Executive Session for the purpose of receiving DCI background information pursuant to Iowa Code Section 21.5(g). Commissioner Sealock seconded the motion, which carried unanimously.

Following Executive Session, Chair Hansen requested a motion regarding the minutes from the March 4, 1999 Commission meeting. Commissioner Hassenfritz moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-44)

Prior to taking action on the rules set out on the agenda, Chair Hansen read a statement from the Commission to the Legislature requesting direction from them regarding rules and pending legislation. A copy is attached and incorporated in its entirety by this reference. Commissioner Mahaffey respectfully requested the Legislature to exercise its prerogative in this area so that the Commission can go about its business of regulating the industry. Commissioner Hassenfritz stated that he concurred with Commissioner Mahaffey's comments. Commissioner Sealock stated that she would like to receive a clear message from the Legislature rather than the mixed signals she is currently receiving.

Hearing no further comments on the statement, Chair Hansen moved to the rules under Notice of Intended Action. Mr. Ketterer explained that Chapter 4 pertains to the judicial process the Commission goes through with the Gaming Boards and Boards of Stewards that can be appealed to an Administrative Law Judge. The Legislature made some changes to Iowa Code Chapter 17A. Chapter 4 was revised with the assistance of the Attorney General's Office to conform with uniform rules in other agencies. He recommended approval.

Mr. Ketterer then moved to Chapter 9, which pertains to harness racing. He noted there were rules in effect, but that they dated back to around 1990, the last year that harness racing was conducted under a pari-mutuel license in the state. He noted that the harness rules had been updated by a former State Steward at Prairie Meadows Racetrack & Casino (PMR&C). Mr. Ketterer indicated that the rules had been updated in conjunction with the Uniform Rules of the Association of Racing Commissioners International (ARCI) and United States Trotting Association. He noted that Prairie Meadows and the Iowa Harness Horsemen's Association have reviewed the proposed rules. He requested approval.

Hearing no discussion regarding the Noticed Rules, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the Notice of Intended Action on the following rules:

1) Rescind Chapter 4 in its entirety, and replace with a new Chapter 4, and
2) Rescind Chapter 9 in its entirety, and replace with a new Chapter 9.

Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 98-45)

Chair Hansen moved to the rules to be considered for final adoption. Mr. Ketterer noted that these rules had been noticed in January. These rules allow the stewards to specifically designate the length and time of license suspensions, and a substitution of an apprentice jockey rule to conform with the uniform rule that is in place in many states belonging to ARCI. The final two rules pertain to the multi-link jackpot systems,which would allow a lump sum payment in lieu of an annuity payment over several years. Mr. Ketterer advised that no public comment had been received. He recommended approval of these rules.

Hearing no comments regarding the final adopt rules, Chair Hansen requested a motion. Commission Sealock moved to final adopt the following rules:

1) Amend rule 491-4.4 (99D, 99F) by adding a new subrule
2) Rescind subrule 13.25(2), paragraph "d", and insert new paragraph
3) Amend subrule 26.17(7), paragraph "n", sub-paragraph (6) and insert new sub-paragraph
4) Amend subrule 26.17(7) by adding a new paragraph "o"

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-46) (Copy attached)

Chair Hansen moved to the contract approvals. He called on PMR&C. Tom Timmons, Vice President of Operations, presented the following contracts for Commission approval:

1) American Quarter Horse Association – MBNA American Central Challenge

2) Architectural Arts LLC – Fourth Floor Renovation, Mutuels, etc.
3) Des Moines Asphalt & Paving – Asphalt Patching of Parking Lots
4) Des Moines Register – Advertising and Want Ads
5) The Hansen Company, Inc. – General Contractor
6) IA Dept. of Agriculture & Land Stewardship – Breeders Awards
7) Joe Finn Construction – Supplier of Concrete Construction Services
8) The Metro (MTA) – Shuttle Service and Transit Advertising
9) Premier Playground, Inc. – Outdoor Furniture

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-47)

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

1) Aristocrat, Inc. – Revision of RTA Approved 11/98
2) Frank Hardie Advertising – Outdoor Billboard
3) Frank Hardie Advertising – Design Changes

Mr. Wentworth explained that the contract with Aristocrat was for the purchase of six replacement slot machines that were brought in on a trial basis, with an option to purchase. DGP&C decided to purchase the machines.

Hearing no discussion regarding the contracts, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-48)

Chair Hansen moved to the contract submissions for Bluffs Run Casino (BRC). Doug Okuniewicz, General Manager, presented the following contracts for Commission approval:

1) Acceptance Insurance Co. – Worker's Comp and Employer's Liability Insurance (RP)
2) Aristocrat, Inc. – Purchase of 10 Slot Machines (Replacements)
3) Casino Data Systems – Purchase of 10 Slot Machines (Replacements)
4) Gulf Greyhound Park – Purchase of 40 Mutuel Stools (RP)
5) H. P. Smith Ford, L.L.C. – Purchase of 20 Promotional Vehicles
6) Harkers – Meat Supplier
7) OS Salesco, Inc. d/b/a Omaha Steaks Int'l. – Meat Supplier
8) Redland Insurance – Commercial Package Insurance Binder (RP)

Commissioner Hassenfritz asked about the related party relationship between BRC and Acceptance Insurance Co. Mr. Okuniewicz advised that John Nelson, an Iowa West Racing Association (IWRA) board member, is an officer for Acceptance Insurance.

Commissioner Hassenfritz asked how many bids were submitted. Mr. Okuniewicz advised that four were submitted for worker's comp only and three for the entire package. Chair Hansen stated that the Commission wanted to identify related party contracts, but it was not the intent to cast a cloud over any related party that submitted a contract. The purpose of the identification process was to enable the Commission to obtain additional information about the contract.

Commissioner Sealock asked about the contract with H. P. Smith Ford. She asked why there was not a bid from McMullin Ford, which is just around the corner from Bluffs Run. Mr. Okuniewicz stated that BRC has experienced problems in previous dealings with them, and consequently selected two other Iowa Ford dealerships and one from Omaha to submit bids.

Hearing no further discussion concerning BRC's contract submissions, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve BRC's contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-49)

Chair Hansen called on the Belle of Sioux City (BSC). Jim Franke, Director of Operations, presented the following contracts for Commission approval:

- Anchor Games – Purchase 5 Slot Machines (Replacements)
- Aristocrat, Inc. – Purchase 10 Slot Machines (Replacements)
- Casino Data Systems – Purchase 4 Slot Machines (Replacements)
- IGT – Purchase of 93 Slot Machines (Replacements)
- IGT Gaming System – Purchase Year 2000 Computer System Upgrade
- IGT – Purchase 16 Slot Machines (Replacements)
- Approval of Proposed Corporate Debt Restructuring

Mr. Franke stated that Dale Black, Chief Financial Officer for Argosy, was in attendance to address any questions regarding the corporate debt restructuring.

Mr. Ketterer, noting that the Commission had gone through the same process with Lady Luck the previous month, indicated that the Commission's approval would be preliminary until the final documents were completed. Mr. Black indicated his agreement, and asked if Argosy should work with Terry Hirsch, Director of Riverboat Gambling, and Mr. Ketterer in the interim. Mr. Ketterer indicated that would be satisfactory.

Mr. Ketterer asked how many of the slot machines had been replaced at BSC. Mr. Franke stated that if the machines being requested today were approved, 393 of the 467 games would be replaced. Mr. Ketterer asked if BSC was still finding that on the replacement machines the win per slot per day was higher than the machines previously on the floor. Mr. Franke stated that revenues are increasing. Mr. Ketterer stated that his calculations show BSC's revenues increased by about 15% for the fiscal year.

Commissioner Hassenfritz asked about the contract with IGT for the purchase of a Y2K Computer upgrade system. He asked if the gaming software systems are based on architecture or if there was an opportunity for someone outside of the gaming industry to gain entrance into the market, specifically some high-tech Iowa industries. Mr. Franke stated that most of the programs are proprietary, and did not know the operating program used.

Commissioner Sealock asked if IGT had an Iowa office. Mr. Franke indicated they had an office in Council Bluffs.

Hearing no further discussion regarding the contracts, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the first six contracts and conditionally approve the corporate debt restructuring pending the receipt of more precise information. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-50)

Chair Hansen called on Dan Kehl, General Manager of Catfish Bend Casino (CBC). Mr. Kehl presented the following contracts:

- Kehl Enterprises, Inc. (Key West True Value Hardware) – Purchase of Tools and Supplies (RP)
- TKO, Inc. – Boxing Event Promoter

Commissioner Hassenfritz asked about the related party contract with Kehl Enterprises. Mr. Kehl explained that it was for various hardware and tools. He noted that the contract approval request was for $10,000. Mr. Kehl stated that CBC typically purchases around $50,000 of that kind of equipment over the course of a year.

Hearing no further comments regarding the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve CBC's contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-51)

Chair Hansen moved to Harveys contract approval requests. Grant Gubbrud, Acting Director of Finance and Dan Roy, Vice President of Casino Operations, presented the following contracts for Commission approval:

- Casino Slots LLC – Sale of Used Slot Machines to Authorized Purchaser
- Casino Data Systems – 8 Bandit Bingo Games (Replacements)
- Computerland – 130 Personal Computers, Related Software/Hardware and Connections
- JCM American Corp. – 765 Bill Validators and Related Equipment
- Terracon – Feasibility & Design Work Related to Parking Garage and Related Facilities at Casino
- VLC – 8 "Winning Touch" Devices & Related Equipment (Replacements)
- Williams Gaming Company – 9 Video Slot Machines (Replacements)

- Wintroub, Rinden, Sens et al – Retainer for Legal Services

Commissioner Sealock requested a summary sheet, similar to the one being submitted by the tracks, be provided when a licensee submits a large number of contracts.

Hearing no further comments regarding Harveys contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-52)

Chair Hansen moved to the contracts submitted by Miss Marquette. Kim Hardy, General Manager, and Kim Kreber, Assistant General Manager/Finance, presented the following contracts for Commission approval:

- Bill Burke – Sale of Residential Property
- KPMG LLP – Accounting Services
- Lodging & Gaming Systems – Annual Software Services Agreement for Gaming and Back Office Software

As there were no comments or questions concerning the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Miss Marquette. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-53)

Chair Hansen called on Lady Luck Bettendorf. Curt Beason, legal counsel, presented a Second Amendment to a real estate lease among Green Bridge Company, Green Bridge Real Estate Company, L.C., Bettendorf Riverfront Development Company, L.C. and Lady Luck Quad Cities, Inc. (RP). Mr. Beason advised the Commission that the existing real estate lease is for 24.6 acres (the land for the casino, hotel, parking facility). In addition, there is an adjacent covered parking ramp and parking lot that are not part of the casino premises, but is part of an easement agreement between the company owned 100% by the Goldstein family, which owns 50% of the licensee. He conceded that this does not technically fall under the requirements of the related party contract, but wanted to make the Commission aware of the relationship. Mr. Beason stated that an appraisal of the property had been done. The appraisal came in at $25,000 per month for the use of the properties, but the actual contract is for less.

Chair Hassenfritz commented on the fee. Mr. Beason indicated that it is for a parking area that has a total of 562 parking spaces, with 352 of those being covered.

Hearing no further questions concerning the contract, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by Lady Luck. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-54)

Chair Hansen called on Jim Rix, Chief Operating Officer of Dubuque Diamond Jo (DDJ), who presented the following contracts for Commission approval:

- Mississippi River Discovery Center/City of Dubuque/Dubuque Area Chamber – Donation for Riverfront Development Project
- Williams Gaming, Inc. – 10 Monopoly Gaming Devices (Replacements)

Mr. Rix explained that the Mississippi River Discovery Center is a $26 million project that will be completed over the next three or four years, which will create a river walk along the Ice Harbor, an amphitheater for the general public and expansion of existing museum space. The request before the Commission is to allow GDREC to donate $200,000 to the project. Mr. Rix noted that GDREC's commitment to the project between land and land improvements that have or will be donated, including the aforementioned cash, totals between $600,000 - $700,000. The land and land improvements will be done through Harbor Community Investments, which is not regulated by the Commission.

Hearing no further comments regarding the contracts, Chair Hansen requested a motion. Commission Sealock moved to approve the contracts as submitted by DDJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-55)

Chair Hansen called on Southern Iowa Gaming (SIG). Larry Seckington, legal counsel, presented the following contracts for Commission approval:

- Herberger Construction Co., Inc. – Bridge Replacement over I-35 on Clay Street, Osceola, Iowa
- McAninch Corporation – Clay Street from 218th Avenue to Delaware Street and Clay Street & I-35

Mr. Seckington stated that these two contracts represent the total contracts required to complete the I-35/Clay Street interchange for the project. He noted that both are with Iowa companies.

Commissioner Sealock asked Mr. Seckington if Southern Iowa was responsible for the entire cost of these two projects or if they were part of the grant. Mr. Seckington stated that the City of Osceola had applied for a $933,000 grant, which will be used to reimburse SIG for a portion of this project. He noted that SIG is front-ending all of the money, but the City has agreed to pay for a portion of Clay Street out of gaming revenue over the next 10 years.

Chair Hansen asked Mr. Seckington if any of the work represented by these contracts had been done. Mr. Seckington explained that if the Commission approves the contracts today, the City of Osceola would approve them in a couple of weeks. The Iowa DOT advised SIG last week that the Federal Highway Administration is requiring a thirty-day public comment hearing on the environmental assessment SIG was required to do. The

comment period should be completed in early May at which time the contracts can be completed and begin construction. Chair Hansen asked if this time frame would further delay the project. Mr. Seckington indicated that it would not. SIG still anticipates opening the property on December 15th.

Hearing no further discussion regarding the SIG contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by SIG. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-56)

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

- Kinseth Hospitality Co. – Construction of Hampton Inn
- M & S Grading, Inc. – Completion of Mitigation Agreement with Iowa DNR and Army Corps of Engineers

Mr. Terp noted that the contract with Kinseth would allow the company to build another hotel, a Hampton Inn, as previously contemplated under the expansion project. Guests will be able to go from the Hampton to the main facility via climate-controlled walkway.

Commissioner Sealock, noting that Ameristar is short of meeting space, asked how this change in plans affects the overall project. Mr. Terp indicated that it does change the focus from where they were a few months ago. He noted they are turning away between 2.5 and 2.7 conventions for every one they book. Ameristar will eventually build additional convention space.

Commissioner Hamilton asked how many hotel rooms have been approved for the facility. Mr. Terp stated there are currently 300 rooms on the property, the Hampton Inn will have between 140-150 rooms, the Holiday Inn expansion added another 54 rooms. The original Holiday Inn had 140 rooms, and Ameristar's hotel had 160. There will be approximately 500 rooms on the Ameristar property when these expansions are complete. Ameristar is still planning to build two additional hotel towers later on as presented in the master expansion plan.

Commissioner Sealock asked if Ameristar's financial position would allow them to go forward with the convention center that was approved by the Commission. Mr. Terp stated there was some concern over a comment made in the local newspaper. He stated that Ameristar is in a financial position to go forward with the convention center. Mr. Terp stated that Ameristar's net revenues increased. Mr. Terp stated that Ameristar is financially prepared, is capable, and fully prepared to go forward with what they have presented to the Commission.

Hearing no further comments regarding the contracts, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Ameristar.

Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99- 57)

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

- Atronic Casino Technology – Purchase of 10 Gaming Devices following 60-day Trial Period (Replacements)
- Casino Data Systems – Purchase of 10 Gaming Devices after 60-Day Trail Period (Replacements)
- IGT – Purchase of 10 Gaming Devices (Replacements)
- Michael L. Whalen – Partnership Equity Distributions
- WMS Gaming, Inc. – Lease of 12 Machines with Rental Payment of 20% of the net win (Replacements)

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by The President. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-58)

Chair Hansen called on Scott Pope, President of the Iowa Thoroughbred Breeders & Owners Association (ITBOA). Mr. Pope provided a brief history of the ITBOA, which was formed in the 1960's. Their first efforts were directed to introducing pari-mutuel gambling to the state. The deciding factor for many legislators who voted for the bill was the intent of the bill to create an Iowa horse industry. In the 1990's, the ITBOA was asked to support slot machines at the racetrack. Mr. Pope noted that in 1996, there were 312 Iowa-bred thoroughbreds foaled in the state. The number rose to 580 in 1997 and 649 in 1998. The Iowa Department of Agriculture estimates 700 foals will be born in 1999. He also stated that the amount paid for stud fees has also increased. He noted that an Iowa-bred has been nominated to the Triple Crown, a move in the right direction for the industry. Mr. Pope noted that Iowa-breds generated just over $88,000 in handle for the Iowa-bred races and just under $80,000 in handle for open-company races during the thoroughbred-only meet. In the Mixed Meet, Iowa-breds generated an average handle of $44,710 in Iowa-bred only races and $44,136 in open-company races.

Mr. Pope noted that the ITBOA is also involved in efforts to educate existing members about the Iowa program, legislative issues, veterinary information, and industry trends via a monthly newsletter. They have also published an Iowa-bred Ownership Brochure to educate and inform new and/or potential owners of the benefits of owning an Iowa bred. Mr. Pope stated that the ITBOA is sponsoring a New Owner Seminar, put on by the national thoroughbred organization, at PMR&C on June 19, 1999 that will cover such topics as ownership, training, purchasing options, insurance and tax issues, as well as several other topics.

Mr. Pope stated that the ITBOA facilitates the Iowa Breeders Fund and Iowa-Bred Stakes Program. The pari-mutuel law requires that a portion of the funds allocated for purses be

used to supplement Iowa-bred horses in an effort to stimulate growth in the horse industry. He noted that in past years there has been criticism regarding the quality of the horses being sent to the races. Mr. Pope stated that the biggest foal crop are now 2-year olds, they are the best horses ever bred and will prove themselves on the racetrack. He noted that the quality of the horses will continue to improve. Mr. Pope noted that from the time an owner decides to breed his mare until the foal reaches the racetrack is approximately four years.

Mr. Pope advised that the ITBOA has established their own website to promote the Iowa racing program. They implemented a Stallion Season Auction in which stallion owners from Iowa and throughout the Midwest and Kentucky donate seasons to their stallions to be auctioned. Mr. Pope stated that the ITBOA is involved in several other areas of the industry as well.

Commissioner Hamilton asked how many stalls were available for horses at PMR&C. Mr. Pope indicated there are 1,350 stalls at PMR&C. In an agreement reached with PMR&C last year, the number of daily Iowa-bred restricted races will be curtailed in order to force the Iowa-bred owners and breeders into entering their horses in open-company races. The negotiations failed to address the number of stalls that would be set aside for Iowa-bred horses, consequently the number of stalls assigned to them also represents the number of Iowa-bred races that will be run daily – 22%. There is some concern as to whether or not there will be a sufficient number of Iowa-breds on the track to run in the open-company races and increase the overall field size the way PMR&C & the ITBOA would like.

Mr. Ketterer stated that he had expressed concern that past increases in restricted races and bonuses for same did not provide an incentive for the Iowa-bred owners to increase the quality of the horses. He feels all parties have now taken positive steps to improve quality. He noted that Iowa owners are fighting an uphill battle due to the higher quality horses racing at PMR&C as a result of the increased purses being offered at PMR&C each year.

Chair Hansen moved to the next agenda item, Iowa Riverboat Association/Iowa Gaming Association – Proposed Uniform Standards for Licensees in Addressing Problem Gambling. Mr. Ketterer advised the Commission that Ms. Vanderloo had attended the World Gaming Expo and attended a seminar on problem gambling. She brought back ideas pertaining to problem gambling awareness. Those ideas were developed and sent out to the licensees as suggestions, requesting feedback as to whether any of them were being done, which ones were good ideas and which were not practical. Mr. Ketterer noted that the gaming associations suggested that a task force, which included Frank Biagioli of the Iowa Gambling Treatment Program, be put in place. Mr. Terp advised the Commission that the task force had a series of meetings with Mr. Biagioli, and working with the original list of suggestions, developed some standards for each facility to strive for. It was decided that the standards would not be requirements because each property is unique, and they felt it was important that each facility have the flexibility to adopt those

standards that would work for their particular situation. A copy of the proposed standards is attached, and is incorporated in its entirety by this reference.

Commissioner Hassenfritz noted there is a "Gamblers Anonymous" organization, similar to Alcoholics Anonymous. He wondered if there had been an attempt to determine if there were any chapters in Iowa. Mr. Biagioli noted that there are a number of meetings around the state, but that the number constantly changes. He noted that individuals needing assistance should contact local area providers, who would know whether or not a chapter is located within the area and the meeting dates. Commissioner Hassenfritz asked if information about local Gamblers Anonymous chapters was available at the licensed facilities. Mr. Biagioli stated that he normally defers to the local providers to give that information because chapters would cease to meet and he would not be aware of it. He stated that the Gambling Treatment Program works with the local providers who know what programs are available to assist individuals in their area. Commissioner Hassenfritz suggested that a number for Gamblers Anonymous might be more appealing to an individual on the edge of seeking help than the number of the local provider, even if it was connected to an answering machine that provided meeting information. Mr. Terp stated that the casino industry's concern is to get these individuals into the highest level of professional treatment that is available. He noted that the industry wants to make sure there is immediate follow-up with an individual seeking assistance with a gambling problem. Commissioner Hassenfritz stated that he felt the discussion involved two different levels of gamblers. He is referring to an individual who is not sure if he has a gambling problem, but is thinking about seeking help to determine whether or not he has a problem. Mr. Terp advised Commissioner Hassenfritz that the gaming associations would be willing to discuss his suggestions with Mr. Biagioli.

Commissioner Mahaffey stated that he was sensing a reluctance to be involved with Gamblers Anonymous. He suggested that if it was due to the fact that it is not as pervasive or organized in some areas that the industry be proactive in fostering a relationship with them. Mr. Terp stated that the industry is in favor of more gambling treatment programs across the state, and will work with Mr. Biagioli on this issue.

Commissioner Hassenfritz stated that the current procedures for dealing with problem gambling is good, but felt the bar could be raised and the industry become more proactive. Mr. Terp stated that the associations have had discussions with Mr. Biagioli along these lines. Also, a few months ago, the Director of Public Health attended an association meeting. A discussion along these same lines took place.

Commissioner Hamilton noted that the proposed standards indicated that the helpline number and messages would be posted on employee bulletin boards, breakrooms, etc. She asked if this was being done for employees that have gambling problems or to help employees identify customers with gambling problems. Mr. Terp stated that it was for both. She asked if there were a lot of employees with gambling problems. Mr. Terp stated that there are not a lot of employees with gambling problems, but even one employee with a compulsive gambling problem is one too many. Being employed in the industry and being around the temptation on a daily basis can add to the problem.

Commissioner Sealock asked Mr. Terp to explain any restrictions relating to gambling by employees. Mr. Terp stated that each facility has its own rules on this issue. He stated that table game employees at Ameristar are not allowed to play the table games, just the slots, while slot employees are not allowed to play the slot machines. Employees must have their badge with them while they are gambling. Security or surveillance employees are not allowed to gamble on property. He noted some states prohibit employees from gambling, but there is no such law in Iowa.

Chair Hansen commended the gaming associations for their proactive stance on this issue and what they have accomplished on a voluntary basis. He indicated the Commission would look forward to additional reports on steps taken by the casino industry to help prevent problem gambling.

Following a short break, Chair Hansen led a discussion regarding the annual financial statements recently submitted by the licensees. Chair Hansen stated that he felt it was appropriate for the Commission to devote more time to the review, or at least provide the opportunity to ask questions, on the financial reports. He indicated that he would call on the licensees in alphabetical order and address any questions raised by Commission members.

Chair Hansen called on Ameristar regarding their financial statement. He noted that there had not been much reduction in the debt to the parent company. Mr. Terp stated that he was not sure how the debt is allocated. As he had been asked the same question earlier, he had a call into the Chief Financial Officer, but had not received a call back at this time. He stated that debt on the corporate side has decreased according to Ameristar's line of credit and bond retirement.

Chair Hansen commented on Ameristar's growth in the market and the improved bottom line from last year.

Commissioner Sealock stated that normally current assets would equal current liabilities, and that is not the case here. She asked where the additional funds were going to come from. Mr. Terp stated that he feels on the day this particular balance was prepared, money had been transferred out, but some of the liabilities shown had not yet been incurred. The statement is showing $6,838,000 of total current assets and $11,352,000 total current liabilities. If the accrued liabilities of $7,791,000 are taken out, that leaves a balance of $3,561,000 in current liabilities. Mr. Terp stated that most of the difference was due to the accrual process. Commissioner Sealock stated that she wasn't overly alarmed because the accountant had not mentioned it in the cover letter.

Hearing no further comments regarding Ameristar, Chair Hansen called on the Belle of Sioux City. No representative was present. Chair Hansen commented on the Belle's significant come back with regard to the bottom line, going from a negative last year to a positive this year. They have also doubled their equity.

Chair Hansen moved to Catfish Bend's financial statement. He noted that revenues are up, the bottom line is up, and equity has increased by approximately 50%. Mr. Kehl indicated that most of the revenue increase is due to the larger vessel.

Chair Hansen moved to the Dubuque Racing Association. Mr. Wentworth stated that DRA's revenues were up last year, and they have budgeted for a slight revenue increase this year. Distributions to the City of Dubuque and charities increased from the previous year. The net overall impact to the City of Dubuque, including pari-mutuel taxes, gaming taxes, rental payments, and distribution, was over $6 million last year. DRA is currently in the charitable grants process, which will end sometime in June. The recipients of $1.8 million will be announced shortly thereafter. They have received 393 applicants for the funds, 100 more than they received last year.

Mr. Wentworth stated that if DRA has any concerns at all, it is not with this year's audit, but with next year's audit. This year's budget, with revenue increases that were budgeted for and the 2% tax increase, shows DRA, paying approximately $900,000 more to the state this year than last year, which will impact DRA's ability to provide funds to the City of Dubuque and charitable organizations.

Mr. Wentworth advised the Commission that any debt showing in the financial statement has been retired as of the previous week. Chair Hansen commented on the progress made by several licensees in reducing their debt.

Chair Hansen moved to the financial statement submitted by Gamblers Supply Management Company. He noted that significant progress had been made in the bottom line, again going from a negative to a positive figure. Revenues are up, and operating expenses are down.

Chair Hansen moved to the financial statement submitted by Greater Dubuque Riverboat Entertainment Company. He noted that revenues are up.

Chair Hansen moved to Harveys' financial statement. He noted that their revenues were up, but that there hadn't been a lot of debt reduction. Commissioner Sealock noted that the current assets to current liabilities almost mirrored Ameristar's. She noted that the accountant had not mentioned it in the cover letter to the financial statement, so she feels they were not overly concerned with this issue. Commissioner Sealock commented that neither Ameristar nor Harveys have a cash flow problem.

Chair Hansen called on Iowa West Racing Association. Commissioner Sealock noted that the auditors had committed a page and a half to the related party contracts submitted for Commission approval. She stated that she is not indicating there is anything wrong with them, but that the fact that the auditors committed so much time and space to the related party contracts would help them understand the increased scrutiny of those particular contracts. Tony Payne, Executive Director of IWRA, stated that he had insisted that the auditors cover the related party contracts. Chair Hansen asked about the

license fee. Mr. Payne stated that was the amount from the two riverboats and BRC that is paid to the Iowa West Foundation, which zeros out any income to IWRA.

Chair Hansen called on Lady Luck. Curt Beason, legal counsel, indicated that a representative was not available, but he would relay any questions or information. Chair Hansen noted there had been a significant increase in property assets ($32 million), which he attributed to the hotel. There was an increase in debt of approximately $19 million and cash has increased 25% since the opening of the hotel.

Chair Hansen called on Mississippi Belle II. Mr. Kehl and Dan White, Comptroller at MBII, came forward to answer any questions. Chair Hansen noted there had been a slight decline in the bottom line. Mr. Kehl stated that revenues were a little soft due to a decrease in table game revenue this year; however they experienced a slight increase in slot revenue.

Hearing no further discussion, Chair Hansen called on PMR&C. Chair Hansen stated his understanding of the financial statement was that PMR&C had an increase of $7.5 million as a result of the final transfer of the gaming machines. Tom Timmons, Director of Operations, indicated that was correct. He stated that RACI also paid off $3.6 million in interest to Polk County. The assets obtained totaled about $7.5 million, and are part of the $18 million bottom line.

Chair Hansen called on Greater Dubuque Riverboat Entertainment Company (GDREC) and AB Capital to give their presentation regarding the proposed sale of the Dubuque Diamond Jo. Mr. Rix provided a brief history of gaming in Dubuque, noting that Dubuque received one of the first riverboat gaming licenses in 1991. That riverboat ceased operations in March 1993. Later in 1993, 50 local investors formed GDREC for the purpose of bringing riverboat gambling back to Dubuque. This riverboat opened in 1994, with a larger vessel being purchased in 1995. At that time, the number of employees doubled, all earnings were returned to the company for the purchase of the portside facility and the larger vessel. New management was brought in. During 1996 and 1997, GDREC purchased 11 acres of land in the Ice Harbor area for the purpose of future development. The investors decided it was time to sell the assets and hired a professional investment company. The investors had three criteria: 1) good market value for investors; 2) keep employees; and 3) commitment to work with city of Dubuque, Ice Harbor and future development. In January 1995, 95% of the GDREC unitholders voted to go with AB Capital. The Commission approved the sale agreement between GDREC an AB Capital on January 21st.

Mr. Rix introduced Don Iverson, Chairman and the largest GDREC investor; Natalie Baum, Chief Financial Officer; Doug Gross, legal counsel; Mike Van Milligan, City Manager; and Bruce Wentworth, President of Dubuque Racing Association. The following individuals were present from AB Capital: Brent Stevens, Michael Luzich, Terrence Oliver, former Chairman and a current board member of Mikohn Gaming; William Westerman, Chairman/CEO and President of the Riveria Gaming; Nick Fuller, a

Senior Vice President with Jeffries & Company for investment banking; Curt Beason, legal counsel; and Hallie Still-Carris, legal counsel.

Mr. Rix provided background information regarding Mr. Stevens. He noted that Mr. Stevens has had a long and successful career in the financial market, is a managing director with Jeffries in Los Angeles, and has been involved with billions of dollars in corporate bonding and financial deals with gaming companies throughout the United States. Mr. Stevens is also the Chairman of AB Capital.

Mr. Stevens indicated that his presentation would cover the following areas: 1) who is AB Capital? 2) Why is AB Capital making this investment in the State of Iowa and the city of Dubuque? 3) What are the plans for the future? and 4) Who are key people who will make the project a success?

Mr. Stevens stated that AB Capital is a private investment company. He advised that he and five partners from Jeffries and Company will own approximately 59% of the company and Mr. Luzich will own approximately 41% of the company. Mr. Stevens informed the Commission that he and several partners founded the Corporate Finance Department at Jeffries in April 1990. Today, Jeffries is a full-service, multi-national, public investment bank with total assets of approximately $3 billion and $1 billion public equity market capitalization, around 1,000 employees, and offices around the world. In 1990, Jeffries decided to address the needs of the gaming sector, and that is how he got involved with the DDJ project.

Mr. Stevens stated that he became familiar with the DDJ operation about a year and a half ago. Noting that there had been some operational troubles in the early years, he was impressed with the stabilization and growth potential exhibited in subsequent years. Mr. Stevens stated that the DDJ has a great employee and management base and is operating in a very stable market. He stated there would not be any changes in employees or management due to the sale. Mr. Stevens stated AB Capital is committed to building a $10 million hotel with the intent of creating a destination for Dubuque and help attract tourism. He stated the hotel would have approximately 150 rooms, 15,000 feet of banquet and convention space, a restaurant with an outdoor patio that will be connected to the City's redevelopment of the riverwalk.

Mr. Stevens reiterated that AB Capital is very committed to development at this property. He noted that the capital markets are very robust and that the time is right to pursue financing for the hotel. He requested that the license be approved.

Commissioner Hassenfritz stated that the Commission was impressed with Mr. Stevens' company, but indicated there were some doubts about one of the team members.

Mr. Ketterer advised Mr. Stevens that the Commission members were concerned about a situation involving Mr. Luzich approximately one and a half years ago. At that time, Mr. Luzich was involved with Cambridge Gaming, who was pursuing the possibility of purchasing GDREC. During a meeting at the IRGC office, Mr. Ketterer learned there

was a proposal that outlined a settlement of Bill Alfredo's lawsuit against GDREC, which would then allow Cambridge to purchase GDREC. Mr. Ketterer stated that he felt Mr. Luzich was not aware of all of the Commission's issues concerning Mr. Alfredo prior to that meeting, but noted that some of the new Commission members were concerned as to how Mr. Luzich became involved with Mr. Alfredo. He asked Mr. Luzich to address the issue.

Commissioner Mahaffey stated it was his understanding there was an agreement that was initiated and executed between Cambridge and Mr. Alfredo for $4 million. At that time, there was litigation in Iowa to determine whether or not Mr. Alfredo had any interest in the DDJ to give. Subsequent to the agreement, it was determined that he did not have a valid interest in the operation. Commissioner Mahaffey indicated the Commission was concerned as to how an agreement for $4 million was entered into with an individual who didn't have any ownership interests to sell.

Mr. Luzich stated that when he first learned of the DDJ, he saw it as an opportunity for development, albeit one that was deadlocked by IRGC would not allow the sale of the boat. Cambridge attempted to find a way to mediate the situation where the claims of Mr. Alfredo could be paid, thereby allowing the DDJ to be sold.

Commissioner Sealock stated that even before the above events took place, the Commission had declared Mr. Alfredo unsuitable to do business in Iowa in a very public hearing. She asked Mr. Luzich if he was aware of the hearing. Mr. Luzich stated that when Cambridge pursued this transaction, they were not aware of Mr. Alfredo's history with the Commission. Once Cambridge became aware of the issues with Mr. Alfredo, the agreement was not submitted for IRGC approval and there was no payment to Mr. Alfredo.

Commissioner Mahaffey asked Mr. Luzich how he came into contact with Mr. Alfredo. Mr. Luzich stated that he was introduced to Mr. Alfredo by Robert Nordgren, a former neighbor of Mr. Alfredo. Commissioner Hassenfritz asked how Mr. Nordgren became involved in the process. Mr. Luzich stated that Mr. Nordgren is a unitholder in GDREC.

Commissioner Mahaffey stated that the Commission was aware of a management and/or consulting fee of $250,000 payable to Mr. Nordgren, and have received indications that this fee has not and would not be paid, and asked the current status. Mr. Luzich stated that the proposal has been withdrawn and there is no contract with Mr. Nordgren at this time. Mr. Luzich indicated there was only a proposal, no signed agreement with AB Capital. After discussing the issue with staff, it was decided to withdraw the proposal and there will not be a contract with Mr. Nordgren. If there is any arrangement for his services, it would be on a per hour basis. Commissioner Mahaffey asked if Mr. Nordgren had performed any work prior to the withdrawal of the proposal. Mr. Luzich indicated that Mr. Nordgren had performed a limited amount of work.

Commissioner Hassenfritz noted that Mr. Nordgren has a close relationship with Mr. Alfredo. Mr. Luzich stated that any payments to Mr. Nordgren would be expected to stay

with him. Commissioner Hansen asked Mr. Luzich what services it was contemplated that Mr. Nordgren would provide. Mr. Luzich stated that Mr. Nordgren introduced him to the GDREC board, and was to provide information as to how the boat was constructed and a general overview of the facility. Commissioner Hassenfritz asked if Mr. Nordgren had provided Mr. Luzich with a proposal or bid as to how much time would be needed to prepare the information. Mr. Luzich indicated that he had not. Commissioner Hassenfritz stated that they had seen a document that showed Mr. Nordgren had performed 1,000 hours of work, but the boat log showed he was only on the boat about an hour and a half. The document indicated that a bill for $250,000 had been submitted for payment. Mr. Luzich stated that he had not seen such a document, nor received any type of billing from Mr. Nordgren with regard to any services performed. Commissioner Hassenfritz asked Mr. Luzich if Mr. Nordgren would have a future as a contractor with AB Capital. Mr. Luzich stated that was possible if the Commission approved the contract, but there was nothing in place at the present time.

Mr. Beason advised the Commission that AB Capital had not been aware of the above-mentioned documents and raised issues, which concerned them. He stated that he understood the Commission's concerns. Mr. Beason noted that when Mr. Luzich first came to see him regarding Cambridge's proposal to purchase the DDJ, and he learned about the proposal with Mr. Alfredo, he discovered that Mr. Luzich did not have a full understanding of the Alfredo situation. He stated that he believed the proposal by Cambridge to Mr. Alfredo was solely for the purpose of attempting to remove Mr. Alfredo from the picture in order to facilitate a sale. Mr. Beason stated that he advised Mr. Luzich this was not an avenue that should be pursued.

Commissioner Hassenfritz noted that Mr. Luzich would have a 41% share in AB Capital and would be the President of the operating company. He asked Mr. Luzich what his duties would be. Mr. Luzich stated that his primary responsibility would be in the development area, working with the city and management board. Commissioner Hassenfritz asked Mr. Luzich how much time he would spend in the Dubuque area. Mr. Luzich indicated he would be there more in the beginning, but less as the development progresses. Commissioner Hassenfritz asked if he would have some responsibilities pertaining to the actual operation of the facility. Mr. Luzich indicated that he would not.

There was a discussion concerning Mr. Luzich's salary, and what would occur once the development phase was done. Mr. Beason also noted that Mr. Luzich's contract with AB Capital is an arm's length transaction that will have to be approved by the management board on a yearly basis.

Commissioner Mahaffey stated it was his understanding that the standard procedure followed by the Commission in the past is to accept the application at one meeting, hear any comments, and then act on it at the following meeting. He noted that he had received some of the information pertaining to the application in the past two days and had not had an opportunity to review all of it. Commissioner Mahaffey moved that the question of approval of AB Capital's application be deferred until the May Commission meeting. Commissioner Sealock seconded the motion.

Commissioner Sealock noted that the first application contained a very firm commitment to build a hotel, the second notebook contained a much mellower statement regarding a hotel, and in the third notebook, the hotel just seemed to be an idea that was being considered. She noted that due to past experience, the Commission has developed a real appreciation for any type of land-based development in connection with a riverboat, as it tends to be a firmer anchor and commitment from companies to the host community and the State of Iowa. She commented on the fact that Mr. Stevens had sounded very positive about the hotel being built during his presentation, and asked him for reassurances that the hotel would be built.

Mr. Stevens used the hotel at Lady Luck Bettendorf as an example of why the hotel would be built. AB Capital feels that a 150-room hotel must be built in Dubuque in order to fuel growth and expand the facility.

Chair Hansen asked Mr. Stevens how the stock would be distributed among the individuals on the management board. Mr. Stevens indicated that 29% would be divided between 6 entities. They will be non-voting individuals and will not own more than 5%. He will control the voting rights on that 29%. Chair Hansen asked about the other directors on the management board. Mr. Stevens stated that the directors currently have no ownership in the company. There are plans to put a stock ownership program in place for the directors, subject to the Commission's review and approval prior to making it available to the directors and employees.

Hearing no further questions, Chair Hansen stated that the motion before the Commission was to receive the application and defer action until the May meeting. He called for any further discussion/comments.

Mike Van Milligan, City Manager of Dubuque, noted Dubuque's long gaming history, and the successful partnership between the City of Dubuque and the Dubuque Racing Association to build the greyhound track, which continues at this time. He stated that DRA recently contributed $10 million to the City of Dubuque for the purchase of 900 acres of farmland in order to develop four industrial parks, which will create an additional 10,000 jobs in the community. Mr. Van Milligan stated that Dubuque is doing a number of things to invest in the community in order to attract more tourists, but also for the benefit of its citizens: investing $10 million in downtown, $25 million to build the river walk and River Discovery Center. He indicated that the City has been in negotiations with Mr. Luzich and Mr. Stevens for $10 – 15 million of land-based improvements in the Ice Harbor area. He noted that each year the City Council sets priorities for City of Dubuque for the next 18 months to 5 years. Two of their highest priorities relate to riverfront development. Mr. Van Milligan expects a successful completion of the negotiations, and the City supports the transfer of ownership. He read a short letter from the Mayor supporting the application of AB Capital.

Commissioner Hassenfritz asked if the management board was complete. Mr. Stevens indicated there was one unfilled seat on the five-member board. Mr. Stevens has the

ability to appoint three members while Mr. Luzich has the ability to appoint the remaining two members.

Commissioner Hassenfritz noted that time is of the essence with regard to the markets. He expressed some reservations about Mr. Luzich, but in looking at the big picture, indicated that he would feel better about granting the license today.

Mr. Beason suggested that the Commission grant a conditional license upon certain issues and documentation being verified by staff. He concurred with Mr. Stevens' comments that this is a very critical time in financing, and respectfully requested the Commission consider issuing a conditional license.

Commissioner Mahaffey, noting that he understood the concerns previously expressed, stated that he felt he was being asked to rule on an issue from the bench that he was not ready to rule on. He indicated that he was not comfortable in treating this application differently than other applications and possibly setting a precedent.

Commissioner Sealock noted that she had just received the final notebook regarding the application the day before the meeting.

Chair Hansen stated that the motion before the Commission is to accept the presentation and defer final action on the application until the May meeting. He suggested a vote on the motion unless there was a substitute motion.

Commissioner Hassenfritz moved to grant a conditional license as outlined by Mr. Beason in deference to past and present investors. He reiterated the importance of capital financing market. He noted that if "a fly in the ointment" was found, the Commission could deny the license at the May meeting.

Chair Hansen requested a second to the substitute motion. Hearing none, the motion died for lack of a second.

At that time, Chair Hansen called for a roll call vote on the original motion. The motion carried on a 4-1 vote, Commissioner Hassenfritz voting no. (See Order No. 99- 59)

Chair Hansen moved to Administrative Business. Commissioner Sealock asked that when the dates for the next fiscal year are established, that the meeting for September be moved back a week. Mr. Ketterer stated that the meeting was being moved back a week due to the World Gaming & Congress Expo, which is being held the third week of September.

Chair Hansen moved to Public Comment. Robert Sengpiel, Bloomington, IL, addressed the Commission regarding an accident on the escalator at Lady Luck on November 7, 1997 in which he and a friend were injured. He stated that he and his friend had received letters from Lady Luck's insurance companies denying any responsibility for the accident

and refusing to pay for any medical expenses. Mr. Sengpiel stated that he had been unable to find an attorney willing to take the case.

Commissioner Hassenfritz asked Mr. Sengpiel if he had contacted the Illinois Bar Association or the Illinois Attorney General for assistance.

Commissioner Mahaffey advised Mr. Sengpiel that there was not much the Commission could do for him. He further stated that he found it hard to believe there was not a lawyer in the Quad Cities area who would not take the case if they felt it had merit since not everyone is connected with the casinos. Commissioner Hassenfritz concurred.

Mr. Sengpiel stated he just wanted the Commission to be aware of how he and his friend have been treated. He noted that his time to file a claim would expire later this year.

Chair Hansen informed Mr. Sengpiel that the Commission had just received his correspondence the day before with a copy of a letter from an independent claim service attached. He asked if they were representing the insurance carrier for Lady Luck. Mr. Sengpiel stated that a lawyer had the firm look into the matter. The firm talked to two employees who indicated they did not think an accident had occurred.

Commissioner Hassenfritz advised Mr. Sengpiel to contact the bar association and Attorney Generals Office in both Iowa and Illinois. He reiterated that the Commission doesn't have any authority in the matter.

Hearing no further discussion on this issue or additional business to come before the Commission, Chair Hansen requested a motion to adjourn. Commissioner Hamilton so moved, and Commissioner Hassenfritz seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 20, 1999

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, May 20, 1999 in Ballroom 1 at Harveys Hotel & Casino (Harveys), 1 Harveys Boulevard, Council Bluffs, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:15 AM and requested a motion to approve the agenda. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen requested a motion to move into Executive Session for the purpose of receiving advice from legal counsel and DCI background information pursuant to Iowa Code Sections 21.5(c) and (g). Commissioner Hamilton so moved. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Following Executive Session, Chair Hansen called on Verne Welch, General Manager of Harveys. Mr. Welch introduced Emil Pavich, a current Council member and former legislator, who welcomed the Commission to Council Bluffs. He also introduced State Representative Donna Barry.

Chair Hansen called for a motion regarding the minutes from the April 15, 1999 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, IRGC Administrator, to address the rules before the Commission. Mr. Ketterer recognized the IRGC Council Bluffs employees that were in attendance, as well as Roy Paradise, a former Gaming Representative at Ameristar. Mr. Paradise, who retired from the Commission earlier this year, was presented with a Certificate of Appreciation for his service with IRGC.

Mr. Ketterer advised the Commission that Chapter 2 was before them in March as a Notice of Intended Action. He noted that no new issues had come up, and recommended approval. Hearing no questions regarding the proposed rule, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the final adoption of the new Chapter 2. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-60)

Chair Hansen moved to the next agenda item – Action in connection with Lawsuit Filed by Vendors and Licensees requesting injunctive relief against enforcement of Rule 1.6(4). Chair Hansen explained that this rule became effective upon the adjournment of the Legislature due to their inaction. He called on Jean Davis, Assistant Attorney General representing IRGC. Ms. Davis noted that the Plaintiffs had asked to amend their

Petition, and that the request had been granted. A request for Temporary Injunctive Relief was also filed. A hearing on that request has been scheduled for the afternoon of June 3, briefs are due by June 11, and a Ruling issued by June18. Ms. Davis stated that the rules became effective at the end of the legislative session. She further stated that the Commission has the statutory authority to enforce the rules. Ms. Davis recommended that the Commission establish July 1 as the date on which enforcement of this rule would commence unless otherwise directed by the Court. She indicated that by selecting a prospective date, the Commission would be giving the vendors and licensees notice as to how the Commission intends to proceed under Rule 1.6(4).

Chair Hansen asked if there were any questions. Hearing none, Commissioner Sealock moved to give Notice that the enforcement of Rule 1.6(4) would commence on July 1, 1999. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-61)

Chair Hansen advised those in attendance that the Commission could have faced substantial damages if they had not chosen July 1 as the date for implementation of Rule 1.6(4). He further stated that the present Commission is not going to engage in racing and gaming philosophy, but will play the hand dealt and will enforce the rules as printed.

Chair Hansen moved to the contracts before the Commission for approval. He called on Catfish Bend Casino. Dan Kehl, General Manager, advised the Commission that due to the high water level on the Mississippi River, they were unable to move the riverboat from Burlington to Fort Madison. They are now planning to make the move after Memorial Day. Commissioner Sealock asked if the delay would have any affect on their operations. Mr. Kehl assured the Commission that it would not.

