

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 4, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 4, 2009 at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Greg Seyfer, Chair; and members Kate Cutler, Andrea Harrison, Paul Hayes, and Toni Urban.

Chair Seyfer called the meeting to order at 8:30 AM. He noted that Public Comment is normally at the end of the agenda; however, today it is at the beginning of the agenda. He advised those wishing to address the Commission to sign up at the back of the room if they had not already done so.

Chair Seyfer moved to the approval of the agenda. Commissioner Urban moved to approve the agenda as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the April 16, 2009 Commission meeting. Commissioner Hayes moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer moved to announcements. Jack Ketterer, Administrator of IRGC, provided the following information regarding upcoming Commission meetings:

- July 16, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by July 1, 2009)
- August 27, 2009 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 13, 2009)
- October 8, 2009 – Diamond Jo, Dubuque, IA (Submissions due by September 24, 2009)
- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)

Prior to commencing the Public Comment portion of the agenda, Chair Seyfer welcomed Commissioner Harrison to the Commission as this is her first meeting. He noted there are two important agenda items today – the Gaming Market Analysis and Assessments and the Prairie Meadows Horse Racing Report. He advised that the Commission would not be making a final decision on either of those items today.

With regard to the Prairie Meadows Horse Racing Report, following the approval of Prairie Meadows Racetrack & Casino's (PMR&C) license renewal application and race dates, the Commission asked PMR&C to come up with a report and submit it to the

Commission. That is the agenda item today. Their proposal for racing dates and license renewal application will not be submitted until early October and any decision will be made at the November meeting.

Concerning the license application process, following the granting of licenses in May 2005, the Commission decided to wait and see how those facilities did in the year after they opened. The Commission held discussions each year on whether or not to consider new applications. In 2008, the Commission decided that the time was right to begin considering additional licenses, but not before having studies completed. Those have been done, and are available on the Commission's website. The items before the Commission are the final reports from The Innovation Group (Innovation) and GVA Marquette Advisors (Marquette) and receive public comments. The Commission will make a decision on whether to open the application process at its July 16th Commission meeting. Chair Seyfer noted there were some applicants in 2005 that were not granted a license, but were included in the RFP for the studies. Since that time a few areas and/or counties have expressed an interest – Lyon and Tama counties. All were included in the studies.

Chair Seyfer moved to Public Comments. Due to the number of individuals who signed up for Public Comment, Chair Seyfer requested that speakers limit their comments to three minutes.

Chair Seyfer called on John Vernon. Mr. Vernon stated that he represents the Iowa Quarter Horse Racing Association (IQHRA). He stated that IQHRA is requesting that the Commission not adopt and ratify the PMR&C Horse Racing Committee Report. Beginning with the 2010 season, the quarter horses would have a 30-day stand-alone meet. It is the IQHRA's understanding from the report that they would have a 5-year contract that would be evaluated, and possibly changed, after only two years while the thoroughbreds would be evaluated after three years. The IQHRA does not feel PMR&C should be allowed to discriminate in that area. Mr. Vernon advised that since racing started at PMR&C there has never been a stand-alone quarter horse meet; it has always been a mixed meet. He stated that a stand-alone meet would be a high-risk undertaking for quarter horses as there are no prior standards or benchmarks for comparison and evaluation; it is a set-up for failure for the quarter horse industry. Mr. Vernon stated the quarter horse owners and breeders are delighted to be judged; they simply want to know the criteria on which they are to be evaluated. They are requesting that the criteria be set now and let them know what is expected. No one likes to be judged after the fact on subjective criteria. All the IQHRA has heard is that the handle, attendance, and number of horses in each field will be examined and evaluated. They have not been made aware of any objective criteria that they will be measured against; nor do they know what weight will be given to each of the criteria. Mr. Vernon stated that the group can do something about filling the fields, but requested help from the Commission as a 30-day meet without any objective criteria would constitute a terminal illness for quarter horse owners and breeders. The number of days is very important for quarter horse stakes races due to the quarter horse trial races. A quarter horse can only run every 2-3 weeks. He

advised that a two-year evaluation period is too much uncertainty for the breeders. Mr. Vernon stated that the IQHRA membership does support thoroughbreds and their needs for additional races. Mr. Vernon concluded his remarks by stating that the IQHRA respectfully requests that the Commission consider and adopt the schedule they handed out, a 47-day thoroughbred only meet followed by a 43-day mixed meet, which would satisfy the breeding requirements for both thoroughbreds and quarter horses; and would only go three days past Labor Day. Mr. Vernon advised the IQHRA is ready to sign a three-year contract with evaluations based on objective, not subjective, standards.