Mr. Kehl presented the following contracts for Commission approval:

- Lodging & Gaming Systems – Software Support
- Masque Publishing, Inc. – License Fee for Spanish 21 Table
- Shuffle Master, Inc. – Lease of 1 Let-It-Ride Table, and 8 Shufflers
- Williams Gaming, Inc. – Purchase of 24 Slot Machines (Replacements)
- Williams Gaming, Inc. – Lease of 3 Monopoly Slot Machines (Replacements)

Hearing no questions regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-62)

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

- Atronic Casino Technology – Purchase of 16 Slot Machines (Replacements)
- Aristocrat, Inc. – Purchase 11 Slot Machines (Replacements)
- Casino Data Systems – Purchase 10 Slot Machines (Replacements)
- IGT – Purchase 6 Slot Machines (Replacements)

- IGT – Credit
- Silicon Gaming – Purchase 8 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase 6 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase of 10 Gaming Devices (Replacements)
- Quad City Times/Lee Enterprises – Sponsorship
- WMS Gaming, Inc. – Lease of 8 Replacement Machines w/Rental Payment of 20% of the net win generated by the devices (Replaces contract approved last month for 12 machines)

Commissioner Sealock noted that most of the contracts were with out-of-state vendors. She stated that IGT does have an office in Iowa, and suggested they may want to note that on the contract approval form.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by The President. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-63)

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

- Inter-American Data – Specialized Industry Software
- Aristocrat, Inc. – 20 Nickel Games (Replacements)
- Alegent Health – Random Physical Testing
- Daily Nonpareil – Newspaper Subscription/Advertising
- Gaming Association of Iowa – Trade Association Costs
- Harker's – Seafood Supplier
- Iowa Trust – Statewide Mega Jackpots
- McCormack Distributing Co., Inc. – Food & Food Service Equipment
- U.S. Postmaster – Postage
- Leevac Shipyards, Inc. – Construction of the 3rd Deck Addition
- Mail Marketing, Inc. – Promotional Advertising Mailing/Laser Printing Fees
- IGT – Triple Play Poker Lease
- IGT – Purchase 10 Triple Play Poker Slot Machines (Replacements)
- IGT – Purchase 20 I Plus Slot Machines (Replacements)
- Pepsi Cola Company – National Product

Mr. Terp advised the Commission that Leevac Shipyards was originally going to build the third deck in Louisiana and ship it to Iowa by barge. Due to the Commission's emphasis on Iowa vendors, Leevac will continue to serve as the general contractor for the third deck addition, but that all of the work will be done locally, using as many Iowa companies and employees as possible.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-64)

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

- Highland Packing Company – Meat Supplier
- HyVee – Food Products (Transaction Increase)
- IGT – 4 Triple Play Poker Machines (Replacements)
- IGT – 2 Elvis Vision Slot Machines (Replacements)
- Lodging & Gaming Systems – Computer Equipment, Training (Transaction Increase
- White Way Sign – Exterior & Interior Sign Displays
- William Morris Agency – Entertainment Bookings
- Williams Gaming, Inc. – 6 Monopoly Gaming Devices (Replacements)

Ms. Donovan also distributed the annual report for the Scott County Regional Authority, the non-profit licensee.

Hearing no discussion regarding the contracts submitted by Lady Luck Bettendorf, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-65)

Chair Hansen called on the Belle of Sioux City (BSC). Jim Franke, Director of Operations, presented the following contracts for Commission approval:

- American Valet Parking – Valet Parking
- Gage Corporation – Custom Ceiling Tile for Boat Renovation
- IGT – Agreement & Trust for 2 Wide Area Progressive Slot Machines (Replacements)

Chair Hansen asked Mr. Franke to provide additional information on the contract with American Valet Parking. Mr. Franke stated that the contract is based on a per head basis for labor, and will be at the rate of $8.95 per hour, per employee. The value of the contract was determined by the number of man-hours needed for the year times the hourly rate. Chair Hansen asked if BSC was the exception in using a service rather than in-house employees for valet parking purposes. Mr. Franks stated that BSC feels the company can operate more efficiently than BSC can. American Valet Parking assumes the liability.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by BSC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-66)

Chair Hansen called on Harveys Casino Hotel. Verne Welch and Grant Gubbrud, General Manager and Director of Finance respectively, presented the following contracts for Commission approval:

- Angelica – Uniforms
- F & A Food Sales – Supplier of Frozen Dairy Products
- IGT – Elvis Progressive System
- Iowa Juice – Supplier of Beverage Products
- Jtronics – Surveillance Equipment
- Kronos Inc. – Purchase of Time Clock System
- McCormack Distributing Co. Inc. – Supplier of Beverage Products
- Midlands Electrical Contractor, Inc. – Miscellaneous Electrical Supplies
- O'Keefe Elevator Company, Inc. – Elevator Maintenance
- Omaha World Herald - Newspaper Supplier
- Reinhart Food Service – Supplier of Food Inventory
- XPEDX – Supplier of Paper Supplies & Inventory

Mr. Welch informed Commission members that the parking garage would be completed in the fall. There will be an enclosed walkway from the garage to the facility. The parking garage is five floors and will provide approximately 1,643 parking spaces.

Hearing no further comments or questions, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted by Harveys. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-67)

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

- Ak-Sar-Ben Beef – Meat Supplier
- Demma Fruit Company – Produce Supplier
- Roberts Communication Network, Inc. (RCN) – Simulcast Uplink Service

Chair Hansen asked about the Ak-Sar-Ben Beef contract. Mr. Okuniewicz stated that BRC's biggest meat supplier is Ancona Midwest, which the Commission approved last fall. The Commission has also approved P.A. Braunger Food Service and Harkers as Iowa vendors for meat products.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by BRC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-68)

Chair Hansen called on the Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C) to present their request for approval of the 45-day plan for the 1999 Mixed Meet. Derron Heldt, Director of Racing, noted that PMR&C was approaching the 20th day of the first meet. He noted that they have averaged approximately $937,000 per day, including on- and off-track betting. Last year's average overall daily handle was $717,000.

Mr. Heldt also advised the Commission that 19 Iowa-breds have competed in open-company races with one winning and three coming in second.

With regard to the second meet, Mr. Heldt stated that it would start on July 20th and run through October 2nd. He noted that PMR&C had entered into purse agreements with the Iowa Horsemen's Benevolent and Protective Association, as well as purse supplement agreements with the Iowa Thoroughbred Owners & Breeders Association and Iowa Quarter Horse Racing Association. The agreements were included with information provided to Commission members regarding the second meet. PMR&C selected Tom Davis as their steward for the second meet. Mr. Heldt indicated there would be a few changes with regard to the racing officials and department heads. Post time on live racing days will be at 6:30 PM, with Tuesday's post time being 3:00 PM. The only exception will be Monday, September 6th when post time will be 1:30 PM. PMR&C requested approval to receive/send to/from a number of racetracks. Linda Vanderloo, Director of Racing for IRGC, recommended approval of this request with the provision that the simulcast racing contracts be approved by the Administrator as they are renewed, giving staff the opportunity to review each contract. There have been no changes to the equipment since it was approved for use in the first meet. The 45-day plan contained the required information regarding PMR&C's programs and practices relating to problem gambling, security plan, and surety performance bonds.

Mr. Ketterer asked Mr. Heldt to explain why the post times have been changed. Mr. Heldt stated the changes were made to help with simulcasting.

Mr. Ketterer also noted that on Tuesday, May 25th, eight of the top ten jockeys in the nation would be competing in races at PMR&C.

PMR&C also submitted the following contracts for Commission approval:

- Bankers Trust – Banking Services
- ColorFx – Changed Name, formerly Kimberly Press LTD
- Flynn/Wright, Inc. – Advertising, Buses, Billboards, etc.
- Gaming Association of Iowa – Support Trade Association Efforts, Dues, Publication of Annual Report, etc.
- Hallett Materials – Materials, Sand and Silt Mixture for Maintenance of Race Track
- R & D Plumbing, Inc. – Lease of Training Center prior to Lease of Total Property
- Sysco Food Service of Iowa – Frozen Food Products

Commissioner Mahaffey asked about the contract with the Gaming Association of Iowa for $150,000. Tom Timmons, Vice President of Operations for PMR&C, indicated the contract was the result of some agreements the Association entered into last year. All PMR&C paid last year was dues. The Association has entered into an agreement with an agency to conduct an ad campaign. The contract is to cover dues and other expenses incurred by the Association. Bob Farinella, General Manager of PMR&C and President of the Association, indicated that the Association had hired an Executive Director to

manage the Association. They also prepared an annual report to provide information to all Iowans regarding the benefits of the gaming industry in Iowa – jobs, tourism, taxes paid, and contributions to charitable organizations.

Commissioner Hassenfritz asked if benefits were provided to Association members. Mr. Farinella stated the Association provides a forum for members to discuss the industry, new developments in the industry, growth, etc. Commissioner Hassenfritz asked about a lobbyist for the Association. Mr. Farinella stated that the Executive Director also serves as their lobbyist.

Ms. Vanderloo recommended approval of PMR&C's 45-day plan for the second meet with the following conditions:

- The immediate written notification of the Placing Judge/Stakes Coordinator, including biographical data
- The completion of necessary DCI backgrounds
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.

Commissioner Sealock moved to approve the 45-day Plan for the Mixed Meet at Prairie Meadows with the above conditions and the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-69)

Chair Hansen recognized House Speaker Brent Siegrist.

Chair Hansen moved to the next agenda item, the Greyhound Escrow Committee. Piers Banks, Assistant Operations Manager for BRC and Chair of the Escrow Committee, introduced various members of the escrow committee in attendance. Mr. Banks asked the Commission for guidance on the direction in which the Committee should proceed, if the Committee is to continue to exist. He noted there was a difference of opinion with the IGA as to the responsibilities and authority of the Committee. Mr. Banks asked if any actions taken by the Committee were subject to approval by the Iowa Greyhound Association (IGA). Mr. Banks also requested direction on how the principal and interest is to be spent on the escrow account.

Mr. Banks stated that the Committee has recommended a study of the greyhound industry in Iowa at its first meeting a year ago. The Racetrack Industry Program at the University of Arizona was contacted, and a proposal for conducting such a study was received. Action was delayed as the Committee was unable to meet again until April of this year. The Committee voted to recommend and seek approval of a study of the greyhound industry to be funded by interest from the escrow account. He noted that the last two arbitration decisions indicated that such a study would be an appropriate expenditure of escrow funds.

Commissioner Hassenfritz asked if the question surrounding the study was whether it had to do with pari-mutuel betting or the distribution of funds. Mr. Banks stated that he felt

the issue had to do with the distribution of funds from the escrow account. He noted that the escrow account had been established several years ago. Ms. Vanderloo discussed the proposal received from the Racetrack Industry Program. Commissioner Hassenfritz stated there are organizations in Iowa that could provide the same services. Ms. Vanderloo noted that it would be better to have an organization or individuals that would be able to perform an objective evaluation of Iowa greyhound industry.

Chair Hansen called on the IGA. Jerry Crawford, legal counsel for the IGA, noted that several individuals from the greyhound industry were in attendance, including Jason Haynes, the President of the IGA. He noted that almost everyone associated with the greyhound industry has been through the boom times, the bad times, and are now back to the good times. The IGA feels their role is to create stability in the industry for the future.

Mr. Crawford pointed out that Iowa Code Chapter 99F.6(14) states that the Commission shall approve an annual contract to be negotiated between the annual recipient of the Dog Racing Promotion Fund (IGA) and each dog racetrack licensee, specifying the percentage of the amount of the gambling game proceeds to be designated to supplement purses of live dog races. There is no statutory language about supplementing anything other than the purses of the live dog races. The statute further provides all parties to the negotiation, including the Commission, shall consider that the dog racetracks were built to facilitate the development and promotion of Iowa-bred racing dogs and shall negotiate and decide accordingly.

Mr. Crawford noted that the Commissioners had copies of the previous arbitration decisions in their packets. The arbitration decision issued by David Blair in December 1995, stated that the 1996 purse supplement should be $4 million, plus a $4 million purse supplement escrow for purses in future years. He stated there was no reference in either the statute or the arbitration decisions allowing for expenditures other than for purses.

In December 1997, AIM, Inc./Iowa West Racing Association and IGA entered into an agreement creating a 5-member committee to serve in 1998. Mr. Crawford stated there was not an agreement entered into placing the escrow committee into existence other than for calendar year 1998. He noted there is nothing in the agreement that allows any recommendations for spending the escrow account by the committee. Mr. Crawford noted that was a very important point to the IGA as they would not have entered into an agreement that would result in the IGA members being outvoted and the escrow account dissipated.

Mr. Crawford stated that approximately 92 cents of every dollar of profit at BRC has been divided between AIM and IWRA, with the remaining 8 cents devoted to purses. IGA does not expect that AIM and IWRA would ever put themselves in a position where IGA could tell them how to spend their money. Mr. Crawford noted the racetracks are faced with an escalating tax rate, which will affect the funds generated for purses by the tracks, and that the "win after tax" figure will drop sharply, meaning fewer dollars will be available to supplement purses for live racing. He further stated that if the tax rate reaches 36%, the top rate, Dubuque will probably cease operations and very likely

AIM/IWRA will make the same decision. He stated that the IGA's goal is to grow the escrow account to the largest possible amount to maintain purses in future years when they start to decline due to taxes, competition or declining casino supplements.

Mr. Crawford advised the Commission that as of April 30, 1999, the escrow account balance was $10.554 million. With Commission approval, 50% is invested with Robert Baird and 50% with Dean Witter.

Mr. Crawford stated that he had spoken with Doug Reed, from the University of Arizona Racetrack Program. Mr. Reed advised Mr. Crawford that neither he nor any other staff member has ever done a study for the greyhound industry in any state; nor have they ever been asked to do a study for a single dog track. Mr. Crawford indicated that the Racetrack Program's emphasis is on the horse racing industry.

Mr. Crawford stated that if this expenditure is approved, it moves away from the purposes stated in the statute, and the Arbitration Decision establishing the escrow account.

Commissioner Sealock asked Mr. Crawford about a letter written by him, dated November 1, 1997, which stated in part: "The IGA believes that it has a wonderful opportunity (and responsibility) to use the escrow account to secure the future of greyhound racing in Iowa. ... The IGA would like to retain the services (with IRGC approval) of a nationally recognized consultant to the racing industry. The IGA proposes to make a recommendation to the IRGC for hiring a consultant at the IRGC's January meeting. This will allow the IGA to work with experts in determining the best way to grow the industry in Iowa. It is anticipated this consultation will cost between $40,000 and $75,000 during 1998. (Commissioner Sealock noted that this did not occur.) ... The IGA believes that it would be foolish to make any spending decisions beyond those outlined above PRIOR to receiving the recommendations of the consultant. Accordingly, these are the only two proposed uses for escrow funds in 1998." She asked what Mr. Crawford meant by that statement. She felt this was where the escrow committee was going to come into play.

Ms. Vanderloo advised the Commission that in November 1997, the IGA and BRC each brought their own plan to be presented to the Commission. She stated that she arranged a meeting of the two groups in order to work out an agreement, which was then presented to the Commission. Ms. Vanderloo stated that if the two separate plans had been presented at the November 1997 meeting, the Commission might not be in the position of dealing with this issue now, as they would have had to choose one plan.

Mr. Crawford stated that the IGA and IWRA had proposals before the Commission that were withdrawn, and the Commission approved a plan that established an escrow committee for 1998 that outlined the authority of the committee and the Commission, and specifically excluded making any spending recommendations. He stated that the letter just referenced by Commissioner Sealock, in philosophy, is consistent with the remarks he just made. Mr. Crawford stated that the IGA continues to feel that it has a wonderful

opportunity and responsibility to use the escrow account to secure the future of greyhound racing in Iowa.

Mr. Crawford noted that IGA has worked with AIM/IWRA to provide the simulcast signal of BRC's races all over the country. This is significant because it directly relates to purses in the future. It is IGA's belief that in future years, there will only be a few greyhound tracks that will continue to offer live racing because they offer the highest quality racing, allowing them to sell their signal to other outlets. Having the ability to simulcast BRC's signal to other outlets will generate funds that will go directly to purses for Iowa greyhounds. He noted that the simulcasting has operated at a loss since its inception, but that the loss has steadily declined. Mr. Crawford stated that he feels BRC will be one of the surviving tracks. Interest from the escrow account is used to help pay for the simulcast signal.

Mr. Crawford further stated, that in November 1997, the IGA was being advised by their legislative consultant that there was a very good chance the Legislature would freeze the escalating tax rate. That didn't occur then, and it is now late spring of 1999, and the Legislature has adjourned without addressing the escalating tax being paid by the racetrack casinos. He noted that the industry is in a world of hurt with regard to future net revenue at the facilities. Mr. Crawford noted that subsequent arbitration panels encouraged the IGA to use some of the escrow fund for purses now. To that end, the Commission approved the running of several additional stakes races at BRC, with the purses being funded by interest from the escrow account.

Mr. Crawford recommended the formation of a Greyhound Committee consisting of two Commission members for 60-90 days to discuss the various issues and make a recommendation to the Commission. In his opinion, the issues are not ones that can't be resolved. The recommendations would determine how the escrow account would be handled in the future.

Commissioner Mahaffey stated that his understanding of Mr. Crawford's comments was that the agreement entered into in December 1997 did not address the continuation of the escrow committee beyond 1998. He asked if it was Mr. Crawford's position that there was no need for the escrow committee in 1999. Mr. Crawford stated there is need for discussion as to what can be done to improve the industry, but reiterated that the IGA would not put themselves in a position of being outvoted on future uses of the escrow account. He advised the Commission that the IGA has created a website, which will be funded by the escrow account.

Commissioner Mahaffey asked Mr. Banks what he felt the Escrow Committee's role should be, or how it should be accomplished in view of the agreement signed in 1997. Mr. Banks stated that at the initial meeting of the committee, all members voted to pursue a study of the greyhound industry in Iowa. Mr. Banks noted that the last two arbitration decisions recommended that a study of the greyhound industry be done, and that said study be funded by the escrow account. Additionally, he stated that some of the interest

being generated by the account is used to pay for simulcasting BRC's signal to other facilities.

Ms. Vanderloo advised the Commission that even though the escrow account is held jointly by IGA and IWRA, the IGA does have sole control over investment decisions.

Jason Haynes, President of the IGA, asked the Commission to continue to allow the escrow account to grow in order to ensure the continuation of the greyhound industry in Iowa. Commissioner Mahaffey asked Mr. Haynes if the escrow committee was recommending that funds be spent in a manner which he felt was not prudent. Mr. Haynes stated that he concurred with Mr. Crawford's earlier statements with regard to the University of Arizona's ability to perform a study of the greyhound industry in Iowa.

Lyle Ditmars, legal counsel for IWRA, stated that the escrow account contains almost $11 million, and there needs to be a plan for distribution. The plan could be some type of implementation process for a specific purpose over a period of time such as low cost loans to allow other individuals to become involved in the greyhound industry, or provide education. He noted that funds have been disbursed for items other than purses. Mr. Ditmars stated that he would like to see the current escrow committee be allowed to continue. In his opinion, the purpose of the escrow committee was to get the various sides to sit down together and discus the issues, but remove the process from the litigation arena.

Following a short break, Bruce Wentworth, General Manger of Dubuque Greyhound Park & Casino and a member of the escrow committee, stated that he felt the committee has done some good work. In his opinion, the Commission is not hearing dissension, but frustration.

Mr. Ketterer stated that Ms. Vanderloo suggested the Racetrack Industry Program as an alternative when the two parties could not reach an agreement. It was not intended to be an end-all solution. He noted that the study would have cost somewhere in the neighborhood of $10,000, and would not have been binding on either party. The purpose of the study was simply to generate some ideas as to the use of the account. Mr. Ketterer further stated that the Decision of the 1997 arbitration committee stated that it is not the intent or purpose of the escrow to maintain purses at their current level should supplemental casino funding, for whatever reason, terminate. However, that doesn't mean it should be spent in 2-3 years. That same arbitration decision further states that unless a specific plan is in place for the use of the escrow account, there is no reason for contributions to the escrow account to continue beyond 1998. The 1998 arbitration decision stated that the account was adequately funded and suspended further contributions to the escrow account.

Mr. Ketterer noted that the 1996 arbitration decision stated that if the entities (IGA and IWRA) were unable to agree on a plan, they shall separately and individually present plans for determination by the Commission. He suggested that the parties attempt to reach an agreement within the next 60-90 days regarding the escrow account that could

be presented to the Commission for approval at the August meeting. If they are unable to do so, he indicated the issue should be submitted to the arbitration panel. In his opinion, this issue has continued long enough. Mr. Ketterer thanked the individuals that served on the escrow committee for their time. He agreed that several good ideas were brought forward by the committee, but noted that the largest issue, a plan for the distribution of the escrow account, was still unresolved.

Hearing no further comments, Chair Hansen called for a motion. Commissioner Sealock stated that she concurred with Mr. Ketterer's comments and that his comments would constitute her motion. Commissioner Hamilton seconded the motion. Commissioner Sealock asked Mr. Ketterer to reiterate his comments.

Mr. Ketterer stated that if the two parties are able to reach an agreement on a plan for the distribution of the escrow account, they should present it for Commission approval at the August meeting. If they are unable to do so, they should submit their individual plans to the arbitration panel to decide which plan to follow.

Commissioner Sealock so moved. Commissioner Hamilton again seconded the motion. The motion carried unanimously. (See Order No. 99-70)

Chair Hansen moved to the agenda items submitted by the Iowa West Racing Association. They requested the imposition of a timetable for contract negotiations regarding the amount of gambling proceeds to be dedicated to the supplement of purses of live dog races and that the Commission select the third individual to serve on the arbitration committee regarding the aforementioned contract. Mr. Ditmars noted that Mr. Crawford and he had agreed on two members for the arbitration panel – Lorraine May for IWRA and Rick Olson for IGA. He noted that David Blair has agreed to serve as the third person, but that the IGA has an alternate suggestion as to the third individual. In recommending Mr. Blair, Mr. Ditmars referenced his participation in the original arbitration decision that established the escrow account, is a former Commission member, and is a former District Court Judge. He noted that Mr. Blair's current law practice is based solely on mediation and arbitration issues.

Mr. Ditmars noted that the parties have agreed to a timetable for the negotiations. In past years, the parties have been advised by Ms. Vanderloo to have an agreement in place by the September meeting when their licenses are up for renewal.

Mr. Crawford stated the IGA was agreeable to the timetable suggested by Ms. Vanderloo. He asked for clarification regarding the previous motion. Mr. Ketterer stated that if the two parties were able to reach an agreement regarding the escrow account, the joint plan should be submitted for Commission approval at the August meeting. If they are unable to reach an agreement, the parties should submit their individual plans to the arbitration panel for their decision. He indicated the separate plans could be submitted to the arbitration panel through the Commission if the parties so desired. Mr. Ketterer noted that BRC has to submit their 45-day plan for the year 2000 at the November 1999

Commission meeting. The Commission would like to see a decision from the arbitration panel by November 1st.

Mr. Crawford stated that Mr. Ketterer's comments placed more emphasis on the IGA's selection for the third member of the arbitration panel. He stated the IGA feels the IRGC should be involved, and recommended Chair Hansen as the third arbitration panel member. Mr. Crawford pointed out that statute specifically allows for either the entire Commission to serve or a member of the existing Commission. With regard to the amount of time required of an arbitrator, Mr. Crawford stated that the IGA provides written materials one week prior to the arbitration, the actual arbitration usually takes less than three hours, usually two or three telephone conference calls between panel members, and then one individual drafts the decision.

Mr. Ketterer noted that the IGA originally submitted the names of Dick Canella, Leo Monahan and Chair Hansen. He noted that the Commission could delegate the decision regarding the third member to staff if they so desired. Mr. Crawford advised the Commission that the Executive Committee of IGA voted to recommend Chair Hansen as the third arbitrator.

Chair Hansen stated that he was willing to accept the appointment for one reason – to conclude this issue once and for all.

Chair Hansen asked if a specific motion was required. Mr. Ketterer suggested that the motion would indicate the acceptance of the timetable established by Ms. Vanderloo and determine who would serve as the third individual on the arbitration panel.

Commissioner Sealock moved to nominate David Blair as the third arbitrator. Commissioner Hamilton seconded the motion. The motion carried on a 4-1 vote, Commissioner Mahaffey voting no. (See Order No. 99-71) Commissioner Mahaffey stated that he was reluctant to take sides, and would have preferred that staff determine the third member of the arbitration panel.

Chair Hansen moved to the next agenda item – Peninsula Gaming Company, L.L.C. f/k/a Greater Dubuque Riverboat Entertainment Company, LLC, a Subsidiary of AB Capital, LLC for a discussion and decision on the application for a license. He noted that changes with respect to personnel and salaries requested by the Commission have been made. Chair Hansen stated that the one issue still before the Commission was a more affirmative position with regard to the building of the hotel.

Brent Stevens, President of AB Capital, stated they are excited to be in Dubuque and look forward to building on the success of the existing facility. He stated that the hotel would be built.

Hearing no further comments or questions, Chair Hansen called for a motion. Commissioner Hassenfritz made the following motion:

Granting of the license is conditioned upon the commencement of construction of a hotel on land contiguous to the portside facility within 18 months after the granting of the license; provided, however, that if the construction and development costs of the hotel exceeds the anticipated $10 million costs, licensee shall be obligated to expend up to an additional $1.5 million to complete the hotel project. If the project can not be completed for $11.5 million, the licensee shall remain obligated to expend $11.5 million to complete the project if any other entity provides additional financial support necessary to complete the hotel development project.

As an additional condition of granting a gaming license to Peninsula Gaming Company, LLC, GDREC agrees to pay, or cause to be paid, a sum of $8.8 million to the Treasurer, State of Iowa, and further agrees that said sum shall be paid within 30 days of the granting of the license.

The license shall be effective from the date of closing until March 31, 2000, subject to simultaneous surrender of the DRA/GDREC license.

Commissioner Sealock seconded the motion. Chair Hansen requested a roll call vote. The motion carried unanimously. (See Order No. 99-72)

Chair Hansen moved to Administrative Business. The Commission reviewed proposed meeting dates and locations for FY 2000. After a brief discussion regarding a few of the dates, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the dates and locations. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-73)

Vice Chair Sealock's report on the Gambling & Gaming: Winners or Losers? Conference was postponed until the June Commission meeting.

Chair Hansen called on Bill Grace, President of Southern Iowa Gaming, to give a report on the progress made at the Osceola location. Mr. Grace stated that in spite of the rain, progress is being made. He noted that the hotel is capped out, and the bulkheads are being added to the barge. Mr. Grace indicated there are 18 welders on site working 10-hour days, seven days a week. The contract for the interstate interchange and bridge has been let, just waiting for some cooperation from the weather.

Chair Hansen asked if they are going to be able to maintain their December 15, 1999 opening date. Mr. Grace stated that is still the goal, and feels they are proceeding at a pace that will allow them to do so.

Chair Hansen moved to Public Comment. Ray Lasell, representing the Truth About Gambling Foundation, commended the Commission for their actions regarding the enforcement of the new rules. He indicated the organization would have preferred enforcement start immediately, but stated he understood the reasons behind their decision. He distributed a news article setting forth some recommendations the National

Gambling Impact Study Commission intends to include in their forthcoming report, which include

- A moratorium on gambling expansions;
- States should not legalize slots or other casino-style machines at racetracks;
- States should require gambling impact statements before any new or additions to casinos are allowed
- A ban on ATM machines at racetracks

Bill Wimmer, Executive Director of the Gaming Association of Iowa, also made a few comments regarding the Commission's actions regarding enforcement of the new rules.

Carlos Jayne, Iowa United Methodist Church lobbyist, thanked the Commission for their decision to implement enforcement of Administrative Rule 1.6(4) as of July 1st. He stated that individuals have to accept responsibility for some of the things that occur in our society. He read several excerpts from an article in Christianity Today dated May 24, 1999 entitled "Gambling Away the Golden Years". The article indicates that society sees senior citizens as disposable. Over the past few years, 44% of calls to the compulsive gamblers' hotline have been from Protestants, and 27% from Catholics.

Mr. Jayne stated that he was raising this issue as Iowa is an aging state. He noted that the Iowa Gambling Treatment Program is addressing some of the issues. He stated that the rules would help curtail credit card debt as it relates to gambling. He expressed the opinion that other organizations, not just IRGC, are responsible for working on this problem. Mr. Jayne stated that, in his opinion, the citizens of Iowa have had enough of gambling, but don't know how to stop it, as they have become dependent on the revenue it generates.

Commissioner Hassenfritz noted that many of the gambling facilities have established procedures allowing an individual to bar themselves from entering the casino. Mr. Jayne indicated he was aware of the program, but was not sure how many individuals would avail themselves of that opportunity.

Chair Hansen thanked Mr. Jayne for his comments. He stated that Iowa has one of the highest levels of a dedicated fund of any state in the nation to address problem gambling.

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

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
JUNE 17, 1999

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 17, 1999 at the West Des Moines Marriott, 1250 74th Street, West Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:30 AM, and requested a motion regarding the agenda. Jack Ketterer, Administrator of IRGC, advised Chair Hansen that Harveys Casino & Hotel was withdrawing the contract with Digital Graph-X submitted for Commission approval. Commissioner Sealock moved to approve the agenda as amended. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen moved to the approval of the minutes from the May 20, 1999 Commission meeting. Hearing no corrections to the minutes as presented, he requested a motion. Commission Hassenfritz moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hansen moved to the announcements. Mr. Ketterer advised the Commission, as well as those in attendance, that the Commission's 1998 Annual Report is now available on the web page at www.iowaccess.org/irgc/. He stated that if individuals did not have access to the Internet they should contact the office and a copy would be provided.

Mr. Ketterer noted that the July Commission meeting will be held on July 15th at the West Des Moines Marriott. Additionally, he noted that the August meeting will be held at the Sioux City Convention Center, and that a block of rooms is being held under IRGC at the Sioux City Hilton until August 1, 1999.

Mr. Ketterer advised that normally a printed notice would appear under Administrative Business regarding distribution of the Dog Racing Promotion Fund, which the Commission is required to distribute out of the 2% of the remaining breakage. He noted that distribution of the fund would be awarded at the July 15, 1999 Commission meeting. Mr. Ketterer stated that any interested parties wishing to apply for the funds should contact the Commission office.

Chair Hansen moved to the rules to be considered for final adoption. Chair Hansen stated that he was pleased to note that Chapter 2, which the Commission adopted at the May meeting, requires that the specific legal authority be cited when adopting a rule. He also noted, effective July 1, there will be a new law that states in part: "An agency shall have only that authority or discretion delegated to or conferred upon it by law and shall not expand or enlarge its authority beyond the authority delegated to or conferred upon the agency."

Mr. Ketterer advised the Commission that the rules before them had been before them previously under Notice of Intended Action. He stated that Chapter 4 is mostly procedural and reflects changes in Code Chapter 17A. The rules are uniform rules recommended by the Attorney General's Office. Chapter 9 pertains to harness racing. He noted that harness racing has been active as pari-mutuel racing in Iowa since the beginning of the decade. The rules have been revised and reviewed with Prairie Meadows Racetrack & Casino staff and the Iowa Harness Horsemen's Association. Mr. Ketterer noted there was no additional input from the public or the Legislative Rules Review Committee on either of the rules. He recommended final adoption of Chapters 4 and 9.

Hearing no comments regarding either of the rules, Chair Hansen requested a motion. Commissioner Mahaffey moved to final adopt Chapters 4 and 9. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-74)

Mr. Ketterer requested that Jean Davis, Assistant Attorney General for IRGC, address the Commission regarding the Decision issued regarding the temporary relief sought by the licensees and two vendors regarding Rule 491-1.6(4) and its application. Ms. Davis stated that the Court had issued a Decision on Wednesday granting the Plaintiff's request for temporary relief, thereby staying the Commission's ability to enforce the credit terminal rule at this time. A full hearing on the request for permanent injunctive relief will be scheduled.

Commissioner Mahaffey asked if there is any further action the Commission could pursue at this time. Ms. Davis indicated there are probably options, but stated it would be her recommendation to move forward and prepare for the full hearing.

Chair Hansen moved to the Admission Fee Schedule. Mr. Ketterer indicated that statute provides that admission fees will be assessed to licensed riverboats. He noted that the fees were not connected to admissions. The fee schedule allows the state to recoup the costs of the funds appropriated to the Commission for the regulation of the riverboats and 65% of the salary and benefits for the gaming enforcement officers and agents assigned to the Department of Public Safety Riverboat Unit. Those figures are totaled and reduced by the annual license fee of the riverboats and estimated occupational license fees IRGC receives. That number is then divided equally among the boats and paid on a weekly basis to the Commission. He recommended approval of the proposed Admission Fee schedule.

Hearing no comments or questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Admission Fee Schedule as presented. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-75)

Chair Hansen called on the Iowa West Racing Association (IWRA) and the Iowa Greyhound Association (IGA) regarding their joint request to use escrow funds for the purpose of establishing and maintaining a web page. Linda Vanderloo, Director of Racing/Administration for IRGC, informed the Commission that previous Arbitration

Decisions have required joint approval, as well as Commission approval, prior to any expenditure of escrow funds. She noted that both parties have agreed to this expenditure. Ms. Vanderloo indicated that this was expenditure was recommended by the escrow committee as well. She recommended approval of the request.

Hearing no further discussion regarding this matter, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the request of IWRA/IGA for the expenditure of escrow funds. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-76)

Chair Hansen moved to the contract approvals. He called on John Pavone, General Manager of the Belle of Sioux City (BSC). The following contracts were submitted for Commission approval:

- Argosy Gaming, Inc. – Intercompany Charges for February 1999 (RP)
- Argosy Gaming, Inc. – Intercompany Charges for March 1999 (RP)
- Argosy Gaming, Inc. – Intercompany Charges for April 1999 (RP)

Commissioner Hamilton asked about the legal fees. Mr. Pavone indicated they were the result of litigation against a limited partner that has been going on for five or six months. He anticipates the matter will be resolved soon.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by BSC. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-77)

Commissioner Hansen asked Mr. Pavone to address the parking issue during his report updating the Commission on the renovations at BSC. Mr. Pavone stated that BSC has recently completed a $2 million renovation of the BSC facility. They have added approximately 300 new games in the last year, and expanded the parking. They are involved in on-going discussions with the City and the non-profit partner about expanding the parking on the riverfront. Mr. Pavone stated that BSC is having the best year ever in the history of the facility. They are looking at a new facility sometime in the fall, and additional parking. He noted that the City has hired an architect to look at the riverfront master plan. BSC is asking the City for more parking that is closer to the facility. Mr. Pavone indicated that he would be meeting with the City in the near future to determine how additional parking will be added. He noted that 150 parking spaces were added four or five months ago.

Commissioner Sealock asked if Argosy was sharing in the expense of the renovation. Mr. Pavone indicated they were. He clarified that BSC worked out an arrangement with the City where the City put up the money to build the parking lot and BSC will repay them based on increased revenues.

Mr. Ketterer asked Mr. Pavone if the Commission could see the proposed riverfront master plan in August when they are in Sioux City for the meeting. Mr. Pavone indicated that would be possible.

Chair Hansen moved to the contracts submitted by Harveys Casino Hotel. Grant Gubbrud, Director of Finance, presented the following contracts for Commission approval:

- Cummins-Allison Corp. – Potential Purchase of up to 9 Jet Sort Machines
- Midwest Food Distribution – Distributor of Juice Products
- Mosler – Purchase of Currency Processing System to Supplement Current Equipment

Hearing no comments or questions regarding the above contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-78)

Chair Hansen called on Southern Iowa Gaming Company (SIG). Larry Seckington, legal counsel, presented a contract with Terracon for construction observation and testing services for the bridge replacement over I-35, Clay Street from 218th Avenue to Delaware and Clay Street & I-35 interchange at Osceola.

Commissioner Sealock asked if there was a grant from the state. Mr. Seckington indicated that was correct, but it is actually the City of Osceola that received the grant of approximately $933,000. The cost of the project is approximately $7 million. The funds will eventually come back to the company as the City is paying them a portion of the cost of paving Clay Street from just east of the bridge down to where it stops in the City of Osceola.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted by SIG. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-79)

Mr. Seckington advised the Commission that all of the contractors are on site, attempting to make up time lost due to all of the rain in May. He stated there are 21 welders on site working on the boat at this time – 12-hour days/6 days/week. He indicated that additional weather delays would effect the scheduled opening of the facility. Mr. Seckington advised that there would be no problem completing the land-based facilities.

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

- Pitney Bowes – Lease Mailing Equipment
- IGT-Iowa – Exchange of Existing Progressive Slot Machines

- Rogan Inc. – Purchase Supplies and Scale Maintenance
- Matthews Office Equipment – Office/Furniture Supplies

Hearing no comments regarding the contracts, Chair Hansen called for a motion. Commission Sealock moved to approve the contracts as submitted by the President. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-80)

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

- Schindler Elevator Corporation – Escalator Installation and Related Equipment
- Goodby Silverstein et. al – Account Management, Creative Production and Media Placement Services
- All Makes Office Equipment – Kronos Timekeeping Equipment & Related Accessories
- Infinium Software, Inc. – General Ledger, Accounts Payable, Payroll, Human Resources Software

Commissioner Hassenfritz asked about the contract with Goodby Silverstein. Mr. Terp explained that the company is the national ad company for all of Ameristar's properties. Ameristar periodically interviews different agencies, and have interviewed some in Iowa as well. Over time, Ameristar has determined that it is more beneficial to have one company managing all of their properties' advertising campaigns.

Hearing no additional comments, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Ameristar. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-81)

Mr. Terp advised that the mobilization for the construction of the third deck has commenced. He noted they were completing a construction pad for the crane to sit on. The crane will arrive sometime next week.

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

- Aristocrat, Inc. – Purchase 16 Slot Machines (Replacements)
- Williams Gaming, Inc. – Purchase 15 Slot Machines (Replacements)

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Miss Marquette. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-82)

Chair Hansen moved to the contract submission of Lady Luck Bettendorf. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Burns Sports Celebrity Service, Inc. – Celebrity Appearances (Transaction Increase)
- Country Club Coffee – Coffee Supplies & Services
- Design Build – Restaurant Build-Out, Construction (Transaction Increase)
- Erwyn – Hotel Supplies
- Hockenbergs – China, Transport Equipment for Upcoming Restaurant (Transaction Increase)
- Williams Gaming, Inc. – 2 Monopoly Gaming Devices (Replacements)
- Real Estate Development and Transfer Agreement

Ms. Donovan stated that the she would address any questions regarding the first six contracts, and that Curt Beason, legal counsel, would address the final item. Ms. Donovan noted that the contract with Design Build is for the construction of their gourmet restaurant, which they hope to open toward the end of October.

At this time, Chair Hansen called on Mr. Beason to address the real estate development and transfer agreement. Mr. Beason stated that this is a master agreement, and other documents will flow from this particular document. These documents restructure the Lady Luck Bettendorf entity in such a way that the real estate that is being developed is removed from the licensed structure so that it will not be necessary to have every contract pertaining to the Lady Luck retail center approved by the Commission, nor will the employees have to be licensed. There will be no change in management structure

Commissioner Hassenfritz asked Mr. Beason to define "development" in the context of the hotel and shops. Mr. Beason explained that they hope all of the retail center will be leased out to other companies.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lady Luck Bettendorf. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-83)

Chair Hansen called upon Dubuque Diamond Jo to present their contracts. Lorraine May and Curt Beason, legal counsel for Michael Luzich and AB Capital, LLC respectively, presented the following contracts pertaining to the license application of AB Capital for Commission approval:

- Consulting Service Agreement between Michael S. Luzich and AB Capital, LLC
- Collateral Pledge Agreement between Michael S. Luzich and American Trust and Savings Bank (Dubuque)
- Assignment of Proceeds of Consulting Agreement between Michael S. Luzich and American Trust and Savings Bank (Dubuque)

- Promissory Note between Michael S. Luzich and American Trust and Savings Bank (Dubuque)

Ms. May noted that the original application indicated that financing would be obtained out-of-state, but in compliance with the spirit and letter of Iowa law, as well as the direction of the Commission, the financing has been obtained locally.

Chair Hansen, noting that discussions had been held prior to the May Commission meeting regarding the significant amount of funds being consumed by executive salaries, stated that there had not been a significant change in the salaries – they were just rearranged. He expressed concern about the fact that Mr. Luzich's contract will generate a minimum of $320,000 and the progress shown as per the agreement toward the construction of a hotel. Chair Hansen further noted that several of the contracts appear to have been executed on June 8, 1999.

Ms. May indicated that the contracts had been executed subject to the Commission's approval. She felt the Commission would want to know these were firm agreements with regard to the financing.

Chair Hansen stated that he did not have any problems with the last three contracts. He further noted that he did not find any significant support that the salary established for Mr. Luzich was within industry standards.

Commissioner Hassenfritz indicated the Commission's main concern is that a hotel be built. They want a limit of one year on the consulting agreement with Mr. Luzich, an agreement that the hotel will be built within one year and monthly updates on the progress being made on the construction of the hotel. Ms. May stated that she understood what Commissioner Hassenfritz was saying.

Commissioner Hassenfritz stated the issue was not one of integrity, and is aware of the risks involved in venture capital. In the worst case scenario, where everything falls apart, the Commission wants to know that the hotel will be built. Ms. May noted that one of the things that would help insure that the hotel is built is the synergy that exists between the licensee and the casino operator.

Ms. May, referring to Chair Hansen's earlier comments regarding the level of compensation, stated that the contract refers to services rendered and to be rendered. She indicated that Mr. Luzich has the most funds on the line with regard to this development. Commissioner Hassenfritz stated that Mr. Luzich's title is the least definable in the whole process.

Commissioner Sealock stated that she felt Brent Stevens, Manager of AB Capital, LLC, understands how the Commission feels about land-based development, and feels that if he is willing to trust Mr. Luzich, then the Commission should. It is his company's money that will be paying Mr. Luzich. Her philosophy is to watch and see how it goes.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the consulting agreement between Michael S. Luzich and AB Capital, LLC for one year, with the understanding that the Commission will receive monthly reports on the hotel construction. Commissioner Sealock seconded the motion.

Chair Hansen requested that the motion be amended, without qualifications, to include the approval of the other contracts submitted for Commission approval. Commissioners Hassenfritz and Sealock concurred. As there was no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 99-84)

Chair Hansen called on Doug Okuniewicz, General Manager at Bluffs Run Casino (BRC), who presented a contract with The Johnny Ray Gomez Show for Commission approval. The contract is for entertainment and related services. Mr. Okuniewicz noted that Mr. Gomez is an employee of the facility first and could have paid him as an employee, but Mr. Gomez preferred to handle the situation in this manner for tax reasons.

Hearing no further discussion regarding the above contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-85)

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

- All Makes Office Equipment Co. – Office Furniture
- Breeder's Cup Limited – Corn Husker Race Reimbursable Funds
- Farmers Supply – Tractor Parts, Supplies and Sales
- R & D Plumbing, Inc. – Training Building Lease for Year (RP)
- SRC Software – Budget Software for Accounting Department, Installation, Licensing, Technical Support and Maintenance

Commissioner Hassenfritz asked about the contract with the Breeder's Cup Limited. Mr. Timmons explained that the Corn Husker Race is PMR&C's Grade 3 Stakes race. If the horses that enter the race are Breeders Cup-eligible, and finish within the first five, they qualify for additional funds paid directly by the Breeder's Cup. The purse for the race is $350,000, $75,000 of which comes from the Breeders Cup.

Commissioner Sealock asked if the name of the race came from Nebraska. Mr. Timmons stated that in order to maintain the grading of the race with the Graded Stakes Committee, PMR&C had to maintain the same name.

Hearing no further questions or comments, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-86).

Chair Hansen called on Dubuque Greyhound Park & Casino. Brian Southwood, Assistant General Manager, presented a contract with BT Office Products for office furniture for Commission approval.

Hearing no discussion concerning the contract, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contract as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-87)

Chair Hansen stated that he thought he had seen something about a change in Dubuque Racing Association's Bylaws. Mr. Southwood indicated there had not been any changes made in DRA's Bylaws.

Following a short break, Chair Hansen moved to Administrative Business consisting of a report by Frank Biagioli, Executive Director of the Iowa Gambling Treatment Program, Commissioner Sealock and Ms Vanderloo on the "Gambling & Gaming: Winners or Losers?" conference. The conference was sponsored by the University of Nebraska at Omaha College of Continuing Studies, Creighton University School of Law, Nebraska Health and Human Services System Advisory Commission on Compulsive Gambling and the Iowa Department of Public Health Gambling Treatment Program.

Mr. Biagioli noted that he had an opportunity to watch most of the process the National Gambling Impact Study Commission followed in reaching their recommendations contained in their final report, and found it interesting.

Mr. Biagioli stated that the University of Nebraska at Omaha had approached the Gambling Advisory Committee in October 1998, and asked if Iowa's Department of Public Health would be willing to help sponsor the conference. The purpose of the conference was to provide an opportunity for an unbiased and balanced discussion of gambling and gaming's social impact; and given the broad range of presenters and participants at the conference, this goal was met. Sixteen states, two Canadian provinces, and 2 tribal nations were represented in the 115 registered participants and attendees, far exceeding the expected number of 75 participants. He noted that the conference attempted to transcend some of the emotional, anecdotal and individual perspectives through academic research and papers, business-to-business discussions, public policy debate and interdisciplinary dialogue. He stated that he received positive feedback from several individuals in attendance.

Mr. Biagioli advised that I. Nelson Rose, the most prominent lawyer in the gambling business, presented a pre-conference workshop the first day, gave a keynote address during lunch on the second day, and spoke about the National Gambling Impact Study Commission. He felt he was a major component of the conference.

Mr. Biagioli stated that one of the most interesting sessions was one where they talked about addressing problem gambling by the casinos. Carl Braunlich, the presenter, used a video showcasing Foxwoods Casinos as an example of how to train casino employees. A representative from The President was in attendance and indicated that they were already

following the procedures highlighted in the video. Jim Carter, head of security at PMR&C, indicated that he was going to acquire the tape. In another session by Mr. Braunlich, he listed ten points that he felt were important for casinos or gaming entities to address. Mr. Biagioli stated that most of the Uniform Standards that Iowa's gaming industry worked on, and presented to the Commission at the April meeting, cover each of the points listed by Mr. Braunlich. He stated that he felt Iowa was ahead of the game in addressing problem gambling due in part to the industry's recognition that some individuals will develop gambling problems.

Ms. Vanderloo stated that she attended the second day of the conference. She indicated the organizers did an excellent job of utilizing the time. She attended sessions titled Gambling and the Criminal Justice System and Gambling and the Aging Population. In the session dealing with the aging population, the presenter, Dennis McNeilly, Psychiatry Department, at University Medical Center and Creighton University, had written a paper on the disposable time and income of casino gamblers among older adults. The paper also indicated there were six kinds of gamblers: professional, anti-social, casual social, serious social, relief or escape and pathological gambler. The presenter also stated that the female slot player usually is seeking relief or escape, while the older adults fall within the serious casual category. The study also focused on the two groups of individuals having the highest risk of becoming addicted – adolescents and older adults.

Ms. Vanderloo stated that she sat with counselors during lunch. While listening to their conversation, it was her impression that they understood addiction behavior, but did not understand what makes the slot machine so interactive. In her opinion, this would be beneficial in treating the problem gambler. To that end, she has spoken with Mr. Biagioli, who advised that they are working on this issue. Ms. Vanderloo also stated that she felt the counselors need to understand why and how the casinos market their product.

Commissioner Sealock stated that she participated in a panel, "What is the Future of Gambling and Gaming in our Communities?" The other individuals on the panel were Art Hill, Ameristar Casino, Harlan Vogel from Family Services, and Betsy Downey with the Consumer Credit Counseling Services. The latter individuals complimented Iowa on the rules and regulations, the partnership with the Gambling Treatment Program, and were very cognizant of the large number of customers coming from Nebraska to Iowa to gamble. Ms. Downey indicated that she was seeing an increase in the number of individuals with compulsive gambling problems, but that some are repeat clients who have had problems with other compulsive behaviors.