Arlen Nicholls raised the issue of the cost of horse racing at Prairie Meadows Racetrack & Casino (PMR&C). The PMR&C Board members indicate losses of \$29 million; others are indicating it is \$19 million in losses. He requested that before the Commission allocates any racing dates at PMR&C, they request the State Auditor's Office to audit PMR&C to determine the amount they have to work with.

Joe Helfenberger, Administrator for the City of Ottumwa, stated that the Iowa Gaming Market Analysis recently completed is in direct conflict with a previously submitted gaming study performed by Cummings & Associates. He advised the cannibalization projections if Wapello County were granted a license were much lower in the previous study than the current studies. With reference to the income coming from out-of-state spending, Mr. Helfenberger stated the numbers were greatly downplayed. Noting that IRGC has indicated they are seeking destination casinos, Mr. Helfenberger set forth several investments made by the City of Ottumwa in the hope of eventually being granted a casino license. He indicated the impact of the 420 jobs created would be significant in light of the large number of layoffs just announced by John Deere in Wapello County and allow county residents to prosper and stay in Iowa.

Keith Caviness, representing the City Council of Ottumwa, noted that Ottumwa was recently awarded the Job Corp Center at the airport, which will be teaching all kinds of skills. The graduates of the Job Corp program will be seeking employment upon completion of their training. He stated that a casino license in Ottumwa or Wapello County would be beneficial to the community, and asked that the Commission consider Job Corp Training Center as a part of their community.

Royal Roland, representing the Iowa Harness Horsemen's Association (IHHA), advised the main item he wished to address the Commission about only came to his attention last Thursday. He noted that last fall Gary Palmer, General Manager of PMR&C, stood before the Commission and stated that the IHHA would receive \$1million to support harness races at the county fairs. Mr. Roland stated that six months have passed and the IHHA has not received any funds from PMR&C. He indicated the IHHA submitted a written request for the funds on April 29th; following the same procedure they have used for the last 13 years. Last Thursday, he received an e-mail from PMR&C with a proposed contract and was advised that the agreement would have to be signed prior to any funds being distributed to the IHHA. The proposed agreement contains a provision that IHHA would pay half the cost of scraping the track by a mutually agreed upon

contractor. This provision would force the IHHA to take less than \$1 million in funding. Mr. Roland stated that having this issue brought up three days prior to the start of their racing season is unwarranted.

Mr. Roland advised that he also had a couple of brief comments he wished to make concerning the Horse Racing Committee Report. He stated that he could not believe the Committee made this recommendation due to its devastating impact on the Iowa horse breeding industry. He noted that PMR&C is obligated by law to fund purses in the amount of approximately \$20 million. The plan proposed by PMR&C will significantly increase the amount of purse money won by non-Iowa owners or non-Iowa registered horses.

He noted that a shortened thoroughbred meet will mean that thoroughbreds could only race four or five times at PMR&C. Additionally, the July 4th end date will make it almost impossible for two-year olds to race. He noted that it takes one to two years to raise an Iowa-bred horse and get them ready to race. Mr. Roland stated that if PMR&C proceeds with this plan, there will be a significant reduction in the amount invested in the horse racing industry in Iowa, with more funds going to out-of state owners, breeders and trainers. He stated that PMR&C has been given a valuable privilege in holding a license. He requested that the Commission make them live up to their obligations to the Iowa racing industry and Iowa breeders.

Terry Lutz, Mayor of Fort Dodge, thanked the Commission for their work for the State of Iowa, noting that he had served on the Vision Iowa Board. He stated that he is representing the majority of the voters in Webster County and Fort Dodge. He asked the Commission to consider expanding the licensing process to give those areas interested in a casino the opportunity to participate. He provided some background as to what has taken place in Fort Dodge since 2003 when the voters overwhelmingly approved the gambling referendum.

Mark Monson, President of Missouri River Historical Development (MRHD), noted that MRHD has been in existence for 20 years and 2009 represents the 15th year of gaming in Woodbury County. He advised that MHRD has distributed \$17 million in Woodbury County since 1994. He stated that MRHD has some concerns about any proposed expansion, pointing out that the conservative estimates show Woodbury County would lose about 6% of their revenues. Additionally, they are concerned about any reaction from South Dakota to Iowa's decision in this area.