Commissioner Sealock stated that most of the attendees at this session were from out-of-state. They were shocked at some of Iowa's laws and regulations. Some were shocked that children were not allowed in the casinos. She stated that she took several handouts to the session, and had to send more to the college for distribution. Everyone was impressed with how Iowa is regulating gambling and protecting the integrity of the state.

Commissioner Sealock noted that when she reviewed the recommendations of the National Gambling Impact Study Commission, Iowa is already doing most of them. In

her opinion, Iowa is an example to the rest of the country. She noted that two Native Americans approached her following the session wanting to know how the Native American casinos were regulated in Iowa. She made a few comments as to how the current situation came about in Iowa with regard to the regulation of the Native American casinos.

Chair Hansen commended the above individuals for their participation in the conference. He stated that he had some budgetary questions for Mr. Biagioli. He noted that the state budget shows approximately 54% of the Iowa Gambling Treatment Program's funds going for public awareness. He asked if that was basically to fund the 1-800 hotline. Mr. Biagioli stated that he distributed an evaluation of the program prepared for the Legislature in December at the March meeting. The Gambling Treatment Program for 1999 is approximately $1.4 million to be used for treatment and the helpline, with $110,000 being used for the helpline, which is in operation 24 hours per day, seven days a week. Mr. Biagioli gave a brief outline of how the helpline operates following a question from Chair Hansen.

Chair Hansen asked Mr. Biagioli if his program had any control over the counseling services. Mr. Biagioli stated that many of the providers are part of the substance abuse treatment network. There is a team that oversees their clinical work every year or two. In addition, there is an individual that audits the books with regard to the number of counseling hours that are provided and other services reimbursed by the State of Iowa. He also goes on site to provide technical assistance and oversight to the providers in an effort to continually improve services. Some of the providers are hospitals. In that instance, they have an additional oversight by JAYCO, a hospital organization that provides oversight. Mr. Biagioli noted that many counselors have been working towards their national accreditation, and there are several counselors that have already received this accreditation.

Commissioner Hassenfritz asked if there had been any interaction with the local Gamblers Anonymous groups, and if so, if there was anything the Commission could do to get a name and number out to those individuals who are not comfortable contacting the helpline. He wondered if it was legally correct to distribute that information in the casinos. Mr. Biagioli stated that when funding for the Gambling Treatment Program was revived in FY '95, they worked with the Gamblers Anonymous community to see what groups were active. A list was started and eventually there were around 22 groups meeting regularly. They eventually found that the groups located in large metropolitan areas were stable, while those located in rural communities were less stable, and eventually ceased keeping a central list of meeting locations, depending instead on the local service providers to keep current on that information. He does not feel there would be a problem with the casinos distributing that information if they so choose. Mr. Biagioli stated that the helpline operators do have Gamblers Anonymous information available. With regard to supporting Gamblers Anonymous monetarily or via other resources, Mr. Biagioli stated that Gamblers Anonymous' Bylaws are very similar to Alcoholics Anonymous, and they don't want or expect any assistance from the state or the gambling industry. They collect their fees from their membership.

Commissioner Hassenfritz stated that he would like to have some type of resource document setting out the location and meeting dates of Gamblers Anonymous chapters that he could refer to when individuals ask him where they can go to obtain help without going to the helpline. Mr. Biagioli advised Commissioner Hassenfritz that the packet distributed at the March meeting contained that information. He indicated that he was willing to resurrect the list of meetings; it was discontinued as he was getting calls from individuals stating they did not want any more calls. Commissioner Hassenfritz stated that if he was provided with some sources, he was willing to get on the Internet or otherwise pursue the information.

Commissioner Mahaffey stated that he was receiving some of the same kinds of inquiries as Commissioner Hassenfritz. He feels that if gambling begins to diminish in Iowa, it will be because of people's concerns for those individuals that have become problem gamblers. Commissioner Mahaffey noted that the industry may be winning the legal battle with regard to the new credit rule, but is not sure they will win the public relations battle in the end. In his opinion, the gambling industry has to be very vigilant in its efforts to help alleviate the concerns the public has about problem gambling. He thanked the Administrator and staff for providing both pro and anti-gambling information to Commission members.

Commissioner Hamilton asked if there is any in-patient treatment available for problem gamblers. Mr. Biagioli indicated that it is done strictly on an outpatient basis in Iowa.

Commissioner Sealock stated that one of the handouts she used at the conference was from the Iowa Gaming Association with regard to this issue. The participants were surprised by the industry's activity in this area.

Commissioner Hassenfritz stated that the Iowa Gaming Association has the right idea. In his opinion, this emotional issue could become bigger than its reality.

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

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
JULY 15, 1999

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, July 15, 1999 at the West Des Moines Marriott, 1250 74th Street, West Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Member Diane Hamilton was absent.

Chair Hansen called the meeting to order at 8:30 AM. Prior to requesting a motion regarding the agenda, Chair Hansen noted that the hearing to review the Administrator's denial of an owner's license application for William Alfredo had been withdrawn at this time, but will likely reappear after a ruling in the pending case. Jack Ketterer, Administrator of IRGC, advised that agenda item No. 8 (Sodak Gaming/Miss Marquette) was being withdrawn. He stated that he had talked with legal counsel for Sodak Gaming and was advised there is nothing definitive on the sale at this time. Negotiations are ongoing. Hearing no further corrections to the agenda, Chair Hansen called for a motion. Commissioner Sealock moved to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to the election of the Chair and Vice Chair for the year, noting that the term runs from July to June. Commissioner Hassenfritz nominated Bill Hansen as Chair. Commissioner Sealock moved that nominations cease. Hearing no further discussion, Chair Hansen requested a vote. The motion carried unanimously, with Chair Hansen abstaining. (See Order No. 99-88)

Chair Hansen moved to the nomination and election of the vice chair. Commissioner Hassenfritz nominated Rita Sealock as Vice Chair. Hearing no further nominations, Commissioner Hassenfritz moved that nominations cease. Hearing no discussion, Chair Hansen requested a vote. The motion carried unanimously, with Commissioner Sealock abstaining. (See Order No. 99-89)

Chair Hansen moved to the approval of the minutes from the June 17, 1999 Commission meeting. Hearing no additions or corrections, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-90)

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer reminded those in attendance that the August meeting would be held at the Sioux City Convention Center on Wednesday, August 18, 1999, instead of the usual third Thursday. A block of rooms are being held under IRGC until August 1, 1999. Mr. Ketterer noted that the September meeting is being held a week later than normal, September 23rd, due to the World Gaming Congress & Expo. The meeting will be held at the Comfort Suites.

Chair Hansen moved to a discussion of the National Gaming Impact Study Commission report. He indicated this would be a brief review, with a more in-depth review taking place at the August meeting. At that time, specific recommendations from the National Commission will be reviewed as they pertain to the activities of the regulatory body. Chair Hansen stated that he had prepared a form highlighting the 15 points the media selected as the key points and made comments regarding each. A copy is attached hereto, and incorporated in its entirety. Following a review of the highlights, Chair Hansen stated that he felt Iowa stacked up very well, particularly with regard to the Gambling Treatment Program. He noted that the percentage dedicated to the Gambling Treatment Program in Iowa is the highest in the nation, and the dollar level generated is the second or third highest in the nation. Chair Hansen asked for comments from other Commission members.

Commissioner Hassenfritz stated that the Commission doesn't have a mandate on morality. He indicated that the issue of gambling starts from the ground up, moves to the Legislature, and is established and regulated by law. In order to do their jobs effectively, Commission members must put their personal feelings about gambling aside. They do not have the ability to induce morality. Commissioner Hassenfritz noted that the licensees are honorable, work hard to maintain their facilities, and do their best to operate according to the law. The issue of morality on gambling starts at home. If it is your desire to have gambling removed or curtailed, you should contact your local legislators. Just as it was instituted, it can be removed. If an individual wants the regulations on how gambling is done, or rules made, then they should contact their legislator. Commissioner Hassenfritz stated that efforts spent in lobbying the Commission are misdirected.

Commissioner Sealock stated that she agreed with Commissioner Hassenfritz' comments. She pointed out that the one issue of morality the Commission can deal with is the applicants who want to do business in Iowa. The Legislature has given the Commission the ability to thoroughly check the backgrounds of applicants.

Commissioner Mahaffey stated that he had spent a considerable amount of time over the last week looking at the various issues in light of the expansion requests from Prairie Meadows Racetrack & Casino (PMR&C) and Harveys. He stated that he is troubled by the fact that the information received from different sources is so contradictory. He indicated that he had several questions to ask due to comments made about various positions and applications, as well as asking those raising the issues to answer additional questions. Commissioner Mahaffey noted that in all of the information received, there were no comprehensive gambling impact statements by qualified independent research organizations, a recommendation of the National Gambling Impact Study Commission. In his opinion, this makes it more difficult for the Commissioners to do their job. He wondered about the social and economic implications of expanded gambling for Iowa. He is concerned that no information is available. He would like the information to be available in the future. Commissioner Mahaffey stated that he is troubled by the fact that the anti-gambling group doesn't want anything to do with the pro-gaming group, and vice versa. He feels the two groups need to attempt to reach some type of common ground. He indicated his intent to pursue the issue of problem gambling while serving on the

Commission. He feels the Commission and state can do a better job in terms of research and other areas to provide assistance to those that should not be gambling. If that happens, it will be better for everyone.

Commissioner Hansen moved to the approval of the distribution of the greyhound promotion fund as authorized by Iowa Code 99D.12(2)C. Linda Vanderloo, Director of Administration/Racing, indicated that notice had been given at the June meeting that non-profit groups interested in receiving the fund should submit an application to IRGC by July 9, 1999. She noted that the Iowa Greyhound Association (IGA) was the only organization to submit an application for the funds. Documentation regarding utilization of the funds from last year was provided as required. Ms. Vanderloo recommended approval of distribution of the fund to IGA with the following contingencies:

- IGA and Iowa West Racing Association submitting an agreement regarding the escrow account at the August 1999 meeting or
- If they are unable to do so, the parties should present their individual plans to the arbitration panel to decide which plan to follow. Pursuant to minutes from the May 1999 Commission meeting, the arbitration panel decision should be received by November 1, 1999.

Commissioner Sealock complimented IGA on the application, and moved to approve the IGA as the recipient of the Greyhound Promotion Fund with the conditions set forth by Ms. Vanderloo. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-91)

Chair Hansen moved to the contract approval portion of the agenda. He called on Dan Kehl, General Manager of Catfish Bend Casinos, who presented a contract with International Game Technology (IGT) for the purchase of a Y2K Compliant Computer for their Smart System, a slot accounting system.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by Catfish Bend Casinos. Commissioner Mahaffey seconded the motion.

Commissioner Hassenfritz asked about the availability of the equipment from an Iowa vendor. Mr. Kehl indicated it is proprietary. Commissioner Sealock pointed out that IGT does have an office located in Council Bluffs, Iowa. Hearing no additional discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 99-92)

Chair Hansen called on the Dubuque Racing Association/Dubuque Diamond Jo (DRA/DDJ). Bruce Wentworth, General Manager of DRA, and Curt Beason, legal counsel for Peninsula Gaming Company, LLC, presented the following agreements for Commission approval:

- DRA/GDREC – Tenth Amendment to Operating Agreement

- DRA/GDREC – First Amendment to Sublease Agreement
- DRA/City Lease – 7th Amendment
- Consent to the Assignment of the Sublease by GDREC to Peninsula Gaming Company
- Consent to the Assignment of the Operating Agreement by GDREC to Peninsula Gaming Company

Mr. Wentworth advised that the Operating Agreement contained language extending the agreement to 2008, but in three-year increments. The amendment changes that to a fixed term to 2008. The first amendment to the Sublease Agreement, which previously expired in 2002, has been extended to 2008. The DRA/City Lease is the baseline agreement between DRA and the City for the Ice Harbor, which expired in 2004, and has been extended to 2008. Mr. Wentworth noted that some of the land parcels leased by DRA from the City have been redefined.

Chair Hansen expressed concern about Dubuque Greyhound Park & Casino (DGP&C) giving up Lot A to the east of the portside building, as that was considered the prime area for Peninsula's hotel. He wondered why it was being passed off to the City rather than DRA. Mr. Wentworth stated that during discussions with DRA and the City, they realized that was the prime location for a hotel. DRA agreed with the City that Peninsula would probably be seeking a much longer-term lease based on a $10 million investment. DRA and the City deemed it would be more beneficial for the City to be able to negotiate directly with Peninsula. Mr. Wentworth noted that the DRA, the non-profit, is protected by the creation of Lot D, which gives DRA control of determining who can park what boat where and retains the non-profit's rights.

Chair Hansen stated that the Commission has expressed substantial interest in the new licensee erecting a hotel. He noted that some of the Dubuque hotel owners have expressed concern about the new hotel, and is concerned they may put pressure on the City Council to prevent construction of the new hotel. Mr. Wentworth stated that he did not feel that would happen as the City and DRA have always had a very close relationship. He noted that, at this time, the City and DRA share some of the same priorities with respect to development of riverfront property.

Chair Hansen asked Mr. Wentworth if he felt the change would jeopardize the prospects of the hotel being built due to the change. Mr. Wentworth indicated that he felt it would be just the opposite – that it would be easier for that to be accomplished. It is his understanding that Peninsula is looking for a lease term to 2038. Chair Hansen asked Mr. Beason if Peninsula concurred with the change. He indicated they did.

Commissioner Sealock asked for clarification that the hotel would not be located adjacent to the water. She commented on the length and width of Lot D – long and narrow. Mr. Beason advised that the change was made to allow DRA to control the waterfront and no other boat can be brought into Dubuque without their consent.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the agreements as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-93)

Chair Hansen moved to the documents submitted by Peninsula Gaming Company. Mr. Beason advised the Commission that the Peninsula Gaming/GDREC closing was taking place in New York today. He presented the following documents for Commission approval:

- Name Change for AB Capital, LLC
- Amendment to the Operating Agreement for AB Capital, LLC
- Amendment to the Operating Agreement for Peninsula Gaming Company
- Organizational Chart Revisions

Mr. Beason indicated amendments have arisen due to discussions surrounding the financing of the sale. Peninsula will be able to move forward with the hotel and other development projects once the closing has taken place. An update will be given at the August meeting. He noted that the agreements presented by DRA/GDREC, and approved by the Commission, were necessary in order to facilitate the closing of the sale.

Chair Hansen indicated that he felt the parties had reached an understanding regarding Michael Luzich's salary following the last meeting. He felt Mr. Luzich's base salary was to be $180,000, with a $140,000 incentive. In the current document, it appears his salary will be $200,000. Lorraine May, legal counsel for Mr. Luzich, stated that the numbers are identical but the methodology for the delivery is due to the marketplace. A portion of the pay has been changed to a bonus arrangement. The initial agreement called for a salary of $180,000 plus 1% of EBITDA. Based on last year's earnings that would equal $160,000, for a total of $340,000. Under the amended agreement, Mr. Luzich will receive $200,000, plus the potential for a bonus of $140,000, or $340,000.

Chair Hansen asked about Mr. Stevens' salary. Mr. Beason indicated that the compensation amount between Mr. Luzich and Mr. Stevens' was the same as previously submitted, but Mr. Stevens' portion will be lower.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve the agreements as submitted by Peninsula Gaming. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-94)

Chair Hansen called on Harveys Casino Hotel. Grant Gubbrud, Director of Finance, presented a contract with FoxCor, Inc. for construction and administration services. Commissioner Hassenfritz questioned the availability of the services in Iowa. Mr. Gubbrud indicated this was for a corporate project, and the contract was negotiated by corporate.

Hearing no further comments, Chair Hansen called for a motion. Commissioner Hassenfritz moved to approve the contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-95)

Chair Hansen called on Mark Lohman, General Manager of President Casino, presented the following contracts for Commission approval:

- Voluntary Benefits International, Inc. – Employee Dental Insurance
- Coca-Cola Bottling Company of Mid-America – Amended Soft Drink Agreement

Hearing no discussion regarding the contracts, Chair Hansen called for a motion. Commissioner Mahaffey moved to approve the contracts as submitted by President Casino. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-96)

Chair Hansen moved to the contracts submitted by the Belle of Sioux City (BSC). John Pavone, General Manager, presented the following contracts for approval:

- Williams Gaming – Lease of 5 Slot Machines @ 20% of net win (Replacements)
- Casino Data System – Purchase of 4 Slot Machines (Replacements)
- Bally Gaming, Inc. – Purchase of 2 Slot Machines (Replacements)

Hearing no discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by BSC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-97)

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

- Western Engineering – Two Areas of Parking Lots on Property
- Allegiant Group – AS 400 System Upgrade
- Leazanby Construction – Two Areas of Parking Lots on Property
- Andersen Construction Company – Parking Garage

Mr. Terp explained that two of the contracts deal with the temporary relocation of parking sites at the facility to accommodate the loss of parking spaces during the construction of the parking garage. Once the parking garage is completed, the islands and landscaping will be replaced. Andersen Construction Company will be building the parking garage.

Commissioner Sealock moved to approve the contracts as submitted by Ameristar. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-98)

Mr. Ketterer requested that Mr. Terp provide an update on the activities at the Ameristar property. Mr. Terp stated there are two construction cranes on the property at this time. The construction for the Holiday Inn expansion has started. He is hopeful construction crews will be ready to drive in the pile for the Hampton Inn in the near future. Ameristar has been assured they will be able to meet some of the construction schedules as originally communicated. Construction has started on the third floor deck of the riverboat. They are anticipating that this project will be completed by year-end. Mr. Terp indicated they hope to begin construction on the parking garage within 30 days. If everything falls into place, they hope to have it completed by January or February, but hopefully no later than March or April. Mr. Terp indicated that the parking garage would have two entrance levels to allow for high water, thus allowing the garage to still be utilized in the event of 100-year rains.

Chair Hansen called on Ken Bonnet, President of Mississippi Belle II (MBII), who presented the following contracts and documents for Commission approval:

- Aristocrat, Inc. – Purchase 4 Slot Machines (Replacements)
- Iowa Trust – Lease of 4 Slot Machines (Replacements)
- Stock Redemption and Cross Purchase Agreement
- Request for Authorization to Issue 50,000 Share of Non-Voting Common Stock of MBII
- Clinton County Gaming Association Operating Agreement
- Lease Agreement with Clinton County Gaming Association
- Assignment of Lease

Hearing no discussion of the above documents, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts and documents as submitted by MBII. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-99)

Chair Hansen called on Dubuque Greyhound Park & Casino (DGP&C). Mr. Wentworth, General Manager, presented a contract with Anchor Coin amending the participation lease for 22 slot machines at the facility. The participation lease is changed from a percentage of net win to a flat fee.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contract as submitted by DGP&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-100)

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

- Blecker Promotions – Talent Negotiator for Entertainment
- Iowa Beverage Systems – Addition of Beer & Wine Products (Transaction Increase)

- Porter-Bowers Sign Co. Inc. – Parts & Repairs of Signage throughout Facility
- Shive Hattery – Design Fees for West Addition

Commissioner Hassenfritz asked if the contract with Shive Hattery included architectural and engineering services. Mr. Timmons indicated it did.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contracts as submitted by PMR&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-101)

Chair Hansen called on Racing Association of Central Iowa (RACI)/PMR&C to present their season approval request for the harness meet. Derron Heldt, Director of Racing, advised that the minimum purse would be $2,000, which was agreed upon by the Racing Secretary, Royal Roland, representative of the Iowa Harness Racing Association, and himself. The purse supplement will be included in the purse structure for the harness meet, which consists of six days this year. Mr. Heldt stated that PMR&C was recommending Tom Davis as the steward. He has been their steward for the 1998 and 1999 Thoroughbred & Mixed meets. He indicated that Mr. Davis is in the process of obtaining his USTA certification. Mr. Heldt indicated that he would work with Ms. Vanderloo on the certification of various staff members. The harness meet will begin on October 8 and conclude on October 17th, with racing on Friday, Saturday and Sunday. Post time will be at 6:30 PM, with nine races with fields of eight or nine horses, for a total of 175-200 head of horses on property for the meet. Mr. Heldt stated that the types of wagers to be accepted will mirror those accepted in the Thoroughbred & Mixed meets. The harness races will not be simulcast. He indicated all equipment, except the starting gate, will remain the same as the earlier meets. Bob Groter, from Illinois, will maintain the starting gate, as well as serving as the driver/starter for the harness meet. Mr. Heldt indicated the security, certification, gambling treatment program and other were the same as presented for the other two meets.

Chair Hansen noted that the last time harness racing was held at PMR&C, it was not successful in attracting attendance. He stated that he would like to see PMR&C explore the feasibility, due to future costs they will incur in redoing the track surface, of conducting the harness meet at the State Fair grounds, even if PMR&C has to make some kind of contribution to the state fair. He noted that the majority of harness racing is held at county fairs.

Commissioner Hassenfritz, noting that PMR&C recently had a race with a purse of $350,000, asked if any of the funds were from slot-generated revenue. Mr. Timmons stated that if he understood correctly, the question was where did the revenue come from for the purse. Commissioner Hassenfritz indicated the purse was out of the norm, and wondered if the additional money came from the general revenue (slots, etc.), Mr. Timmons stated that RACI/PMR&C had negotiated with the horse groups two years ago and entered into four-year agreements for a total purse amount each year. That amount is placed in the budget as an expense, with the majority of the money coming from the slot

machines. Some money is also received from the pari-mutuel side of the operation as well.

At this time, Chair Hansen called on Ms. Vanderloo for her comments. She indicated that she had talked with Dennis Nolan of the United States Trotting Association (USTA). He stated that all officials need certification. Ms. Vanderloo voiced some concern about some of the officials and nominees being able to perform their functions during the harness meet. She requested that if the Commission approves the request, that it be contingent upon PMR&C continuing to work with staff on personnel issues, and all necessary backgrounds being completed. She also stated that the purses approved for 1999 should not be construed or interpreted as approval for future years and future race dates. Ms. Vanderloo indicated that even though the meet is only six days, IRGC would be incurring a certain level of expenses. She noted that IRGC's budget is prepared two years in advance, and indicated that the possibility of an expanded harness meet next year be contingent upon IRGC having the necessary funding to cover expenses.

Mr. Ketterer explained that the racing license renewals would be heard in September and October. He feels PMR&C will request a twenty-day harness meet next year, which would impact IRGC's budget. He stated that an extended meet would need to be contingent on IRGC receiving funding from the Legislature to do additional testing of horses and hiring two stewards and veterinarians for the meet.

Hearing no further discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve the harness meet schedule with the conditions set forth by Ms. Vanderloo. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-102)

Chair Hansen set forth the following guidelines for the expansion presentations of Harveys and PMR&C. He noted that in the interest of fairness and effectiveness, the Commission has taken a different approach to the requests for additional games due to the new rules, passed by the former Commission and legislative inaction, setting forth new criteria. Chair Hansen stated that both licensees had submitted detailed applications in order to comply with the new rules. He noted that as part of the different approach, the Commission had a professional consultant, Will Cummings, address the Iowa gaming market on Wednesday, and will give a brief presentation today. Following Mr. Cummings' comments, the licensees will be allowed to give their presentations, hopefully in 10-12 minutes. Chair Hansen stated that following the licensees' presentations, those opposing the expansion requests would be given a like amount of time to voice their concerns. He stated that those individuals who wished to address the expansion requests prior to the Public Comment segment of the agenda should work out the time issues with other individuals wishing to voice opposition. Chair Hansen noted that the Commission has received letters from the Truth About Gambling Foundation. He requested that the record show the letters have been received and duly noted. Barring any objection, he requested that the letters be made a part of the permanent record. There were no objections. Mr. Ketterer advised Chair Hansen that a letter from the Clarke County

Visitors Bureau with eight pages of signatures opposing the expansion at PMR&C had been received. He suggested that it also be made a part of the record.

Commissioner Mahaffey stated it was his understanding that the Commission would hear the presentations from Harveys & PMR&C, and then from the opposition. Chair Hansen stated that the requests would be handled separately. He stated that Mr. Cummings would give brief overview/update from the Wednesday presentation, followed by Harveys' presentation. They will be allowed 10-12 minutes, and the opposition will be given the same amount of time. Following the opposition's comments and the Commission's vote, the same procedure will be followed for PMR&C's expansion request.

Doug Gross, legal counsel for Southern Iowa Gaming (SIG), advised Chair Hansen they would have a difficult time giving their presentation within the allotted 10-12 minutes and do justice to the presentation prepared. He noted that SIG has not had an opportunity to submit an application, and requested leeway to be able to present their presentation within a reasonable time frame. Commissioner Sealock questioned Mr. Gross about his statement that SIG had not had an opportunity to submit their application. Mr. Gross stated that the Harveys & PMR&C were required to submit detailed information setting out why the Commission should approve their request. He noted that SIG received the same information shortly after IRGC and wished to make comments regarding PMR&C's submission. Mr. Gross noted that the Commission had not had an opportunity to review their comments due to the time it took to prepare them. He asked for the necessary time to give their presentation.

Chair Hansen advised Mr. Gross that the Cummings' report was made available one week prior to the meeting, as is standard procedure. He stated that he is troubled by the fact that there is a response by another professional marketing firm, which the Commission has not seen. Chair Hansen asked Mr. Gross what length of time they were requesting. Mr. Gross stated that SIG had indicated to IRGC staff that they were conducting their own study in response to the Cummings report, and asked that the Commission delay consideration of the application until the August Commission meeting. The request was denied.

Commissioner Mahaffey asked Mr. Gross if SIG had a study to present to the Commission at this time. Mr. Gross indicated he did, and was mindful of Chair Hansen's comments that the Commission needs time to digest information submitted to them. He indicated that 10-12 minutes is not sufficient time for the Commission to review SIG's market analysis and ask questions.

Commissioner Sealock asked Mr. Gross if he was aware that Harveys had also had a study done and that it had been provided to the Commission the previous week. Mr. Gross stated that SIG commissioned a study of the review of the Cummings' report, as well as the market. He noted that the Cummings' report did not look at the impact of PMR&C's expansion on Osceola. SIG's study does that.

Commissioner Hassenfritz stated that when SIG undertook this project, they would have done some market studies. He noted that the studies are full of data and information, but no significance on the business at hand. He stated his belief that all of the licensees are very capable business people, and PMR&C is a business. Commissioner Hassenfritz stated that the Commission could look at 25 different studies and draw 25 different conclusions. He indicated that he did not understand the purpose of SIG's presentation and was a waste of time. The licensees are individual businesses that are going to succeed or fail based on their own capabilities of marketing, executing their marketing plan and producing a product that is acceptable to their market, and expand their market. Commissioner Hassenfritz stated that he did not understand all the different market analyses, noting that even the individuals who perform them do not draw any definite conclusions, they are merely gathering raw data. He feels this should be done at the beginning of the project, not after the fact.

Mr. Gross stated that Mr. Cummings had used inaccurate information regarding the number of slot machines at Tama, and asked the Commission if they were aware of the implications. He stated that would take central Iowa from being one of the least gamed areas to one of the highest gamed areas in Iowa.

Chair Hansen asked Mr. Gross how much time he was requesting for his rebuttal report. Mr. Gross requested 30 to 45 minutes. Commissioners Hassenfritz and Mahaffey indicated they did not have a problem with the request. Commissioner Mahaffey stated that the Commission is faced with a very important decision, and feels that a full discussion needs to be held in order to be fair.

Commissioner Sealock asked that more lead time be provided in the future to review reports. Mr. Gross indicated preparing a review of a report takes some time, but will make future submissions available prior to the meeting if possible.

Chair Hansen stated that he was willing to make a concession this time, but indicated this should not be construed as setting a precedent, and that material should be provided ahead of time. He noted that one of his principles set forth in March was that there would no longer be last minute surprises, whether from Commissioners or participants in the meeting. He stated that items coming before the Commission should have a full hearing and airing seven days in advance. He suggested the Commission abide by that in the future.

Steve Roberts, legal counsel for PMR&C and Harveys, asked Chair Hansen if it was his intent to allow 30-45 minutes for rebuttal on each presentation or a total for both. Chair Hansen stated that whatever time is allowed for one, would be given to the other.

Mr. Gross stated that he understood Chair Hansen's comments, and agreed with them, but noted that SIG indicated they were going to make a presentation and did ask for the additional time, by asking that the vote be deferred until August, in order to provide the Commission time to review SIG's study.

Chair Hansen asked if the other Commission members were agreeable to giving each proponent of each licensee 45 minutes in total to be used at their discretion. He stated that proponents of Harveys' and PMR&C's expansions would be given up to 45 minutes to make their presentations, and those opposing would be given up to a total of 45 minutes to make their comments.

Commissioner Mahaffey asked if it was possible to hear both presentations prior to voting on either request, noting that he understands that separate votes are required. He noted that he had questions to ask of each licensee and would like to hear the answers prior to voting. Chair Hansen stated there was no problem in doing that, but felt it would be difficult to recall the presentation an hour and a half later.

Commissioner Sealock asked if the agenda would have to be amended. Jean Davis, Assistant Attorney General for the Commission, advised that if they decide to proceed under Commissioner Mahaffey's proposed plan, the agenda would need to be amended.

Commissioner Mahaffey moved to consider agenda items 10 and 11 in order, but defer the vote until both presentations have been heard. The motion died for lack of a second.

Chair Hansen reiterated his earlier statement that proponents and opponents would be given a total of 45 minutes to make their statements, and that individuals/groups should determine how the time was going to be divided among them.

Following a short break, Chair Hansen called on Will Cummings, Cummings & Associates, to make his comments. Mr. Cummings stated that he had been advised at the conclusion of his report on Wednesday that he had used an outdated number regarding the number of slots at the Meskwaki Casino (Tama). He noted that all of the other numbers from the licensed facilities were taken from the Commission's records. Mr. Cummings stated that he redid his calculations and assessments using 1,350 slots at Meskwaki. He stated that the change does not have much of an effect on his analysis. With the revised numbers, central Iowa would still be the least well supplied of all the gaming markets in Iowa with respect to slots and table games. The ratio of slots per 100,000 people is approximately 510, compared to a statewide average of 627, or 20% below the statewide average. Mr. Cummings stated that the increase in the statewide average affected his assessment of the Council Bluffs/Omaha market. With the increased statewide figure, rather than being about equal to the statewide average, it would now be below the average and remain so with the additional capacity being added at Ameristar. With the addition of the boat under construction at Osceola, the central Iowa market would now be tied with the Council Bluffs/Omaha market as the least supplied major markets of all the Iowa markets. Mr. Cummings stated that with the additional 336 slots at PMR&C, central Iowa would still be tied with the Quad Cities market as the lowest major market in Iowa. The narrowly defined PMR&C market in central Iowa would still be the lowest market in Iowa.

Commissioner Hassenfritz noted that Mr. Cummings' report is basically raw statistical data formulated into statistical conclusions and does not factor in operational capabilities

and marketing usage. Mr. Cummings stated that he has assumed the current operators will continue to operate as they are currently doing.

Commissioner Mahaffey asked Mr. Cummings if he still predicted the Osceola operation would gross $47 million in light of the change with respect to the Meskwaki Casino. Mr. Cummings stated that he did, with a significant portion coming from PMR&C and a smaller amount from Tama. He stated the change did not have a significant effect on Osceola's gross win because most of the diversion from Tama would be from the table market, versus the slot market.

Commissioner Mahaffey stated that Commission members have received correspondence from individuals relating to the expansion requests and saturation of the market. Several have made references to a Christiansen Cummings study performed earlier that showed the central Iowa gaming market would be saturated with the existing PMR&C facility and the riverboat approved for Clarke County. He indicated he was not sure which study they were referring to, and asked Mr. Cummings to address the issue of saturation. Mr. Cummings stated he was unclear as to what study the individuals were referring to. He noted that he has performed numerous market studies for Iowa and has never indicated that central Iowa is or would be saturated at any level. He stated that the misapprehension might have arisen because in 1995/96 an analysis of the state as a whole was done. The conclusion was that the State of Iowa as a whole was relatively well-served, with few remaining markets which were going untapped which would generate significant revenues by adding new licensees. The study showed there were no major markets, except for the Cedar Rapids area, that were underserved.

Commissioner Mahaffey asked if there was a difference between adding a new licensee and adding slots or gaming tables at an existing facility. Mr. Cummings indicated there would be a substantial difference between adding another licensee versus adding capacity at an existing licensee for the following reasons:

- By adding a new operator/licensee, the element of competition between facilities/licensees is greater than by adding slots/tables at an existing licensee
- By adding a second operation, or more, another level of fixed costs is added that have to be covered by the new operator, as well as the existing operator(s) with a smaller piece of the market

As there were no further questions of Mr. Cummings at this time, Chair Hansen called on Harveys Casino Hotel to give their expansion presentation. Verne Welch, General Manager, requested approval of their long-range plan, which has been on hold for approximately 1½ years while the Commission and Legislature attempted to resolve the issue of the new rules. He stated their request for expansion included a request for 512 slot machines and 17 table games, leaving room for additional expansion. Mr. Welch noted that a parking garage is under construction and will provide 1,662 spaces when completed and help with parking issues as the property grows.

Mr. Welch stated that an infusion of $100 million on their property would have a positive effect on the community by creating new construction jobs, providing an immediate benefit to Council Bluffs and surrounding communities. It is anticipated that the additional admissions will provide the Iowa West Racing Association (IWRA) with approximately $197,000 more annually for grants. He noted that since January 1996, approximately $13.3 million has been paid to IWRA to be given to charities in the Council Bluffs community and metropolitan area. It is anticipated the expansion will create approximately 350 new positions for employees.

Mr. Welch stated that tourism would increase due to the increased capacity of the convention center, additional hotel rooms, expanded gaming facilities and parking garage. He noted that Harveys has had approximately 1200 conventions at their facility since opening, 313 from in-state and 895 from out-of-state companies. They have lost 330 groups due to a lack of space. Mr. Welch stated that out-of-state convention delegates spend approximately $400-$500 per visit, but estimated Harveys has lost around $1.5 million in room, food and beverage sales due to a lack of space.

Mr. Welch stated that the expansion would provide additional tax revenue for the county and city. He estimated gaming revenues alone would be $28,000 for each. In addition, the county would receive additional property tax revenues of approximately $2 million for the first year. Mr. Welch noted that Harveys makes several direct contributions to the community, outside those made by IWRA, and stated that a percentage of the additional revenues would be returned to the community. The state would also benefit from increased tax revenues – gaming, sales, use, income tax, corporate tax, etc. He estimated the state would receive approximately $1.7 million in additional taxes. Mr. Welch stated that the Gamblers Treatment Program, which receives a percentage of earnings, could receive an additional $16,500. Additionally, Pottawattamie County could see an increase in the amount of property taxes paid. The average home sold for approximately $80,000 in Council Bluffs in 1997; during the first six months of 1999, the average price was $91,200. He noted that home sales have doubled from 1997 to 1998 – 436 to 907. It is his opinion the home market is being driven by the gaming industry. Home sales are on pace to exceed 900 in 1999.

Mr. Welch stated that if Harveys' expansion request were approved, it would address capacity restraints faced on a daily basis, provide patrons with a more enjoyable visit, providing more space for guests and employees. The parking garage will immediately reduce competition for parking space at the various functions held at the facility; the increased casino space would reduce congestion on the weekends, holidays and summer. The added convention space would allow them to recoup some of the lost business.

Mr. Welch noted that Harveys expanded the third deck of the casino in March 1998 by adding additional slot machines and a new poker room. The market has grown by approximately 2.5% since they opened. Their hotel occupancy rate is 98%, with a standard rate of $67.

Mr. Welch stated that Harveys has done some market studies, mainly for the benefit of the owners when he approached them about upgrading the facility. He anticipated that the Council Bluffs market could grow another 32% by 2003. He noted that Economics Research Associates have done a number of studies for Harveys, and they have them back to do some work regarding the social and economic impact of gambling on Iowa. Information from Jeffries Company, an investment counseling company, and Bear Stearns, a market analysis company, was also included in the expansion request. Bear Stearns projected continued growth in Iowa, particularly along the border areas.

Mr. Welch advised the Commissioners that the guest count at the casino consistently exceeds the number of gaming positions available (67 out of the last 78 weekends). He noted that Council Bluffs is ranked as the 19th largest market in the nation. Harveys' land-based investment is approximately $117 million. They would like the opportunity to continue to invest and grow in Iowa. Numerous letters of support from various individuals, community organizations and government agencies were included in the request. Mr. Welch pointed out that Ameristar received approval for an expansion project almost a year ago, and that failure to allow them to expand could be financially devastating if they are not allowed to compete on a level playing field. He noted that their Players Club has over a quarter of a million members – 77% of the active members are from out-of-state. The increased convention space will allow them to host conventions and concerts at the same time, which they are unable to do at this time.

Mr. Welch stated that he conducted an employee survey about a year after the facility opened. Some of the survey results were: 78 bought homes, 214 purchased automobiles, 402 bought major appliances, 210 stated they were receiving better health care, 198 were off public assistance, 411 were involved in volunteer groups or made charitable contributions, and 325 indicated they were better off financially.

Mr. Welch indicated the industry is working on the problem gambling issue. He noted that Iowa is a leader in this area, and gets phone calls from other states, including Nevada, asking for information about Iowa's program. Mr. Welch stated that in addition to making the 1-800-Bets-Off number available, problem gamblers are "86'd", or banned. He indicated that is a lifetime ban at Harveys.

Commissioner Hassenfritz asked Mr. Welch if he would be opposed to participating on a committee with individuals concerned about problem gambling to see what the two sides could accomplish by working together. Mr. Welch indicated that he would.

Mr. Welch closed his presentation by stating that Council Bluffs is a good example of economic development – new public library, a recreational complex funded by Harveys, which will be expanded, and the Western Historic Trail Center. He requested approval of the expansion request.

Commissioner Mahaffey asked Mr. Welch what percentage of the expansion is for the convenience of existing patrons versus attracting new patrons. He felt Mr. Welch indicated during his presentation that the patrons were already there. Mr. Welch stated

that they are full almost every weekend. He stated that the convention center does give them an advantage in that their head counts increase very rapidly when a convention recesses for the day.

Commissioner Sealock noted that half of the expansion project was for the additional hotel rooms and additional convention space. Mr. Welch stated that Harveys turns away considerable business due to a lack of meeting space and hotel rooms. The addition of meeting space and hotel rooms will help to grow the market and their facility. The additional slots will help address the additional casino patrons due to the increased hotel and convention space.

Commissioner Mahaffey noted that the National Gambling Impact Study Commission (NGISC) Report refers to Iowa and the Iowa Gambling Treatment Program on page 4-18. The report indicates that Iowa's program is one of the few state-run efforts consisting of two main components: promoting public awareness and offering assistance through its help-line. The report further states that Iowa's program does not address treatment, training, research or prevention. He asked Mr. Welch if he would be willing to participate in a committee that would address these areas so that Iowa can be "the best that we can be", not just better than the other states. Mr. Welch stated that Iowa has taken the lead in this area, and should continue to do so. He is all for getting problem gamblers the proper care and treatment.

Chair Hansen stated that he took exception to the national report. He noted that Iowa's program does address treatment and training, and does have a sound program on prevention, which includes a rule that was adopted earlier on the uniform handling of gambling addiction. He noted that Iowa does not do anything in the area of research. It is his hope that the Commission would make a recommendation to the next Legislature to correct this deficiency.

Frank Biagioli, Executive Director of the Gambling Treatment Program, stated the statement referred to by Commissioner Mahaffey is one of the most inaccurate statements contained in the report. He indicated that various individuals representing the national commission were given information about Iowa's program. They were advised about the extent of Iowa's program before the final publication. Mr. Biagioli stated that Iowa has conducted two studies – 1995 and 1998 – regarding the prevalence of problem gambling in Iowa. He noted that Iowa participates on a regular basis in the Iowa Public Health System's Behavior Risk Factor Survey, and are continuing to take information from that survey. Additionally, they have participated for a number of years in the Iowa Department of Education's Study, which will be moved to the Dept. of Public Health, with regard to youth and problem gambling. The NGISC ignored all of this information. Mr. Biagioli stated the appropriate people have been contacted regarding the incorrect information contained in the report about Iowa's gambling treatment program. Mr. Biagioli noted that Mr. Ketterer had testified before the committee and touched on this issue as well. This testimony was also ignored.

Commissioner Mahaffey reiterated his concern that there have been public statements by Tom Coates indicating that these expansions would have a devastating impact, sociologically and economically in central Iowa. He asked Mr. Biagioli if he had any statistics regarding the sociologic impact of gambling on Iowa. Mr. Biagioli indicated that there is more research that needs to be done, and also that he agreed with Commissioner Mahaffey's comments as to whether or not Iowa was doing the best it can with regard to the treatment of problem gamblers. With regard to the question about the sociological and economic impact of gambling on Iowa, Mr. Biagioli stated that the data gathered from the Behavioral Risk Factor analysis in 1998 indicated the following:

- 40% of the respondents indicated they had gambled.
- If the response was yes, the individual was asked if they were experiencing financial problems as a result of gambling. Approximately 1% answered in the affirmative.
- Individuals are also asked if gambling activities have lead to problems in their relationships. Affirmative responses were about 1%.

Mr. Biagioli indicated that he felt the numbers would continue to increase if the survey is continued, but emphasized that it is not a specific gambling survey. He noted there is a 3.5% refusal rate to the question "Have you gambled?" which is a concern to him. As the casinos do a better job of marketing their facility, he feels there will be more social and economic problems.

Commissioner Mahaffey asked Mr. Biagioli if he agreed with Mr. Coates' statements. Mr. Biagioli agreed that there would be a few more problems, but that he did not totally agree with Mr. Coates' statements.

Mr. Welch advised the Commissioners that Harveys had joined the National Center for Responsible Gambling whose purpose is to do research and provide education on issues relating to gambling.

Commissioner Sealock noted that due to previous experiences, the Commission places more emphasis on land-based development, and that Harveys' expansion project was being done in phases. She noted that the increase in slots is phase one. She requested a time frame for the remaining phases. Mr. Welch stated that Harveys considers it to be a long-range plan, possibly five to ten years. He stated Harveys considers the parking garage to be first phase as they went ahead with it without the benefit of additional casino expansion. In his opinion, Harveys has a significant land-based development already.

Commissioner Sealock asked about phase two – expansion on the existing boat, and asked when that would occur. Mr. Welch stated they are looking into it at this time. It is possible Harveys may come to the Commission requesting approval to bring in a new boat, if they can find a location for the current boat. Commissioner Sealock asked if she understood correctly that Harveys might go directly to phase three. Mr. Welch indicated that was correct. Commissioner Sealock asked if phase three included the pool building and low-rise expansion. Mr. Welch stated they might attempt to expand some food

operations into the low-rise facility, which is directly behind the lounge at the present time. Commissioner Sealock asked if the convention center was in phase three as well. Mr. Welch indicated it was – that it would be necessary to build the hotel and convention center at the same time so there would be minimal disruption to traffic flow and business. Phase four would be the third hotel tower.

Commissioner Sealock noted that in order for Harveys to bring in a larger riverboat, it would be necessary for them to come back to the Commission and get approval. Mr. Welch stated that the Commission would have control over the entire process via contract approvals.

Mr. Welch stated that if Omaha eventually builds their own convention center, it would draw new faces and businesses to the market, which could cause additional growth in the Council Bluffs market. He noted that the College World Series, which is held in Omaha, already has an impact on the Council Bluffs market.

As there were no further questions for Mr. Welch, Chair Hansen asked if there were any opponents that desired to speak against the Harveys proposal. Robert Miller, President of the Truth About Gambling Foundation headquartered in Muscatine, Iowa, stated that the Commissioners had received a faxed letter from him the day before regarding the rules and regulations as they are currently written. He advised Commissioner Mahaffey that he might be able to answer some of the questions he had for Mr. Coates, as he works very closely with him.

Mr. Miller referred to the current regulations as they pertain to increasing the number of gambling games or slot machines on an excursion gambling boat. He noted that the rules require the licensee to present "clear and convincing evidence" of the following items: 1) show a positive economic benefit to the community in which the licensee operates, 2) the expansion is supported within the broader community in which the licensee operates, and 3) the expansion will not contribute to or exacerbate problem gambling and increase social burdens and costs borne by the citizens of Iowa. Mr. Miller stated that he had not had an opportunity to read the economic report filed by Harveys, but indicated that he had not heard any discussion by the applicant regarding the above issues, which the regulations clearly require the licensee to address in any expansion request.

Chair Hansen interrupted Mr. Miller and informed him that they appeared to be looking at different versions of the rule. Commissioner Sealock advised Mr. Miller that he was referring to a proposed rule, which was modified prior to going into effect. Chair Hansen stated that the official rule states "The licensee shall demonstrate to the Commission's satisfaction..."

Commissioner Hassenfritz asked Mr. Miller if he authored the letter by himself or if there was collaboration. Mr. Miller indicated there was collaboration – that the organization has a number of individuals who serve on the Board. He indicated that he did draft the majority of the letter.

Mr. Miller noted that the NGISC report called for a moratorium on the expansion of gambling, banning ATM and credit machines, and called for comprehensive impact studies to be conducted prior to any kind of expansion. He stated that he did not feel any type of comprehensive impact study had been done by either Harveys or PMR&C, that the studies completed by the licensees does not deal with any of the sociological or economic impact. Mr. Miller stated that for every job created, there would be 14-16 new compulsive or pathological gamblers, at a cost of approximately $450,000. He noted that in Scott County alone, the number of people in treatment for gambling problems averages between 400 and 500 per year. Their average gambling debt is $20,000 - $25,000.

Mr. Miller stated that there is a study in Iowa done by Dr. Rachel Voldberg, Ph.D., which states that creating new machines and new gambling casinos increases the access to addiction and, therefore, the addiction rate. He noted that the study, completed in 1995, indicated a pathological and problem gambler rate in excess of 5.4% of the population. Therefore, any increase or expansion, regardless of location, will cause an increase because of increased accessibility. Mr. Miller indicated his organization has several studies, with the majority of them being done by academic people associated with various universities. He reiterated that he did not feel the studies provided addressed the economic or socioeconomic issues with regard to expansion.

Commissioner Hassenfritz asked Mr. Miller if his organization would be willing to participate on a committee which would pull together the sociological and economic numbers for Iowa. He indicated a need to determine the real number of problem gamblers and how they are identified, and put some cooperative efforts in place to interdict in the situation. Mr. Miller indicated in the affirmative. He stated that education is the organization's main purpose. It is the organization's belief that Iowa needs a thorough and independent impact study that is subject to academic review. He stated that the organization would support a study as long as it is independent and subject to academic review. Mr. Miller stated there is a need to get educational material in the schools like they do for the other addictive behaviors – alcohol, drug, etc. Commissioner Hassenfritz stated that he envisions this committee as a forum for the exchange of ideas and data.

Mr. Welch stated that they would happy to join in any study. He noted that Project 21 is in Iowa and addresses problem gambling among high school students. He stated that scholarship funds are available, and last year Harveys gave around $10,000 to the Council Bluffs school system to have students design and develop posters setting out the dangers of gambling. Mr. Welch stated that the Harvard Medical School has done a study, which shows 1.6 million addicted gamblers nationwide. He indicated that not all of them are addicted to casino gambling. Commissioner Hassenfritz stated he is looking for Iowa statistics only.