Chris Bearden, Mayor of Tama, stated that Tama County passed the gambling referendum in 2006, and residents are still hopeful Tama County will be allowed to participate in the application process. He noted there are Iowa investors who want to invest in the project. Mr. Bearden stated they are in the unique position of being located near a destination area in central Iowa. An individual has donated land for the project.

John Pavone, representing Casino Management of Iowa and Tama, commenced his comments by noting that he has a unique background in that he has served on a number of committees, and has been involved in the gaming industry in a variety of positions since 1985. He noted that the Commissioners are right to be concerned about Iowa's economy. Since the gaming industry was founded in Iowa, it has grown at the rate of approximately 5% consistently until the end of 2008. It is his opinion that if licenses were issued this year the casinos would not be ready to begin operations until 2011 or 2012. After thoroughly reading the gaming studies, Mr. Pavone stated the Commission has the opportunity to create \$400 million in new construction; \$270 million in tax revenue, with approximately \$200 million being new incremental revenue; \$54 million in tax revenue and 2,400 new jobs. Noting the recent layoff announcements, he stated that he did not know where else Iowa could reach out to find that many jobs. Mr. Pavone stated that not one Iowa casino has failed to meet or exceed their first year projections. He advised that over the last 48 months fifteen different studies have been conducted in Iowa, with many being presented to the Commission. He asked the Commission to review them as they move forward in this process. Noting that the voters in the counties of Franklin, Wapello, Tama, Lyon and Webster have made their wishes known, Mr. Pavone asked for a fair and balanced process going forward, and the opportunity to compete for a license.

Edward Shaffner, representing the horse players, stated that he has various interests in the horse racing industry. He stated that Iowa's long-term horse breeding program needs help. He advised that the economic impact in all 99 counties exceeds \$1 million. Mr. Shaffner pointed out that when Iowa approved pari-mutuel racing, the operators of Aksarben grew concerned about their ability to survive and sold the facility, and it has since gone by the wayside. He stated that PMR&C is a beautiful facility and has one of the nicest barn areas, but cutting the number of racing days to 50 is taking the track in the wrong direction. He stated that agriculture is what got PMR&C to where it is at today; without the people like himself, trainers, and those individuals who enjoy horse and dog racing, the tracks would not be here. Mr. Shaffner stated that he could remember fighting for racing in Iowa, and when Iowa-breds had to travel to other states to race as there were no tracks in Iowa. He stated that PMR&C needs management that is interested in racing, not letting the casino overrun it. Mr. Shaffner stated that horse racing generates money in every county. He stated that there needs to be more people involved in horse racing. He pointed out that there would not be any casinos in Iowa if it wasn't for the people that stood up and fought for pari-mutuel racing. Mr. Shaffner echoed Mr. Nicholls' call for an audit by the State Auditor to determine how much it does cost to run a live race meet at PMR&C.

Steve Siegel, Chairman of the Wapello County Board of Supervisors and the Wapello County non-profit seeking a gaming license, stated that everyone respects and appreciates the effort put forth by Innovation and Marquette, but cautioned the Commission that many studies have been done on the gambling industry in Iowa and they are not all consistent with one another. In the current studies, Marquette indicates that a new casino in Ottumwa would cannibalize between 70 and 85% of its revenues from existing

casinos, depending on its size while Innovation indicates it would only be between 43-45%. Mr. Siegel pointed out that the 2003 and 2005 Cummings study commissioned by the Commission showed that a new casino in Ottumwa would only cannibalize 16% of its revenues from existing casinos, or generate 84% in new revenues.

He noted that southern Iowa, along with other portions of the United States, is in the midst of a severe recession, and that the five proposals from the communities would invest over \$200 million private sector dollars in Iowa's economy and create over 2,000 jobs as well as \$400 million in new construction. Mr. Siegel stated the proposed projects would generate approximately \$60 million per year in tax revenue with millions more for local governments and charitable organizations. Mr. Siegel asked the Commission, for the sake of fairness and Iowa's economy, to please consider the benefits for all Iowans as they make their decision.

Ron Dunt, representing Franklin and Hampton Counties, stated the interest level for a casino is just as high as it was back in 2005. He asked the Commission to please consider granting licenses to all applicants, especially those who have applied previously. Mr. Dunt stated that all of the projects meet the criteria established by the Commission, and showed profitability, even when all projects were considered. He noted that rural residents are in need of the jobs and the communities are equally deserving of the opportunities and benefits. Mr. Dunt stated that the communities are cognizant of the complexity of the issue before the Commission and feel that they will do what is fair for all.