Chair Hansen asked if there were other individuals wishing to speak to the Harveys expansion proposal. As there were none, Chair Hansen closed the public comment on the subject, and called on the individual Commissioners for their comments.

Chair Hansen stated that he felt the professional study adequately demonstrated the market potential in Council Bluffs, and that it would be enhanced by the expansion of the hotel facility, which will generate additional growth in the market. He pointed out that articles contained in national industry magazines, and Mr. Cummings also pointed out, that multiple facilities in one location tend to do better than single facility locations. Chair Hansen stated that Harveys' response to the criteria set forth for expansion bode well for Harveys.

Commissioner Mahaffey stated that he had no further comments to make.

Commissioner Hassenfritz reiterated his earlier statement that the market studies are a part of the business. Once the entity is licensed, the business becomes a private enterprise. If individuals investing in the business decides to invest capital, that is a risk they take. In his opinion, the Commission is spending a large amount of time interfering in private enterprise. He stated that if the licensees want the additional facilities and slot machines, and are willing to pay for them, they should have them.

Commissioner Sealock stated that one of the issues she tries to focus on when making decisions like this is to be fair and treat everyone the same. She indicated that she felt the market study should have been done before granting Ameristar's expansion request. In her opinion, the market study shows that the market can handle both expansion projects. Commissioner Sealock noted that the Commission did not deny Harveys' expansion, that it was simply delayed by one commission member who voted present, holding them hostage until the Legislature determined what they were going to do with the rules. Commissioner Sealock stated that she intended to vote for Harveys' expansion, just as she did for any other licensee who came before the Commission seeking approval to expand their operation.

Commissioner Sealock moved to approve Harveys' request as presented. Commissioner Hassenfritz seconded the motion. Chair Hansen requested a roll call vote. The motion carried on a unanimous vote. (See Order No. 99-103)

Following a short break, Chair Hansen called on RACI/PMR&C to present their expansion proposal. Tom Flynn, legal counsel, noted that the facility originally opened in 1989 as a horse track, with low ceilings, a couple elevators in the back to carry employees, patrons, and trash. Additionally, since the casino was added, the money for the slot machines can not be transported on the elevators at the same time as patrons, causing delays in delivering the money. If a patron wishes to participate in the pari-mutuel activities at the facility, it is necessary for them to pass through the casino in order to do so. Mr. Flynn pointed out that PMR&C does not have a buffet like the other facilities, which is a very popular concept with the patron. He noted they do have two small portable buffets on the fourth floor, but the kitchen is located on the third floor. In RACI's opinion, the wants have changed to definite needs. They would like to move the machines located in the lower corridor, build an addition to the present building, and increase the ceiling height to 14-18', and replace the exhaust system. Once the machines are removed from the lower corridor, a passageway for the pari-mutuel patron would be

provided to those facilities without passing through the casino. The horse industry representatives are pleased with the concept. RACI would like to install new escalators and elevators in the front of the facility to help move people around the facility, and improve accessibility for disabled individuals. They are also proposing to enhance the viewing area on the northeast side of the building for the pari-mutuel patrons, a prime viewing area. The buffet would be placed on the third floor, along with the food preparation.

Mr. Flynn noted that time is not an ally for PMR&C. He stated that if the Commission approved their proposal today, they would complete the drawings, and hopefully start construction yet this fall. However, the project would not be completed for at least a year. The majority of the new machines could not be placed into operation until the renovations are completed. Mr. Flynn stated that RACI/PMR&C is aware of the fact that SIG has requested that the Commission wait until they are operational to decide whether or not to grant PMR&C's request. He stated that SIG would have at least six months of operation, assuming they meet their opening deadline, before PMR&C's expanded facilities and new machines would be in place. Mr. Flynn pointed out that the longer PMR&C has to wait and the approaching 2002 referendum, it makes it more difficult to internally justify the improvements to the facility. He noted that the local community has seen PMR&C in debt and bankruptcy, and has made it very plain they do not want to see the facility go into debt again. The 2002 referendum also presents problems in approaching lenders seeking to borrow the funds necessary to complete the project. RACI would like to make all of the proposed improvements from cash flow. Mr. Flynn stated that the revenue from the additional machines should allow PMR&C to pay for $15 million in capital improvements. They have included information setting out what would happen with the expansion project and without it. With the allowed machines and improvements, PMR&C feels they can pay for the improvements by 2002, meet their commitments to the horse industry and the purses, charities, and Polk County. If the status quo is maintained with the increasing tax, PMR&C will experience a negative cash flow by the end of 2002.

Mr. Flynn noted that the Cummings study shows that even with the additional slot machines at PMR&C, central Iowa would be the least served market. He anticipated that SIG's expert would indicate that the additional machines at PMR&C would be disadvantageous for Osceola. He summarized their report in the following manner: anything good for PMR&C would be bad for Osceola. Mr. Flynn stated that the Commission's job was not to protect PMR&C from their own economic folly. He conceded that their study could be wrong, noting that the Cummings study says that Osceola will take $24.9 million away from the facility. He noted that the Meskwaki opened their expanded facility last fall (doubled the number of gaming machines and added a hotel), and PMR&C has continued to be able to compete with them. RACI/PMR&C feels SIG will be able to compete. They have a legislative advantage because they are not faced with an increasing gaming tax and are able to have table games. Mr. Flynn stated that PMR&C was not asking for a competitive leg up against Osceola, only that they not be given a competitive leg down. He noted the various

letters of support from City and County elected officials, the horse industry and local charities.

Mr. Flynn addressed the issue of problem gambling. He stated that PMR&C, as well as the other licensees, recognize that problem gambling is not a benefit to the industry.

Mr. Flynn stated that PMR&C feels the additional machines are authorized by the Legislature, that the application complies with the new rules, and they have the support of the community, and requested that the proposal be approved.

Commissioner Hassenfritz asked Mr. Flynn if PMR&C would be willing to serve on a committee to study the sociological impact of gambling in Iowa. Mr. Flynn answered in the affirmative.

Commissioner Mahaffey asked Bob Farinella, General Manager at PMR&C, about a news article indicating that PMR&C had approximately $15 million in cash reserves. He wondered if that was above normal for PMR&C, and if so, why. Mr. Farinella stated that the questions revolving around the end-of-the-year balances for PMR&C are the result of major changes in the operating agreement with Polk County, as well as accounting changes. He stated that most people that look at the increase in the cash available on the asset side overlook the significant liabilities on the liability side of the financial statement. Mr. Farinella stated that RACI did not feel the funds available to liquidate the liabilities were in excess of the needs of the company.

Commissioner Mahaffey noted that some of the letters he received from Clarke County indicate that one of the reasons the Clarke County application was initially denied was to allow PMR&C to establish their casino and reduce their debt before establishing additional gaming venues in central Iowa. Mr. Farinella stated that when PMR&C opened their casino in April 1995, they relied heavily on the economic impact provided via the Cummings report and their own evaluations of the situation. At the time Osceola originally applied, PMR&C had no true measure of the market. He indicated there was not enough data available to determine if the market could support both gaming operations. PMR&C has now been in business four years, and has had an opportunity to see the actual data for the market, and feel the market can support both operations. Mr. Farinella stated that when SIG presented their request in 1997, PMR&C did not object.

Commissioner Sealock stated that she picked up on some of those same comments in the letters that she received. She stated that it was true that PMR&C, Polk County and the various horse organizations objected to the first application, but that those presentations had nothing to do with her vote. She stated that she had reviewed the minutes from that meeting. She noted that Commissioner Nancy Whittenburg had voted no as well, and all of her comments were relative to ecology concerns. Commissioner Sealock stated that her biggest concern was that the application, as submitted, disappeared during the presentation to the Commission. She also was concerned about the proposed entrance to the facility – crossing Highway 34 and Amtrak's main line. Initially, the applicant had indicated to the community that they would build an overpass, but indicated that might

come later. She noted Chair Canella kept after PMR&C to pay off their debt. Commissioner Sealock noted that the second denial of the license in Osceola was based on the financial viability of the applicant, not PMR&C.

Hearing no further questions for Mr. Farinella, Chair Hansen called on those entities/individuals wishing to oppose the expansion at PMR&C.

Mr. Gross stated that there have been rare occasions when licensees have publicly opposed one another, and one of those was the first time Osceola sought a license for a riverboat. He noted that Mr. Farinella was quoted in the minutes as saying that the Commission had to give PMR&C's casino an opportunity to grow. Mr. Gross stated that what the Commission decided and why did not matter. Mr. Gross found it ironic that PMR&C stated that the Commission should not rescue a licensee from their own economic folly as the only reason slot machines were authorized at PMR&C in the first place was because of economic issues – PMR&C was in bankruptcy. Mr. Gross indicated he had the impression that Commissioner Hassenfritz considered Iowa to be a free market situation, and that SIG knew what the situation was at the time they made their application. He indicated that was not the case, and likened the situation to a parent company or other franchisee trying to encroach on an existing franchise operation.

Mr. Gross stated that SIG was objecting to PMR&C expansion project because their financial viability was at stake. Since their license was granted, 650 additional slot machines have entered the market place, and the Commission is contemplating adding another 336 before SIG even begins operations. Another reason was the new rules governing the review of expansion requests established by previous Commission members, which set forth very specific criteria as to what is required. Additionally, the rules do not allow the Commission to determine which ones are important, but require a determination on each criteria listed. Flexibility is allowed in determining how much weight each criteria will be given. Mr. Gross requested the time necessary to discuss each of the listed criteria in relation to PMR&C's expansion request.

At this time, Mr. Gross introduced Steve Rittvo, President/CEO of Urban Systems/The Innovation Group. Mr. Rittvo stated that he has conducted approximately 450 - 480 gaming studies over the last 7 years. He indicated that during the last two years, his company has worked for the buyers of the DDJ, Lady Luck, appraisal work for PMR&C about 1½ years ago, Osceola, and Marquette. He stated that their numbers are well accepted in the industry, and used for financing purposes.

Mr. Rittvo stated his goal for the day was to take Mr. Cummings' methodology and take it one step further. He stated that Mr. Cummings' report showed the Commissioners what would happen to PMR&C when SIG opened, while his report will show what would happen to SIG if PMR&C was allowed to proceed with their expansion. He also indicated that he would touch on the timing issue, the significance of giving a new operator the opportunity for a fair, running start.

Mr. Rittvo stated that Mr. Grace retained his company two years ago to prepare a market forecast. He indicated they used a methodology similar to Mr. Cummings'. At that time, the projected total gaming revenue of $40,500,000 in the second year, Mr. Cummings' projected $47 million with 7,500 visits. He attributed some of the difference to the number of machines at Tama.

After reviewing a copy of Mr. Cummings' current study, they updated their previous report. He noted that Mr. Cummings' uses counties and distance while his company uses zip codes and overlay the highway system to determine travel times between specific points. In reviewing a map showing population density around PMR&C and Osceola, the area between PMR&C and Osceola along I-35 is the market the two facilities will be fighting over. They applied a gravity model to the existing markets to determine market share under the current conditions – PMR&C, 60.02%, Tama, 39.98%. They then ran the same model to determine what would happen to the existing markets when Osceola enters the market. The market shares represent their forecast would be for the situation as they believe it will be when Osceola opens – Osceola – 16.24%, PMR&C – 49.95%, and Tama – 33.81%. Mr. Rittvo noted that Osceola had declined a little from their previous forecast, possibly due to the expansions at Tama and Council Bluffs. They took this one step further to show what would happen to the Osceola project if PMR&C is allowed to proceed with their expansion request. Urban Systems projects that if PMR&C expands, the overall market will expand from $247.45 to $257.72 million. PMR&C's revenues will increase by 17.2% to $144.87 million. Urban Systems projects that 48% will be new revenue, 31% will represent cannibalization from the Tama casino and the remaining 20.7% ($4.4 million) will come from Osceola, representing a 12% decline in revenues for Osceola. Mr. Rittvo stated that the impact is much greater on EBITDA and the ability to service debt than on revenues. After reviewing covenants of the financing for the Osceola project, Mr. Rittvo stated that it contained a minimum debt coverage ratio of 1.75. Based upon the current financing and the above figures, the operation will not meet the debt coverage ratio. Urban Systems projects that Osceola will experience an 11.04% decrease in revenues and a 26.14% decrease in EBITDA to $8,645,496 before debt service.

Mr. Rittvo indicated that he wanted to address Mr. Cummings' ratios as to where Iowa fits in the markets by state and national rankings as he feels the numbers will help the Commissioners determine whether Iowa has enough machines, too many machines, etc. He stated that when the correct numbers are used for Tama, the ratios change. The numbers would be as follows: 662 slot machines/100,000 population when Osceola opens, and 741 slot machines/100,000 if PMR&C is allowed to expand. When those numbers are compared to Iowa, central Iowa goes from being third from the bottom to third from the top. If the Onawa casino is removed from the equation, the central Iowa market is close to the Council Bluffs and Dubuque markets, and it is exceeding the Quad Cities market. He stated that when the correct figures are used, and the Commission accepted the statement that central Iowa was under served, the central Iowa market is not under served when Osceola comes on board, and could possibly be over served with the PMR&C expansion.

When reviewing the national density of gaming units, Mr. Rittvo noted that Mr. Cummings indicated Iowa would be in the middle of the range, but he felt Iowa could be at the high end of the range when compared to comparable states. He noted that a number of the states cited by Mr. Cummings are video-lottery terminal states with an inflated number of machines as they are not located in casinos. These machines could have an average win/day of $25.00. He indicated that would be true of Montana, South Dakota, and approximately 22,000 of the machines in Louisiana; therefore, he removed the first two states and reduced the number of machines for Louisiana by 55%. He noted that Colorado is actually over serviced and has experienced 8 bankruptcies and 14 closures. Mr. Rittvo stated that Mississippi is now considered a destination resort, and was not sure how to compare that population basis to Iowa. He stated that the riverboat states of Indiana, Missouri, Illinois and possibly Louisiana, if you don't count the video lottery terminals, could possibly be used for comparison. The closest comparison would be Missouri; however, two operators have closed in Kansas City, and none of the other operations are experiencing phenomenal profit, or EBITDA, margins, suggesting that the market could be over serviced. Taking into account that the other states average around 300 machines/100,000, he feels Iowa is closer to the top than the middle in the number of machines per 100,000 population. Mr. Rittvo stated that the logic behind Mr. Cummings' figures was that central Iowa was under served when compared to other Iowa markets; and that Iowa was under served when compared to national gaming markets; therefore, central Iowa was substantially under served. Mr. Rittvo stated that after inserting the correct numbers for Tama, and comparing Iowa with comparable states, he does not reach the same conclusions.

Commissioner Mahaffey noted that even if the PMR&C expansion were approved there would be a six-month period of time that Osceola could be in operation before PMR&C is in a position to compete with the new slot machines. He asked Mr. Rittvo for his comments. Mr. Rittvo indicated that six months is a very short period of time, that his company generally sees a wrap up time anywhere from 18 months to two years.

Commissioner Hassenfritz asked what would happen if PMR&C's expansion was delayed a year and the market and population density influences remained the same. Mr. Rittvo stated that Osceola would experience more of a decline because PMR&C has the ability to put some defensive marketing ploys in place.

Commissioner Hassenfritz asked what the situation would be if SIG had opened in April 1999, and everything else remained the same. Mr. Rittvo stated that had SIG opened in April, and there was a longer lag, SIG would have been able to better position their facility prior to PMR&C opening their expanded project.

Mr. Ketterer stated that his philosophy leaned toward Commissioner Hassenfritz' comments about letting the market determine the number of machines, but that the study was done as part of the process. He indicated that he agreed with Mr. Rittvo's statements regarding the video lottery machines and convenience gambling. He also stated that he felt that the fact that some states, such as Illinois, are severely capacity-constrained and their numbers could be significantly higher, more than Iowa, if the free market were at

work. Mr. Rittvo stated they could be, but indicated he was hedging because he didn't know how Mr. Cummings' structured his Iowa ratios, where he put the Illinois/Indiana ratios and where he put the Chicago population. He concurred that Illinois might be constrained, but was not sure the Chicago-land market is constrained.

Mr. Ketterer addressed Mr. Rittvo's comments about the ratios after factoring in the additional machines at Tama. He stated that even though there were some differences, he felt they were small. Mr. Rittvo stated the markets contained multiple facilities where he expected overlap.

Mr. Gross returned to address the nine criteria the licensee must meet to the Commission's satisfaction before they can grant a request for an expansion. Two of the criteria are whether or not there is an excess demand in the market place and whether or not the additional machines would have a detrimental impact on the financial viability of other licensees in the market place. He pointed out that according to the Urban Systems report, central Iowa is a mature market and is not the least slotted portion of Iowa, and would be among the highest slotted market in Iowa if PMR&C's expansion request is granted. Mr. Gross stated that PMR&C's expansion would come at the expense of the Osceola project. He noted that the Cummings' report did not include an analysis of the impact PMR&C's expansion would have on Osceola. He reiterated Mr. Rittvo's statement that it would reduce gross revenues by approximately 11% and a significant impact on EBITDA, or SIG's ability to service debt. Mr. Gross stated that he did not know how anyone could argue that providing 336 additional slot machines at PMR&C at this time would not have a detrimental impact on Osceola. In his opinion, it would be necessary to show that the market had a pent up demand, and he indicated that is not the case at this time.

Commissioner Sealock asked Mr. Gross how that determination could ever be made in the affirmative if it was going to be defined that narrowly. Mr. Gross stated that the licensee would have to show that there is an unmet demand in the market place that the additional machines would meet. Mr. Rittvo indicated there are ways to add machines and development that will actually grow the market – more hotel rooms, more attractions. He noted that just adding machines would cause some cannibalization to occur. Mr. Rittvo stated that Harveys' request offers an opportunity for the market to grow, with little or no cannibalization of existing licensees. Commissioner Sealock noted that the racetrack enclosure casinos do not have hotels, etc. Mr. Rittvo stated that maybe those facilities need to do something else. Mr. Gross intervened and stated that the rule as drafted creates a tougher legal standard for racetrack enclosures than it does riverboats. There is a specific requirement that the request has to be consistent with the legislative intent as it relates to racetrack enclosures.

Mr. Gross returned to his earlier points and comments. He noted that if the Commission grants PMR&C's request, based on the projections received, it could put them in default on their loan covenants for the financing of the project, demonstrating a significant impact on the financial viability of another licensee.

Mr. Gross stated the purpose of the rules is to prevent arbitrary decisions, and to insure that decisions are made on publicly disclosed standards. At this time, he addressed additional standards as set out in the rule:

1) Positive impact on community – Mr. Gross stated that the request is internally based, that it is designed to fund amenities within the facility – house the additional slot machines, a different air handling system, and add more space, but does not add a new entertainment attraction to the area. No impact on the overall community.

2) Benefits the residents of Iowa – PMR&C indicated additional tax money. Mr. Gross stated that if that was the Legislature's intent that is what they would have written. He feels this standards calls for the licensee to demonstrate economic, cultural, entertainment, social and other kinds of benefits to the state. He noted that PMR&C's study regarding economic impact indicates that 94% of their revenue comes from Iowa; therefore, they are not attracting additional revenue into the state and growing the state's economy. In his opinion, PMR&C has not met this requirement.

3) Increased contributions to qualified organizations – Mr. Gross stated that PMR&C's request shows that their charitable contributions will remain the same whether or not the request is granted. He stated the figure does not change because PMR&C has commitments and the same is true of contributions to the horse industry. In his opinion, the additional machines will simply allow PMR&C to meet existing commitments. Mr. Gross noted that the Commission had recently required the new owners of the Dubuque Diamond Jo to commit to building a new hotel as a condition of their license. He wondered what the Commission would do if they came before the Commission and indicated they could not build the hotel without additional slots. Mr. Gross noted there were no additional funds for schools, or other charitable organizations beyond those projected in PMR&C's recommendations. He referred to PMR&C's argument that the slots were necessary to avoid a deficit in 2002. After quickly reviewing the balance sheet, he wondered why there was no existing working reserve at the beginning of the time frame analyzed. He questioned why the operating expenses were the same with or without the additional slot machines. He felt the additional machines would create additional expenses.

Referring to the standard requiring that an increase not have an impact on the financial viability of another licensee, Commissioner Mahaffey asked when SIG received their license from the Commission. Mr. Gross indicated they received approval on the project in November 1997. Commissioner Mahaffey asked how many delays had occurred that moved the opening of the project to December 15, 1999, and then wondered if SIG had not contributed to their own detrimental impact because of the delays in opening. Mr. Gross stated that he had not seen anything in PMR&C's request to show that they had met the criteria, nor was it SIG's burden to show or disprove that the criteria have or have not been met.

Commissioner Hassenfritz noted that if the Commission denies PMR&C's request for additional machines, and SIG experiences another delay in opening or defaults on their

loan, then the Commission has caused a detrimental impact on a market because of the denial. Mr. Gross noted that the rule requires that there be no detrimental impact on other licensees within the market, it does not address a detrimental impact on the licensee making the request. He stated that SIG's position has consistently been, and was at the time of the license, that they would like to have one year in operation in order to actually determine the market and establish some defensive marketing strategies. In response to PMR&C's comment that they did not have time to wait for SIG to begin operations, Mr. Gross expressed his opinion that they did have time. He noted PMR&C would not experience a negative figure until 2002, giving SIG the ability to be in operation for a year before PMR&C came back to the Commission seeking additional slot machines. Mr. Gross stated that the Commission has the ability to construct a solution allowing that to occur without causing detrimental to SIG, which the rule says they can't do.

Commissioner Hassenfritz asked about the opening date, which has been changed numerous times. He wondered when the year would start running. If you go with the April date as originally set out, then three months of the requested year are already gone. Commissioner Hassenfritz noted there are numerous what ifs, and asked if they would expect one year of operation if they didn't open in December as planned. Commissioner Hassenfritz reiterated his question as to a year from when. Mr. Gross stated a year from when SIG opened. Commissioner Hassenfritz noted that the two sides are talking about a "moving target" since SIG can't guarantee they will be ready to open on December 15th. Mr. Gross suggested the question be asked of Mr. Grace, and acknowledged the Commission's frustration over the delays in getting the project operational. Commissioner Hassenfritz stated that the year being requested by SIG was being taken away from another licensee. Mr. Gross stated that he did not feel the rules allowed the Commission to presume something in advance, that the Commission has to determine whether the request meets the criteria at the present time, not whether those criteria will exist in the future.

Commissioner Sealock noted that when the Legislature changed the rules for the riverboats in 1994, they opened the door for Council Bluffs, and allowed the tracks to have slot machines. Additionally, they elected to penalize the racetracks by putting in a sliding tax rate that will increase 2% per year until it reaches 36%. She noted that the racetracks were advised to make every effort to get their facilities open prior to the Council Bluffs boats opening. The last racetrack enclosure license was granted in January 1995, and the boats opened a year later. Commissioner Sealock pointed out that when the first riverboat licenses were granted in 1990, those operations opened in a year. She noted that has been an established standard, and the Commission expected that Osceola would be open and operating within that time frame. She pointed out the reason the Legislature gave the racetracks one year to establish a market was because they considered the racetracks would be at a disadvantage because of the higher taxes and fewer opportunities. In her opinion, Mr. Gross is putting the boat and track on a level playing field. Commissioner Sealock stated that she still felt the riverboats have an advantage.

Commissioner Sealock noted that both the Council Bluffs and Dubuque markets have riverboats and a racetrack, and that each facility has carved out their own market. She reiterated her earlier comment that she feels Osceola thinks they will be on the same playing field as PMR&C.

Mr. Gross stated that the situations in Council Bluffs and Dubuque are very different from that in central Iowa in that those markets have the ability to attract patrons from outside the state. At PMR&C, 94% of the money comes from Iowans. Therefore, the issue of being able to grow the market becomes much more problematic than in the other two locations. Mr. Gross stated that he felt Commissioner Sealock was addressing the legislative intent when the Legislature stated that the racetracks were limited to slot machines at the racetrack enclosure. He stated that the Legislature's wording allows slot machines at racetrack enclosures, and they defined racetrack enclosure as the area around which they have racing. The Legislature provided that the Commission could expand that definition by rule if they so desired. Mr. Gross noted that the Commission has not done so. He quoted the following definition of racetrack enclosure from Iowa Code Section 99F.1(15): "*Racetrack enclosure*" means the grandstand, clubhouse, turf club, or other areas of a licensed racetrack which an individual may enter only upon payment of an admission fee, or upon payment by another, at any time, based upon the individual's admittance, or upon presentation of authorized credentials. "*Racetrack enclosure*" also means additional areas designated by the commission." He stated that he was not aware of the Commission adopting a rule further defining a racetrack enclosure.

Chair Hansen advised Mr. Gross that the Commission's interpretation, by precedent, was that the legislative intent was that PMR&C could not establish a slot parlor across the street, at Adventureland, or downtown Des Moines, but if they elected to expand their track facility, they could do so. He noted that by a vote of the Commission prior to his appointment, Bluffs Run Casino (BRC) was allowed to expand their facility by 32,000-square feet. Mr. Gross stated he was aware of the expansion at BRC, but reiterated that the Commission has never adopted a rule further defining a designated racetrack enclosure beyond what the statute indicates. He further stated that he had reviewed Commission meeting minutes from 1995 following the passage of the legislation. He noted Mr. Ketterer was quoted as saying, "The only reason racetracks were allowed limited gaming was to allow them to retire outstanding debts with gaming revenues, and secondly, supplement purses to help preserve the industry." Mr. Gross stated that one of the standards the Commission has to evaluate is whether or not they are following the legislative intent as it relates to a racetrack enclosure. He pointed out that PMR&C has already reached those goals, and questioned how the Commission could be consistent with legislative intent and still grant PMR&C's expansion request.

Commissioner Hassenfritz asked Mr. Gross if he was implying there should never be any expansion at PMR&C. Mr. Gross stated that he was saying that in order for PMR&C to be allowed to expand, PMR&C would have to show how they are going to comply with the rules. Commissioner Hassenfritz asked Mr. Gross if he was saying that since PMR&C has retired their debt that they should not be allowed to expand their facility. Mr. Gross indicated that supplementing the horse industry was another standard that

could be used to justify an expansion project. He noted that PMR&C's request did not provide for any additional obligation beyond those funds already obligated to the horse industry, nor increased obligations to charitable organizations. Mr. Gross stated that his point was whether or not the rule required the licensee to increase their supplements, or to just meet their existing obligations, and he felt the intent was for the licensee to increase their obligations. He noted that PMR&C is not talking about financing additional facilities with the revenues from the additional slot machines.

Commissioner Hassenfritz clarified that he was hearing Mr. Gross state that PMR&C did not need the expansion at all. Mr. Gross stated that he did feel PMR&C had met the requirements of the rule. Commissioner Sealock noted that PMR&C is adding a buffet, restaurant and showroom. She asked if he was discounting those improvements. Mr. Gross stated that he felt it was the Commission's obligation, under the rules, to try to determine whether those improvements qualify. He stated that the intent of the statute with regard to a racetrack and creating additional economic activity in Iowa is a lot easier to do on the borders of Iowa than it is in the middle of Iowa where most of the gaming revenues come from Iowans.

At this time, Chair Hansen noted that PMR&C had used 15 minutes and SIG has used 41 minutes. At this time, William Grace, President of SIG, stated that when the project was approved, a study was done by Urban Systems. He stated that at the time of approval, the Commission required that he spend one dollar for every dollar of gaming revenue in the market, or $40 million. Mr. Grace stated that he agreed to spend $45 million. He indicated that kind of expenditure required careful allocation of funds, and extreme care in selecting the financing package.

Mr. Grace stated that he encountered other difficulties, which caused delays, one of those being an illness that caused him to be hospitalized for a long period of time. He pointed out to the Commission that he is the sole owner of this company. He noted that the riverboat has to be built on the banks of the lake, which has only been done three times in the United States. Mr. Grace stated this is very, very difficult to do, and recommended against anyone attempting it in the future. Additionally, he had to deal with several municipalities - state agencies, the IRGC, the federal highway department, Corp. of Engineers, state and federal environmental agencies, and Department of Natural Resources. Mr. Grace advised the Commission that the first time the project was bid, it came in at $60 million. He indicated that the facility had to be redesigned and submitted to contractors. The bids came in at $50 million, but SIG elected to proceed. He noted that two or three days per week for two or three months have been lost due to rain, which have caused additional delays.

Mr. Grace addressed the issue of competition. He pointed that PMR&C's operation is in place, there is no debt on the facility, and there is no need to take on new debt to finance the expansion. He stated that PMR&C is capable of saturating the market through promotions, and there is nothing he can do about it. Mr. Grace stated that he is not anti-PMR&C, and does not like being before the Commission, but that it is necessary. He noted that SIG is a start-up operation in an untested market. Mr. Grace stated that Clarke

County has less than 8,500 people in the whole county, and is building a major project. He noted that he is putting more non-related gaming money, $23 million, into the project as it relates to the project size than anyone in the state. Those funds are being used for community improvements.

Mr. Grace reiterated that he is spending $50 million on the project. He has heard the stories that Osceola will hurt PMR&C, but PMR&C will not hurt SIG. Mr. Grace emphatically stated that an expansion at PMR&C would hurt the SIG operation, and according to the numbers of the market analyst, could cause SIG to default on their loan on two counts, which would kill this project. Mr. Grace stated that he is $35 million in debt on the SIG project, mostly for public improvements.

Commissioner Hassenfritz asked Mr. Grace what effect the Harveys expansion would have on the SIG project. Mr. Grace indicated very little as they are outside of the Osceola market area, and they are promoting and growing the market by adding additional hotel rooms and convention space which is what SIG is attempting to do with their facilities. He stated that the market study performed by Christiansen Cummings for the state at the time SIG was granted their license indicated the central Iowa market would be complete when SIG opened their facilities, which was 650 slot machines ago. Mr. Grace noted there has been a 35% increase in slot machines since the addition of those machines, and a 35% increase since SIG was granted their license. Mr. Grace stated that the Commission has the ability to blow his project out of the water.

Chair Hansen asked if there were additional questions of Mr. Grace. Commissioner Hassenfritz, noting that he did not get an answer from Mr. Gross, asked Mr. Grace when the year would start to run. Mr. Grace stated the project is presently scheduled to open on December 15th, and the chances are 50/50. The intent was to give SIG an opportunity to determine what the market was before there was any commitment for new machines. Mr. Grace stated that if the Commission advised him one year from December 15th that they were going to revisit this issue, he would have no problem with that.

Commissioner Hassenfritz clarified that the "one year in operation" would be December 15, 2000. Mr. Grace stated that is the year in which SIG would, or should, have been open. He indicated they may not make that date, but requested time to test the market – even if it's only nine months. Mr. Grace stated that if the Commission made a commitment to allow additional machines at PMR&C, then SIG opens and it is a disaster, he wondered what would happen then. Commissioner Hassenfritz asked Mr. Grace if he heard correctly – that Mr. Grace was investing $50 million to test the market. Mr. Grace stated that he was investing $50 million as that was a condition of his license. He reiterated that the number of slots in the state has increased 75% since SIG was granted a license, but conceded that the increase was beyond the Commission's control. Mr. Grace advised the Commission that if SIG opens to a $25 million market, the operation would not survive.

Chair Hansen stated that as one of the Commissioners who supported the Osceola project, he never stated that Mr. Grace had to spend dollar for dollar as a condition of the license.

Mr. Grace stated that the minutes would show, albeit not by Chair Hansen, that he was advised that would be a requirement of the Osceola project. He noted the same condition was placed on his predecessor, who would have had to build a $60 million project. Commissioner Sealock noted that the company removed most of the project from the table during their presentation to the Commission.

Hearing no further questions for Mr. Grace, the Commission took a short break. Following the break, Chair Hansen granted opponents of the PMR&C expansion request two more minutes to make remarks. He indicated that would be the final time he would make additional concessions. Chair Hansen noted that he had clearly stated that each side would have 45 minutes to make their remarks and that it would be necessary for all proponents and opponents to work together so that everyone would have an opportunity to make their remarks within the appropriate 45-minute time span. He noted these instructions were given prior to the discussion of PMR&C's harness race season to allow sufficient time for all parties to determine how long each group would have to speak. Chair Hansen, noting that he had been told he was being cruel and unfair, stated that he resented the comment. At that point, Chair Hansen called on Mr. Miller from the Truth About Gambling Foundation.

Mr. Miller presented the Commission with some information from a telephone poll conducted the evening of July 14th, addressing the issue of support within the broader community in which the licensee operates. Target Strategies, LLC, Des Moines, randomly polled 677 registered voters in Polk County, and asked the following question: "Do you support or oppose the expansion of Prairie Meadows by adding over 300 new slot machines and spending $15 million in capital improvements?" Of those individuals responding, over 2-1 opposed the expansion. The report further states: "Based on the sample size, in 95 of 100 values represented, responses would be with 4.3 percentage points of the true values, wherein true represents the ability to speak to everyone in the universe." Mr. Miller submitted the poll to show that the general public does not support the expansion at PMR&C.

Chair Hansen noted that PMR&C has used 15 minutes of its time, while the opposition has used all of its 45 minutes, plus the additional time just granted. Chair Hansen asked Mr. Cummings if he had any comments to make at this time.

Mr. Cummings stated that he wanted to address three points:

1) He regrets the out-of-date slot information pertaining to Tama that was contained in his report for the Commission. He emphasized that if Mr. Rittvo's gravity model were applied to the situation existing in central Iowa before Tama opened their expansion, it would have predicted a significant reduction in revenues at PMR&C due to the increased capacity at Tama. He stated that he does not believe that has occurred.

2) Mr. Cummings noted there was fair amount of discussion regarding what the most comparable markets are for Iowa as a whole. He agreed that there are defects in comparability with many of the other markets listed in his extended table. He indicated

that he was trying to place Iowa within the broadest markets for electronic gaming, and particularly casino gaming. He indicated that he would be very hesitant to restrict the range to other riverboat gambling states such as Missouri, Louisiana, Illinois, and Indiana. He noted that the number of licenses in the states of Illinois, Indiana and Louisiana is not at the discretion of the market place, nor the Commission, but is set by statute. The number of licensees and locations in which there can be riverboats in the Illinois market, and the capacity regarding the number of gaming positions are essentially set by statute, not the marketplace.

3) Mr. Cummings addressed Criteria No. 4 – overall excess demand in the particular market in which the licensee is located. He noted that both Mr. Rittvo's more formal model and his less formal model showed that if there were more devices in a location which is more convenient for most of the population in the market place, then additional spending and revenues would result. In his opinion, that indicates there is a demand that is not being met.

There were no additional questions for Mr. Cummings. Chair Hansen called on Mr. Flynn to present his rebuttal comments. Mr. Flynn, referring to Mr. Gross' comments regarding the various market studies, stated the market place is what should be studied. He stated there was no better indicator than the impact Tama had on PMR&C when they expanded their facility. Mr. Flynn, noting that the facility and number of machines had both doubled at Tama, pointed out that PMR&C has been able to maintain their level of revenue. PMR&C feels that SIG should be able to compete. Mr. Flynn noted that Mr. Rittvo's main issue with Mr. Cummings' report is the fact that it didn't include the correct number of machines at Tama, but he pointed out that PMR&C has not been impacted by the additional machines at Tama.

Mr. Flynn stated that PMR&C did not wish to be insensitive to the physical setback suffered by Mr. Grace. He pointed out that in effect, Mr. Grace was asking that PMR&C be held hostage because he is a one-man management team and suffered a set back, which delayed the opening of the facility. Mr. Flynn noted that if SIG had opened within a year's time like the other riverboats, this whole discussion would be academic. He stated that to some extent, it is SIG's problem that they have not opened, and asked why it had to become PMR&C's problem.

Mr. Flynn stated that PMR&C had the existing patron demand. They have patrons standing three and four deep on holidays and special events waiting for a slot machine to play. It is PMR&C's desire to service their patrons. Osceola will create their own market, and based on the studies, draw a large share of their patrons from PMR&C. Mr. Flynn stated that PMR&C would like to be able to retain as many of their patrons as possible. PMR&C feels they have the facility to do this, but that it is outdated and needs to be renovated in order to better serve all the patrons. Mr. Flynn called Mr. Gross' statement that the expansion was not helping the community, horse industry, or patrons fallacious. The expansion will improve the ambiance of the facility for both employees and patrons. If the expansion request is approved, the majority of the facility will be involved in the construction, which will be a detraction for some individuals. The

construction will take a year, which will give SIG an opportunity to get established. Mr. Flynn noted that PMR&C does have some machines that could be put into play at this time, but the majority of the new machines would not be able to be put into play until the construction is completed.

Commissioner Hassenfritz clarified that it would take one year from now, or July 2000, before the majority of PMR&C's expansion project would be complete. Mr. Flynn indicated that was correct. He reiterated that PMR&C did have some slot machines in storage. Commissioner Hassenfritz asked Mr. Flynn to define the term "some" – did he mean 20, 30 or more. Mr. Flynn stated that PMR&C had between 50-100 slot machines in storage, giving PMR&C the ability to expand their operation by that number of machines immediately.

Commissioner Hassenfritz asked Mr. Flynn if Mr. Gross' statement that the increased revenues would not result in any increases in the contributions to the non-profit was accurate. Mr. Flynn advised Commissioner Hassenfritz that without the increased revenues, PMR&C would begin operating in a deficit and have to make cuts in the budget. Commissioner Hassenfritz asked if the deficit was caused by the increasing tax rate. Mr. Flynn stated that PMR&C hopes to be able to increase their charitable contributions with the increased revenues from the slot machines.

Mr. Flynn addressed SIG's request that PMR&C's expansion project be put on hold until December 2000. He stated that if that was the soonest PMR&C would receive approval, delaying the start of construction until the spring of 2001 with completion later that year, the expansion project would not be done because of the referendum in 2002.

As there were no further questions of Mr. Flynn or other comments by PMR&C representatives, Chair Hansen closed the public debate of the expansion project. He called on the Commissioners for their comments.

Commissioner Sealock stated that she had watched PMR&C come before the Commission on numerous occasions requesting approval to expand their building for a variety of reasons. She noted they have to cater to more "masters" than any other licensee – the Legislature, IRGC, and for a long time, Polk County. Originally, Polk County had to give approval on any changes that would occur at the facility, but that has now been changed. In her view, it now seems as if Osceola feels it has to approve of any action/changes sought by PMR&C. Commissioner Sealock stated that PMR&C has been treated differently than other gaming entities. She noted that PMR&C is in the same building they were in when they had 300 employees, and now they have 1300. Commissioner Sealock stated that she and her husband had stopped at PMR&C on a Saturday evening, and she couldn't wait to leave because of the people crunch. She commented on the poor working conditions. Commissioner Sealock asked how long the Commission was supposed to hold PMR&C back from adding on to their building like BRC was allowed to do five years ago. She conceded that all of the issues would be weighing on her when she casts her vote. She stated that she had no idea until SIG's presentation that by allowing PMR&C to proceed, the Commission would be hurting the

Osceola project. Commissioner Sealock stated it was a very difficult position to be in, and wondered to whom the Commission should be fair.

Commissioner Hassenfritz stated that he was familiar with the impact a project of this size and type can have on the state. He stated that one of the goals he established when he accepted the position was to see Iowa benefit. He stated that he believes in the free market, but also has a heart. Commissioner Hassenfritz noted that he has always been one to try and find a compromise to a situation if possible. He suggested the following compromise: What if the Commission granted PMR&C's expansion request with the caveat that they can place the machines in storage in to play as soon as they want and delay the remaining machines for an additional three months following the completion of the construction, or October 2000.

Mr. Flynn asked if he was hearing that PMR&C could place the machines in storage in play immediately, that the construction could begin, and upon completion, add another three months (October) before the balance of the machines are put into play, giving Osceola a few more months of operation before PMR&C puts all of the machines into play. Commissioner Hassenfritz stated that he was asking PMR&C to sacrifice three months for 200 machines.

Commissioner Mahaffey noted that Mr. Grace had asked for a year's time from December 15, 1999, whether the riverboat opened or not. He advised Mr. Flynn that he felt Commissioner Hassenfritz was trying to give PMR&C additional slots immediately and, at the same time, split the time difference between the two licensees.

Commissioner Hassenfritz repeated his proposal. It is his understanding if the expansion is approved today, and constructions begins immediately, PMR&C anticipates it will take one year to open. SIG is stating they need to have a year of operation prior to PMR&C being granted the expansion, and feel they can have their facility in operation by December 15, 1999. A year of operation would take them to December 2000. Commissioner Hassenfritz stated that his proposal would grant PMR&C's request with the caveat that the machines on hand could be put into play immediately. Noting that construction is estimated to be at least a year (July 2000), he is asking for an additional delay to October 1, 2000 to put the balance of the machines into play. This proposal would give SIG nine months of operation during the prime season

Mr. Ketterer suggested putting a cap on the number of machines that could be put into play at this time since PMR&C was unsure of the number in storage. A cap of 100 was established.

Mr. Gross clarified that what Mr. Grace requested was that the Commission not consider PMR&C's expansion request until December 2000, but under the above proposal, the Commission is preapproving the request.

Commissioner Hassenfritz advised Mr. Gross that the Commission is talking about two different things: expanding the facility and additional slot machines. He concurred with

Commissioner Sealock's comments regarding the working conditions at PMR&C. In his opinion, expansion of the facility is critical, and needed, while the additional slot machines are another issue. He stated that he didn't feel anyone was going to be hurt by PMR&C being allowed to add another 100 slot machines immediately, and by adding on three months following completion of the expansion before the remaining machines can be put into play gives Osceola 9½ months of operations.

Mr. Flynn informed the Commission that PMR&C's management was agreeable to Commissioner Hassenfritz' proposal with one qualifier: Due to the opening date being a "moving target", for every day past December 15, 1999 that SIG delays in opening, they could take a day off the additional three months. Commissioner Hassenfritz stated that the date was not a "moving target". Mr. Grace disagreed, but stated that he had agreed to give up that regardless of whether or not the boat actually opened on that date. After conferring with PMR&C management, Mr. Flynn advised the Commission that they would agree with October 1st and agree to the compromise.

After conferring with legal counsel, Jean Davis, Mr. Ketterer requested that prior to a motion being made that PMR&C/RACI amend their expansion request to be consistent with Commissioner Hassenfritz' proposal and that SIG withdraw their objection based upon the amended proposal. Mr. Gross stated that SIG would not withdraw their objection, as they are not a party to the negotiations.

Commissioner Mahaffey stated that he did not feel the Commission could ask PMR&C to amend their request. He felt the Commission could move ahead with the compromise. He stated that he understood Ms. Davis' reasoning, he also understood the positions of SIG and PMR&C.

Mr. Flynn advised the Commission that PMR&C had agreed to the compromise, and since that was not going to happen, asked the Commission to vote on the request before them as presented.

Chair Hansen set forth his understanding of the situation at this point: Commissioner Hassenfritz put a compromise on the table, which PMR&C found to be acceptable, and when additional terms were put forward regarding the process, PMR&C amending its application and SIG withdrawing its opposition, and when SIG failed to withdraw their opposition, the compromise failed.

Commissioner Hassenfritz stated that the Commission is a body that makes decisions based on the information available, and tries to leave as few unhappy people as possible. That is also the reason there are courts. By using the information, time and elements available, he feels the Commission can somewhat meet the requests of PMR&C and SIG. Commissioner Hassenfritz stated that the Commission could still vote on the proposed compromise, and the parties can take it or leave it.

Chair Hansen stated that he felt the Commission was imposing concessions on PMR&C, while SIG would reserve their right to seek a judicial injunction. Commissioner

Hassenfritz stated that if SIG wanted to spend their money in that manner instead of focusing on getting the facility open, that was SIG's prerogative.

Commissioner Mahaffey noted that Mr. Grace had stated that the Commission could use December 15, 1999 as an opening date, and that Commissioner Hassenfritz' proposal was predicated on other issues, not just on legality, but on the aforementioned date.

Mr. Grace clarified that what he was saying was that he wanted the Commission to defer any decision on PMR&C's expansion request for one year after December 15, 1999, whether or not SIG actually opened on that date. He did agree that PMR&C needs the additional space, but stated they did not have to have the additional slot machines to pay for the expansion as they have the cash available. He requested the Commission wait until December 2000 to determine whether or not there is a market in Osceola. He stated that he would agree to make that determination a year from December 15, 1999.

Commissioner Hassenfritz indicated that the Commission was asking for a compromise of 2½ months from both sides. Commissioner Mahaffey stated that Mr. Grace was not asking for a compromise. Mr. Grace stated that if the Commission made a commitment at this time to allow PMR&C to expand, and SIG opens to no market, it would be immaterial because PMR&C would still have a commitment. Commissioner Hassenfritz reiterated that PMR&C was not receiving permission to put all of the requested slots into play immediately. Mr. Grace disagreed, noting that PMR&C would have approval, just the implementation of the machines would be delayed.

Commissioner Sealock stated that what she was hearing Mr. Grace say was that a year from now, SIG will be back before the Commission opposing any request by PMR&C for the ability to expand their facilities and add more slot machines.

Commissioner Mahaffey stated that he had misspoken earlier, and it appeared the situation was right back where it was in the beginning.

Commissioner Hassenfritz stated that he would still submit his compromise as a motion as originally presented. Chair Hansen asked Commissioner Hassenfritz if the motion incorporated the advice of Attorney General Jean Davis – that PMR&C would have to amend its application and SIG withdraw its application. Commissioner Hassenfritz answered in the negative.

Commissioner Hassenfritz stated that he wanted to hear Ms. Davis' comments, but felt the whole process of what these entities are about, making money, is being skewered. He indicated this is the best solution he can see in this situation. It gives SIG a head start, although not what they wanted and gets them through the prime season, and gives PMR&C the opportunity to get started on the building expansion, which is one of their major concerns. Chair Hansen asked Commissioner Hassenfritz if he was making a formal motion. Commissioner Hassenfritz answered in the affirmative, and stated that the motion did not include the two contingencies. Commissioner Hassenfritz stated that if Chair Hansen wanted to defer to legal counsel, he would concur. Chair Hansen

indicated he was going to do so, but wanted a second to the motion first, if there was a second. Commissioner Sealock seconded the motion.

Chair Hansen stated that the motion had been made, and seconded, that the Commission approve PMR&C's request, predicated on their ability to immediately place an additional 100 machines into play, and that the remainder would not be put into play until October 1, 2000. Chair Hansen asked Ms. Davis to make her comments regarding the motion.

Ms. Davis stated that her question to Mr. Ketterer was whether or not the motion included a supposition that PMR&C was going to amend its application. She stated that PMR&C is entitled to analysis of the application as presented under the rules. Commissioner Mahaffey asked if the Commission could still vote on the motion. Ms. Davis answered in the affirmative.

Mr. Ketterer asked Ms. Davis if she was saying that if the motion and second on the table carried, would it be necessary for the Commission to then go back and vote to deny the original application. Ms. Davis indicated that was correct, but reminded the Commission to keep in mind the fact that they do have regulatory standards for review of such applications and that their decision must be framed around the regulatory standards.

Commissioner Hassenfritz stated that it was his understanding that the Commission would vote on his motion, and then vote to deny the original application. Ms. Davis stated that was hypothetically correct if the motion continued, but again reminded the Commission that they do have regulatory standards that have to be followed as set forth in the rules and their basis for action should be framed around the rules.