Jeff Gallagher, representing Lyon County and President of the Lyon County Riverboat Foundation, stated that he had read the studies and was in complete agreement with the results, as are the voters of Lyon County. He noted the county-wide referendum held last September passed by 62%, with 70% of the voters in the county participating. Since the passage of the referendum, the Foundation has secured exclusive agreements with the Lyon County Board of Supervisors and the City of Larchwood for the project, as well as letters of support from every city in Lyon County. He stated that Lyon County is ready to build a \$90 million resort in the far northwest corner of the state, which will produce in excess of 400 jobs, \$1.5 million per year for the non-profit, approximately \$1 million in taxes for Lyon County and over \$10 million per year to the state. The residents of Lyon County are excited to get this project going as soon as possible.

Glenn Anderson, Lyon County Economic Director, pointed out that the gaming studies are a clear indicator that Lyon County is the best location for a new casino in Iowa. The project will include a 1,200 event center, 100-room hotel, restaurants, indoor pool, show lounge, casino, gift shop and an 18-hole golf course. There will be 400 good paying jobs. Mr. Anderson stated that the average income in Lyon County is approximately \$26,700, while the average wage from a casino job will be \$27,500. The full benefit package will include health care, profit sharing, and a 401K. These jobs will enable Lyon County residents to work within the county versus outside the county or even the state. He noted that currently 40% of Lyon County residents drive outside the county for work. The

proposed project offers an opportunity to retrieve some of the 40-45% of funds that leak out of Lyon County. Mr. Anderson pointed out that Lyon County's 62% approval of the referendum is the third highest of all referendums. Mr. Anderson closed his remarks by noting that during the interview process for his current position, he was asked if he considered Sioux Falls, South Dakota to be an asset or a liability. Sioux Falls will be located 5 miles from the proposed casino location. In this instance, Sioux Falls is an asset as the casino will help stop the leakage of 40-45% of income out of Lyon County.

Linda Juckette, owner/operator of Prairie Valley Farms, stated that like a casino owner, she has a huge capital investment in the infrastructure of the farm, mares, and stallions. She stated that she has been in the thoroughbred business since 1989, starting out on a small scale and has now reached a point of being able to cull out mares in order to upgrade the quality of her stock. She expressed grave concern over the constantly changing rules regarding live racing at PMR&C, which has been operating on a year-to-year basis. She stated that she is not aware of anyone who would run a business on a yearly basis. Ms. Juckette stated that the horse owners try to put out a good product, and have done so by upgrading their stock to the point that they are able to compete on the national level, and many owners do take their Iowa-breds to out-of-state tracks. She stated the 55-day meet for thoroughbreds only, and no shared meet with the quarter horses, make it difficult for some two-year olds to be able to race. In some cases, they are not ready to race until July or August but if PMR&C proceeds under the proposed plan, she would withhold her two-year olds and race them as three-year olds. The current proposal would eliminate her ability to collect any purses or be part of those races. Ms. Juckette stated there are five to six individuals on the back side who touch just one of her five horses at the track on a daily basis, and the proposed plan will have an effect on them as well. She respectfully requested that the Commission carefully look at all the numbers being used when addressing the racing program at PMR&C. Ms. Juckette noted that more horse people need to get involved in the process, and pointed out that many of the individuals on the PMR&C Board of Directors are not horse people.

Codi Burris passed as her concerns had been addressed, and Daniel Reeder did not respond when his name was called.

Chair Seyfer moved to the Gaming Market Analysis and Assessment and called on Innovation. Jim Oberkirsch, Director of Consulting Services, and Joe Witterschein, Vice President of Marketing Services, were present to make the presentation. Mr. Oberkirsch provided some background information on Innovation. In requesting these gaming studies, the Commission specifically asked that the studies identify any underserved and/or underperforming markets in Iowa, and to specifically consider the counties of Webster, Wapello, Franklin, Tama and Lyon; the investment level of any proposed projects (low-end, mid-range and high-end), and evaluate cannibalization on existing licensees. Mr. Oberkirsch characterized a low-end facility as a simple, average casino with some food and beverage, gaming, and is close to a convenient hotel. The high-end facility will follow a resort strategy with a larger casino, high-end finishing touches, resort-oriented hotel with suite offerings, pools, and possibly a spa and fitness center.

Additionally, other markets looked at were Des Moines, Southwest Iowa and Cedar Rapids. Mr. Oberkirsch stated that Southwest Iowa and Cedar Rapids did not make the report as the projects would not have generated sufficient revenues. Mr. Oberkirsch proceeded to present the number of adult gamers, market demographics, revenue/investment numbers, and incremental versus cannibalization revenue for each market area and all counties combined.