Commissioner Mahaffey asked Ms. Davis if she was concerned they were not meeting the regulatory standards and were headed down a path of legal quagmire. Ms. Davis answered in the negative. She stated her only concern was to make sure that what the Commission was proposing initially was a compromise, that it also involved a decision on the application pending before them as it stands. Commissioner Sealock asked if the Commission needed to deny the application as submitted, and then vote on the compromise. Ms. Davis stated that the sequence of the votes did not matter.

At this time, Mr. Flynn advised the Commission that PMR&C had authorized him to amend their application by embracing Commissioner Hassenfritz' proposal. He asked that the Commission consider PMR&C's application amended and to vote on it in that manner.

Chair Hansen asked Ms. Davis if the Commission was at the point where they could vote on the motion. Ms. Davis answered in the affirmative. Chair Hansen called for any further comments. Mr. Ketterer asked that Chair Hansen make a statement that the compromise is also supported by the rule, and that the licensee has complied with the rule.

Commissioner Hassenfritz clarified that Mr. Ketterer was asking for the motion to be amended. Ms. Davis advised Commissioner Hassenfritz that Mr. Ketterer was suggesting that in order to conform to the rule, that the motion be amended to indicate that the PMR&C's application as amended satisfies to the Commission's satisfaction all of the criteria set out in the rule. Commissioners Hassenfritz and Sealock agreed to the amendment to the motion. Chair Hansen called for a roll call vote regarding PMR&C's amended expansion application. The motion carried unanimously. (See Order No. 99-104)

Chair Hansen stated that since the Commission has tried to pursue a compromise that SIG would find it in their heart to be supportive of this change. He stated that he supported SIG on two previous occasions, even though neither application was successful in gaining Commission approval. He stated that he had toured the project the previous week and indicated it was an excellent project and Mr. Grace is a savvy contractor with unparalleled community support. Chair Hansen stated he was sorry SIG did not agree to the compromise today, and went on to address their pleading for delays. He stated they had reduced delays to an art form, noting that the Commission has held two telephonic Commission meetings, and have incurred 28 different delays, including four different times for the project to open. He noted that SIG was going to take two years to complete the project, whereas Ameristar and Harveys were expected to complete their projects and open within one year, with the expectation being incorporated into the motion granting their licenses. Chair Hansen stated that he felt the Commission could not condone any further special treatment for SIG, that they have received an adequate dose. With regard to the implications of the impact of Tama, etc., Chair Hansen stated that it was noteworthy that Tama completed an $18 million expansion and increased their slots and table games by one-third each, pay no taxes, and at the same time, the Commission, without his vote, or that of Commissioner Sealock, rejected PMR&C's expansion request. He noted that PMR&C's request would increase the amount of taxes received by the state, county and city.

Chair Hansen briefly addressed the issue of the appearance of discrimination in the handling of the various requests for additional machines. He noted that in 1996, the Commission received ten applications, and granted ten grants to seven different licensees on unanimous votes. In 1997, the Commission received 12 applications, and approved 11 requests to eight licensees, with nine unanimous votes and one 4-1 vote. Chair Hansen noted the Commission approved the addition of 1,469 slots that year with only one dissenting vote, which was his because he disagreed with the Commission's motion to approve 50 machines for PMR&C instead of the 400 requested. He further stated there was one rejection of PMR&C on a 3-2 vote. In 1998, Chair Hansen stated that the Commission approved six requests from six licensees on five 5-0 votes, two 4-1 votes, and one 3-2 vote. There were two rejections – PMR&C and Harveys. He noted that during the last three years, the Commission has approved 27 requests from licensees for additional machines and only denied two licensees. Chair Hansen referred to a table he had prepared ranking the facilities by the percentage of increase in slot machines. Harveys is ranked ninth, and PMR&C twelfth out of thirteen entities. Further, he noted that the number of slot machines allowed SIG is more than double the next highest

increase that any other licensee received in terms of additional machines. Chair Hansen stated that he hoped the actions taken by the Commission at this meeting would put the appearance, whether real or imagined, of discrimination behind them and that they could move forward with fairness and equity.

Chair Hansen moved to the next agenda item – an update from SIG on the Osceola project. Mr. Gross stated that sufficient information had already been provided.

Chair Hansen moved to Public Comments and asked if there was anyone wishing to address the Commission who had not already done so. Commissioner Mahaffey stated that his "yes" votes were not easy for him to cast, and were reluctant ones because he is still troubled by the fact that the Commission did not have what he felt was independent input on the economic and sociological aspects of gambling for the future. He indicated that he would like to have that information available in similar situations in the future. Commissioner Mahaffey requested that the Gambling Treatment Program continue their studies, and that the Commission press for funds for research to address gambling addiction.

Commissioner Mahaffey addressed a letter the Commission received from Otto Steele dated June 29, 1999 regarding the ban on credit machines from the casino floors. He stated that there is a court injunction in place prohibiting the Commission from enforcing the rule at this time. A hearing and ruling could occur this fall. Commissioner Mahaffey reiterated his comment that the gaming industry should revisit this issue. In his opinion, they may be winning the legal battle, but questioned whether they are winning the public relations battle. He stated that the easy availability of cash via credit cards is a real concern to the public.

Commissioner Hassenfritz noted that he had asked several individuals in the gaming industry, as well as those concerned about problem gambling, if they would be willing to participate on a panel to bring the two sides together, and had received several commitments. He requested permission to pursue this idea. He indicated that it was not necessary to involve the Commission. Commissioner Sealock advised Commissioner Hassenfritz that was not an option since he is a Commission member. She recommended that Chair Hansen establish a subcommittee. Chair Hansen appointed Commissioners Hassenfritz & Mahaffey to work on this issue. Commissioner Hassenfritz pointed out that Commissioner Mahaffey didn't have the time. At that time, Chair Hansen stated that he would work with Commissioner Hassenfritz as he also has a concern along these lines, and has pushed for research on various occasions. At this time, Chair Hansen recognized William Wimmer, Executive Director of the Iowa Gaming Association. Mr. Wimmer, on behalf of the Association, accepted the Commission's invitation to participate on the panel. He noted the Association has talked about this issue at great length and will be doing so again at an Association-wide retreat scheduled for Monday of the following week.

Commissioner Hassenfritz stated that he felt a disinterested third party would be needed as an expediter when the two sides meet. He suggested a retired judge, or contractor –

someone with good personal skills. He noted that this individual would not participate in the discussion as much as getting the thought processes going. Commissioner Hassenfritz stated that he wanted to keep the process as objective and even-handed as possible. He stated that he wanted the licensees and anti-gambling individuals to work together on this issue and realize that by doing so, they can probably do more good than working separately. Commissioner Hassenfritz asked Mr. Kehl if he would be willing to participate on the panel. Mr. Kehl stated that both MBII and Catfish Bend would participate.

Hearing no further discussion, Chair Hansen called for a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Sealock seconded the motion, which carried unanimously. The meeting adjourned at 2:50 PM.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
AUGUST 18, 1999

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday, August 18, 1999 at the Sioux City Convention Center, 801 Fourth Street, Sioux City, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair and member Diane Hamilton. Members Jim Hassenfritz and Mike Mahaffey were absent.

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

Chair Hansen requested a motion to go into Executive Session for the purpose of receiving advice from legal counsel pursuant to Iowa Code Section 21.5(c). Commissioner Hamilton so moved. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-105)

Following Executive Session, Chair Hansen advised those in attendance that a quorum of the Commission was present. He called on John Pavone, General Manager of the Belle of Sioux City, who introduced Mayor Pro Tem Marty Dougherty; Betty Strong, President of Missouri River Historical Development (MRHD); and Larry Clausen, representing the Woodbury County Board of Supervisors. These individuals welcomed the Commission to Sioux City and made brief remarks about the benefits the area receives from the riverboat. Mayor Pro Tem Dougherty noted that the City receives $1.4 million annually, which is specifically used for infrastructure. The riverfront has been transformed into a park area featuring a trail system and recreational facilities. Ms. Strong stated that MRHD has given $2.25 million dollars to charities within Woodbury County. MRHD has committed $1.5 million to the Lewis & Clark Interpretive Center, which they will build and operate for a year before presenting it to the City. Mr. Clausen advised the Commission that the County has received $1.3 million to date, or $200,000 per year, which is being used to restore the Courthouse – a National Historic Landmark.
Chair Hansen thanked everyone for their comments, and noted that over the past year, the BSC's performance and growth was almost twice the statewide average.

Chair Hansen moved to the approval of the minutes from the July 15, 1999 meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-106)

Chair Hansen called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer advised that the September Commission meeting would be September 23rd at the Comfort Suites in Urbandale. The October meeting will be held on October 21st at the Dubuque Greyhound Park & Casino.

Chair Hansen moved to the next agenda item – Clarification of Rules and Practices Regarding Appearances and/or Material Presentation Requests and Public Comment. He stated that he felt it would be appropriate to clarify some issues following the confusion at the July Commission meeting. Chair Hansen read Iowa Administrative Rule 1.2(3)c, which states: "Persons wishing to appear before the commission should submit a written request to the commission office not less than seven days prior to the meeting. The administrator or commission may place a time limit on presentations after taking into consideration the number of presentations requested." Chair Hansen stated that the issue he addressed at the July meeting was the one where an individual or party wishes to be placed on the agenda. He noted that said request should be received in the Commission's office prior to the distribution of the meeting agenda. The request should also include any material the Commission is to review. Chair Hansen stated that individuals are also allowed to comment under "Public Comment", but noted that it is the last item on the agenda. In order to make comments under "Public Comment"; it is necessary to sign in upon entering the meeting.

During last month's meeting, there were individuals wishing to address the Commission regarding the expansion proposals for Prairie Meadows Racetrack & Casino (PMR&C) and Harveys. Chair Hansen stated that he set a time limit of 45 minutes for <u>all</u> individuals to address the Commission. He noted that the individual(s) or groups who had requested to address the Commission would be able to determine how the time was allocated. All others would have to request a portion of the time from the individual/group in control of the time in order to address the Commission at that time. If no time was granted, they would not be able to address the Commission until the "Public Comments" section of the agenda.

Chair Hansen further stated that if material is submitted for Commission review with pertinent information left out or blank, said material will be considered non-responsive in the future. Future submissions must be complete, or it is defeating the purpose of allowing Commission members sufficient time to review all documentation before them.

Chair Hansen called on Mr. Ketterer to discuss the findings of the National Gaming Impact Study Commission (NGISC). Mr. Ketterer stated that he was going to review the recommendations of the NGISC with respect to regulating the gaming industry. He noted that some of the recommendations are applicable to IRGC, some pertain to the lottery, and still others are outside the scope of the Commission. The recommendations were as follows:

1) <u>States are best equipped to regulate gambling within their borders, with the exception of tribal gaming and Internet gambling.</u>

2) <u>Don't allow anyone under the age of 21 to gamble or loiter in gambling areas.</u> Mr. Ketterer stated that since the 1994 Legislation, the Commission and staff have taken a very close look at the issue. He noted the Commission has issued some very stiff fines for violations, and the licensees are now doing a very good job of preventing those individuals under 21 from entering the casino.

3) Post warning signs about the dangers of gambling and the odds in prominent locations. Mr. Ketterer noted that Iowa's licensees and the Iowa Gambling Treatment Program had developed uniform standards regarding various issues earlier this year. IRGC rules require the odds to be posted at all locations.

4) Prohibit "convenience" gambling – electronic gaming devices located in neighborhoods as they provided fewer benefits for the community and increased the detrimental impacts on society. Mr. Ketterer stated that "convenience" gambling was not authorized by the Iowa Legislature. During polls conducted in 1993, 72% of Iowans were against "convenience" gambling.

5) With regard to pari-mutuel tracks, if the primary purpose for allowing slots was to save a pari-mutuel facility, the market is determined to no longer serve the community, or to compete with other forms of gambling, then states should not allow slots at those facilities. Mr. Ketterer noted that Iowa's Legislature did vote to allow slots at the pari-mutuel facilities. He stated that he was asked to address the Committee a year ago. Mr. Ketterer informed the Committee that he felt the Legislature included some items in Iowa's statute that were worth emulating by other states if they elected to add gaming at racetracks. Those items included a county-wide referendum so slots would not be forced upon a community; limiting gaming licenses to those pari-mutuel tracks holding a license at the time of the legislation; revenues were to be used to retire outstanding debt on the facilities, and once that was accomplished, to supplement purses, and a portion of the revenue was to be dedicated to the Gamblers Treatment Program.

6) Periodic reassessment. Iowa does so by requiring a referendum in 2002, and every eight years thereafter.

7) A one-year cooling off period for regulators going to work for the gaming industry. Iowa has a two-year cooling off period.

8) No new forms of gambling be established. Mr. Ketterer noted that no new forms of gambling have been added in Iowa. Further, IRGC has passed a rule establishing a moratorium on any additional licenses in the state.

9) Various recommendations with respect to problem gambling. He referred to the uniform standards established earlier in the year by the licensees and the Iowa Gambling Treatment Program, which address the display of materials at the locations, staff training recognition, specific problems such as voluntary banning and appropriate counseling, and that the licensees be an active participant with the Iowa Gambling Treatment Program.

10) A privilege tax to fund problem gambling in order to promote awareness, treatment and research. Iowa requires the licensees to pay three-tenths of a percent to the Iowa Gambling Treatment Program, which generates $2.5 million.

11) Implementation of procedures to allow individuals to voluntarily ban themselves from the facilities. A number of Iowa facilities have been doing so for several years.

12) Post the phone numbers of help information in conspicuous locations. Mr. Ketterer stated that the 1-800-Bets-Off number is well known to all Iowans.

13) Remove ATM and cash advance machines from the immediate area where gambling takes place. Mr. Ketterer noted that Iowa has a rule in place which does that with debit machines and ATM machines. Iowa's rule banning the use of cash advance machines is in litigation.

14) Strictly enforce rules regarding minors and gambling by insuring that all employees are trained in this area and that curfews are followed. Mr. Ketterer stated that he felt Iowa has been doing this.

15) The NGISC found that in depressed areas, the gambling industry helps with economic development and creates good jobs. Mr. Ketterer stated that this was a Legislative goal when the gambling bills were passed due to the lack of economic development and high paying jobs with benefits in some of the river front towns. The Legislature mandated that casino employees be paid at least twenty-five percent more than the federal minimum wage. Mr. Ketterer stated that he felt the benefits were comparable to those in other industries. The NGISC also felt that destination resorts were best. Mr. Ketterer noted that the Commission has encouraged land-based development, hotels and tourism as a benefit for the state.

16) States should fund research on problem gambling and its effects on customers and families. Mr. Ketterer noted that Chair Hansen has stated on several occasions that he would like the Legislature to provide funding for one of the colleges to study addiction. He noted the Commission does not have the funds to do such a study.

Mr. Ketterer stated that, based on the NGISC's recommendations that are within the purview of the Commission, Iowa is ahead of the ballgame and ahead of the curve based on the NGISC's report on the industry.

Chair Hansen stated that he felt there is one area where there is a void in everyone's concern about problem gambling, and that is the problem of addiction. He feels that the State, which will see an additional $15 million from gaming taxes this year, should give up to $1.5 million to the University of Iowa School of Medicine to study addiction.

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

- Aristocrat, Inc. – Purchase 6 Slot Machines (Replacements)
- Sunstar Equipment Co. – Tables and Chairs for Banquet Room

- WMS Gaming, Inc. – Purchase 8 Slot Machines (Replacements)

Mr. Wentworth also introduced Dan Hammel, President of Dubuque Racing Association, and Brian Rakestraw, Slot Director.

Hearing no questions regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-107)

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

- City Supply Corporation – Plumbing Parts & Supplies
- Mosler Incorporated – Money Machine Maintenance Agreement
- North Country Business Products – Y2K Upgrade & Maintenance Agreement for POS Micros System
- Odyssey Travel – Company Travel and Rooms
- Sysco Food Services of Iowa – Dry Goods Food Service

Commissioner Hamilton asked about the contract with Odyssey Travel, and if it was for travel to the World Gaming Congress & Expo next month. Mr. Farinella stated that PMR&C uses a travel agency to make all necessary travel arrangements, including hotels and rental cars. He stated that this contract would be for all travel.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-108)

Chair Hansen called on Mississippi Belle II (MBII). Terry Hirsch, Director of Riverboat Gambling for IRGC, presented a contract with Lambourne Environmental Diving Service, L.C. for an underwater vessel inspection program. Mr. Hirsch indicated this inspection would be similar to those being used by other licensees. Chair Hansen asked if the vessels would still have to undergo a dry dock inspection. Mr. Hirsch stated that an underwater inspection would give the vessel an additional thirty months on their Certificate of Inspection, at which time they could have another underwater inspection. Mr. Hirsch stated that he did not think the Coast Guard has put a limit on the number of underwater inspections a vessel could undergo before having to undergo a dry dock inspection. He noted that the Coast Guard has always stated that depending on the results of the underwater inspection, they may require a dry dock inspection. Due to the limited travel and short amount of time away from the dock, the Coast Guard has allowed the operators to go this route. Mr. Hirsch stated that it was difficult to tell what would happen in two or three years.

Hearing no further questions, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contract as submitted by MBII. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-109)

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

- Ernst & Young LLP – Audit Services
- Glen Campbell Enterprises, Ltd. – Entertainment Services

Hearing no discussion, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-110)

Chair Hansen moved to the contracts submitted by Lady Luck Casino. Nancy Donovan, General Manager, presented the following contracts for Commission approval:

- Cummins-Allison Corporation – 4 Jet Sort Coin Sorters
- Lodgenet Entertainment – In-Room Movie Service (Hotel)
- Reinhart Institutional Foods, Inc. – Food Service Vendor
- Sam's Club – Stock Items, Bulk Office Supplies, Giveaway Items
- Shuffle Master, Inc. – Automatic Shufflers, Three-Card Poker
- TPA Forms Plus – Printing Services (Forms)
- Tri-State Tours – Bus Subsidy

Hearing no discussion concerning the contracts, Chair Hansen called for a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lady Luck. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-111)

Chair Hansen called on Southern Iowa Gaming Company. Chair Hansen asked Larry Seckington, legal counsel, when SIG expected the Osceola facility to open. He noted that during the July meeting, they had indicated it was a 50/50 chance for December, but a recent communiqué to IRGC indicated the possibility of the opening being delayed to early 2000. Mr. Seckington stated they are still giving the December 15th date a 50/50 chance. He noted there had been a couple of delays within the last 30 days due to extreme heat and rain.

Chair Hansen stated that various Legislators have been asking him about the opening date. He noted that SIG received the last license, and the Legislators are looking at the loss of revenue to the state because of the delayed opening. After reviewing the minutes from the original presentation, Chair Hansen stated that SIG estimated the State would receive approximately $7 million per year in state taxes. Mr. Seckington stated that SIG is also anxious to get the project open as they are losing revenue as well. He noted the general contractor is working six days a week, ten to twelve hours per day.

Mr. Seckington presented the following contracts for Commission approval:

- First Saylor Realty/Better Homes & Gardens – Helen Saylor – Facility for Training (RP)
- Pepsi-Cola Company – Service Contract
- Roger Williams Mint – 373,700 Gaming Tokens
- Control Installations of Iowa, Inc. – Video Surveillance System
- Computer Cable Connection, Inc. – Voice & Data Cabling System (Landbase)
- Computer Cable Connection, Inc. – Voice & Data Cabling System (Boat)
- Midwest Gaming Supply – Purchase 425 Slot Machines
- Williams Gaming – Purchase 100 Slot Machines
- Aristocrat – Purchase 100 Slot Machines
- IGT – Purchase 150 Slot Machines
- Paulson Gaming – Purchase 90,000 Gaming Chips

Mr. Ketterer asked Mr. Seckington about the related party contract with First Saylor Realty/Better Homes & Gardens for $3,600 for six months. The contract indicates an additional bid for $1,500 was obtained and that the low bid was used. Mr. Seckington explained that the $1,500 was a per month bid for a six month lease. Mr. Ketterer asked if the $3,600 figure would be $1,200 per month for three months. Mr. Seckington advised that it is $600 per month for six months. Mr. Ketterer noted that the contract shows the length of the transaction is six months, but the dates shown for the contract are 9/1/99 through 12/1/99.

Hearing no further questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by SIG. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-112)

Chair Hansen called on Dubuque Diamond Jo (DDJ). Jim Rix, General Manager of the DDJ, presented a contract with AON Risk Services, Inc. for all of the insurance coverage and setup and administration of the 401K plan.

Hearing no discussion, Chair Hansen called for a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-113)

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

- Firstar Bank Iowa NA – 6 Month Extension of Line of Credit
- Mills Investment Corporation – Lease of Building for Warehouse Space
- River Trails Transit Lines, Inc. – Charter Bus Service
- Thompson & Coburn – Legal Representation

Hearing no discussion on the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by the President. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-114)

Chair Hansen called on John Pavone, General Manager of the BSC, who presented a contract with IGT for the replacement of eight slot machines and the lease of software for four games.

Hearing no discussion regarding the contract, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-115)

Commissioner Sealock stated that she and Commissioner Hamilton had visited the boat the previous evening. She noted that the changes made since the last time the Commission was in Sioux City are dramatic – everything is clean and bright.

At this time, Mr. Pavone introduced James Perry, CEO of Argosy. Mr. Perry stated that when he joined the company two years ago, the goal was to improve the operations, reinvest in the properties and eventually be able to refinance the company to get on a stronger financial footing. He indicated Argosy has made significant progress in meeting those goals, but still has a long ways to go.

Mr. Perry noted that Argosy has renovated the Sioux City vessel and purchased over 300 new slot machines in the past two years. During this process, the revenues and taxes to the state have increased. The parking situation has been improved dramatically in the past couple of months. They are working with the City on the new master plan for the riverfront, which they hope will be unveiled this fall. There are discussions on how Argosy might be able to expand the operation.

With regard to Argosy in general, they are continuing to focus on improving their operation, reinvesting in their current properties and using the cash flow from operations to reduce debt in order to be a stronger company going forward. They recently announced that they would be building a 300-room hotel at their facility in Baton Rouge, LA. Argosy will also be spending $12 million to renovate the property at Alton.

Chair Hansen asked Mr. Perry to elaborate on the parking problem. Mr. Perry stated that it has been one of capacity constraint. They have over 500 gaming positions on the boat, with a limited number of parking spaces, which prevents them from getting the full benefit of the slot machines. He noted that additional parking had been added in December, which he felt had contributed to the increased revenues, along with the renovations and new machines. Mr. Perry voiced concerns that the addition of other features to the BSC property and other improvements to the riverfront proposed by the City will exacerbate the parking problem. He stated that he feels the City needs to update their master plan for the riverfront before Argosy can commit to any additional parking.

Chair Hansen asked Mr. Perry if he could give any kind of timeline for finalizing arrangements with the City. Mr. Perry stated that Argosy hopes to be able to bring in a new facility or new boarding facility sometime during the first half of 2000.

Commissioner Sealock stated that the Commission was happy to meet someone from Argosy. She pointed out that the reason Argosy did not get a license for Osceola was because of their financial viability, and the lack of commitment in Sioux City. She reiterated that she was pleased with the changes she saw while visiting the boat, but that there was more that could be done to enhance the property. Commissioner Sealock stated that Argosy, as a company, has made a tremendous turnaround.

Following a short break, Chair Hansen called on Mr. Ketterer regarding the next agenda item – Purchase of Miss Marquette by Lady Luck Gaming Corporation (LLGC) from Sodak/Gamblers Supply. Mr. Ketterer indicated the first part of this agenda item would be a presentation by LLGC.

Mike Diedrich, General Counsel for Sodak Gaming Inc., advised the Commission that Sodak has been active in Iowa's riverboat industry for several years. On March 10th, they entered into a merger agreement with IGT, which is licensed as a manufacturer/distributor in Iowa. As Sodak is being acquired by IGT, Sodak must divest itself of the Miss Marquette property. They established certain criteria as to who they would be interested in negotiating with. Some of the criteria were that the purchaser be currently licensed in Iowa, experienced in the market and able to finance the project. Solomon, Smith, Barney was engaged to review the potential buyers and pare them down to the most viable. Mr. Diedrich stated that Sodak had entered into a purchase agreement for the Marquette facility with LLGC. He noted that Lady Luck had submitted their license application to the Commission on August 2, 1999.

Mr. Diedrich introduced Alain Uboldi, President and Chief Operating Officer of LLGC. Mr. Uboldi stated that LLGC was interested in another market in Iowa, they were already licensed in Iowa, and have good experience in gaming in Iowa. They were interested in the Marquette facility because of its size and the fact that it is the same type of operation as they started with in Bettendorf. Upon receiving a license in Marquette, LLGC will analyze the market and proceed to grow the market and facility as they did in Bettendorf.

Mr. Uboldi introduced Larry Tombari, Chief Financial Officer for LLGC. Mr. Tombari stated that the acquisition of Miss Marquette is a good one for LLGC as it is relatively small, and would be manageable for them. He indicated LLGC is happy with the current management and employees. Additionally, since LLGC is in the process of refinancing the company's debt, this transaction will be easy to add to the refinancing. Mr. Tombari stated that since LLGC had announced the transaction, LLGC's stock has increased in value by about 30%. He stated that LLGC expects to close the refinancing around the time of the September meeting. LLGC management members met with city officials from Marquette and the surrounding communities, setting out some of their plans for the property. It is their intent to increase the revenues by improving the product and better market penetration via advertising. They also discussed community involvement.

Chair Hansen noted that Miss Marquette experienced minimal growth during the last fiscal year. He asked Mr. Tombari if LLGC expected to stimulate the rate of growth. Mr. Tombari stated LLGC saw two potential ways to obtain an appropriate return on the investment – increase revenues or decrease costs. LLGC indicated there was not much merit in decreasing costs. Mr. Tombari stated LLGC will more than likely end up spending more on marketing and promotional matters in Marquette than they do in Bettendorf. They plan to increase the advertising and hope to challenge other facilities in the area.

Chair Hansen asked LLGC if they intended to build a hotel in Marquette. Mr. Uboldi indicated that LLGC would analyze the market to determine the feasibility of building a hotel. If a need is determined, a hotel will be built. Mr. Tombari noted that between three of their properties LLGC has 1,000 hotel rooms.

Commissioner Sealock noted that the Commission has met at the Miss Marquette in the past, and have stayed at the current hotel. She indicated that LLGC has a wonderful opportunity to grow the market. Commissioner Sealock noted that when the Commission was there last October, they saw a lot of bus traffic indicating a lot of day-trippers. She wished LLGC well in the new endeavor.

Mr. Ketterer advised LLGC that it is the Commission's practice to hear the applicant's presentation one month and make a decision at the following Commission meeting after the Commission members have had an opportunity to review all of the materials. He asked LLGC if they were relatively certain that they would be able to close the refinancing of the company by the next Commission meeting. Mr. Tombari stated that he felt it would be close. LLGC is currently working on the offering memorandum and there are some issues that could be affected by the Labor Day holiday. He indicated the closing date on the Miss Marquette is also very close to the meeting date.

Curt Beason, legal counsel for LLGC, indicated this situation would be similar to the DDJ scenario. He indicated the financing would be worked out by the time of the next Commission meeting.

Mr. Ketterer indicated that the Commission would not be acting on Lady Luck's application at this meeting; however, they would need to take some type of action in order to allow Sodak and IGT to proceed with their merger. He thanked Mr. Diedrich for his letter to the Commission outlining the transaction and how it relates to the merger with IGT. Mr. Ketterer stated that in the event the Commission approved Sodak's request to proceed with the IGT merger, a license would be held by IGT/Sodak as a manufacturer/distributor as well as a boat operator, which would change as soon as LLGC is licensed to operate the Miss Marquette. He stated that in the event that the transaction would not go through and IGT/Sodak continued to hold a boat operator's license, then they should be prepared to accept whatever remedies the Commission proposes concerning the situation. Mr. Diedrich indicated that was understood. He noted Sodak's agreement with LLGC allows them to go ahead and negotiate a sale with another company if they are unable to close the financing by September 30th. He noted there are

at least four other companies that have expressed a continuing interest in the Miss Marquette property, two of whom are licensed operators in Iowa. Mr. Diedrich stated that IGT/Sodak would divest themselves of the Miss Marquette property by the end of the year.

Chair Hansen acknowledged that this is a unique situation. He indicated that if Commission members were so inclined, they could give a contingent approval. Mr. Ketterer stated that is not what Mr. Diedrich is seeking with regard to the merger with IGT. He indicated that Sodak is seeking approval to proceed with the merger plan with IGT. The purpose of his earlier comments was just to make them aware of the possibility of Commission action in November if IGT/Sodak were still licensed to operate the Miss Marquette.

Commissioner Sealock moved to approve Sodak's request to proceed with the IGT merger. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-116)

Chair Hansen moved to the next agenda item – SIG's Request for a Stay of Commission Action. He called on Jean Davis, Assistant Attorney General for the Commission. Ms. Davis stated that she did not have specific comments relating to the merits of the application before the Commission. She indicated the Commission had been provided some information regarding a scheduling order for consideration of the stay request.

Chair Hansen stated that there was a deficiency in the filing of the stay request. As a result of a telephone conference call involving Ms. Davis, Mr. Ketterer, Charles Krogmeier representing SIG, Tom Flynn representing PMR&C, and him, a scheduling order was agreed to that will bring this particular issue back before the Commission at its September meeting. The scheduling order allows SIG ten days to refile its request for a stay in the proper format, PMR&C will have ten days to file a response after which the Commission will have a set amount of time to review both submissions.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Sealock moved to consider SIG's request for a stay under the following scheduling order:

1) SIG will be permitted ten days to submit a formal petition for a stay;
2) Racing Association of Central Iowa will be permitted ten days to intervene in the request for a stay; and
3) The Commission will consider the request for a stay at its September 23, 1999 meeting.

Commissioner Hamilton seconded the motion.

Chair Hansen reminded the licensees that all submissions to the Commission must be complete.

Hearing no further discussion, Chair Hansen called for the vote on the motion. The motion carried unanimously. (See Order No. 99-117)

Chair Hansen moved to Administrative Business. He called on Linda Vanderloo, Director of Racing/Administration, to provide an update on the Iowa West Racing Association and Iowa Greyhound Association's negotiation of a purse supplement agreement and distribution of the escrow account. She noted that the Commission had heard a presentation from the parties at the May meeting. At that time, the parties were given until the August meeting to reach an agreement or the issues were to be submitted to the arbitration panel. The arbitration panel decision must be received in the Des Moines office by close of business November 1, 1999. The issue will be placed on the Commission's agenda for the November meeting.

At this time, Chair Hansen entered a letter from Peninsula Gaming Company regarding the progress on the hotel into the record. Michael Luzich advised that HDR Engineering has been retained to determine the most viable traffic patterns and parking lot locations.

Chair Hansen also entered a letter into the record from a Cam Tech Corporation, a Clinton, Iowa, firm that manufactures wood and metal casino slot stands, who has been in business over 10 years and been involved in over 500 casino projects. The company was thanking the Commission for its efforts, and support, in getting the licensees to use Iowa vendors whenever possible. The letter noted that most Iowa casinos are actively trying and placing business with Iowa vendors, but that there are times when the licensees forget their pledge to create jobs and spend as much money locally when products and services are available in Iowa.

Hearing no further Administrative Business or Public Comment, Chair Hansen called for a motion to adjourn. Commissioner Sealock so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
SEPTEMBER 23, 1999

The Iowa Racing & Gaming Commission met Thursday, September 23, 1999 at the Comfort Suites at Living History Farms, 11167 Hickman Road, Urbandale, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair and members Diane Hamilton and Jim Hassenfritz. Commissioner Mahaffey joined the meeting at 10:30 AM.

Chair Hansen called the meeting to order at 8:30 AM, and noted there were two amendments to the agenda. He stated that agenda items 12 and 13, the Executive Session and Hearing regarding the Administrator's Denial of the Owner's License Application of William Alfredo, were tentatively postponed until the November Commission meeting. Chair Hansen also advised those in attendance that Southern Iowa Gaming had withdrawn their request for a Stay of Commission Action. Chair Hansen requested a motion to approve the agenda as amended. Commissioner Sealock so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen called for any additions or corrections to the minutes. Hearing none, he requested a motion. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen called on Jack Ketterer, Administrator of the Iowa Racing & Gaming Commission, for announcements. Mr. Ketterer stated that the October Commission meeting would be on October 21st at Dubuque Greyhound Park & Casino in Dubuque, and the November meeting will be held at the West Des Moines Marriott on November 18th.

Chair Hansen, noting that that he had made a similar statement at the meeting in Sioux City, again set out the rules and practices regarding material presentations that individuals wishing to speak before the Commission should follow. Those individuals should submit a written request to the Commission office no less than seven days before the meeting. He stated there would be no further exceptions to the rules after this meeting. He noted there are other methods that allow the public to participate in the meeting, one of which is the Public Comment portion of the agenda. No written request is necessary to speak during the Public Comment portion of the meeting. In order to comply with the seven-day deadline, submitted material must be complete in all aspects or it will be considered non-responsive and will not be considered by the Commission. Chair Hansen noted there are different procedures for those wishing to comment on rules.

Chair Hansen moved to the Contract Approval portion of the agenda. He expressed concern about the contracts submitted for approval this month. He reiterated his concern expressed at the Commission meeting in Sioux City that the licensees appear to be drifting away from the utilization of Iowa vendors and contractors for goods and services.

Chair Hansen noted that only 11.2% of the contracts submitted for goods and services this month involved Iowa vendors. He conceded that a number of submissions involved gaming equipment and related supplies that are only available from Las Vegas. Chair Hansen stated that it was not the Legislature's intent that a majority of the casino's purchases would be made from out-of-state vendors. Chair Sealock noted that IGT now has an office in Iowa, allowing the licensees to classify them as an Iowa vendor. Commissioner Hassenfritz was called from the room during this discussion.

Hearing no further comments on the issue, Chair Hansen called on the Mississippi Belle II (MB II) to present their contracts. Ken Bonnet, General Manager of MB II, presented a contract with WMS Gaming for the rental of two replacement slot machines.

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-118)

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

- The Great Midwest Seafood Co. – Purchase Food Product
- IGT – Triple Play Poker Lease
- Frank Baxter, General Contractor – Roofing for Barge and Walkway, Sidewalk Replacement

Mr. Kehl clarified that the IGT contract was for replacement machines.

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-119)

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

- Digital Impressions – Printing Services
- Data Business Equipment – Coin Wrappers & Service
- KKAR-AM Radio – Radio Advertising
- Leach Specialty Sales – Shuttle Bus Purchase and Service
- Livingreen Interiors, Inc. – Interior Plant Décor
- Office Depot – Office Supplies

Commissioner Sealock noted that Office Depot does have stores in the Council Bluffs area; therefore, the above contract could have been submitted as an Iowa vendor.

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-120)

Chair Hansen moved to the contracts submitted by Lakeside Casino & Hotel. Larry Seckington, legal counsel, presented the following contracts for Commission approval:

- Best Restaurant Equipment & Design – Restaurant & Bar Furniture
- Casino Data Systems – Player Tracking & Slot Account System
- Sysco – Smallwares
- Flexsteel Industries (Best Western Intl.) – Hotel Furniture
- Metalform of Golden, Inc. – Slot Equipment Bases
- Gemaco – Playing Cards
- Sysco Food Services – Food Services
- IES Utilities – Utility Services

Mr. Seckington advised the Commission that one of the Sysco contracts was in-state, while the other was out-of-state. He indicated that smallwares would be coming out of the Kansas district because of pricing, but that food purchases would be made with the Iowa outlet. Mr. Seckington stated that the Kansas district is much larger than Iowa, therefore, allowing for more competitive pricing on the smallwares.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-121)

Mr. Seckington stated that Southern Iowa Gaming is still planning on opening the riverboat on December 15th, and that they are doing everything within their control to hit that date. He indicated Mr. Grace would be meeting with the general contractor to determine if there are areas where they can help speed the process up. Since the launching of the boat in late August, all of super structure is in place for the boat, boat decks have been poured, the siding is in place, the roof will follow next week and then work will begin on the interior. Mr. Seckington indicated that the hotel is virtually done, they are ready to lay the carpet, and the entertainment center is ready to be drywalled.

Commissioner Sealock stated that everything Southern Iowa Gaming is doing is backwards, noting that every other riverboat has had their riverboat ready and open first, and then they finished their land-based property. She stated that the Commission should be complimenting SIG on the fact that everything would be ready at the same time.

Mr. Ketterer stated that he and Gene Meyer, Division of Criminal Investigation - Riverboat Unit, had visited the Osceola site recently. He noted there is ample conference room for a variety of venues. He stated that SIG has a challenge in getting the boat completed by December 15th.

Chair Hansen asked if they are accepting reservations for New Years' Eve. Mr. Seckington indicated they are not doing so at this time.

Chair Hansen called upon Kim Hardy, General Manager of the Miss Marquette, who submitted a contract with Paulson Gaming Supplies for gaming supplies for Commission approval.

Hearing no discussion regarding the contract, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-122)

Chair Hansen called on Lady Luck Casino. Curt Beason, legal counsel, presented the following contracts for Commission approval:

- Burns Celebrity Sports Service, Inc. – Celebrity Appearances (Transaction Amount Increase)
- Monterey Artists, Inc. – New Year's Eve Entertainment
- Press Consulting – Computer Hardware & Software (Transaction Amount Increase)

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-123)

Commissioner Hassenfritz returned to the meeting.

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

- Mikohn Gaming – To include Caribbean Stud License & Lease Fees for 1999 (Originally submitted & approved w/license renewal)
- Shuffle Master Gaming – Rental of Additional Shufflers (Transaction Amount Increase)
- Video Lottery Corporation – Purchase 29 Slot Machines (Approved 4/98)
- Aristocrat, Inc. – Purchase 43 Slot Machines (Approved 4/98)
- Casino Data Systems – Purchase 4 Slot Machines (Approved 4/98)
- International Game Technology – Purchase 211 Slot Machines (Approved 4/98)
- International Game Technology – Royalty Fees for Converted Triple Play Poker Games
- Williams Gaming Inc. – Purchase 51 Slot Machines & Related Parts (Approved 4/98)
- Midwest Casino Supply – Slot Stools for Third Deck Addition
- VSR Lock, Inc. – Slot Bases, Locks & Carousel Wedges for Third Deck Addition

Mr. Terp distributed pictures of the riverboat and a revised slot layout plan. He noted that the contract with Midwest Casino Supply is a new Iowa vendor. Commissioner

Sealock asked where they were located as the Commissioners had received correspondence from someone regarding the contract. Mr. Terp stated that the Commissioners had heard from an out-of-state firm. Chair Hansen stated that the Commission had heard from a firm in Clinton, Iowa. Mr. Terp asked Chair Hansen if he was addressing the contract for the slot stools or the bases and locks. Chair Hansen indicated he was referring to item 10, or the contract with VSR Lock. Mr. Terp stated that Commissioner Sealock was referring to the contract regarding the slot stools. He indicated that he understood that an out-of-state vendor had either contacted a Commission member or staff member because Ameristar had elected to purchase the slot stools from an in-state company.

Mr. Terp then addressed the contract with VSR Lock. He indicated there was an explanation attached as to why Ameristar was using the vendor they were. Chair Hansen suggested deferring that particular contract as information he received from Cam Tech Corporation repudiates all of the reasons listed by Ameristar for choosing VSR. He indicated that he would be willing to discuss the contract with Mr. Terp following the meeting. Mr. Terp expressed concerns about holding up the planned opening of the renovated facility. He asked if a resolution was reached if a provisional approval could be given. Chair Hansen stated that he was willing to approve all of the contracts, with a conditional approval on the VSR Lock contract, subject to further discussion.

Commissioner Sealock moved to approve the contracts as submitted as stated above. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-124)

Mr. Terp then provided a brief update on Ameristar's expansion project. He noted that the third deck of the vessel is almost entirely enclosed with the exception of two areas, which will be used to take supplies in and out. The roof is on and the contractors are beginning to work on the interior structures. The escalator system is to be installed the beginning of next week. It is anticipated that the third floor deck will be opened to the public in either November or December. Work has begun on the parking garage. Mr. Terp indicated they had to change the boat slip by adding a protective metal wall. Foundation walls are being poured for the structure, and all of the pre-cast walls are being poured as well. The parking garage will progress quickly once the pre-cast forms are on site. The Kinseth Hotel is working on their second hotel as well. The exterior structure should be complete soon, at which time they will begin putting the stucco on the back and laying the brick. Mr. Terp indicated they anticipate presenting plans for the pavilion interior at the October meeting.

Chair Hansen called on the Dubuque Diamond Jo. Brent Stevens, President of Peninsula Gaming Company, presented the following contracts for Commission approval:

- Aristocrat, Inc. – 18 Replacement Slot Machines and/or Parts
- Baraboo SYSCO – Food Purveyor (Transaction Amount Increase)
- Floor Show Interiors – Wallpaper, Carpeting, and Tile

- Mikohn Gaming – Additional and/or Refacing of Current Progressive & Casino Signage Equipment (Transaction Amount Increase)
- VLC – 16 Replacement Slot Machines and/or Parts
- Williams Gaming Inc. – 11 Replacement Slot Machines and/or Parts

Mr. Stevens advised the Commission that the Mikohn Gaming contract is a related-party contract as Terry Oliver, a member of the Peninsula Gaming Board, is a board member of Mikohn Gaming and owns approximately 6.6% of the stock.

Chair Hansen called for any questions regarding the contracts. Commissioner Hassenfritz asked Mr. Stevens why no other bids were sought. Mr. Stevens indicated that Mikohn has a unique product, and they are not aware of any other company that can provide the same product. He indicated they were purchasing the machines at list price, with no discount.

Commissioner Sealock asked about the Sysco contract. Noting that the Sysco contract was out of Wisconsin, she stated it was her understanding that Sysco determines which district the customer will be in, with no choice on the customer's part.

Hearing no further comments, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-125)

Chair Hansen stated that he hoped Mr. Stevens had picked up on the Commission's encouragement that licensees use Iowa vendors for as many goods and services as possible. Mr. Stevens indicated that he had.

Chair Hansen asked Mr. Stevens to provide a project update. Mr. Stevens indicated that Michael Luzich, Manager and Vice President of Development for Peninsula Gaming Partners, LLC, would provide the update. Mr. Luzich stated they are still in the planning stages. He noted that the parking lot at the Ice Harbor is shared with other tenants of the property. They are currently working on a plan to allocate parking spaces. Work continues with HDR to determine the feasibility of access from Highway 61. Mr. Luzich stated that McGladrey & Pullen, an accounting firm, has been authorized to conduct a market and financial analysis for the proposed hotel. It is anticipated this project will take approximately four weeks to complete.

Following a short break, Chair Hansen stated that there would be three separate motions on the next agenda items: the racing season, the contract approvals, and the license renewal.

Chair Hansen called on Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino (DGP&C), to address the racing season. Mr. Wentworth stated their application contained a request for racing dates from April 29 through October 29, 2000, which is similar to this year's meet in terms of length and number of performances. He noted that if the request is granted, it will be DGP&C's 16th racing season. It is

anticipated that the 14 kennels currently contracted will return. Mr. Wentworth noted that ten of the kennels are Iowa-based, with nine of them being based in eastern Iowa. He advised the Commissioners that all three track distances have had records broken during the current racing season.

Chair Hansen noted that the live handle appears to be down. Mr. Wentworth stated that the greyhound handle had kept pace with 1998 until August, and he is not sure what happened in August. Chair Hansen asked if Mr. Wentworth anticipated any changes in their marketing process or their season. Mr. Wentworth stated that he had just addressed this issue at a conference in Las Vegas – "How to Market Racing in a Competitive Gaming Environment". During the entire live racing season, their outdoor billboard campaign is geared toward greyhound racing, but reverts to a more traditional casino billboard campaign during the off-season. Mr. Wentworth further stated that all television commercials contain a reference to greyhound racing. Additionally, the Iowa Greyhound Association (IGA) has stepped forward to help financially. Every Thursday evening, DGP&C will be giving away a racing program to the first 200 patrons, and on Friday nights, from now until the end of the season, the first 200 patrons will receive an IGA hat.

Chair Hansen asked if there were further questions regarding DGP&C's racing season. Commissioner Sealock thanked Mr. Wentworth for providing the background information regarding their history. She noted that 85% of DGP&C's employees are from Iowa. Commissioner Sealock complimented them on the fact that ten of the fourteen kennels racing at DGP&C are from Iowa, and on their strong relationship with the IGA. She asked how they had accomplished that. Commissioner Sealock also noted that several improvements had been made to improve conditions for the greyhounds.

Mr. Wentworth noted that DGP&C had been able to negotiate an agreement for next year's purses without an arbitration process. He stated the process has evolved over 15 years. He advised that the agreement for next year was basically hammered out in one afternoon. Mr. Wentworth stated that the racing surface was replaced this year. Regarding the greyhound compound, he noted that new air conditioning units would be installed prior to next year's live race meet. DGP&C is currently working on their five-year capital improvement projects. He indicated that the site problems that have evolved over time are basically settlement problems – the buildings have not moved, but the ground around them has. Mr. Wentworth stated that they are basically tenants in a city-owned facility, and it is their goal to keep it from getting old. Commissioner Sealock, noting that Mr. Wentworth was the only manager she knew of at DGP&C, asked him if he had always been there. Mr. Wentworth stated that he arrived on property 90 days before opening as the Assistant General Manager, and was promoted to General Manager four years later. He stated that he has been involved with greyhound racing since 1970. Mr. Wentworth stated that two kennels have started breeding farms within the last two years, in large part due to the casino supplements.

Commissioner Sealock asked Mr. Wentworth if there will be growth in the greyhound industry. Mr. Wentworth stated that based on a per performance basis, DGP&C is ranked

6th in the country for purses. He thinks Iowa will be OK, but does not feel that carries over to the national picture. Mr. Wentworth noted that more and more tracks are turning to simulcasting. Commissioner Sealock noted that the number of kennels at DGP&C were not increasing. Mr. Wentworth advised her that the number of kennels was a part of their agreement with the IGA. They will stay at 14, but have the ability to increase to 15 if they feel they need to and can justify the increase to the IGA, and they concur. Mr. Ketterer asked Commissioner Sealock if she was talking about kennels at the track or throughout the state. Commissioner Sealock stated that she was asking about kennels throughout the state. Mr. Wentworth advised that the price of an Iowa-bred greyhound has increase during the last couple years due to the supplemental purses. He noted that individuals are bringing in better stock.

Hearing no further questions regarding the racing season, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the racing season as presented. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-126)

Chair Hansen moved to the contracts submitted by DGP&C. Mr. Wentworth submitted the following contracts for Commission approval:

- American Trust – Banking Agreement (RP)
- IGT – Replace 6 Slot Machines
- Medical Associates HMO – Employee Health Insurance

Mr. Wentworth advised that the American Trust contract is for a three-month extension of their banking agreement due to Y2K concerns. He noted that a DGP&C board member is also a board member of the bank. Mr. Wentworth stated DGP&C would be bidding that banking agreement in the spring. He noted that the HMO contract was a result of more employees choosing that option.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DGP&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-127)

Chair Hansen then moved to the license renewal of DGP&C. Hearing no discussion, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the license renewal as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-128)

Chair Hansen called on the Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C). Tom Timmons, Vice President of Operations, stated that when he addressed the Commission in January he indicated one of PMR&C's goals was to increase the number of Iowa-breds entered into open company races, and they surpassed that goal. PMR&C devised a plan to pay a higher percentage in supplemented purses to those Iowa-breds that placed in the top four in the open company

races. He noted that the Iowa-breds were able to compete very well in the open company races, and won in many instances.

Chair Hansen asked about the decrease in live handle. Mr. Timmons indicated that he was not sure what figures Chair Hansen was looking at. He pointed out that the live handle for the first meet on-track handle increased from $92,000 to $97,000 per performance, while off-track handle increased by almost $300,000 per performance. Mr. Timmons indicated the on-track handle is about the same as it was a year ago for the second meet, while the off-track handle is up due to an increased number of venues taking the signal. Chair Hansen indicated he was looking at a staff report. Mr. Ketterer advised him that those numbers were for 1997 and 1998.

Mr. Ketterer congratulated PMR&C on the first meet, as well as the Iowa breeders that raced, and won, in the open company races. He stated that the racing festival at PMR&C over the July 4th weekend probably contributed to the 5-7% increase in handle. Mr. Ketterer noted that PMR&C did exceed their goal on the number of restricted races, two per day or 106 while they actually had 127 restricted races.

Mr. Ketterer indicated that he was disappointed in the second meet as restricted races accounted for approximately 40% of the races. In his opinion, with the purses dropping to about 70% of those paid in the first meet, and the fact that the Iowa-breds have demonstrated their ability to compete in open company, the Iowa-breds would be more apt to compete in the open races in the second meet due to less formidable competition. Mr. Ketterer stated that as in years past, PMR&C is experiencing an exodus of horses and trainers with three weeks left of the second meet, noting that there were over 200 empty stalls the previous week.

Mr. Timmons stated that Mr. Ketterer's comment that there were more Iowa-bred races during the second meet was correct, but when the number of races per day are considered, the number of restricted races is about the same. He noted that the purses for the second meet were higher than last year, and will be higher in future years. Mr. Timmons indicated there is a high turnover rate for the open-company horses, while the Iowa-bred horses stay. He stated there are between 400 and 450 Iowa-breds at the track. Mr. Ketterer noted that the live handle for the second meet was down about 4% from the previous year. He questioned why the quarter horses did not have to have the same number of restricted races as the thoroughbreds. Mr. Timmons indicated that the standard just seems to be different for that particular industry. Referring back to Mr. Timmons' comment that purses would be increased for the next two years, Mr. Ketterer stated that purses have increased for the last two or three years, and the situation has either reached a plateau or deteriorated as far as retaining better open-company horses for the second meet. Mr. Timmons stated that PMR&C is cognizant of that fact and is working to correct it. His point was that the gap between the purses paid in the first and second meet would be smaller.

Chair Hansen noted that although there was some increase in on-track handle, attendance is flat all the way through. He wondered what PMR&C's rationale was for expanding the

season. Mr. Timmons indicated they are running the same amount of days this year as the previous year, and are applying for the same amount next year. The only expansion in the season is the addition of the harness race dates. There will be six days of harness racing this year, and 20 days per year for the next three years.

Chair Hansen stated that he was wondering whether or not PMR&C had the right mix on their seasons and the types of seasons being offered. Chair Hansen referred to a newspaper article, which stated that the average value of the horses sold at the Iowa Thoroughbred Breeders & Owners Association annual sale was down from last year. Mr. Timmons stated that he was not sure why the prices were down, but noted that there were a couple of horses that went high last year. Chair Hansen noted that the article further stated that one-third of the horses did not sell because they did not reach the minimum price established by the owner. Mr. Timmons stated that he felt PMR&C was doing everything the Legislature intended for them to do for the Iowa horse industry. Commissioner Hassenfritz stated that the upper-end level maintained its mean price, as did the lower level, but the middle sector was where the problem was because there isn't a need at this time.

Mr. Ketterer stated there have been a good number of quality Iowa-bred thoroughbreds that have come out in the past year, and performed very well during the first meet – an indication that the Iowa thoroughbred breeders have made progress. He indicated that he continues to raise the issue of the restricted races because, in his opinion, they suppress the value of the horses when they are put up for sale. Mr. Ketterer stated people may wonder if the supplemental purses for Iowa-breds are an incentive or a subsidy because the industry is being supported by PMR&C. The ultimate goal is to have a value-added product that will attract buyers from out-of-state, who also will take the product out-of-state and earn money in purses at different tracks around the country. If Iowa has a value-added product that people are interested in getting in order to earn more money, then we are not solely supporting them with our dollars at PMR&C. Mr. Ketterer stated that the sale price of a horse is suppressed when out-of-state buyers can't evaluate how well an Iowa-bred horse races in open company if the majority of the races are restricted races, and they haven't raced anywhere but PMR&C. He further stated that the breeders are responding to the market place, which is supporting the bottom end in keeping them in business. He indicated that the quality of Iowa-breds has increased, but the quantity has been raised more. It is now time to raise the value-added product in order to create a demand for Iowa-bred horses outside the state.

Mr. Timmons concurred with Mr. Ketterer, but went on to note that the Iowa-breds that won during the first meet were younger horses. He feels this trend will continue.

Chair Hansen asked Mr. Timmons if all of the stalls were being utilized. Mr. Timmons indicated that some of the horses were leaving for other tracks – Hoosier Park and Woodlands, whose seasons are just starting. He indicated this is common in the industry.

Chair Hansen asked for any further comments on the racing season. Mr. Ketterer advised the Commission that when PMR&C increased the length of the season from 60 to 98

days, there were some concerns in the Legislature regarding the appropriations. He stated that IRGC's appropriation for racing is contingent on the number of days of racing. The Legislators asked how much would come back to the state as revenue due to the increased racing season. PMR&C, under state law, has a $90 million threshold before they are required to pay pari-mutuel taxes, so there are no pari-mutuel taxes paid to the state. Mr. Ketterer stated that IRGC would be submitting an add-package to cover the 20 days of harness racing. He cautioned the Commission members that any additional days would be contingent upon IRGC receiving sufficient funds to regulate the races. He noted that the Revenue Estimating Conference is projecting a $120 million shortfall in the general fund due to some of the agricultural problems the state is experiencing. Mr. Ketterer stated that he was not necessarily suggesting that PMR&C give up the harness meet, but might want to consider shortening the mixed meet in light of the exodus of trainers and horses, and move the harness dates up. He indicated the decision is PMR&C's. He indicated that PMR&C should have an alternative plan for 98 days in the event the Legislature does not approve IRGC's funding request for the additional days.

Commissioner Sealock voiced her hope that PMR&C would take Mr. Ketterer's request seriously. Mr. Timmons asked if the admission taxes paid by PMR&C would help to cover the expenses. Mr. Ketterer advised that the admission tax is paid directly to the general fund.

Commissioner Sealock stated that she had questions regarding PMR&C's grant program. She noted that almost 100% of PMR&C's charitable funds go to Polk County organizations. She further noted that the County also makes charitable contributions within the Polk County. Commissioner Sealock asked for assurances that there was no duplication of grant distributions between the County and PMR&C. Mr. Timmons noted that PMR&C's 18-member grant committee distributed $4.5 million in addition to the funds distributed by Polk County.

Commissioner Hamilton stated that northwest Iowa has not received grants from any of the casinos. Bob Farinella, General Manager, stated that PMR&C distributes their funds to those communities closer to Polk County. He indicated they have established a partnership with the Iowa Economic Development Program. Through this partnership, funds have been distributed to 60 different projects in seven counties in Iowa. He stated that PMR&C is very cognizant of the fact that these funds need to be associated with the gaming industry on a state wide basis. Mr. Farinella stated that the trade association has undertaken a campaign to make everyone aware that $90 million or more has gone into the infrastructure program, with those funds being used to renovate the capitol, complete the ICN network at all of Iowa's secondary schools, and construct facilities at the universities.

Commissioner Sealock asked how much responsibility the gaming companies have to the entire state when a huge percentage of their money goes right off the top to the state. In her opinion, these companies have a debt to the communities in which they operate and are customers of their operation. Commissioner Sealock stated that until the casinos came, Council Bluffs really did not have any industry that could benefit the community.

She does not blame northwest Iowa for wishing they were able to participate, but there are two ways to look at this issue.

Chair Hansen asked Mr. Ketterer if he had specific recommendation to make regarding the racing dates. Mr. Ketterer stated that he simply wanted the Commission to be responsible. He indicated that he was reluctant to tell the Commission members to go ahead and tell PMR&C to put out information to various groups regarding the 2000 racing season only to find out in May when appropriations are received that additional funding was not included for the extra 20 days. If the additional funding is not received, PMR&C would need to advise the Commission on how they plan to allocate the 98 days of racing.

Commissioner Sealock asked if the season approval could be deferred until October. Mr. Ketterer indicated that it could, thereby providing PMR&C an opportunity to devise an alternative plan for the 98 days of racing.

Mr. Timmons, noting that Mr. Ketterer keeps referring to 98 days, asked if he was saying PMR&C would have 98 days to race but they could break it up however they desired. Mr. Ketterer indicated that was correct.

Commissioner Hassenfritz stated that the Commission is trying to determine who is going to come up with the $85,000 needed to cover the added days. Mr. Timmons indicated that was a fair question, and more appropriately answered at the October meeting as well. Commissioner Hassenfritz asked what PMR&C could do to help alleviate the shortfall in funding.

Chair Hansen stated that if there was no objection, the approval of RACI/PMR&C's racing season would be deferred to the October meeting. At that time, they would submit an alternative plan for the racing season and ways in which they could help alleviate the funding shortage should it occur.

Chair Hansen moved onto the contracts submitted by RACI/PMR&C for Commission approval. Mr. Timmons presented the following contracts:

- Artistic Waste Services Inc. – Waste Disposal
- Becker Equipment – Kitchen Equipment
- Data Power Technology Corp. – Air Handling Units
- Electronic Engineering & Equipment – Electronic Parts & Supplies
- First Choice Distribution – Housekeeping Supplies
- Flynn/Wright Inc. – Billboard Advertising Contract
- Hallet Materials – Sand/Silt Mixture for Racetracks (RP)
- MacMillan Oil Company – Gasoline for Equipment
- Payless Cashways Inc. – Hardware & Construction Supplies
- Roberts Dairy Company – Dairy Products
- The Trane Company – Air Cooled Chiller

Commissioner Hassenfritz asked about the contract with Hallet Materials, a company owned by Jim Rasmussen, the President of RACI's Board of Directors. He wondered if there were any other companies that could provide the same materials. Mr. Timmons stated that PMR&C had contracted with the firm of Allender Bussey to obtain samples of various materials to be used to resurface the track. All samples were tested for the best consistency to provide the safest racing surface for the horses. The contract before the Commission will purchase the remaining balance of track surface material, which should last through 2002.

Hearing no further questions regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by RACI/PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-129)

Chair Hansen moved to the approval of the racing license, and called for any additional issues that have not previously been discussed. Commissioner Sealock asked Mr. Timmons about PMR&C's promise to do something about the jockeys' room. Mr. Timmons stated that the ratio of male to female jockeys has changed. During the first meet, there were between 18-20 jockeys and the current room was adequate. They are going to put a new heating/cooling system in the current room. A trailer was placed just south of the jockeys' room that is used by the female jockeys. There were only one or two during the first meet. The jockeys' room will be evaluated in the future as PMR&C looks at reconstructing the paddock area. Commissioner Sealock asked if the jockeys' room was covered in their five-year plan. Mr. Timmons indicated this project would probably not be done until after 2002.

Chair Hansen asked Mr. Timmons if RACI/PMR&C could provide a "wish list" to supplement the five year plan contained in the license renewal, and specifically address areas addressed by Commissioner Sealock and him, as well as staff. Mr. Timmons stated that two years ago PMR&C had a very good plan, and now they are trying to put it in place on a piecemeal basis. He indicated that they could put together a "wish list". Chair Hansen asked that they bring it to the October Commission meeting.

Hearing no further discussion regarding the license renewal, Chair Hansen requested a motion encompassing the requests for additional information. Commissioner Sealock moved to approve RACI/PMR&C's license renewal application contingent upon receipt of a "wish list" at the October meeting and an alternate plan for the racing season. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-130)

Chair Hansen called on the Iowa Racing Association (IWRA). Doug Okuniewicz, General Manager at Bluffs Run Casino (BRC), indicated the requested racing season is much the same as this year, but they have added five performances for a total of 370 performances. He attributed some of the decline in handle to increased competition from the simulcasting offered by Horsemen's Park in Omaha.

Chair Hansen, referring to the financial projection section of the license renewal, noted there is only a minimal decline. He wondered what IWRA/BRC felt they could do to enhance the racing portion of the operation. Mr. Okuniewicz indicated they will attempt to increase interest in the simulcasting aspect and bring in a higher quality racing product.

Chair Hansen called for any further comments. Mr. Ketterer stated that any additional performances would be contingent upon sufficient funding.

Hearing no further questions, Chair Hansen called for a motion regarding the racing season. Commissioner Sealock moved to approve the racing season as submitted by IWRA. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-131)

Chair Hansen moved to the contracts submitted for Commission approval. Mr. Okuniewicz presented the following contracts:

- Feuring Promotions – Promotional Items
- White & Case LLP – Specialized Legal Services

Chair Hansen asked what was involved in the specialized legal services contract. Mr. Okuniewicz advised that White & Case specializes in tax litigation. He indicated BRC contacted them on a consulting basis, and are in the process of hiring a firm and/or lawyer with the intent of reviewing the increasing tax issue.

Hearing no further discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by BRC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-132)

Chair Hansen moved to the approval of the license renewal. Commissioner Sealock asked Mr. Okuniewicz to address the fact that only 65% of BRC's workforce is from Iowa. Mr. Okuniewicz stated that he did not feel it was out of proportion when looking at the overall distribution of the population between Omaha and Council Bluffs.

Commissioner Sealock noted that IWRA/BRC's relationship with the Iowa Greyhound Association (IGA) continues to be a concern of the Commission. She indicated that Mr. Ketterer had advised the Commission that this issue would be coming before the Commission in November when the arbitration panel's decision is to come before the Commission for approval.

Commissioner Sealock commented on the seminar BRC conducted on greyhound racing, noting that The Daily Nonpariel had devoted a full column to coverage of the seminar. Piers Bank, Operations Manager at BRC, advised the Commission that he had attended the seminar, which was open to individuals within the greyhound industry as well as the general public. There were numerous sessions led by experts in the industry to provide additional training to those already involved in the greyhound industry, as well as to

provide information to anyone who would like to get into the greyhound industry. Mr. Banks indicated that around 35 people attended the seminar and only four or five were not currently involved in the greyhound industry.

Commissioner Sealock complimented Mr. Banks and BRC on the letters received from the Governor's Office and Senator Grassley on the success of the T.I.P.S. (Training for Intervention ProcedureS) program in the prevention of alcohol abuse. Mr. Banks stated that BRC believes very strongly in the training for those individuals involved in the serving of alcohol.

Hearing no further comments or questions regarding the license renewal application of IWRA, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the application as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-133)

Following a short break, Chair Hansen called on the representatives of IWRA and Harveys Casino Hotel. Tony Payne, Executive Director of IWRA, introduced the following individuals: Chuck Smith, President of IWRA; Jim Campbell, legal counsel; Scott Dye, legal counsel; John Reed, an investment banker with McCarthy Associates; and Francis Clark, Jerry Wood and Lynn Grobe, members of the Board of Directors for IWRA. He also introduced the following representatives from Harveys Casino Hotel: Chuck Scharer, President and CEO; John McLaughlin, Chief Financial Officer; Verne Welch, General Manager of Harveys' Council Bluffs operation; Gary Armentrout, Sr. Vice President of Government Relations and Business Development; and Ron Alling, Steve Roberts and Dick Thornton, legal counsel.

Mr. Payne advised the Commission that IWRA and Harveys were before the Commission to seek the approval of the following items relative to the purchase of BRC by Harveys Casino Hotel:

- Purchase of Bluffs Run Physical Structure from Southwest Iowa Foundation by Iowa West Racing Association
- Purchase and Sale Agreement and Joint Escrow Instructions by and between HBR Realty Company, Inc. and Iowa West Racing Association
- Lease by and between HBR Realty Company, Inc. and Iowa West Racing Assoc.
- Management Agreement between Harveys BR Management Company, Inc. and Iowa West Racing Association
- Amended and Restated Excursion Boat Sponsorship and Operations Agreement by and between Iowa West Racing Association and Harveys Iowa Management Company, Inc.
- Harveys Casino Resorts Amended & Restated Credit Agreement

Mr. Payne stated that IWRA would continue to be the license holder, and will continue to receive monthly management reports and financial statements at their regular Board meetings. IWRA will maintain ownership of the slot machines at BRC. Major decisions

will be handled by an advisory committee, who will make a recommendation to the full Board. Mr. Payne indicated that IWRA has an open issue with the Commission relative to the minors problem they experienced last year. He stated that the Commission had received a letter setting forth a sequence of events, and what steps have been taken to resolve the minors issue. To the best of his knowledge, there has only been one instance of a minor gaining entrance to the casino within the last six months. It is their intent as they move forward with Harveys, to aggressively attack the minor issue and continue to make improvements. At this point, Harveys wants to evaluate the situation to determine whether it is a procedural issue or a brick and mortar issue.

Commissioner Mahaffey joined the meeting at 10:30 AM.

At this time, Mr. Payne turned the presentation over to Mr. Smith who provided an overview of the transaction. Mr. Smith noted that IWRA has been able to give over $35 million to charity in the last 3½ years, covering a wide portion of southwest Iowa for a variety of projects. IWRA feels this transaction is an opportunity for them to expand their charitable activities, and that it is prudent for them to convert their hard assets at this time via this transaction. Mr. Smith stated that IWRA has attempted to be a good corporate citizen. He further stated that BRC has over 1300 employees, with an annual payroll in excess of $25 million. BRC employees are encouraged to be active in the community as well as in projects that will benefit others. Mr. Smith cited the pork promotion that was held at BRC when the bottom fell out of the pork market. He stated that IWRA is comfortable with the buyer, and the company is someone familiar to IWRA, the Commission and the Council Bluffs community.

As there were no questions for Mr. Smith, he turned the presentation over to Mr. Dye who provided an overview of the transaction. In order to begin the sale process, Southwest Iowa Foundation transferred ownership of the buildings back to IWRA in exchange for a payment of $14,350,000. IWRA will sell the hard assets, excluding the gaming equipment, to HBR Realty Company, Inc., who will then lease the facilities back to IWRA. There will be a new management agreement with Harveys BR Management Company, Inc., and a termination of the existing arrangement with AIM, Inc. Mr. Dye gave a brief overview of the current management structure, and what the management structure would look like when the proposed transaction is completed. He stated that the IWRA and its related entities will remain much the same as they are now, that most of the changes occur in Harveys' structure. Harveys BR Management Company will manage BRC on behalf of IWRA.

Mr. Dye then discussed the terms of the sale. The total purchase price is $139,600,000, plus approximately $20,000,000 to account for the change in the gaming tax rate. In addition, IWRA will receive an additional $5 million of earnings during the startup of the operation. The payment schedule will be as follows: $114,600,000 to be paid in cash when the transaction is closed, and $5,000,000 to be paid immediately from cash flow following the closing. Of the total purchase price, $45 million will be retained until the results are known from the 2002 referendum. If the referendum passes in 2002, IWRA will receive a bonus payment of $5 million. In addition, Mr. Dye advised the

Commission that there is an additional amount of revenue not shown that will be paid. Under the lease arrangements, IWRA gets to retain $1,350,000 of cash flow every six months until the 2002 referendum. Additional payments not shown with regard to this transaction are the $14,350,000 paid to Southwest Iowa Foundation and $50 million to be paid to AIM, Inc. for the termination of their management agreement, as well as miscellaneous closing costs.

Mr. Dye provided the Commission with the following information regarding the lease: It is a 25-year lease with a continuing 25-year renewal, the rent is 20% of cash flow, and IWRA will keep $1,350,000 of cash flow every six months as previously stated.

At this time, Mr. Dye turned the presentation over to Mr. Alling. Mr. Alling stated that the key to this transaction is the management agreement. Harveys BR Management Company will replace AIM as the manager of the facility. The term is 25-years, plus renewal. Harveys BR Management will take a management fee equal to 80% of the cash flow, to be paid on a weekly basis in arrears. In addition to the management agreement, Harveys has made a commitment to promote greyhound racing in every way possible. They will retain the advisory committee concept in existence under the management agreement with AIM, Inc. Harveys has also agreed to amend their current sponsorship agreement with regard to the Kanesville Queen. The term has been extended from 2002 to 2010, and converted the existing admission fee of $1.50 to 3.69% of adjusted gross gaming receipts.

Commissioner Sealock asked Mr. Alling to explain why the sponsorship agreement was amended. Mr. Alling stated that IWRA wanted to insure that the relationship between the parties at both properties remained strong. Commissioner Sealock clarified that she was referring to the change in the admission fee paid to IWRA. Mr. Alling stated that change was made to address IWRA's concern about people entering the facility on more than one occasion per day. This has been a concern of IWRA at both Harveys and Ameristar in the past. Commissioner Sealock asked if the change would eliminate the concern. Mr. Alling indicated that it would. Mr. Payne asked Commissioner Sealock if she was trying to determine how the 3.69% figure was reached. Commissioner Sealock answered in the affirmative. Mr. Payne stated that they took $1.50 times the number of people that go through the facility and divided the number by the adjusted gross gaming revenue.

Chair Hansen stated that an article in the Omaha World-Herald alluded to the fact that the charitable contributions would not continue. Mr. Alling stated that would not be the case with regard to Harveys, noting that they made a commitment when they came to Council Bluffs to be good corporate citizens. He indicated that Harveys' would continue to fund charitable organizations from both properties. Commissioner Sealock indicated that Mr. Alling was not the individual who should be responding to the question as Harveys' is not the non-profit license holder.

Mr. Payne stated that he had not seen the article. He asked if it was referring to the casino operation itself or the Iowa West Foundation. Chair Hansen stated that he did not have the article in front of him, but that it inferred there would be a one-time payment to

the Iowa West Foundation, and that IWRA would only be receiving funds from Harveys and Ameristar to be used for charitable contributions. Mr. Payne stated that he did not want to speak for Harveys, but feels that Harveys will determine an appropriate level of charitable contributions to be made by BRC. The Iowa West Foundation feels they will have greater funds to work with because of the transaction. Mr. Payne stated that he could not imagine a scenario in which there would be fewer charitable funds available. Mr. Alling stated that IWRA has an ongoing obligation to maintain their 501(c)(3) status, which requires distribution to be made.

Commissioner Mahaffey asked what functions IWRA would be performing as the licensee if the transaction is approved. He expressed concern that IWRA would not have any say in the operation if the transaction is approved. Mr. Alling stated that IWRA would have oversight responsibility. The management contract establishes a committee that will meet with IWRA. Either party has the ability to call a meeting with a 15-day notice. IWRA will have the ability to review the financial statements. Commissioner Sealock stated that the IWRA's oversight structure will be the same as it currently is under the AIM, Inc. management agreement.

Commissioner Hassenfritz stated that his understanding is that Harveys' and Bluffs Run are going from two entities to one with the same organization as their charitable licensee holder. Commissioner Sealock indicated that she felt there would still be two entities.

Mr. Payne reviewed IWRA's functions under the current management agreement. He reiterated that IWRA would still be the license holder. They will continue to hold monthly board meetings in which they will receive a management report regarding the BR property (positive/negative areas, marketing/merchandising plans, etc), review financial reports, look at the condition of the facility, and retain ownership of the slots. Mr. Payne stated that major decisions would go through the advisory committee.

Commissioner Hassenfritz stated that his understanding is that IWRA is not going anywhere, Harveys' will be managing BRC, but the funds and operations are basically going to be unchanged. IWRA will be dealing with one entity instead of two.

Commissioner Mahaffey asked what the impetus was for the change if that is going to be the case. Mr. Payne stated that IWRA looked at the facility, the tourism in Council Bluffs, the goals of the Iowa West Foundation and their timeline for achieving those goals, as well as where they wanted to be in 5, 10 and 15 years. IWRA felt they wanted to merchandise the BRC facility to a greater extent than AIM, Inc. has done. Mr. Payne indicated that AIM, Inc. has done a good job for IWRA, but BRC is the only casino they manage. He pointed out that Harveys' has a total of three operations, and is an aggressive marketer.

Commissioner Mahaffey asked if IWRA approached Harveys' or vice versa. Mr. Payne indicated that during one of the Commission meetings when Harveys' pulled their expansion plan from the agenda and BRC was experiencing several problems with minors gaining entry to the casino, he jokingly asked Mr. Welch how he would like to

have an additional 1200 slot machines. Mr. Welch's reply was that if they ever got serious about selling, to give him a call. Mr. Payne stated that IWRA started seriously looking at selling the facility during the first quarter of 1999, and wanted to do something with an entity that was familiar with IRGC. IWRA also felt that it needed to be with one of the two local casinos. At that point, Ameristar was preparing to open the Henderson, Nevada, facility and Harveys' had just closed the sale to Colony Capital.

Commissioner Mahaffey asked how much time was left on the AIM, Inc. management agreement. Mr. Payne stated that there were seven years left, or until December 31, 2006. Commissioner Mahaffey asked where the $50 million was coming from to pay AIM for the termination of the management agreement. Mr. Payne stated that the $50 million figure was reached by using the projected cash flow that AIM would have received through the management agreement between now and the termination date of December 31, 2006. Mr. Payne stated the money would come out of the funds received from Harveys'.

Commissioner Sealock asked Mr. Smith to explain IWRA's job and responsibilities. Mr. Smith stated that IWRA is a 7-member board that holds the license for BRC and now owns the hard assets. Under the proposed transaction, IWRA will continue to hold the license. He noted the facility is not worth much without the license. It is IWRA's plan to continue in the same role as they have under the agreement with AIM, which is not to micromanage, but to set policy. Major decisions will be handled by the advisory committee. This is just a change in management companies. IWRA will be receiving the cash up front. From IWRA's perspective, this is a good deal for them as well as the charitable organizations.

At this time, Mr. Alling asked Mr. McLaughlin to address the financing. Mr. McLaughlin stated that Harveys' has an existing credit agreement with Wells Fargo which was approved by the Commission on September 9, 1998. Harveys' is asking to increase the existing credit agreement by $150 million for a total of $335 million. The credit agreement will mature on September 30, 2004, and is a reducing and revolving line of credit. The credit agreement will be amended and restated to add HBR Realty, Inc. and Harveys' BR Management Company as borrowers and amend the existing security instrument to include the BR assets. Mr. McLaughlin indicated that IRGC staff had been provided a copy of the amended and restated credit agreement, which was redlined to show the changes from the existing credit agreement.

Hearing no further comments regarding the financing, the presentation was turned over to Mr. Scharer to discuss management and employee issues. He stated that the merger with Colony Capital closed in February 1999. At that time, the Commission was advised of Harveys' desire to expand the company. Harveys' Council Bluffs facility opened on January 1, 1996, and the property has continued to grow since that time. They are putting the finishing touches on a $15 million parking garage, which should be open to the public in early October – two months ahead of schedule. Mr. Scharer stated that their additional expansion plans, which the Commission approved in July and the proposed transaction with BRC, exhibit Harveys' confidence in Iowa's gaming industry as well as the Council

Bluffs market. Under the proposed transaction, Mr. Welch will have oversight responsibilities for all of Harveys' Council Bluffs operations. Mr. Scharer also advised the Commission that Dan Roy, Vice President of Operations at Harveys', will also have dual responsibilities. They will work to blend the employees and management groups between Harveys' and BRC.

Mr. Scharer stated that one of the goals when gaming was introduced to the state was to create new quality jobs in the communities that had gaming. In his opinion, that goal has been accomplished, and in the spirit of meeting that objective, Harveys' intends to offer continued employment to all employees at the BRC facility. They will maintain their original hire date, seniority date, no lapse in their medical, dental, vision, or 401K plans, and vacation schedules will stay in place. BRC employees will be offered the same benefits as the Harveys' employees in Council Bluffs. Mr. Scharer stated that the BRC employees will have the ability to apply for other openings at any of Harveys' properties.

Mr. Scharer reaffirmed that the underage gaming situation at BRC would be given their full attention if the transaction is approved. He stated that Harveys' would work very vigorously and aggressively to resolve the situation. He feels that the current management group has implemented some very good systems and procedures that have helped to resolve the situation. Mr. Scharer indicated that once they have had an opportunity to study the business, they may have some additional solutions to offer.

Commissioner Sealock asked Mr. Scharer if Harveys was willing to let AIM off the hook with regard to the underage gaming problem, and go forward from where they left off. Mr. Scharer stated that it was up to the Commission to determine whether or not AIM was off the hook, but assured her that Harveys' takes underage gaming very seriously.

Commissioner Hamilton asked Mr. Scharer if the BRC facility would have to be remodeled in order to correct some of the security problems. Mr. Scharer stated that he could not answer that question at this point in time. He indicated that he has reviewed the proposed plans to change the entrance to the facility, and he agreed that was one way of correcting the problem. He asked the Commission to give Harveys' a chance to learn the business at BRC, as well as the ingress and egress situation at which time they would present a solution to the Commission.

Chair Hansen stated that he had been under the impression that Harveys' would be willing to absorb up to $150,000 for structural changes within a twelve-month period of time. Mr. Scharer indicated that was correct. Chair Hansen stated the Commission wanted to be consistent in its action. He noted there was a contingency of $150,000 being committed to correct structural problems at BRC in previous Commission actions, and he wanted to insure that it would not be swept under the carpet. Chair Hansen stated that he didn't want Harveys' to be surprised in the future if the Commission asked how they were going to correct the situation and hold them to it. Mr. Scharer stated that Harveys' will address the situation long before the year is up.

Commissioner Sealock pointed out that the changes AIM has already implemented have made a marked difference in the underage gaming problem at BRC. She stated that the Council Bluffs City Attorney was the first in the state to implement a fine against individuals under 21 who try to enter a casino.

Mr. Scharer stated that Harveys' had a unique experience at the Las Vegas facility, the Hard Rock Café, which attracts a large number of underage individuals. Individuals who were confirmed as being over 21 were given a wristband. Chair Hansen indicated that he raised the issue because he feels it is a unique situation at a racetrack with a casino. He again urged the Legislature to raise the fine against the juvenile attempting to enter the casino or obtain alcohol.

Commissioner Hansen asked Mr. Scharer how Harveys' was going to address the insurance problem. Mr. Alling advised Chair Hansen that Harveys' was clear on his request and were prepared to fulfill it. Chair Hansen advised those in attendance that there were a couple of technical problems with the insurance: Harveys' was providing insurance for the tenant which creates a problem since they don't' have an insurable interest in the tenant property, and secondly, that Harveys' was reserving the right in all instances as to what they did to the premises not exceeding 5%. Chair Hansen indicated he was concerned because of a lingering concern about a monopolistic situation. He gave the following example: If there were a fire at the facility, it might be easier to sell the property off to a non-gaming entity as opposed to repairing it.

Mr. Alling stated that Harveys' has agreed to raise the 5% level for termination to 50% value of the premises, have agreed to strike section 7.3, and the landlord will insure the interest of both the landlord and the tenant. He thanked Chair Hansen for bringing the issue to their attention. Chair Hansen asked what language would be used regarding the tenant's insurance. Mr. Alling advised Chair Hansen that they would be using the same language as previously used. Chair Hansen stated that he just wanted this issue in the record.

Mr. Armentrout advised the Commission that as a routine part of the regulatory approval process, transactions of this nature are required to have Hart Scott Rodino Clearance, a federal law giving the US Justice Department and Federal Trade Commission an opportunity to review any potential anti-trust aspects of the transaction. IWRA and Harveys filed a joint application for clearance on August 25th. The process requires a 30-day review during which time either federal agency can request additional information. The 30-day review period expires on September 24th. Mr. Armentrout stated that IWRA and Harveys' have received notice from the Federal Trade Commission that they have signed off on the transaction, and they are waiting to receive clearance from the federal Justice Department, which they anticipate receiving on Friday, September 24th.

Mr. Armentrout requested approval of the transaction on behalf of IWRA and Harveys, specifically the four agreements in the form presented to the Commission. He also requested that the Commission approve the amended and restated credit agreement

provided that the final agreement negotiated and executed with Wells Fargo and the other banks is substantially in the same form as provided to IRGC staff.

Commissioner Mahaffey noted there was an article in the Council Bluffs newspaper that indicated that Ameristar was not given an opportunity to bid on the BRC property. The article further suggested that a bidding process might have raised the selling price to $200 million or more. He requested that IWRA and Ameristar address the comment.

Mr. Smith stated that IWRA hired McCarthy Associates to determine the value of the property. He indicated that IWRA elected to not use a bidding process, as is the case in the sale of many major businesses. They feel they received a fair price for the BRC property by proceeding in the manner they did. Mr. Smith indicated that he did receive a phone call from Jeff Terp, Vice President of Business Development for Ameristar in mid-July. He advised Mr. Terp that they were in the process of completing due diligence portion of the transaction, and he was not free to discuss the issue with him. Mr. Smith indicated that IWRA is very comfortable with the buyer they chose.

Commissioner Mahaffey asked Mr. Smith if they talked to Ameristar about the proposed sale of the facility. Mr. Smith indicated they did not. He indicated they relied heavily on the investment banking firm and industry studies to determine the value of the property. IWRA feels they received top dollar for the BRC property.

Mr. Reed advised the Commission that similar transactions within the industry ranged between five and six times free cash flow. The Harveys/IWRA transaction before the Commission is at 5.75 times free cash flow. He noted the transaction is somewhat more complex due to the escalating gaming tax rate on the racetrack enclosure gaming facility.

Commissioner Hassenfritz indicated that he felt Commissioner Mahaffey was trying to determine why Ameristar was not approached. Mr. Reed stated that in transactions of this nature, confidentiality is very important in order to maximize the value of the property. At the beginning of the process, it is important to choose a buyer who can perform, meets all of your other criteria and offers a fair price. Harveys' was able to meet all of IWRA's criteria.

Commissioner Mahaffey asked to hear from Ameristar at this time. Mr. Terp asked Commissioner Mahaffey what information he was seeking. Commissioner Mahaffey stated that the newspaper article suggested that a bidding process might have raised the selling price to $200 million or more. He asked Mr. Terp to address that particular issue, and indicated that he then had some questions about any concerns about competition that Ameristar might have.

Mr. Terp stated that Harveys' is a great company and he admires what they have been able to accomplish. He indicated that there is no way to know what the final selling price would have been in a competitive bidding process. He further stated that he was not sure whether Ameristar would have competed or been able to compete, and that it would be inappropriate for him to indicate that Ameristar would have or could have offered more

money. Mr. Terp stated that IWRA may have received the highest price, but there is no way to know for sure as there was no announcement made that the property was for sale. He indicated that Ameristar was not trying to do anything to upset what Harveys' has done.

Commissioner Hassenfritz asked Mr. Terp whether or not the $200 million figure was from him. Mr. Terp stated that the figure was used in the article. He indicated that prior to distribution of management fees, BRC had been generating as much free cash flow as $40 million per year, particularly if they changed their pay out rate as well as taking other steps. If you use the free cash flow figure of $40 million times 5, that would equal $200 million. Mr. Terp noted there had been some sales that went as high as seven times free cash flow. He indicated there are other aspects applicable to Iowa, and not having all of the inside information, there is no way to determine if IWRA could have received a higher price.

Commissioner Hassenfritz stated that he felt Commissioner Mahaffey was trying to determine whether or not the sale was handled fairly. Mr. Terp stated that he felt the negotiations between Harveys' and IWRA were handled in a fair and equitable manner.

Chair Hansen asked Jean Davis, Assistant Attorney General for IRGC, if the proposed transaction was appropriate and within statutory requirements and constraints.

Ms. Davis advised the Commission that the statute expressly authorizes the Commission to approve a management agreement. She noted that questions have been raised about that part of the statute which prevents a licensee from turning the operation over to another person. She stated that aspect of the application is a fact-based determination based on all of the information submitted to the Commission. She further indicated that the presence of a lease or management agreement is not the litmus test. She stated that the Commission members must review the contracts before them in order to determine who will have control. She indicated there is no fixed definition of what constitutes control as the Courts have been loathe to establish what key elements would be evidence of control.

Ms. Davis advised the Commissioners to look to the specific contractual relationship to determine whether there is sufficient control to satisfy that particular section of the statute. She stated that she had identified some of the issues for them, and could set them out if they so desired. Chair Hansen indicated that Ms. Davis should do so. Those issues are as follows:

1) There is nothing in the documents that expressly transfers or assigns the license, which is expressly prohibited by statute. IWRA remains the license holder, and the entity that shall be held accountable by the Commission. The license holder is responsible for insuring compliance with the statutes and regulations.

2) The license holder will continue to own the gaming equipment, currently and prospectively, insuring a sufficient stake in the operation of the facility.

3) IWRA would continue to have a role on the advisory committee. Under the contract before the Commission, the advisory committee has the authority to review capital expenditures and the operating budget, and decisions regarding management.

4) Ms. Davis indicated that the cash flow arrangement is also an indication of control by IWRA. She stated that if they had concerns about the financial arrangements, there were other pieces of the contract that could answer those concerns. Additionally, IWRA has specifically contracted to take all necessary steps and actions to retain its license, and shall use all legal efforts to promote gaming. Since Harveys' is considered to be an independent contractor, IWRA can not be bound by their actions.

Ms. Davis stated that she is not as familiar with the terms of the contracts, or how they had been negotiated, as the parties involved and if there were specific questions they should be addressed to either IWRA or Harveys. She passed on these thoughts regarding the element of control. She reiterated that the Courts have not crafted a single definition of control, but it has been reviewed in different contexts under different circumstances. Black's Law Dictionary defines control as the direct or indirect power to direct the management or policies of a person or entity through ownership, contracts or otherwise. Ms. Davis stated that Courts that have reviewed the ownership interest issue have stated that it must be something more than an insubstantial or token ownership or interest. Additionally, Courts have stated that the term "ownership" or "control" can not have a fixed or definite meaning, that its meaning can vary depending upon the context in which it was used.

Ms. Davis advised the Commission that the determination of control is a fact-based decision based on the circumstances that their decision would not be setting precedent for future situations that may come before the Commission.

Chair Hansen stated that one of the key elements is the fact that the IWRA is required to maintain the license in order for the operation to continue.

Chair Hansen called on Otto Steele, a member of the Truth About Gambling Foundation, who had requested that he be allowed to address the Commission regarding the IWRA/Harveys transaction. Mr. Steele read a statement by Robert C. Miller, President of the Truth About Gambling Foundation, who was unable to be present at the meeting. Mr. Steele indicated that he concurred with Mr. Miller's statements. (See attached copy.)

Commissioner Hassenfritz asked Mr. Steele if he could certify that Mr. Miller had written the letter on his own without any outside consultation. Mr. Steele indicated the letter was Mr. Miller's own views.

Mr. Ketterer indicated that he had some questions to ask Doug Okuniewicz, General Manager at BRC. Mr. Ketterer asked Mr. Okuniewicz if he was the General Manager for AIM at BRC. Mr. Okuniewicz answered in the affirmative. Mr. Ketterer asked him if he had the ability to hire and fire employees during his tenure. Mr. Okuniewicz again answered in the affirmative. Mr. Ketterer asked if he made management decisions

regarding BRC, as well as choosing goods and services. Mr. Okuniewicz answered yes to both. Mr. Ketterer stated that Mr. Miller was suggesting that these particular decisions would no longer rest with IWRA. He pointed out that when a management agreement is in place, those items, by nature of the agreement, rest with the management company. He does not see the situation changing under the management agreement negotiated with Harveys.

Mr. Ketterer noted that Rev. Steele had heard the Assistant Attorney General's opinion regarding the legality of the proposed transaction. He reiterated Ms. Davis' comments that the issue of control is a factual determination and that it would not establish precedent. Mr. Ketterer then asked Mr. Steele to assume that the transaction is legal and would not establish precedent because each issue has to be judged on its own merits. He asked Mr. Steele what problems this transaction would raise. Mr. Steele stated that Ms. Davis had focused on the matter of control. In his opinion, Harveys' will be in control, not IWRA. He stated that he feels very strongly that this transaction is contrary to statute and regulations.

Mr. Ketterer, taking Mr. Steele's position that Harveys' is in control, pointed out that Harveys' is also a licensed operator within the state, and comes under the same scrutiny as IWRA. He asked Mr. Steele what additional risks are involved, assuming that Harveys' is in control, and there is no precedent established. Mr. Steele stated that Harveys' would be receiving a disproportionate amount of money. Mr. Ketterer pointed out that IWRA is the one receiving $165 million. Mr. Steele countered that there are always risks when money is involved.

Mr. Ketterer advised the Commission that he had the opportunity to review the draft documents and discuss them with Ms. Davis. Mr. Ketterer noted that the Commission had approved similar lease agreements with RACI/Polk County and Dubuque Racing Association/City of Dubuque. This situation is unique in that the IWRA is the owner of the land and facility, as well as the licensee. IWRA has chosen to accelerate the revenues that they would have received as their portion of the operation down the line in order to get the present day value and get as much equity as possible out of the operation. As to the question whether IWRA would continue to be a benefactor to the community, the last Iowa West Foundation statement he reviewed showed around $80+ million. With a total compensation after payment to AIM of $115 million from this proposed transaction, Iowa West Foundation would have almost $200 million. As the non-profit sponsor for Ameristar and Harveys', they receive approximately $8 million per year. Mr. Ketterer stated that if the IWRA was able to earn a 6% income stream from the $200 million in the foundation, plus another $8 million annually, that would be around $20 million per year that is available for charitable contributions without touching the $200 million in the foundation. He stated that if there was one thing that he could change, he would like to see IWRA participate somewhat in the future revenue stream, although he does understand why they have elected to do what they have.

Mr. Ketterer stated that as a Commission, they would still hold IWRA responsible for any and all compliance issues as they are the licensee.

Chair Hansen asked if there were any further questions. Commissioner Hassenfritz called for the question.

Commissioner Sealock moved to approve the contracts as submitted, and listed above. Commissioner Hassenfritz seconded the motion. Chair Hansen asked the motion embraced the caveats regarding the $150,000 on building improvements within one year and the change in the insurance language to be consistent with what was done in 1996. Commissioners Sealock and Hassenfritz answered in the affirmative. The motion carried on a 4-1 vote, Commissioner Mahaffey voting no. (See Order No. 99-134)

Chair Hansen moved to the following contracts submitted by the Iowa West Racing Association:

- McCarthy & Co. – Payment of 1% for Investment Banking Services Rendered Involving Bluffs Run Greyhound Track & Casino to Harveys for the Sale/Leaseback and Management Services of Bluffs Run
- McCarthy & Co. – Rendering of a Fairness Opinion Related to the Sale/Leaseback of Bluffs Run Greyhound Track & Casino to Harveys
- AIM, Inc. – Terminating Management Agreement between AIM, Inc. and Iowa West Racing Association for day-to-day management of Bluffs Run Greyhound Track & Casino

Mr. Ketterer asked Mr. Reed to discuss IWRA's role in arriving at the final figure for the termination of the AIM management agreement. Mr. Reed stated that the price paid to IWRA was based on the 1998 operations. The cash flow to AIM was projected as if they had continued to manage the facility until December 31, 2006. That amount was discounted at a higher rate than the discount applied to the 5.75 times multiples, so IWRA actually came out ahead.

Hearing no further comments or questions, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IWRA. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-135)

Following a short break, Chair Hansen called on representatives of The President Riverboat to discuss a financial report previously received by the Commission. Mark Lohman, General Manager, introduced Mary Ellen Chamberlin, President of the Riverboat Development Authority; Ralph McClovick, Vice President of Finance for the publicly traded company, President Casinos; and Larry Hayes, a financial analyst at the Davenport facility.

At this time, Mr. Lohman turned the floor over to Mr. McClovick for a discussion on the most recent quarterly 10Q. Mr. McClovick advised the Commission that the first quarter this year was the President's best since May 1996. The operations at Biloxi and St. Louis improved. Their operating EBITDA was up $1.9 million from the prior year; and the

operating income increased from a loss of a half million last year to $4.1 million this year.

Mr. McClovick advised the Commission that the St. Louis facility will be moving to a new docking facility, hopefully by February or March 2000, which should improve guest ingress and egress. In mid-August, Missouri lifted their boarding restrictions which resulted in a 15% increase in revenues at this facility. President Casinos is expecting approval from the Army Corps of Engineers by the second quarter of 2000 for their destination broadwater project in Biloxi. They completed the purchase of their casino barge at this facility in August, eliminating uncertainties regarding future lease arrangements.

Mr. McClovick noted that President Casinos has many maturing debts next year, and they are looking at various alternatives for restructuring the balance sheet. They have hired Merrill Lynch to help with this project.

Mr. Ketterer asked if the changes in the Illinois laws would affect their operations in St. Louis. Mr. McClovick stated that Illinois changed their law prior to Missouri, which had a negative impact on their operation. The changes in the Missouri law offset Illinois' changes.

Chair Hansen stated that the best news regarding the quarterly financial is that the loss is not as large as it has been in the past. With regard to the year-end statement, he noted that President Casinos did end up with a net income. Mr. McClovick advised Chair Hansen that he was looking at the year-end financial statement for the Davenport operation, while he was speaking to the parent company, which had a net loss. Chair Hansen asked if the quarterly loss had any bearing on the proposed expansion at the Davenport property. Mr. McClovick stated that President Casinos hopes the expansion will help offset the loss.

Commissioner Hassenfritz, noting the additions being made to the Biloxi property, asked if that property was a drain on the Company since the operating revenues at the Davenport property are so much better - $20 million vs. $15 million in Biloxi. Assets at the Biloxi property are $23 million vs. $49 million at Davenport. Mr. McClovick advised that most of the expenses are connected to the destination broadwater project. He indicated that this property opened about a year after the Davenport property.

Commissioner Sealock asked if Mr. Connelly still owns The President, and if so, whether or not he is injecting large amounts of capital. Mr. McClovick indicated that the capital was not coming from Mr. Connelly.

Hearing no further comments regarding the financial statements, Chair Hansen moved to The President's request for additional slot machines. Mr. Lohman stated the President was requesting approval to increase the number of slot machines from 925 to 1200 in a two-step process. He noted that Lady Luck Bettendorf received approval to increase the number of slot machines to 1200 last year, and their Illinois competitor will more than

likely increase their number of machines to 1200, the maximum under their existing law. Mr. Lohman stated that the additional machines are necessary if they are to remain competitive in the Quad City market. He indicated the President is currently constrained in the variety of machines offered; and during peak times, they are constrained in the number of machines available to meet the demands of patrons. The President currently has 37% of the slot machines in the market, but has 39% of the market share through July.

Mr. Lohman advised the Commission that since the President's main Iowa competitor opened a parking garage in November 1997, they have regularly exceeded the President's operation and gaming revenues. Revenues have remained flat in Davenport while Lady Luck's have increased.

Mr. Lohman stated that the gaming market has increased in the Quad City area. He requested Commission approval of their expansion request in order to allow them to remain competitive. He noted President Casinos also exists to create a profit for their shareholders, they are also an economic benefit to the City of Davenport, Scott County and the State of Iowa. Of the 811 jobs at the property, 42% of the employees live in Illinois and drive to Iowa to work, and 58% of the patronage comes from outside of Iowa, generating tax income and charitable contributions for the community.

Mr. Lohman stated that a majority of the additional machines would be nickel machines. The current configuration of the riverboat is on three decks, with the primary table game operation on the main casino deck (second deck of the boat) and slot machines are on the third deck of the boat and additional table games on the 4th deck of the boat. This area of the boat is only open on the weekend. They plan to remove the table games from the 4th deck of the boat and expand the table games area on the second floor of the boat by four games. The fourth deck would be the primary expansion area for the additional slot machines, and would allow them to increase their slot machine number to 1,050 quickly, pending Commission approval.

The second phase of the operation would have to wait until after the vessel undergoes its five-year hull inspection at which time the hull would be modified to provide a more equitable distribution of the slot machines on the vessel, as well as the additional weight of the machines. This modification would open up several options, one of which would be to expand onto the fourth deck of the vessel. The President anticipates this phase could be completed by March 1, 2001, which is the date the hull inspection must be completed by.

Commissioner Hassenfritz asked Mr. Lohman what types and denominations of slot machines they would be adding, and whether or not there are particular kinds of machines the patrons are demanding.

Mr. Lohman indicated the President is deficient in nickel machines in the market. They are planning to predominantly add nickel machines from a variety of manufacturers. He indicated that a majority of the machines were in front of the Commission for approval

today. Mr. Lohman advised that if the expansion proposal is approved, the contracts for the slot machines would be for the expansion. If the request is denied, they will proceed with the contracts and replace existing machines.

Commissioner Hamilton asked how many table games were going to be removed. Mr. Lohman stated that 15 table games would be removed. Commissioner Hamilton then asked how many slot machines would replace those table games. Mr. Lohman advised that they will add 125 slot machines during the first phase and 150 during the second phase of the project.

Commissioner Sealock asked Mr. Lohman if the additional slot machines would give the President the same number as Lady Luck Bettendorf. Mr. Lohman indicated that was correct. Commissioner Sealock pointed out that Lady Luck has increased their land-based facility and other opportunities to attract more customers. She asked Mr. Lohman if he felt the additional slot machines would allow the President to attract more customers, and whether they had enough customers to justify the number of slot machines. Mr. Lohman stated that he felt there were enough customers in the market, both locally and through their marketing efforts.

At this time, Chair Hansen called on Will Cummings, President of Cummings Associates, for his comments on his report to the Commission. Mr. Cummings stated that the Quad Cities market has a large number of table games relative to the population, and that it would be better served by reducing the number of table games and adding slot machines. He indicated they are slightly above average in the number of slot machine relative to the population. He advised that with the increases in the number of slots occurring elsewhere in the state, the Quad City market would fall to the lower end of the range. If the proposed expansion is approved, they would be slightly above average. Mr. Cummings noted that the number of table games in the market is decreasing by 13% while the number of slot machines will increase by approximately 11%. He noted that the most direct competitor of The President is the riverboat located at Rock Island, IL. For the past several years, the Iowa riverboats have had a significant advantage over the Illinois boats because of dockside gaming. In June, Illinois allowed dockside gaming, and the Rock Island boat's adjusted gross receipts increased by 52% in July 1999 versus the same period last year. In view of these figures, Mr. Cummings' report indicates there was "excess demand" in the marketplace that was not being served by Iowa's riverboats.

Chair Hansen asked Mr. Cummings if he felt the additional slot machines at The President would help them remain competitive even though they don't have a destination hotel situation like Lady Luck. Mr. Cummings stated there are several elements that make a facility attractive, and while he agrees that the land-based elements are important, he also feels the range and availability of gaming product would be independent of what is otherwise available.

Commissioner Sealock read the following from Mr. Cummings' report: "Without additional capacity, offering greater variety and (at peak times) greater availability of machines, Iowa should moreover expect to see some number of customers and their

gaming dollars migrate to Illinois." She asked Mr. Cummings if he was referring to individuals who are already gambling, that they would simply elect to patronize the Illinois venues versus Iowa, that it would not necessarily be an increase in the numbers of individuals gambling.

Mr. Cummings stated that if the capacity of the market is increased, it will be more attractive to those individuals who are already gambling, but will also serve as a draw for those who may be gambling at other facilities. His point was that the Rock Island boat became a serious competitor in the market whereas it had not been previously.

Commissioner Sealock also noted that Mr. Cummings has indicated that the facilities just can't throw more slot machines at the customer, they must also make the appropriate efforts with regard to marketing and customer service.

Ms. Chamberlin expressed her concerns, as well as those of the Downtown Development Corporation, who receive revenues from the President Riverboat Casino. She indicated those funds are currently being used to revitalize the downtown area. She noted that when the market shifts between Bettendorf and Davenport, the community doesn't suffer much as the communities share the revenues, but because Illinois does not have a comparable non-profit structure, when market share shifts from Iowa to Illinois, the community, and eventually the state, suffers.

Mr. Lohman addressed the land-base issue raised by Commissioner Sealock previously. He stated that the City chose the location for the riverboat as they want the riverfront to remain unobstructed. Mr. Lohman indicated that any development considered by the President would be north of River Drive, a little further away from the riverboat.

Hearing no further discussion regarding the President's expansion request, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the request as presented – a two-phase procedure adding a total of 275 new slot machines. Commissioner Sealock seconded the motion.

Mr. Ketterer noted that the President's submission addressed Administrative Rule 20.2(3) regarding additional slot increases. He stated that if Commission members feel the President has demonstrated to their satisfaction compliance with those sections of the rule, they should vote yes. If they do not feel the President has demonstrated compliance, then they should vote no.

Chair Hansen stated that the President has satisfied him on the criteria set forth in the rules. He indicated that he was in favor of the proposal on two additional points – the level playing field with other competitors and that the Iowa licensees should be allowed to remain competitive with changes transpiring in Illinois.

Hearing no further comments, Chair Hansen requested a vote on the motion. The motion carried 4-1, Commissioner Mahaffey voted no. (See Order No. 99-136)

Chair Hansen moved to the contracts submitted by The President. Mr. Lohman submitted the following contracts for Commission approval:

- Robertson Builders, Inc. – General Construction for Buffet Renovations
- At Work Uniforms – Apparel for Costume Program
- Video Lottery Consultants, Inc. – Purchase 20 Gaming Devices (Replacements)
- Anchor Games – Replace 9 Leased Games; Change in Payment Arrangements
- Collection Service Center – Collection Service for Garnishments and Child Recovery - Employee Payroll Deduction Only
- Zimmerman, Laurent & Richardson, Inc. – Ad Agency Retainer; Public Relations Retainer, All Media Buys and Agency Production
- Minter Weisman – Candles, Sundries and Cigarettes for Resale
- Atronic Casino Technology – Purchase of 10 Gaming Devices (Replacements/Additions)
- WMS Gaming, Inc. – Purchase of 20 Gaming Devices (Replacements/Additions)
- Casino Data Systems – Purchase of 4 Gaming Devices (Replacements/Additions)
- Casino Data Systems – Purchase of 6 Gaming Devices (Replacements/Additions)
- Aristocrat, Inc. – Purchase of 14 Gaming Devices (Replacements/Additions)

Mr. Lohman clarified that the slot machine purchases represented by the above contracts would be additional machines, not replacement machines.

Hearing no further comments, Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-137)

Chair Hansen called on representatives of Lady Luck with regard to their purchase of the Miss Marquette. Curt Beason, legal counsel, and Larry Tombari, Chief Financial Officer of Lady Luck, were available to answer any questions. Mr. Beason advised the Commission that the financing was not finalized at this time, but that it would be ready for their review and consideration at the October meeting. He requested that this issue be deferred until that meeting. He asked if there were any questions for Mr. Tombari. Chair Hansen stated that he felt it would be best if any questions were deferred until the October meeting. Chair Hansen stated that the Commission would defer the matter until the October meeting.

Chair Hansen moved to Administrative Business. Mr. Ketterer suggested that the Commission receive a report from Commissioners Hamilton and Hassenfritz with regard to their recent trip to the World Gaming Congress & Expo in Las Vegas at the October Commission meeting.

Chair Hansen moved to Public Comment. Mr. Farinella noted that several of the questions during the contract approval portion of the meeting revolved around the availability of the industry to make purchases from Iowa vendors. He advised the Commission that the gaming industry would again be holding a vendors fair on October 6th at the Embassy Suites from 10:00 AM to 3:00 PM. There are 75 booths available, 60 of which have already been rented.

Commissioner Hassenfritz asked Mr. Farinella if the fair was set up through the Iowa Department of Commerce. He stated that he is always amazed by the proprietary software used by the gaming industry. He noted there are some new software companies in Iowa, particularly in the Cedar Rapids/Iowa City corridor. He asked if any of those companies are represented.

Mr. Farinella indicated that Tony Taubel, Assistant General Manager, or Jane Bell, Public Relations Director, from Ameristar might be able to answer that question. Ms. Bell indicated that lists of possible participants had been obtained from the Iowa Association of Industry, various Chambers of Commerce, and public advertisements.

Chair Hansen commended the gaming industry on their efforts in this area. He noted that he has a profound interest in making sure that Iowa vendors are used as extensively as possible. He asked what the rental fee was for the booths at the vendors fair. Mr. Farinella indicated that the fee to the vendor was $150, including setup and takedown. Chair Hansen asked if all of the licensees were participating. Mr. Farinella indicated that all properties were represented last year, and during a joint meeting of the gaming associations the previous evening, it appears all will be sending representatives this year as well.

Hearing no further business to come before the Commission, Chair Hansen requested a motion to adjourn. Commissioner Mahaffey so moved, and Commissioner Hamilton seconded the motion.

MINUTES TAKEN BY:

Julie D. Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
OCTOBER 21, 1999

The Iowa Racing and Gaming Commission met on Thursday, October 21, 1999 at the Dubuque Greyhound Park & Casino, 1855 Greyhound Drive, Dubuque, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and member Diane Hamilton. Commissioners Jim Hassenfritz and Mike Mahaffey were absent.

Chair Hansen called the meeting to order at 9:05 AM. and requested a motion to approve the agenda. Commissioner Sealock moved to approve the agenda as presented. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Hansen called on Mayor Terry Duggan, who welcomed the Commission to Dubuque. He stated that gaming has had a very positive impact on the Dubuque community. He pointed out that Dubuque reached the limit of its boundaries in 1995, with only 25 acres available for expansion and job creation. Mayor Duggan noted that in 1996 Dubuque embarked on an initiative, which allowed the City to purchase and develop over 1,000 acres of farmland. Over the next 15 years, the purchase of this land will create 5,000 additional jobs, and increase the population of Dubuque by 10,000 – 15,000 people. The initiative cost $26 million; the majority of the funding was accomplished with the help of the Dubuque Racing Association (DRA). In addition to the new industrial park, Dubuque will also be adding a Technology Park consisting of 16 sites, five of which are sold.

Following Mayor Duggan's remarks, Chair Hansen moved to the approval of the minutes from the Commission meeting held on September 23, 1999. Hearing no additions or corrections, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen moved on to announcements. Mr. Ketterer advised those in attendance that agenda items for the November 18th Commission meeting must be in the Commission office no later than Friday, November 5th due to the Veteran's Day holiday on Thursday, November 11th. The November meeting will be at the West Des Moines Marriott. He reminded everyone there would not be a meeting in December, and that the January Commission meeting would be at the West Des Moines Marriott on January 20, 2000.

At this time, Mr. Ketterer introduced the Commission staff from Dubuque in attendance: Cathy Dillon, Scott Franke, Rhonda Dunbar and Cheryl Vetsch.

Chair Hansen advised that his previous comments regarding public participation were printed on pages four and five of the agenda. He stated that the Commission is not trying

to discourage public participation, but orchestrate it in such a way to provide the most beneficial impact on the meetings.

Chair Hansen called on Mr. Ketterer to review the rules before the Commission as Notice of Intended Action. A copy of the proposed rules is attached. Item 1 is amended due to a previous rule change, resulting in a reference change. The next seven items are recommendations received from the greyhound stewards, and pertain to regulatory issues for greyhound racing. Item 9 is rescinded. Items 10, 11 and 12 provide the definition of an outrider and specify the duties of an outrider at a horse-racing meeting. The horse racing stewards recommended these rules. The next three items are also related to horse racing, and set out stewards' duties and responsibilities. The stewards also recommended these rules. Item 16 is amended due to a rule reference change. Item 17 prohibits jockeys from intimidating others during the running of a race. Items 18-21 relate to entering horses into races, and were also recommended by the stewards. Item 22 amends the rule to allow advertising on the jockey's silks. Item 23 establishes a minimum jackpot of $100,000 before verification by IRGC or DCI representatives is required. Item 24 amends the authorized gambling games by adding baccarat, and clarifies the definition of video machines. Item 25 pertains to incident reports from licensees and establishes guidelines for reporting those to representatives of the IRGC or DCI.

Commissioner Hamilton asked about the changes to 10.5(10) with regard to the deletion of the words "paddock judge". She asked if Iowa still had them. Mr. Ketterer explained that the rule was amended because of the necessity of changing the horse's equipment from one race to the next. The paddock judge is the person who checks the equipment when the horse comes into the paddock, but he does not have the authority to change the equipment in the paddock. The equipment change has to be approved by the stewards prior to the horse going to the paddock.

Chair Hansen requested a motion regarding the proposed rule changes. Commissioner Sealock moved to approve the Notice of Intended Action on the above rules. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-138)

Chair Hansen moved to the revised admission fees. Mr. Ketterer explained that the admission fee schedule approved in June for FY 2000, beginning July 1st, is amended to include Lakeside Casino and Hotel as of November 1st. DCI and IRGC will be employing staff at that location and begin occupational licensing shortly thereafter. Mr. Ketterer explained that this schedule includes a credit to the other licensees as IRGC received $116,000 additional appropriation per year for staff, startup costs and supplies for the IRGC office. Since the staff would not begin until November 1st, the prorated amount available to IRGC for this fiscal year was $84,000. Staff was under the impression that this amount had not been received, but it had, and was included in the initial admission fees established for July 1; therefore, the other licensees were paying more than they needed, and will be credited approximately $94/week. All licensees except Lakeside Casino and Hotel will pay $6,040/week, and Lakeside will pay weekly admission fees of $6,136.

Hearing no discussion or questions regarding the revised admission fees, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the revised admission fee schedule as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-139) (Copy attached)

Chair Hansen moved to the next agenda item – a summary of the final revisions on the purchase agreements between Iowa West Racing Association (IWRA) and Harveys. He quickly reviewed the items listed on the agenda, noting that item A was to resolve the pending penalty situation, and Items B and C refer to the insurance problem. Under Item E, the landlord would have received the insurance payment instead of the tenant, and if the amount of damage was only 5%, the landlord could have walked. The damage level was increased to 50% and the insurance settlement will go to the tenant, giving them the ability to determine what will happen with the facility.

Chair Hansen called on Steve Roberts, legal counsel for Harveys Casino and Hotel who requested approval of the First Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions. The documents require Harveys to take immediate steps to assume the health and welfare benefits for the employees of Bluffs Run Casino (BRC), and get them in Harveys' program. Additionally, IWRA will be responsible for costs and excess liability incurred under such program when the occurrence happened prior to the closing of the sale. Mr. Roberts noted that certain licenses, including liquor licenses, sales and use tax permits, elevator licenses, food service permits, occupancy permits, were not transferred under the sale agreement and will remain with IWRA as the licensee of the property.

Mr. Roberts further stated that the Schedule of Litigation and Issues that IWRA had was amended to indicate that a plan will be submitted to the Commission relative to the entry situation at BRC by September 23, 2000 and the commitment to spend up to $150,000 in capital improvements in order to correct the problem.

Hearing no further discussion, Chair Hansen requested a motion that approves the amendments listed on the agenda. Commissioner Sealock moved to approve the First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, including the information presented by the Chair. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 140)

Mr. Roberts thanked everyone involved in the transaction for their efforts. Mr. Welch, General Manager at BRC and Harveys, indicated the first two weeks have been very interesting. He indicated that he hopes to be able to present plans for future changes in order to renew interest in simulcasting and racing. Mr. Welch noted that he has discovered several duplicate vendors for Harveys and BRC.

At this time, Chair Hansen moved to the Contract Approval portion of the agenda. Chair Hansen noted that during the last meeting he had expressed concern about the ratio of purchases from Iowa vendors. He acknowledged that part of the low percentage was due to the fact that numerous contracts involved gaming equipment. Chair Hansen pointed

out that over 70% of the purchases this month were with Iowa vendors. He stated that when he chaired a committee to look into this issue two years ago, only 37% of the products, goods and services were coming from Iowa vendors. At the end of 1998, the level had increased to 62.8% of all purchases. He conceded there is approximately 18% that is beyond the control of the licensees and the Commission as that is the amount allocated for the purchase of gaming equipment. He would like to see progress made on the remaining 19%, for an ultimate goal of 80-81% of all products, goods and services coming from Iowa vendors. Chair Hansen stated that if the licensees were able to purchase the additional 19% from Iowa vendors, it would generate $35 million per year for Iowa's economy.

Chair Hansen called on Mr. Welch, who presented a contract with Premier Pavement Maintenance for snow removal at the Harveys Casino Hotel facility. He indicated that if the vendor is able to obtain additional equipment, it is possible a contract could be submitted for BRC.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-141)

Chair Hansen called on Dubuque Diamond Jo (DDJ). Brent Stevens, President of Peninsula Gaming Company, presented a contract with J.F. Brennan Company, Inc. for an underwater hull survey.

Hearing no discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contract as submitted. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-142)

Commissioner Sealock informed Mr. Stevens that she had received some very positive comments from the President of Loras College regarding the new owners of the DDJ, that they had been very cooperative with the United Way campaign, and that they will be hosting the Victory Celebration in November.

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

- Metro Wrecking – Building Demolition/Excavation
- Stratten Warren Software, Inc. – Purchasing Software Agreement

Commissioner Sealock moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-143)

Chair Hansen called on the Belle of Sioux City (BSC). Mike Means, Assistant Controller, presented the following contracts for Commission approval:

- Anchor Games – Lease 4 Wheel of Fortune Slot Machines (Replacements)

- Anchor Games – Lease 10 Barcrest Kits (Replacements)
- Williams Gaming – Lease 5 Monopoly Slot Machines (Replacements)
- Argosy Gaming – Intercompany Insurance Charge 8/99 to 8/2000

Commissioner Sealock, referring back to the percentage of contracts with Iowa vendors, expressed concern about the fact that a certain amount of purchases will have to be made out-of-state because of the nature of the industry. Commissioner Sealock moved to approve the contracts as submitted by BSC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-144)

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

- IEP – Surveillance Equipment
- Durkan Carpets – Carpet Manufacturing for Third Floor Casino Expansion
- Roadway Express – Transportation for Equipment on Third Floor
- Hockenberg Equipment – Bar Equipment in Casino Expansion
- Accent Ads – Advertising and Promotions Goods and Services
- CINTAS – Uniform and Cleaning Services
- Council Bluffs Daily NonPariel – Advertising and Newspaper Subscriptions
- Digital GraphX – Printing and Forms Supplies
- Harkers Meats – Meats and Groceries
- Interstate Electric Company – Electrical Contract Work
- Omni Group Inc. – Rent of Office Space
- Peoples True Value – Hardware and Building Supplies
- Rhoden Auto Center – Two Vehicles
- Smiths Office Supply – Office Equipment and Supplies
- Sam's Club – Sundries and Supplies
- Menard's – Hardware and Building Supplies
- US Postmaster – Postage and Services
- Commonwealth Electric – Electrical Contracting to Connect Power to Parking Garage under Construction
- Mikohn Gaming – Slot Machine Signs & Materials for Third Floor Expansion

Hearing no questions or discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar Casino. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-145)

Chair Hansen called on Lakeside Casino & Hotel. Larry Seckington, legal counsel, advised the Commission that there is a 50% chance the facility will open on December 15, 1999. He presented the following contracts for Commission approval:

- Jones Vending – Vending Machines
- Multiflex POS Systems – POS (Cash Register System)

- IEM – Telephone System
- Brooner & Associates – Change Order (Miscellaneous)
- Brooner & Associates – Change Order (Moorings)
- Brooner & Associates – Change Order (Carpet)
- Cummins Allison Corp. – Cage & Count Room Equipment
- Paulson Gaming Supplies – Gaming Equipment
- B & D Signs – Display Signs
- IGT – 500 Slot Machines (Replaces the Midwest Gaming Supply contract previously approved)
- E & E Computers – Computers/Office Equipment
- Gasser & Associates, Inc. – Chairs
- Best Western – Hotel Furnishings

Mr. Seckington indicated these contracts represent the majority needed in order for the facility to open on December 15, 1999.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by Lakeside Casino & Hotel. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order 99-146)

Chair Hansen then moved to the application for a license by Lady Luck Marquette. He noted the formal license presentation had been made in August, with the final decision deferred at the September meeting. At this time, the Commission will consider approval of the credit agreement. Curt Beason, legal counsel for Lady Luck Bettendorf, stated that since the September Commission meeting, an announcement had been made regarding the merger between Lady Luck Gaming Corporation and Isle of Capri. He stated the credit agreement before the Commission is with the Isle of Capri. It is a stand-alone transaction, and is not dependent on the merger of Lady Luck and Isle of Capri. Mr. Beason indicated that the Isle of Capri application would be filed soon. He stated that Lady Luck needed approval of this credit agreement in order to proceed with the purchase of the Miss Marquette from Sodak Gaming. Mr. Beason advised the Commission that representatives from Sodak Gaming, Lady Luck Gaming Corporation, and Isle of Capri were available to answer any questions they might have.

Chair Hansen noted that there was a restriction on page 30 of the credit agreement that would prevent Lady Luck from making capital expenditures or the borrower will not commit to capital expenditures in excess of $1.7 million, plus $975,000. He asked for clarification, noting that during the transfer of ownership of the Dubuque Diamond Jo, the Commission had placed considerable emphasis on land-based development. Chair Hansen noted that he had previously asked the question as to whether Lady Luck would be doing something further regarding a hotel in connection with the Miss Marquette. He specifically asked if this restriction would preclude Lady Luck from doing anything.

Larry Tombari, Chief Financial Officer for Lady Luck Gaming, stated that he recalled two sets of objectives regarding future capital expenditures at the Miss Marquette. One

was that Lady Luck and the Miss Marquette had agreed to replace the mooring barge as soon as possible. The other is that Lady Luck is contemplating doing other things, such as adding additional restaurants, possibly a different vessel, and additional hotel rooms, but those items were to be determined once Lady Luck had an opportunity to review the market area. Mr. Tombari indicated the $1.7 million was the amount determined to be necessary to replace the mooring barge next spring.

Chair Hansen asked if this restriction would prevent Lady Luck from pursuing other options they may want to pursue. Mr. Tombari indicated the loan is a bridge loan, and will be short term. He feels this loan would preclude major capital improvements. He indicated any long-term capital improvements would take longer to complete than the anticipated length of this loan. This loan is expected to be in place for approximately one year or until the merger between Lady Luck and Isle of Capri is completed.

Mr. Beason stated that the restriction is a fairly standard lender provision in order to get the lender's consent; however, in this case, the lender is also the acquirer. Once the transaction between Lady Luck and the Isle of Capri is completed, this credit agreement will no longer be needed

Commissioner Sealock noted that although there is already a hotel in place, a showroom and restaurant, and a walkway to the boat, she feels there are some ways in which the facility could be enhanced and improved.

Chair Hansen asked if there was anything serious under the "Pending Litigation" section on page 46. Mr. Beason indicated everything fell under the ordinary course of business.

Hearing no further questions pertaining to the credit agreement, Chair Hansen requested a motion. Commissioner Sealock moved to approve the credit agreement as presented. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-147)

Commissioner Sealock asked if Bernard Goldstein, President of Isle of Capri, had any comments to make. Mr. Goldstein stated that the merger between Lady Luck Gaming Corporation and Isle of Capri would be a good partnership for the City of Bettendorf and Iowa. Commissioner Sealock asked if the Goldstein family still lived in Iowa. Mr. Goldstein answered in the affirmative. Commissioner Sealock noted the Commission has been talking about the importance of using Iowa vendors, and it was good to welcome an Iowa family.

Mr. Beason stated that he felt the Commission needed to give a formal approval to the license application of Lady Luck Marquette, even though it could be considered to be implicit based on the approval of the credit agreement. Mr. Ketterer stated that the Commission did need to approve the license, as that was the one issue that was still open from the presentation due to the discussions with Isle of Capri.

Chair Hansen stated that he felt most of the questions concerning the application had been asked at the formal presentation in August. He requested a motion to approve the license request if there were no additional questions. Commissioner Hamilton moved to approve the license application by Lady Luck to purchase the Miss Marquette. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-148)

Prior to calling on the Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C), Chair Hansen stated that the Commission members are mindful of the fact that one of the paramount considerations at a good racetrack has to be the horses and purses. They also feel that the physical facilities play an important role in the success of a track. He noted various members have been attempting to learn for some time what PMR&C was going to do in terms of some of the potential changes that have been mentioned over the past two or three years, but without any documented time frames. Chair Hansen stated that he felt it would be a good idea for the Commission to broaden its perspective and look at other racetracks across the country. With that idea in mind, he stated that Commission staff had prepared a presentation showing what is happening at competing tracks around the country. A copy of the presentation is attached, and is incorporated in its entirety by this reference.

Mr. Ketterer pointed out that PMR&C has $20.5 million budgeted for charities per year. These funds are the profits remaining after the necessary funds have gone into the racing operation. He stated that the reason Iowa has racetracks with land-based casinos is to develop and promote the racing industry. He noted there were instances where the Commission denied PMR&C the ability to add slot machines, which have now been granted, delaying their cash flow somewhat, but that there was sufficient funds for some of the items discussed during the slide presentation (turf track, jockeys room). The estimate for construction of the new paddock, jocks' room and turf track is $6 million, which is not significant compared to the figure earmarked for charities over the next three years. Mr. Ketterer also quoted from the agreement PMR&C has with the horsemen's associations, which states in part under Leasehold Improvements, "... all of which are deemed essential in maintaining and/or improving the quality of horse racing at Prairie Meadows." Additionally, the Lease Agreement with Polk County "authorizes and pre-approves RACI, without further approval from Polk County, to make certain capital improvements. The Projected Capital Projects include a turf track." He further quoted an excerpt from the October 24, 1997, Commission minutes where Tom Timmons, Vice President of Operations, advised the Commission that "some of the improvements, such as a turf track and additional barns, are necessary if PMR&C is going to grow within the race industry." Mr. Ketterer stated that barns have been added on a regular schedule, helping the track to accommodate more horses each year. The added barns put PMR&C on an even playing field with a couple of the competitive tracks, but are still behind some of the other tracks. Additionally, PMR&C is hampered by the fact that they do not have any facilities off-track to help with the lack of barns, and they have utilized the majority of the land available to them for additional barns. Mr. Ketterer stated that he felt the turf track was more of an essential item. Mr. Ketterer stated that the message of the presentation was this: Iowa horse racing has come a long way in five years, but the status

quo with $1.5 million purse increases will not continue the growth of the industry as can be seen by the competitive disadvantages faced by PMR&C from some of the other tracks in the region. In order for the industry to continue to grow as contemplated by the Legislature, some of the improvements will need to be put in place as soon as possible to enable PMR&C to keep pace with the rest of the industry.

Chair Hansen stated that the presentation was extremely helpful in advising the Commission as to what is occurring at other tracks around the country. In his opinion, with the closing of Aksarben, there was a false sense of security about the fact that PMR&C could become a pre-eminent track in the Midwest on a somewhat casual basis. He noted that the total amount of purses is not so important as the purse per race. These purses range from $160,000 to $300,000 at the tracks used in the presentation. Even though PMR&C's gross purses are escalating substantially, in terms of staying current with the competition, they are not doing very well.

Chair Hansen explained that at the last Commission meeting Mr. Timmons was asked to be more specific as to what and when PMR&C was going to proceed with the turf track, jockeys' quarters, paddock, horse pavilion and some other issues. He asked the representatives to come forward.

Mr. Timmons complimented Mr. Ketterer on the presentation. He stated that during the September meeting, PMR&C presented their request for racing dates. The Commission requested that PMR&C return at the October meeting with information regarding the charitables and a Plan B for 98 days of racing due to a possible lack of funding for 118 days of racing.

During the previous meeting, Mr. Timmons asked for an approximate cost for the additional 20 days of racing. Mr. Ketterer advised him that it would be approximately $85,000. Mr. Timmons stated that PMR&C is not willing to pay $85,000 for the regulation of the additional 20 days of racing. He stated PMR&C has talked with representatives of the Harness Racing Association, advising them that if they wish to have their race dates in 2000, it will be up to them to provide the funding. If PMR&C can only have 98 days of racing in 2000, it will consist of a 53-day Thoroughbred meet and a 45-day Mixed Meet, with the 20-day Harness meet being dependent upon sufficient funding for regulation. Mr. Ketterer stated that IRGC was not asking PMR&C to pick up that expense. He noted that Governor Vilsack has voiced concern about the expected receipts in the general fund and has asked state departments and agencies to look for ways to pare money from their budgets to help cover the revenue shortfall. Mr. Ketterer noted that when PMR&C increased their season from 60 to 98 days, the Legislature asked how much money would come back to the state because of the increased racing days. He was just trying to make everyone aware of the possibility for those questions to be raised again, and giving interested parties an opportunity to talk with their legislators.

Mr. Timmons stated that PMR&C has contracts in place with all three of the horsemen's associations at this time. If PMR&C were to change the dates, they would have to re-

negotiate all three contracts. At this time, the thoroughbred and mixed meets have been successful and they are growing.

Chair Hansen advised Mr. Timmons that PMR&C had satisfactorily responded to the first two requests, but the response to the third request was unsatisfactory. He stated that the Commission was looking for specific dates and times when PMR&C would take action to add the turf track, jockeys' room, paddock, etc. He noted that the Commission is aware that any long-range plan is subject to change and contingencies.

Commissioner Sealock stated that some Commission members had worked with RACI/PMR&C to solve their problems with Polk County and put them back in control of the license. Now that RACI/PMR&C are in control, they have not followed through on various projects presented to the Commission, and are indicating that the bulk of these projects will not be contemplated until after the referendum in 2002.

Mr. Timmons stated that he understood where the Commission was coming from, and he hoped they understood where he was coming from. Mr. Timmons explained that at the September Commission meeting, the Commissioners expressed a desire to see these items. He noted that the turf track, paddock, and jockeys' room have been discussed in the past, and at one time, the turf track was definitely on the drawing board. When the bids were received, they were approximately twice what PMR&C anticipated. Mr. Timmons stated that PMR&C proceeded to install the effluent water lines from the City of Altoona, allowing PMR&C to use recycled wastewater for the turf track. PMR&C shifted the focus of the improvements from the horsemen to the patron this year. Mr. Timmons stated that he worked with the horsemen and advised them of the improvements they want to make – better viewing areas, new video and tote boards, which was set back an additional 100 feet to accommodate the turf track. The current RACI Board is very adamant that they do not want to be in debt at the end of 2002. Mr. Timmons stated that he could not provide the Commission with a letter of projects PMR&C wants to do with specific dates without meeting with the RACI Board and establishing a plan.

Chair Hansen noted that the information provided in the letter only provides the same information he provided to them. He stated that the Commission is trying to resolve the problem, that no one is arguing about the inclusiveness of the list. The Commission is simply trying to determine a time frame when PMR&C is going to address these issues.

Commissioner Sealock stated that the Commission really needed some target dates, and questioned whether the RACI Board fully understands that PMR&C's license could become conditional unless action is taken on some of these issues.

Mr. Farinella advised the Commission that PMR&C has put approximately $10 million into upgrading the facilities over the last two years, and made significant progress improvement on the safety and presentation stage for the racing product. He noted that PMR&C had submitted a significant master plan in 1997 that would have taken PMR&C through 2002, and incorporated all of the improvements shown on the letter dated

October 11, 1999. Due to certain circumstances, the master plan did not come to fruition. Now two years later, PMR&C is faced with an increasing tax rate, and investment costs and construction costs have increased 18-25%. PMR&C also has a contract with Polk County to provide funds to the County and commitments to charitable organizations within the community, which will have the opportunity to vote in 2002 whether to continue racing and gaming at PMR&C or not. Mr. Farinella stated that the pending referendum requires that a good deal of their focus has to be on the community and the perceived benefits from the continuing operations at PMR&C. Mr. Farinella stated that Mr. Ketterer's charts in the presentation were very specific in showing how much money PMR&C gives back to the community, which he feels is very important as 2002 approaches. He noted that PMR&C is also required to pay a fifty-cent head tax to the state for everyone who passes through the doors, or approximately $1.7 or $1.8 million every year, to cover the costs of regulating racing at PMR&C. The riverboats pay for regulation costs directly on a reimbursable basis. Realistically, it may only cost between $400,000 - $500,000 per year. Each 2% tax increase equals an additional $2.5 - $3 million paid in taxes each year that comes off the bottom line. This year, the 26% tax means $9 million less that is available for other purposes.

Mr. Farinella stated there are issues to be considered outside of competitive racing. He indicated PMR&C had reviewed the demographics for central Iowa, and compared PMR&C to the tracks used in the presentation based on the wagering handle – how much is handled on track, and what type of activity they see in order to be able to put on their product. The demographics for some of the other tracks are as follows: Canterbury Downs – 1.2 million people and Lonestar Park – 2.5 – 3 million. When you compare the handle wagered on track at those facilities compared to handle wagered on track at PMR&C, PMR&C is very close to the same amount of activity. The difference between the other operations and PMR&C is that they are not dealing with an increasing tax rate, are not facing a referendum in 2002, as well as some of the other community aspects required of PMR&C. Mr. Farinella stated that PMR&C shares the Commission's concern, and would like to get as many of the listed items done as soon as possible. However, they are also trying to live up to the contracts they have entered into in good faith in 1997, and were approved by the Commission. He indicated those contracts were entered into contemplating PMR&C's ability to proceed with the master plan, which they were not allowed to do. Mr. Farinella stated that he did not want anyone to have the impression that PMR&C was shirking its responsibility. At this time, PMR&C is focusing on how they can best meet the needs of their patrons in connection with the upcoming construction project. It is their opinion, that even with the increasing tax rate, PMR&C will be able to meet all of their contractual obligations through 2002; but can not add another major project without a significant change in the economic environment. Any changes made in the cash flow will affect the amount of funds available for charitable contributions from RACI. The funds going to Polk County would not be affected until RACI's funds for charitable contributions were gone. Mr. Farinella reiterated his earlier statement that the Commission needs to take into account that RACI is a not-for-profit organization, supporting the community, facing a 2002 referendum, and have to protect the interests of and develop the horse racing industry, and have an increasing tax rate.

Chair Hansen noted that the escalating tax rate has been a known factor for a number of years. He conceded that PMR&C had been denied the ability to expand by previous Commission members; thereby preventing them from fulfilling some of their missions. Chair Hansen stated that the Commission would like to see a specific long-range planning program that specifically states when PMR&C expects to proceed with some of the major capital improvements that have been discussed in the past. He indicated that the plan could include contingencies that might preclude PMR&C from proceeding with the improvements within the designated time frame.

Mr. Farinella stated that as long as there was a mature acceptance of a reasonable date of 2002 and beyond, which he considers to be the critical date with respect to operations, there would be no hesitation on the part of PMR&C to set out a reasonable capital investment plan, barring any major changes in economic factors. He indicated projects could be moved up if there is a change in the escalating tax rate.

Mr. Ketterer clarified that the inclusion of some of the material in the presentation was not meant to convey that Mr. Timmons was trying to deceive the Commission. He pointed out that during conversations with staff and during presentations to the Commission, it is very obvious that Mr. Timmons is not making the decisions. He suggested that the individuals making the decisions should come before the Commission with the capital improvement plan so that they can be held accountable. Mr. Ketterer stated that when the legislation was passed in 1994 allowing the four racetracks to be the only land-based casinos, it was not to benefit the charities in those particular locations; that it was done to preserve the racing industry and nurture the racetracks at those facilities. He asked Mr. Farinella if the amount for charities over the next three years would be $20.5 million

Mr. Farinella stated that RACI/PMR&C has budgeted approximately $4.5 million per year, which is in line with charitable contributions by other licensees. Mr. Ketterer noted that PMR&C is also paying $16 million to Polk County, for a total of $20 million per year going to charities for the next three years. Mr. Farinella indicated that was correct; that the figure was based on the contracts established in 1997. Mr. Ketterer noted that the contracts included the capital improvements; and that if the amount scheduled to go to the County was not reached, terms of the contract provided that it could be paid in ensuing years. Mr. Farinella concurred, noting that funds for charitable contributions would have to be depleted before there could be any reduction in the funds going to Polk County. Those contracts were also based on implementation of their master plan beginning in 1997, which did not occur.

Mr. Ketterer noted some of the projects included would only cost $6 million, which would not have that great an impact on the charitable contributions to local organizations and Polk County. He noted that while law requires the contribution of any excess profits, they are secondary to PMR&C responsibilities to the racing industry.

Commissioner Hamilton asked how much each of the listed capital improvements would cost. Mr. Farinella indicated the following: Turf Track - $6.5 million at the time it was

bid; Jockeys' quarters/Paddock – approximately $2 million; Stable Gate Entrance - $250,000; Horse Pavilion – no bids taken; 3 dorm buildings – between $75,000 and $100,000 each.

Commissioner Sealock stated that the Commission wanted to be reasonable, but felt PMR&C should not have planned on the 2% escalating tax going away. She also felt they should have known that construction costs would increase. Commissioner Sealock stated that she wanted to see some specific dates and goals in writing, as well as any contingencies that could prevent PMR&C from meeting those goals. She stated that if she received the requested information, she would be willing to make a motion to approve the racing dates at the meeting in November.

Chair Hansen stated that PMR&C has fulfilled the Commission's requests regarding the racing dates and charitable contributions. He indicated the Commission is still in the dark regarding the long-range plans for capital improvements at PMR&C. Chair Hansen stated that PMR&C should resubmit their letter setting out planned capital improvements and give specific dates for those to occur, as well as any contingencies that could cause PMR&C to change those dates. Mr. Farinella indicated they would do so.

Following a short break, Chair Hansen moved to the renewal of the racetrack enclosure licenses. Chair Hansen called on Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino (DGP&C), who requested approval of DGP&C's racetrack enclosure gambling license and the following contracts submitted in addition to those in the renewal application:

- Computerland – Computer Equipment Upgrade for Y2K (Revised)
- Hawkeye Foods – Food Items and Supplies (Revised)
- Myers-Cox – Food Items and Supplies (Revised)
- Anchor Games – 6 Slot Machines (Replacements)
- Anchor Games – 8 Conversion Kits

Commissioner Sealock complimented Mr. Wentworth on their submission. She asked him when the last time was that DGP&C had an underage incident. Mr. Wentworth indicated that it has been at least two years.

Commissioner Sealock moved to approve the renewal of DGP&C's racetrack enclosure gaming license as submitted and the additional contracts. Commissioner Hamilton seconded the motion. Hearing no further discussion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 99-149)

Chair Hansen called on IWRA/BRC regarding the renewal of their racetrack enclosure gaming license. Tony Payne, Executive Director of IWRA, advised the Commission that the fall grant period was approaching, and they anticipate distributing approximately $5.5 million, for a four-year total between $41-$42 million. He indicated the grant level would more than likely stay at the same level; but that there are a number of projects that IWRA is looking at leveraging.

Mr. Payne also submitted a contract with JCM American Corp. for new validator heads for the IGT machines.

Commissioner Sealock complimented IWRA/BRC on the renewal application submitted, noting that it was the best submission received from them. After reviewing the number of Iowa employees, she stated that 63% were from Iowa, which is notable since the majority of the metropolitan population resides in Nebraska. Mr. Payne stated that purchases from Iowa vendors had exceeded 90% during the first six months of 1999.

Commissioner Sealock also complimented IWRA/BRC on their underage gambling ads, noting that they are being used in some schoolrooms. She also noted that their contract submissions were easy to understand.

Chair Hansen stated that BRC could have a more impressive record of making purchases from Iowa vendors if they could get Sysco to be more cooperative, referring to the fact that BRC has submitted a contract with Sysco out of Nebraska for $2.5 million. He wondered if there was anything that could be done. Verne Welch, General Manager for Harveys and BRC, advised Chair Hansen that they had talked to Des Moines originally, but learned there would be a 5% override to have the supplies delivered from Des Moines to Harveys. The Des Moines facility referred them to Lincoln. Mr. Welch stated that with two, possibly three, facilities, it could be more profitable for the Des Moines franchise to consider the contract. He indicated that no new contracts would be entered into without renegotiating them for the two properties. Mr. Welch stated that the Des Moines facility might be more willing to work with them now.

Hear no further discussion, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the racetrack enclosure gambling license for IWRA/BRC as submitted and the contract with JCM American Corp. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-150)

Commissioner Sealock asked Mr. Payne if IWRA could review their submission, and possibly use a smaller notebook in the future. Along that line, Chair Hansen stated that he had asked Mr. Ketterer and Commission staff to review the renewal process. He feels that when the Commission is dealing with the same parties and owners, the only information the Commissioners need to know is what has changed from the previous year. For changes in ownership or new applications, the Commissioners would receive the complete application for review. The Commissioners would have the ability to request additional information from staff.

Chair Hansen called on RACI/PMR&C regarding their racetrack enclosure gambling license. Mr. Timmons stated that he concurred with Chair Hansen's previous comments.

Commissioner Sealock stated that she appreciated receiving the information regarding the training provided to employees, as much of the information was new to her. Mr.

Timmons stated that all departments, not just food and beverage, which have contact with the customer receive the T.I.P.S training.

With regard to the contracts, she questioned why the contract with Designs Unlimited was marked as an out-of-state vendor when they are located in Des Moines. Mr. Timmons was not sure of the reason either. Commissioner Sealock then asked about the contract with Shive Hattery, which shows miscellaneous consulting fees as the reason for the contract. She asked for additional information. Mr. Timmons stated that Shive Hattery is the architectural engineer for major construction projects. This particular contract was submitted for the license year.

Commissioner Hamilton asked Mr. Timmons' what Mr. Farinella's connection was with the Gaming Association of Iowa. Mr. Timmons advised that he is the president of the Association, and does not receive any payment for serving in that capacity.

Commissioner Hamilton asked about the commitment fees on the contract with the Iowa Harness Horsemens' Association. Mr. Timmons explained that the fees are to fund purses at county fairs throughout Iowa.

Commissioner Hamilton then asked about the contracts with Secure Care of Iowa and Wellmark for employee medical insurance. Mr. Timmons explained that there are contracts with two different companies to provide a choice to the employees.

Chair Hansen asked about the increase in the cost of the contract with Wellmark. Mr. Timmons explained that there was a significant shift in insurance plans by employees because of the employees' share of the premium. He noted that all of the insurance premiums had increase by approximately 30%. Mr. Timmons stated that the costs shown on the contract is the total cost of the Wellmark program.

Mr. Timmons presented the following contracts for Commission approval in addition to those submitted with the racetrack enclosure gambling license:

- All Makes Office Equipment Company – Office Furnishings
- Aramark Uniforms Inc. – Linen & Laundry Services
- AT & T – Unipin One Rate Telephone Service
- Automatic Data Processing – Out Source Bureau for Payroll
- BT Office Products – Office Supplies
- Carpenter Uniforms – Employee Uniforms
- Century Systems – Computer Hardware & Software Supplies
- Competitive Edge – Specialty Items for Promotions
- Cummins Allison Corporation – Gaming Equipment
- Daily Racing Form – Racing Forms
- Davis, Brown, Koehn, Shors & Roberts, PC – Lobbyist Related Services
- DB Acoustics Inc. – Audio System Repairs & Supplies
- Delta Dental Plan of Iowa – Employee Dental Insurance Plan
- Farner Bocken Company – Candy & Tobacco Supplies

- Fred Nesbit – Beer Products
- Gaming Association of Iowa – Support for the Trade Association
- Hy-Vee Altoona #1101 – Miscellaneous Food Supplies
- J.D. Evans & Associates – Advertising Agency
- Kahler & Company – Gift Shop Supplies
- KCCI Television – Television Advertising
- Loffredo Produce Inc. – Produce Food Supplies
- Mid American Energy – Electricity
- Midwest Auto Fire & Sprinkler Company – Fire Sprinkler System Supplies & Repairs
- NDC Check Cashing Service
- Per Mar Security Service – Service & Equipment Surveillance
- Secure Care of Iowa – Employee Medical Plan
- Spintek – Hopper Fill System Parts & Supplies
- Sysco Food Service of Iowa – Food Supplies
- Therapy Services of Iowa – Physical Therapy – Workman's Comp
- Unisource Worldwide – Paper Products for Food Service
- Wellmark – Employee Medical Insurance Plans
- Zena's Gifts & Decorating – Gift Shop Supplies
- Construction Contracts

Mr. Ketterer noted that the last contract listed on the appendix attached to the agenda is the construction contract, which is the contract provided to the Commissioners the previous evening. It is for $5.8 million with Taylor Ball.

Mr. Ketterer asked Mr. Timmons for his thoughts on the recently completed harness meet at PMR&C. Mr. Timmons stated that he was pleasantly surprised – there were around 200 horses for the six-day meet. When the harness meet was first proposed a year ago, PMR&C projected a wagering handle of $20,000. At the conclusion of the meet, the average wagering handle was $26,000, without any simulcasting. Purses were approximately $30,000 per night. Mr. Timmons stated that the Clubhouse was full both Saturday nights. In his opinion, the meet went very well.

Hearing no further discussion, Chair Hansen requested a motion. Commissioner Sealock moved to approve the racetrack enclosure gambling license and additional contracts as submitted by RACI/PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-151)

Chair Hansen moved to Administrative Business and asked Commissioner Hamilton to give a brief report on the World Gaming Congress & Expo, which she recently attended in Las Vegas. Commissioner Hamilton stated that she had not been to Las Vegas for 17 years, and was amazed by the number of people milling around. She indicated that she was not sure what to expect from the Expo, but found it extremely interesting. Commissioner Hamilton stated that she attended several seminars, but found the one on casino cheats and scams to be the most interesting. She stated that she heard lots of talk against gambling, but also that many states have Iowa's view of gambling – that it is a

way to increase revenues without raising taxes, and substantial employment opportunities. Commissioner Hamilton indicated that she would like to attend the Expo again.

Chair Hansen stated that he had seen an article in the previous days' Des Moines Register indicating that people are already looking at the increased revenues the gaming industry provided to the state treasury last year, up from $150 million to $165 million. He referenced a plan by the Department of Natural Resources to spend all of the money generated by the gaming industry. He stated that the Commission has some priorities of its own, one of which would be a grant to study addiction. Chair Hansen suggested the creation of a Legislative Committee within the Commission, and named the three Commission members in attendance to the committee.

Chair Hansen stated that the agency budget would be reviewed at the November meeting. Additionally, he indicated the Commission would be reviewing some of the national meeting opportunities for the Commissioners, and possibly developing some type of policy.

As there was no Public Comment, Chair Hansen requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Sealock seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS

IOWA RACING & GAMING COMMISSION
MINUTES
NOVEMBER 18, 1999

The Iowa Racing & Gaming Commission (IRGC) Thursday, November 18, 1999 at the West Des Moines Marriott, 1250 74th Street, West Des Moines, Iowa. Commission members present were Bill Hansen, Chair; Rita Sealock, Vice Chair; and members Diane Hamilton, Jim Hassenfritz and Mike Mahaffey.

Chair Hansen called the meeting to order at 8:35 AM, and requested a motion to approve the agenda. Commissioner Sealock moved to approve the agenda as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously. Jack Ketterer, Administrator of the IRGC, advised Chair Hansen that the administrative hearing regarding William Alfredo had been deferred until the January 2000 meeting. Commissioner Sealock amended her previous motion to approve the agenda as amended. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Hansen moved to approval of the minutes from the October 21, 1999 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Sealock seconded the motion, which carried unanimously.

Chair Hansen called on Mr. Ketterer regarding announcements. Mr. Ketterer advised that there would be no Commission meeting in December and February. The January meeting will be at the West Des Moines Marriott on January 20, 2000; and the March meeting will be held on Friday, March 3 at the Holiday Inn Gateway Center in Ames. Mr. Ketterer noted that this is the meeting where the Commission considers the renewal of the riverboat licenses. He encouraged those that planned on attending the meeting to make their reservations early.

Chair Hansen moved to the Rules submitted under Notice of Intended Action. Mr. Ketterer advised the Commission that the first rule before them, 491-1.8, is the result of an Executive Order issued by Governor Vilsack. The rule includes several provisions for waiving administrative rules. The proposed rule, in the same basic format, is being considered by all state government agencies. Specific criteria for requesting the waiver are also established, as well as the procedures for submitting a petition, and the information to be included in the petition. There are also specific provisions established for the Commission's ruling on the request for a waiver.

Mr. Ketterer advised that Jean Davis, Assistant Attorney General for the Commission, has worked with staff on the rule. He asked if she had additional comments regarding the rule.

Chair Hansen expressed concern that the rules are somewhat subjective and could encourage more litigation. He stated that he understands the intent is to provide some flexibility. Commissioner Sealock asked where you stop once you start waiving rules.

Ms. Davis stated that Governor Vilsack had established a regulatory review task force with the mandate to figure out ways to make the Administrative Rules more efficient, fair, and user friendly. As a result of task force recommendations, Governor Vilsack has issued three Executive Orders. The wavier rule is Executive Order 11, and all state agencies are required to develop a waiver rule. Ms. Davis explained that the rule before the Commission is the uniform rule that has been approved by the Governor's Office. It is also the rule being promulgated by a majority of state agencies.

Ms. Davis stated that she understood Chair Hansen's concern about whether the process has the potential to become subjective and resulting in additional litigation. She noted there are some provisions that can never be waiver, such as statutory requirements. In her opinion, there are instances where a waiver could be appropriate and assist the applicant in a mitigating hardship; however, each request should be reviewed on its own merit.

Ms. Davis advised the Commission about the other Executive Orders that will have an impact on the Commission's rule making process. Executive Order 8 requires all state agencies to initiate a comprehensive review of all rules and establishes a framework for the process. Additionally, each agency is required to receive input from anyone that has an interest in the rules and sets out a strict timetable to be followed in developing its plan to review its rules. Each agency is required to have a plan in place by March 1, 2000 that has been approved by the Governor's Office. Executive Order 8 requires that agencies review rules for fairness, clarity, statutory authority, as well as many other items.

Executive Order 9 establishes a regulatory framework for promulgating rules prospectively and addresses the principles of rule making. The Executive Order also includes a list of items that must be considered when making new rules. The Rules Review Committee will be reviewing new rules to insure compliance with Executive Order 9.

Ms. Davis stated that IRGC staff has reviewed the Executive Orders and is up to speed on the requirements and has started working on compliance.

Hearing no further discussion on the proposed waiver rule, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the Notice of Intended Action regarding 491-1.8. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-152) (Copy attached)

Mr. Ketterer then provided a brief description of the other rules. Subrule 10.6(1), paragraph "g" defines a "certified bleeder". For horse racing purposes, a bleeder is a horse that has experienced exercise-induced pulmonary hemorrhaging (EIHP). Horses are required to be certified bleeders before they can be treated with lasix. As states have different requirements regarding bleeders, this definition provides that if a horse has raced in another state/jurisdiction and has been in compliance with the laws governing lasix in that state/jurisdiction, then the horse will be approved to run with lasix in Iowa.

Problems occur in this area when horses come in from other jurisdictions without previous schooling or racing in Iowa; therefore, they do not have a history of EIHP.

The second rule, 491-26.18 as it was originally adopted, grouped all the gambling games into six different categories such as poker, blackjack, roulette, craps, etc. The majority of the new games introduced by licensees have fit into these categories; however, the games are becoming more and more varied in an effort to appeal to patrons. Mr. Ketterer stated that he did not feel the current process is adequate to respond to what the licensees are requesting. He stated that if it is necessary for the Commission to adopt a rule to add another game, it requires a six-month process. He noted that sometimes the games are introduced and may only last 3-4 weeks for a variety of reasons. The proposed rule before the Commission would require that new games be submitted to IRGC staff and approved by the Administrator for a trial period up to 180 days. If the games is accepted by the patrons and the licensee wants it approved by the Commission, then the game would come before the Commission for approval as a game versus going through the rule making process of adding it to the rules.

Mr. Ketterer recommended approval of the two rules as submitted. Hearing no questions of Mr. Ketterer, Chair Hansen requested a motion. Commissioner Sealock moved to approve the Notice of Intended Action on Subrule 10.6(1), subparagraph "g" and 491-26.18. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 99-153) (Copy attached)

Chair Hansen moved to the Contract Approval portion of the agenda. He called on Catfish Bend Casino (CBC).

Dan Kehl, General Manager of CBC, presented a contract with Alliant Utilities for utility service. The contract was previously approved, and is being resubmitted due to an increase in the transaction amount.

Hearing no questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contract as submitted by CBC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-154)

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

- Aladdin Linen – Uniform Rental, Cleaning of towels, napkins, uniforms (Transaction Amount Increase)
- Harker's Distributing, Inc. – Food Products (Transaction Amount Increase)
- Kelly Heating & Oil – Diesel Fuel (Transaction Amount Increase)
- Kopps Market, Inc. – Food Products (Transaction Amount Increase)
- Lodging & Gaming Systems – Computer Support, System Software & Hardware (Transaction Amount Increase)
- Mikohn Gaming Corp. – Rental of 1 Wild Aruba Stud Table

- Mississippi Belle II 401K – Retirement Benefit (RP) (Transaction Amount Increase)
- Mississippi Belle II, Inc. – Cafeteria Health Plan (RP) (Transaction Amount Increase)
- Reinhart Institutional Foods – Food Products (Transaction Amount Increase)
- River Trails Transit Lines, Inc. – Tour Company (Transaction Amount Increase)
- Rockford Register Star – Newspaper Advertising (Transaction Amount Increase)
- Sauk Trails, Inc. – Tour Company (Transaction Amount Increase)
- Vallet Food Service – Food Products (Transaction Amount Increase)

Mr. Bonnet explained that there was one new contract and twelve were submitted due to increases in the transaction amount.

Hearing no questions for Mr. Bonnet, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by MB II. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-155)

Chair Hansen called on Mark Lohman, General Manager of the President Casino, who presented the following contracts for Commission approval:

- Hawkeye Food Systems, Inc. – Supplier of Food Products & Related Disposables
- Sysco Food Service of Iowa, Inc. – Food Contract
- Riverboat Development Authority – Increase in Fees to Non-Profit License Holder (RP)
- Great Western Supply Co. – General Cleaning Supplies
- Collection Services Center – Collection Service for Garnishments and Child Payment Recovery
- TCG Blackhawk, Inc. – Room, Food Beverage and Special Events
- Automatic Data Processing, Inc. – Payroll Processing
- Hy-Vee Food Store Bakery – Baked Goods for Buffet and Grill
- Silicon Gaming – Replacement Parts
- Matthews Office Equipment – Office Supplies/Furniture Supplier
- Lucent Technologies – Upgrade Boat Phone Switch for Y2K Compliance and Equipment Maintenance
- Data Business Equipment, Inc. – Repair and Purchase of Maintenance Agreement on Coin Wrapper, Current Counters
- Reinhart Foodservice – Prime Rib Supplier
- Wessels & Pautsch, P.C. – Legal Representation
- Atronic Casino Technology – Purchase of 10 Gaming Devices (Replacements)
- Atronic Casino Technology – Purchase of 6 Gaming Devices (Replacements)

Mr. Lohman advised the Commission that the contract with TCG Blackhawk, Inc. is a related party contract. He noted that most of the contracts are amendments to previously approved contracts due to increased transaction amounts, and most are with Iowa

vendors. Mr. Lohman stated that the contract with Sysco is a renewal contract for the year 2000. They anticipate spending approximately $2 million.

Hearing no questions for Mr. Lohman, Chair Hansen requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by the President Riverboat. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-156)

Commissioner Hansen called on Lakeside Casino & Hotel. Larry Seckington, legal counsel, presented numerous contracts for Commission approval. (List attached) Mr. Seckington advised the Commission that the contract with American State Bank is a related party contract. Jim Schipper, President of American State Bank, is also on the Board of Directors for Clarke County Development Corporation (CCDC). He noted that IRGC staff has suggested making the contract with Global Cash Access subject to the Polk County Judge's ruling, and Southern Iowa Gaming (SIG) is agreeable. Mr. Seckington noted that Global Cash is a party to the lawsuit and would be subject to the ruling. The contract will be amended to state that the Judge's ruling will be incorporated into the contract.

Commissioner Hassenfritz asked if the banking contract was put out for bids. Mr. Seckington indicated that it was submitted to the three local banks, and American State Bank submitted the lowest bid. He noted that the other two banks really did not want to provide the service, and SIG wanted to combine the ATM and armored car service.

Commissioner Hassenfritz asked if any out-of-town banks were contacted. Mr. Seckington indicated they were not, but that the only armored car service is with a Des Moines bank. American State Bank has contracted with the Des Moines bank for the service.

Commissioner Sealock noted that two board members are involved with two of the Osceola banks. Mr. Seckington advised that the non-profit organization has a related party situation with all three of the local banks.

Commissioner Hamilton asked about the contract with St. Joseph Frontier with slot machines. Mr. Seckington stated these are excess slot machines due to replacements, and the machines in question have been revamped and are virtually brand new. Mr. Seckington noted that at IRGC staff's request he had clarified the contract to show the machines being transferred via a licensed distributor, Midwest Gaming. The only change from the original contract is the showing of the distributor and distributor fee. It will not affect the number of slot machines requested in the original application. These machines will bring SIG up to the 850 requested.

Additionally, at staff's request, Mr. Seckington withdrew the contract with Grace Entertainment for management services. He indicated that it would be necessary for the contract to be reviewed for conflict of interest between the agreement with CCDC and the management agreement. Mr. Grace formed this company to provide management

services for Lakeside Casino & Hotel. Mr. Seckington indicated the contract would be resubmitted in January.

Mr. Seckington noted that two contracts had been submitted for insurance. The final bids have been received, and he advised the Commission that Holmes Murphy & Associates was the low bidder for all insurance services. Mr. Seckington withdrew the contract with Tilton Thomas & Morgan.

Mr. Seckington noted that Lakeside & Casino's third quarter economic impact report showed that more than 70% of the approximate $20 million spent on the project has been with Iowa vendors.

Chair Hansen asked Mr. Seckington if he had any comments to make regarding the opening of the facility. Mr. Seckington stated that Mr. Grace has been spending a tremendous amount of time on site, and deferred the question to him.

Commissioner Sealock clarified that the only two contracts being withdrawn are those with Grace Entertainment and Tilton, Thomas & Morgan. Mr. Seckington indicated that was correct. Commissioner Sealock moved to approve the contracts as submitted by Lakeside, with the exception of the two previously mentioned contracts. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-157)

Mr. Grace informed the Commission that Clay Street is completed into Osceola, the sewer is completed, the grading and paving of the new interchange is completed, the bridge is completed, but there is a small amount of electrical work and minor bridge rail work to be done. This work should be completed by November 23rd, and after discussions with the Iowa Department of Transportation, it is the intent to open the Clay Street bridge and interchange on Wednesday, November 24th. He stated that the hotel is carpeted and ready for furnishings, which will arrive on November 29th. The office is complete, and furnishings are in place. All general managers and approximately 250-300 other personnel have been hired and will be moving into those facilities next week. The kitchen area will be turned over to them next week.

Mr. Grace stated that the casino is not nearly in as good a shape. He stated they have been unable to get the necessary manpower on the site to complete the work. Mr. Grace noted that most of the contractors are working their employees 6 days a week, 10-hour days, with some of them working on Sunday. He stated the sheetrock should be completed by the end of the week, and have started some of the finishing work – ceramic, painting, and ceiling tile.

Commissioner Sealock asked what would happen if the casino is not ready when the land-based operations are completed as she had heard conversations about events already booked at the hotel. Mr. Grace stated that the hotel and convention facilities would not open until the casino is ready to open.

Mr. Grace stated there was another problem that would has to be resolved – the lake is the lowest it has ever been at 2.5 feet below normal level and it continues to drop 2" per day. A significant amount of work needs to be completed on the boat before it can be moved to its permanent site. Chair Hansen asked at what point the water level would become a real problem. Mr. Grace indicated the middle of next week. He indicated the boat is fine where it's at because it is an area that was dredged out for launching purposes. Mr. Grace indicated that it would not take a lot of rain to fill the lake back up because of runoff.

Mr. Seckington introduced Joe Massa, general manager for the entire project in Osceola. All personnel at the Osceola facility will report to him. Mr. Massa most recently has been in South Dakota, and has experience in the casino industry and bank financing.

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

- IGT – Card Readers and Related Slot Equipment
- Midwest Casino Supply – Slot Stools – Third Deck Addition
- Island Systems & Design – Audio System Development & Design; Plasma Screen Development
- Best Bet Products, Inc. – Slot Deal/Draw Kits (RP)

Mr. Terp withdrew the contract with Best Bet Products as supporting documentation was not submitted with the contract. It will be resubmitted in January. He noted that the remaining contracts were for gaming equipment supplies.

Hearing no questions, Chair Hansen requested a motion. Commissioner Sealock moved to approve the three contracts submitted by Ameristar. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-158)

Commissioner Sealock requested an update on the expansion project. Mr. Terp distributed some pictures showing the latest status of the construction. He stated that the third floor of the riverboat is scheduled to open on Monday with a VIP opening at 11:30. The parking garage is progressing well. All of the foundation work and precast for the foundation should be done before the onset of bad weather. The Holiday Inn addition is nearing completion. They are in the process of completing the interior. It is anticipated they will begin construction on the second hotel sometime during the first quarter of next year. The second hotel should be open sometime next year. Commissioner Sealock asked Mr. Terp if he knew what kind of hotel the second one would be. Mr. Terp indicated that he was not at liberty to say, as the contract had not been signed.

Commissioner Sealock asked Mr. Terp about Ameristar's plan to add convention space. Mr. Terp stated they intend to evaluate the impact of the additional hotel rooms. He noted they are still in need of additional convention space. Ameristar's architects and engineers are currently studying how they can expand the existing convention space to meet the needs of customers. They are also working on redesigning the interior

streetscape. He feels the convention space and streetscape will be presented as one project in the future. Commissioner Sealock noted that the Commission has approved the convention space, but not the contract for the work. She feels this was one of the selling points when the expansion project was presented to the Commission. Mr. Terp stated there were a number of elements to the expansion, and Ameristar determined they needed the additional parking space before proceeding with the expansion. It was Ameristar's intent to stage the construction so they didn't have numerous projects proceeding at the same time.

Mr. Ketterer asked when the parking garage would be completed. Mr. Terp indicated that it would be March or April 2000.

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

- Infinium Software – Accounting Software
- Goodkind & Goodkind – Printing & Direct Mailhouse
- Orion Computers – Purchase of Computers, Supplies & Computer Service/Repair
- Paw Marketing – Promotional & Gift Shop Resale Items

As there were no questions for Mr. Hardy, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by Miss Marquette. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 99-159)

Chair Hansen called on Nancy Donovan, General Manager of Lady Luck Bettendorf (LLB), who presented the following contracts for Commission approval:

- Casino Data Systems – 12 Bandit Bingo Slot Machines (Replacements)
- IGT – 5 Jeopardy Slot Machines (Replacements)
- IGT – 2 Wheel of Fortune Slot Machines (Replacements)
- IGT – 1 Elvis Slot Machine (Replacement)
- IGT – 1 Wheel of Fortune Slot Machine (Replacement)
- Tri-City Electric – Electrical Contractor

As there were no questions for Ms. Donovan, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by LLB. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-160)

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

- Anchor Coin d/b/a Anchor Games – Amendment to Participation Lease for 22 Slot Machines
- Bally Gaming Systems – Purchase 12 Bally Slot Machines (Replacements)
- Cummins – Purchase 4 Coin Sorters
- Sportview Television Corp. – Television Services for Live Racing
- Sportview Television Corp. – Surveillance Services for Casino
- Sportview Television Corp. – Television Services for Simulcast Racing
- WMS Gaming, Inc. – Purchase 8 Slot Machines (Replacements)
- WMS Gaming, Inc. – Purchase 6 Slot Machines (Replacements)

As there were no questions for Mr. Wentworth, Chair Hansen requested a motion. Commissioner Sealock moved to approve the contracts as submitted by DGP&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-161)

Chair Hansen moved to the agenda items for Racing Association of Central Iowa/Prairie Meadows Racetrack & Casino (RACI/PMR&C). He stated that he took exception to the newspaper article regarding his attendance at the RACI Board meeting the previous day. The article stated that he attended the meeting for the purpose of getting RACI to spend money on horses. He called the article inaccurate and misleading. Chair Hansen stated that he attended the meeting in pursuit of integrity, specifically compliance with application commitments, compliance with meeting commitments and compliance with contractual commitments.

Chair Hansen pointed out that the 1997 and 1998 track applications contained a list of capital improvements that they intended to make. Additionally, PMR&C entered into a contract with the horsemen's association that set out the completion of specific capital improvements by specific dates. Chair Hansen noted that the 1999 application did not contain any information on capital improvements, prompting the Commission's request for further information. This is the third month this item has been on the agenda.

Chair Hansen advised the RACI Board that if they did not intend to fulfill the capital improvement commitments, the following options were available to them: A) Amend the contract with the horsemen's association; and B) Amend their capital improvement program and bring it before the Commission for approval.

Chair Hansen noted there was also a discussion as to whether or not the Commission had approved the racing season and license renewal. It is his opinion that the racing season has been approved, but that the racing license was held in abeyance pending the final resolution of the capital improvements issue. In order to clear the matter up, Chair Hansen recommended a motion indicating that the Commission has approved the season as stated previously in the minutes, and that the license would be approved subject to PMR&C resubmitting their capital improvements plan in January.

Commissioner Hassenfritz so moved. Commissioner Sealock stated that the only motion needed was one to approve the license since the racing season has been approved.

Tom Flynn, legal counsel for RACI, thanked Chair Hansen and Mr. Ketterer for attending the Board meeting the previous day and the exchange of thoughts. Mr. Flynn stated that RACI/PMR&C feels they are obligated to come before the Commission to explain why they have not complied with some of the contractual agreements or proceeded to build the jockeys' quarters, although not part of a contract, but discussed during consideration of the license renewal. Mr. Flynn stated there are reasons why some of those improvements have not been made, and those reasons will be discussed in further detail at the January Commission meeting. He noted that the months of September, October and November 1997 were very controversial for PMR&C. All of the profits were being paid to Polk County to pay off the indebtedness, the horsemen were trying to negotiate a long-term purse agreement, and the Commission was concerned that Polk County was exerting too much control in the operations of PMR&C. The Commission initiated a Show Cause Hearing regarding PMR&C's license over Polk County's involvement. During early morning negotiations following the conclusion of the hearing, Mr. Flynn and Mr. Rassmussen, President of the RACI Board, were led to believe that a majority of the Commission members would support their request for an additional 400 slot machines. As a result of that belief, RACI negotiated a purse agreement with the horsemen that included some of the capital improvements, and changed the arrangement with Polk County to a lease with a specific rent payment and a portion of the profits. Mr. Flynn stated that the horsemen's associations understood that the capital improvements were based on the projected revenue from the additional slot machines, as were the purse agreements. The horsemen are willing to wait for the capital improvements, and are happy that RACI has not asked to re-negotiate the purse agreements.

Commissioner Hassenfritz stated that following a review of the minutes from those meetings, it is his opinion, that Mr. Ketterer and Chair Hansen were blindsided by the final outcome.

Commissioner Sealock stated that no Commission member has the right to guarantee a vote. Commissioner Hassenfritz concurred, but asked if his previous statement was accurate.

Mr. Flynn stated that it was, but clarified it was their understanding that the Commission member was committing his vote, not necessarily those of other Commission members.

Commissioner Mahaffey, noting that the improvements had not been made due to the denial of the additional slot machines, asked what role the referendum or higher costs played in RACI's reluctance to proceed with the capital improvements.

Mr. Flynn stated that the RACI Board feels like they are stewards for the whole enterprise. He indicated that if they were to proceed with the turf track at this time, it more than likely would not be ready until late 2001 or early 2002 and raises the question of whether or not PMR&C would get to use it prior to the referendum. If the referendum allowing the continuation of gaming did not pass, it would not be a wise expenditure of funds. Mr. Flynn noted that even though the Commission has now approved additional slot machines, the projected revenue would allow RACI to experience a steady revenue,

not necessarily an increase in revenue, while expenses are projected to increase by approximately $15 million. Mr. Flynn stated that RACI is trying to promote the horse industry, but are also aware there are individuals in the community who not supportive of the racing segment of PMR&C. RACI is trying to meet the expectations of several diverse groups.
Commissioner Sealock seconded Commissioner Hassenfritz' earlier motion to approve the renewal of RACI/PMR&C's license subject to a report on the capital improvements at the January meeting. Hearing no further discussion, Chair Hansen requested the vote. The motion carried unanimously. (See Order No. 99-162)

Chair Hansen moved to the contracts submitted by RACI/PMR&C. Tom Timmons, Vice President of Operations, presented the following contracts for Commission approval:

- Accurate Mechanical Co. – Heating & Air Conditioning Repairs
- Burns Electric Co. – Emergency Electrical & Improvements
- Casino Data Systems – Slot Accounting, Player Tracking
- CNA Special Risk – Long Term Disability
- CNA Special Risk – Short Term Disability
- Coca Cola USA – Coca Cola Products
- Consolidated Electronic Distributors – Electrical Parts & Supplies
- Des Moines Sanitary Supply – Housekeeping Supplies
- First Choice Distribution – Housekeeping Supplies
- Flynn/Wright, Inc. – Advertising
- JD Evans & Associates – Advertising Agency
- KIOA AM/FM Radio – Advertising
- MC Kinnie Systems, Inc. – Racing Office/Horsemen's Bookkeeper Software
- Midwest Auto Fire & Sprinkler Co. – Service/Repair of Fire Sprinkler Systems
- Nogg Chemical & Paper – Housekeeping Supplies
- Odyssey Travel – Hotel & Travel Expenses
- Per Mar Security Service – Service Agreement & Equipment Repair
- Principal Financial Group – 401K
- Principal Mutual Life Insurance Co. – Life, Accidental Death & Dismemberment
- Unisource Worldwide – Food Service Paper Products
- WHO TV-13/Radio – Advertising
- Xerox Corporation – Print Shop Copiers , Supplies & Service

Hearing no comments regarding the contracts, Chair Hansen requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by PMR&C. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 99-163)

Commissioner Mahaffey asked about an article that appeared in the Des Moines Register expressing concerns by some of the breeders and the status of the racing industry in Iowa,

and where it is going. He also asked about the additional funding necessary for RACI/PMR&C to proceed with the harness racing season in 2000.

Mr. Ketterer stated that nothing has changed with regard to the additional funding for the extra days of racing. He noted that IRGC had included an add package in the budget request to cover the additional days of racing. Mr. Ketterer indicated the reason he had raised the issue was to make everyone aware of the possibility that IRGC might not have sufficient funding to regulate the harness racing. He stated that he raised the issue at the time PMR&C submitted their race dates for 2000 in the event they elected to realign the submitted race dates if they were only allowed 98 days of racing. Mr. Ketterer stated that IRGC's budget has been submitted to the Governor with a request for the additional funds to cover the extra days of racing. The matter is now in the hands of the Governor and the Appropriations Committee.

Commissioner Mahaffey asked what the $85,000 would cover. Mr. Ketterer stated that funds would cover the expenses of two Commission veterinarians, two Commission stewards, and the testing of the body fluids of the animals at Iowa State University. He stated that the testing accounts for approximately half of the additional funds needed, and does not have an impact on the general fund as the licensees are required to pay for the testing out of unclaimed winnings, but it does have to be included in the appropriations request.

Commissioner Mahaffey stated that he had read the article that appeared earlier in the week in the Des Moines Register, and took note of some of the concerns expressed by individuals within the horse industry in Iowa. Mr. Timmons stated that he felt PMR&C was doing exactly what the law requires. He stated that the process is not working for some of the individuals quoted in the article because they may be taking the wrong approach to the business. Current Iowa law states that the horse does not have to be conceived in Iowa, just foaled. Under this scenario, individuals are investing in mares from other states and bringing them back to Iowa to foal. The number of Iowa-foaled horses has increased five or six times. Mr. Timmons noted that one of the individuals quoted in the article suggested different levels of incentives for Iowa-breds.

Bob Farinella, General Manager of PMR&C, advised the Commission that the gaming association had been attempting to put together a seminar of various groups that provide assistance to those individuals with gambling problems. The gaming association has acted as a facilitator, along with the Lottery, to put together a "CARE" program – a community assistance resource expo. The service providers cover a wide range of topics, not just problem gambling. The purpose is to provide individuals with an opportunity to visit with the various organizations and make them aware of the different organizations available to get assistance. The seminar will be held today at the Embassy Suites on the River. Mr. Farinella stated they have received a very positive response from the service providers.

Following a short break, Chair Hansen called on Iowa West Racing Association/Bluffs Run Casino regarding the season approvals for 2000. Piers Banks, Director of

Operations at BRC, stated BRC is requesting a racing season from January 1 through December 31, 2000, with additional performances on Monday, May 29; Monday, July 3; Monday, September 4 and Sunday, December 31.

Mr. Ketterer advised the Commission that staff had just received the Arbitrator's Decision that morning that was to determine the amount of purse supplements and disposition of the escrow fund. As the Decision was received too late to be placed on the agenda, he suggested that the purses be distributed according to the 1999 agreement until the January 20, 2000 meeting. Mr. Ketterer noted that staff had requested that the Decision be in the Commission office by November 1.

Chair Hansen reviewed the requirements regarding public participation in the meetings, as well as the timely submission of documents for the Commission's review.

Chair Hansen suggested the motion regarding the season approval incorporate thoughts regarding Mr. Ketterer's recommendation.

Commissioner Hamilton moved to approve the request for racing dates for 2000 and that purse distributions continue as in 1999 through the January 2000 Commission meeting so that the Commission can analyze the Arbitration Decision. Commissioner Hassenfritz seconded the motion.

Jason Haynes, President of the Iowa Greyhound Association, stated that it was his understanding of the motion was that the purse distribution for January 2000 would be the same as 1999 until the January Commission meeting, at which time the Arbitrator's Decision would take precedence.

Mr. Haynes stated that the Decision was late because the parties worked very hard with the new owners to reach an agreement without arbitration. They hope to reach that goal next year.

Hearing no further discussion regarding the motion, Chair Hansen called for the vote. The motion carried unanimously. (See Order No. 99-164)

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

- Anchor Games – Amendment to Lease of 28 Machines (Replacements)
- Aristocrat, Inc. – Purchase of 16 Slot Machines (Replacements)
- IGT (Iowa Trust) – Agreement & Trust for 24 Wide Area Progressive Slot Machines (Replacements)
- NDC Check Services – Check Cashing Service
- Nebraska Furniture Mart – Replacement of Clubhouse and Casino Carpet
- Sport View Television Corporation – Purchase of Surveillance System; Lease of Pari-Mutuel Audio/Visual System
- WMS Gaming, Inc. – Purchase of 14 Slot Machines (Replacements)

- WMS Gaming, Inc. – Increase Existing Lease from 10 to 14 Machines (Replacements)

Hearing no discussion regarding the contracts, Chair Hansen requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by BRC. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 99-165)

Chair Hansen moved to BRC's presentation of their proposed expansion plans. Mr. Welch indicated the proposed expansion plans would cover a 10-year time frame. He noted that BRC has 72 acres to work with; and that the Southwest Iowa Foundation recently purchased an additional 96 acres adjacent to the property for the purpose of developing a sports complex/convention center. The proposed complex will enhance the proposed plans for BRC. Mr. Welch stated that if the complex is built, BRC would relocate the proposed hotel from the proposed location to an area closer to the complex, which would allow them to add additional hotel towers to accommodate the projected growth generated by the facility. The complex, hotel and BRC would be linked together by a walkway. The hotel would be built in two phases, with each tower having 138 rooms. There will also be some smaller meeting rooms. The sports complex will be designed to accommodate 8500 people at concerts. Mr. Welch stated that those numbers cause him some concern since BRC has the largest head count already. They currently average about 10,000 visitors per day, and 1 million more than PMR&C.

Mr. Welch stated the proposed plans would cost approximately $89 million. He noted that there had not been any capital infusion to the property for several years, and that they were upgrading the heating and cooling immediately, changing the carpet, as well as making several changes in the kennel area, including some fencing. Additionally, carpet will be added to the clubhouse, the windows will be caulked and the doors fixed to stop the leaks. The proposed expansion plan also includes a request for 252 additional slot machines. This request is based on the overcrowding experienced by visitors to the facility. Mr. Welch stated that he intends to move the steak house back to the clubhouse area, introducing more of the patrons to the live racing.

Mr. Welch stated the additional machines would provide additional tax revenues to the state, approximately $5.4 million this year alone. The Iowa West Foundation will receive approximately $20 million a year from interest to be distributed to non-profit organizations.

With regard to BRC employees, Mr. Welch stated that the uniforms would be replaced, and that the employee dining area would also be refurbished and upgraded.

Mr. Welch stated that the hotel would more than likely be built by a franchise operator, similar to the situation at Ameristar.

Mr. Welch moved on to the market studies. Some recent studies predicted the market would grow by approximately $100 million, or 32%. With the proposed addition, or an

increase of 7.3% in the number of slot machines, there would still only be 807 machines per 100,000 people. The Council Bluffs market is currently $277 million, 10% higher than last year. By the end of the year, Mr. Welch estimates that the market will be $325 million, a 9% growth. He feels the growth will continue for a number of years. In his opinion, the proposed expansion plan will only help to continue the market growth.

Mr. Welch stated that the lighting in the parking lots would be upgraded and kennel areas. They have promised the IGA that they would do extensive marketing to improve the live handle and introduce more patrons to live racing. Mr. Welch stated that he intends to return to the original name of the facility – Bluffs Run Casino & Greyhound Park. Work will be done on the infield to return it to a park-like setting. The maintenance and upgrades will start yet this year and continue through next year, and cost approximately $6 million.

Mr. Welch provided the following information regarding the machine count in Council Bluffs. Harveys has approval for 1600 units. They are in discussions with Rodney Lay Designs for a new boat. Ameristar will have 1,444 units when they open their new third deck next week. Mr. Welch indicated that BRC has 1,248 slot machines to serve 10,000 patrons per day. They currently have 12.3% of the units in the market and 19.8% of the head count. BRC is the only Council Bluffs facility, and one of the few licensees in the state, who has not expanded.

Mr. Welch stated that BRC intends to work diligently on the Legislative intent of promoting live racing. He stated they would continue to work on the purse supplement. He referenced the escrow account of $10.3 million. Mr. Welch indicated BRC would continue to work with the IGA to determine if some of the funds can be used to increase the interest in live racing.

With regard to support of the Iowa Gambling Treatment Program, Mr. Welch stated that Iowa is more proactive than any other state on this issue. The casino industry is also very proactive on this issue in making information available to patrons on where to seek help if they feel they have a problem. Mr. Welch stated that any patron who is banned from BRC or Harveys is barred for life.

Commissioner Mahaffey asked if Will Cummings of Cummings & Associates was going to supplement his July report since it centered more on south central versus southwest Iowa in terms of the number of slot machines.

Mr. Ketterer stated that the July report included western Iowa since the study included Harveys and the Council Bluffs market. He stated that if the Commission wanted additional information, he would contact him. Chair Hansen noted that the Executive Summary referenced market studies by ERA and Bear Sterns. Mr. Welch advised that the studies were included in the request.

Mr. Welch stated that BRC is probably the only licensee with their restaurant located within the casino, thereby limiting the access to adults only. The proposed plan, which adds a buffet, would solve some of the problems.
Chair Hansen referenced the tax of $5.4 million annually, representing an increase. Currently, BRC's win per unit is approximately $251, and they anticipate that figure will drop to around $203 per unit in the beginning. The tax figure is based on the 28% tax rate. Pottawattamie County and Council Bluffs will each receive an additional $184,000 per year from the increased revenues.

Commissioner Sealock asked Mr. Welch what action he was asking the Commission to take at this time since no specifics were actually presented. Mr. Welch asked that the Commission approve the plan as presented, noting that it is a 10-year plan, and the addition of the 252 slot machines. Approval of the plan would allow BRC to begin establishing the funding of the proposed plan.

Tony Payne, Executive Director of IWRA, advised the Commission that the proposed sports complex/convention center would be 117,000 square feet. IWRA feels such a facility would enhance the tourism into the area. It would cost approximately $27 million to build the facility - $19.6 for the building, $2.8 for the land, $2.15 for the architect/engineering and development fees, and $1,350,000 for interest during construction and $1.1 for legal, zoning and other fees. The maximum debt the facility can handle is $10 million, $3.5 million from the Southwest Iowa Foundation, plus the land just purchased, and $13.5 million to be raised from five other sources.

Commissioner Hassenfritz asked if the facility would have large entry doors for machinery etc. Mr. Welch indicated that it would.

Commissioner Sealock asked if the hotel was predicated on the convention center being built. Mr. Welch indicated that it was not, but that the location would change if the convention center were built. There is a question as to who will build the hotel – Harveys, Colony or a franchisee.

Chair Sealock asked Mr. Welch if he had addressed whether or not the plans at BRC would have any impact on Harveys' plans for regarding additional convention facilities. Mr. Welch stated that the two facilities would remain separate. He noted that Harveys had just completed their parking garage, the addition to the VIP lounge, and added a car wash. They are looking for a new location for the Kanesville Queen, allowing them to bring in a new, bigger boat.

Commissioner Sealock noted that Mr. Welch had not mentioned anything about additional convention space. Mr. Welch stated that if the sports complex/convention center is built, it would impact the amount of convention space that Harveys needs to add. He stressed that the convention space would be added as they are still turning away business on a weekly basis due to a lack of space. He stated that he also needed the additional hotel tower in order to support the additional convention space.

Commissioner Hassenfritz asked if the convention center would be surrounded by a parking lot. Mr. Welch indicated that was correct. Commissioner Hassenfritz asked if the new space at Harveys was going to be similar in size. Mr. Welch stated that it would be between 20,000 and 40,000 square feet. They anticipate being able to offer live boxing and televised live boxing, which require a minimum of 18' ceilings.

There was some discussion regarding convention space available in Omaha.

Mr. Welch also asked for approval to change the north and west entrances into BRC. These contracts will be submitted soon. The anticipated cost is $200,000.

Chair Hansen noted there are two proposals before them: 1) Do they want to approve the conceptual capital expansion plan and 2) the additional 252 slot machines.

Commissioner Sealock stated that she was not surprised by the request for additional games. She stated that she views the project as way of putting BRC on a level playing field with Ameristar and Harveys. She indicated that she did not have a problem giving conceptual approval as long as each piece of the project comes back to the Commission for approval. Commissioner Sealock stated that she did not want to take the chance that none of the proposed projects would not happen.

Commissioner Mahaffey, noting that Mr. Cummings had reviewed the southwest Iowa market for Harveys expansion, requested that Mr. Cummings be asked to re-evaluate the situation with the additional 252 machines being requested by BRC. Mr. Ketterer stated that he would contact Mr. Cummings and ask him to update his report. He stated that if the Commission was going to approve the slots, such a report would be necessary to comply with Commission rules. Mr. Ketterer suggested deferral on approval of the slots until January when the Commission can receive the updated market study.

Commissioner Sealock advised Mr. Welch that the Commission would be tabling this entire request until January. Mr. Welch stated that they would continue to work on the upgrades at the BRC facility. He stated they are in the process of establishing a budget for 2000, which is one of the reasons the plan was submitted now.

Commissioner Hassenfritz moved to table the entire proposal, without prejudice, until the January meeting. Commissioner Sealock seconded the motion. Chair Hansen asked Mr. Welch if he would have more detailed data available at that time. Mr. Welch answered in the affirmative.

Hearing no further discussion, Chair Hansen called for the vote on the motion. The motion carried unanimously. (See Order No. 99-166)

Following a short break, Chair Hansen moved to the presentation by Isle of Capri regarding their planned purchase of Lady Luck Gaming Corporation. Bernie Goldstein, Chairman of Isle of Capri, stated that he worked to help pass the riverboat casino legislation because of the high unemployment in eastern Iowa. He stated that Isle of

Capri was started as a public company in eastern Iowa in 1992. Mr. Goldstein introduced John Gallaway, President and COO of Isle of Capri.

Mr. Gallaway introduced the following individuals: Allan Solomon, Executive Vice President; Greg Guida, Vice President of Development; Les McMackin, Corporate Director of Marketing; Kim Hardy and Kim Kreber of Lady Luck Marquette; Nancy Donovan, General Manager of LLB; and Curt Beason, legal counsel.

Mr. Gallaway stated that Isle of Capri is a publicly traded company, currently operates six casino entertainment facilities and employs 6500 employees. Their properties generate in excess of $500,000,000 in revenue and $125,000,000 in cash flow. Management focuses on cost control, marketing, and customer service. A copy of the presentation is attached to the minutes, and is incorporated in its entirety by this reference. If this transaction is approved, Isle of Capri would be one of the ten largest public gaming companies in the United States. Mr. Gallaway asked for approval of the application.

Commissioner Hassenfritz, noting that the presentation highlighted the strengths of the company, asked Mr. Gallaway what he considered their weaknesses to be. Mr. Gallaway stated that one of the issues discussed during the expansion negotiations was having sufficient management staff. He also indicated that Isle of Capri is a highly leveraged company, but noted that there is sufficient cash flow.

Commissioner Hassenfritz asked Mr. Gallaway what kind of program or process Isle of Capri uses to combat compulsive gambling. Mr. Gallaway stated that all facilities practice the basic rules. If an individual request that they be removed from the database, it is done immediately. All employees are trained to recognize individuals who exhibit signs of compulsive gambling. Additionally, the internal audit department will be reviewing the process during their audits to determine whether or not the company is following through on their representations to the public.

Chair Hansen asked at what level the company is leveraged at this time. Mr. Solomon stated that it is approximately 80% debt to 20% equity. Chair Hansen asked what the ratio would be following the acquisition. Mr. Solomon indicated that the rate would remain about the same. Commissioner Hassenfritz asked in what form the additional equity was being issued. Mr. Gallaway indicated that it was in the form of common stocks and bonds.

Commissioner Hassenfritz asked if the line of credit was a bank loan or if it was in the form of bonds. Mr. Gallaway indicated that it was a bank loan; although at one time they had $390 million of subordinated bonds. Mr. Solomon stated that the financing is part of a bank facility with a revolving line of credit of $125 million and three term loans sold to financial institutions with an interest rate related to prime. Commissioner Hassenfritz asked the length of the loans. Mr. Solomon advised that the first term would be five years, the second term would be either six or seven years, and the third term will be either seven or eight years. Commissioner Hassenfritz asked if Isle had to use all of the funds

or if they could just pull out what was needed. Mr. Solomon indicated that Isle of Capri would pull out $475 million to be repaid over the three different terms set out above.

In response to comments by Commissioner Hassenfritz regarding depreciation, Mr. Solomon stated that Isle of Capri spends between $2 and $2.5 million upgrading its current properties each year. He noted that in the hotel and casino industry there is an ongoing need to upgrade machines, replace carpeting, paint, etc.

Commissioner Sealock stated that Isle of Capri is looking to acquire a company that has been extremely responsive to the Commission. She stated that the Commission has been very pleased with Lady Luck's operation in Iowa. Additionally, she stated that since Isle of Capri management was in attendance, they should be aware that when a licensee says they are going to do something, the Commission expects them to follow through.

Mr. Ketterer noted that Isle of Capri has submitted the background forms for the DCI to perform their background investigations. He asked if Isle of Capri would be submitting applications for the two properties in the near future. Mr. Beason stated that the merger agreement had been submitted along with the background information. There have been discussions as to how the licensing for the merger would be structured. He stated the merger would be similar to the Lady Luck/Marquette merger. Mr. Beason stated the supplemental application documents would be filed. The new subsidiaries following the merger will assume all of the obligations and contracts of Lady Luck, including the sponsoring non-profit agreement and agreements with the respective cities.

Mr. Ketterer asked what Isle of Capri's visions were for Marquette and Bettendorf. He noted that Marquette relies heavily on day-trippers due to a lack of hotel rooms. In Bettendorf, LL has been very aggressive in pursuing economic development and is in the middle of riverfront development.

Mr. Gallaway clarified that the following were visions, not commitments. He feels rooms should be added in Marquette, which would expand the radius of visitors to the facility. He stated that he has never been in the position of adding hotel rooms where it turned out to be the wrong decision. Isle of Capri has three hotels under construction at the present time.

Commissioner Hassenfritz suggested Isle of Capri might want to find a way to incorporate the natural beauty of the area in their plans without exploiting it.

Mr. Gallaway stated that Isle of Capri was aware of Lady Luck's involvement in the development of the downtown area, and is supportive and will continue with the process.

Chair Hansen moved to Administrative Business. The first item was a discussion of the Commission's budget. Chair Hansen noted that there was a dramatic drop in the amount spent for professional services. Mr. Ketterer stated the change was due to how the State treats independent contractors. Mr. Ketterer stated the two major changes in the budget

were the full year's request for staffing at Osceola versus seven months for 1999 and the additional $85,000 to regulate the additional 20 days of harness racing at PRM&C.

Hearing no further questions regarding the budget, Chair Hansen moved on to attendance at national meetings by Commission members. He stated that he requested Commission staff to list the various opportunities available as he feels it is worthwhile to participate in regional and national meetings to advance an individual's perspective and broaden their horizons. He noted that Mr. Ketterer has sent new Commission members to the Gaming Expo in September. Chair Hansen stated that he would like to see more participation in regional and national associations.

Commissioner Hamilton asked the location of some of the meetings. Mr. Ketterer explained that the some venues change each year, while others remain in the same location. He noted the conferences listed are those that occur on a regular basis, but that there are others that sometimes come to his attention. If it will benefit the Commission, he will send a representative.

Chair Hansen moved to the Legislative Committee Report. Chair Hansen and Commissioners Hamilton and Sealock make up the committee. The committee met the previous evening. A copy of the report is attached, and incorporated in its entirety by this reference. Chair Hansen reiterated his thought that the Legislature should allocate $1.5 million to Iowa State University to conduct an addiction study. He noted that gaming receipts generated approximately $165 million this year, they will reach $206 million next year, and $223 million the following year. Chair Hansen stated that he has seen articles that other agencies have also noticed the increase and are suggesting various ways to spend the money. He feels the funds should be committed to racing and gaming matters first.

Chair Hansen stated that for the last two fiscal years, the Department of Public Health (DPH) as taken funds from the Iowa Gambling Treatment Program. In fiscal year 1997, DPH took $400,000 for the purchase of computers. In fiscal year 1998, DPH took $319,000, or 11.9%, and used it for substance abuse treatment. Chair Hansen feels the Gambling Treatment Fund is a "user fee" fund, which should be dedicated to the treatment of gambling problems, not as a subsidy for other branches of state government.

The report further suggests that the penalties for minors caught gambling or attempting to enter the casino should be increased. He noted that the Commission has the ability to fine the licensees $10,000 - $20,000 for minors caught gambling or consuming alcohol. He suggested placing restrictions on the individual's license.

Commissioner Sealock, noting that Commissioner Mahaffey was seeing the report for the first time, stated that she was willing to make a motion accepting the Committee's report, with a succinct motion to be made at the January meeting to submit a request to the Legislature. Chair Hansen stated that was fine, but felt that the Commission needs to get something submitted for bill drafts. Commissioner Hassenfritz stated that he understood the motion would be to accept the principal of the report. Commissioner Sealock stated

that was what she was doing, but by the January Commission meeting, the report would be codified.

Commissioner Mahaffey moved to accept the principals of Legislative Committee's report. He stated that he was still thinking through the ramifications of the last recommendations regarding underage gamblers, but feels the other recommendations are well thought out.

Mr. Ketterer advised the Commission that the Department of Inspections & Appeals (DIA) has a departmental legislative liaison, and departmental legislation requests must be submitted to the Legislative Service Bureau by November 29th. He noted there are other avenues of submitting legislation.

Chair Hansen stated that if the resolution is adopted, the report could be presented to DIA, but that he would want to discuss the proposal with staff in the Governor's Office to insure that everyone is clear on what the Commission is requesting.

Commissioner Sealock stated that the motion is to accept the concept of the report. She stated that the Legislature might not be receptive to moving the Gambling Treatment Program from the Department of Public Health. She feels the Commission should have a representative under IRGC control that helps determine how the funds from the Iowa Gambling Treatment Program are spent as they relate to racing and gaming. Commissioner Sealock seconded the motion

Hearing no further discussion regarding the Legislative Committee's report, Chair Hansen called for the vote. The motion carried unanimously. (See Order 99-167)

Mr. Ketterer advised there was one more item under Administrative Business. He stated that he had asked Ms. Davis to make a few comments regarding information sent to the AG's Office dealing with an individual attempting to sell a product setting out how to beat slot machines.

Ms. Davis stated that the promotional materials talk about the purchase of a no-fail scheme to beat slot machines. There is also a money-back guarantee.

Chair Hansen moved to Public Comment. He called on Mr. Farinella. Mr. Farinella, due to a question regarding the treatment resource fair, stated that Consumer Credit Counseling was not participating in the event, but that they had been approached.

Additionally, Mr. Farinella noted that the most recent economic impact reports filed by the licensees show that almost 88% of every dollar spent on operations is spent in Iowa.

Further, Mr. Farinella advised the Commission that the two industry groups representing the various licensees in Iowa had united under the name of Iowa Gaming Association. He stated that was his goal during his term as president of the organization. He noted that officers were elected during the meeting the previous evening. He introduced Verne

Welch, who will be President for the 2000 year; Mr. Bonnet will be the Vice President, Bruce Wentworth will act as Secretary, and Mr. Farinella will be the treasurer for the upcoming year.

Chair Hansen commended the licensees on the tremendous strides made in using Iowa products and the consolidation of the two trade associations.

Hearing no further comments, Chair Hansen requested a motion to adjourn. Commissioner Sealock moved to adjourn the meeting. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Julie D Herrick CPS

JULIE D. HERRICK CPS