Revenues were broken down by the type of project as well as the local market, overnight gamer, the transient tourist and traffic intercept segment. Mr. Oberkirsch defined the local market as those residents living within a reasonable drive of the facility; the overnight gamer likes the comfort of a casino hotel and the transient tourist is the traditional tourist to the area that more than likely would utilize other area hotels, and could be significant segment in some of the larger markets. Traffic intercept relates to passing travelers using major interstate highways.

The incremental revenue versus cannibalization was broken down between the type of facility (low-end to high-end) and indicated which of the current facilities would be impacted and provided an estimate as to how much the proposed facility would affect the revenues of existing facilities.

Webster County: Based on the type of facility, would generate total gaming revenue between \$39 million and \$59 million; have between 652 and 944 gaming positions, and have a capital investment between \$41 million and \$82 million. A Webster County facility would impact the following facilities: Wild Rose Emmetsburg (Emmetsburg) between 15.5 and 21%; Diamond Jo Worth (DJW) between 4 and 6%; and PMR&C between 3 and 4%. A Webster County facility could generate approximately 57% new gaming revenue.

Wapello County: Based on the type of facility, would generate total gaming revenue between \$35 million and \$51 million; have between 615 and 899 gaming positions and have a capital investment between \$38.5 million and \$78 million. A Webster County facility would impact Terrible's Lakeside (Terrible's) between 11.6 and 14.3%; Riverside between 3 and 5%; and Catfish Bend between 2.8 and 4.3%. A Wapello County facility could generate between 55 and 57% of new gaming revenue.

Franklin County: Based on the type of facility, would generate total gaming revenue between \$26 million and \$44 million; have between 502 and 730 gaming positions, and have a capital investment between \$25.3 million and \$62 million. A Franklin County facility would impact DJW between 6.6 and 10.7%; Emmetsburg between 4 and 8%; and Terrible's between 5.5 and 6%. A Franklin County facility would generate between 34 and 41% of new gaming revenue. It was noted that the Franklin County facility did not have a major anchor city.

Tama County: Based on the type of facility, would generate total gaming revenue between \$18 million and \$35.2 million; have between 380 and 559 gaming positions, and

have a capital investment between \$18.7 million and \$49 million. A Tama County facility would impact The Isle Casino Hotel Waterloo between 2.5 and 4%; Riverside between 2 and 3.2% and PMR&C between 1 and 2%. A Tama County facility could generate between 46.5 and 54% of new gaming revenue. It was noted that this project would directly compete with the Meskwaki Native American casino in Tama, which has been expanded and developed over the last few years. This would be considered a small-market, with a flat population over the next five years.

Lyon County: Based on the type of facility; would generate between \$57.2 and \$79.2 million of gaming; have between 887 and 1,289 gaming positions, and have a capital investment between \$56 million and \$107 million. It is anticipated this would be a high-end facility in a mid-range market. A Lyon County facility would impact Argosy Sioux City between 3.7 and 5.8% and Emmetsburg between 2.3 and 4.3%. A Lyon County facility could generate approximately 92% of new gaming revenue. This market area is expected to grow approximately 1.4% per year, reaching 218,000 by 2013. It was also noted that the income levels for Lyon County were much higher than in the other county markets. The estimated gaming revenue is also the highest of the five counties.

An analysis of the Des Moines market shows that it is the second largest market in Iowa, has low gaming participation relative to other major markets in Iowa, and generates annual gaming revenue near \$200 million, more than double the state average. The report indicated that a second casino in the southwest portion of the metro area would generate total gaming revenue of \$100.6 million to \$159.5 million with 1,410 to 2,050 gaming positions. Capital investment would be between \$84.7 million and \$172.3 million. Incremental revenue versus cannibalization would be in the 57% range, with cannibalization focused on Terrible's at 19.4 to 28.3%; PMR&C 14.4 to 23.3% and Emmetsburg 1.3 to 3%. Mr. Oberkirsch stated that four of the five proposed counties can count PMR&C as part of their market area.

Commissioner Cutler asked Mr. Oberkirsch if he had an opinion as to why the Des Moines market had such a low gamer participation rate. Mr. Oberkirsch stated that it was due to a lack of gaming alternatives, noting that the Quad Cities areas has four options and Council Bluffs has three alternatives. He noted that more alternatives mean more marketing, more convenience, etc. Mr. Oberkirsch stated they are just presenting the facts concerning an additional casino in Des Moines; they are not making a recommendation.

In summary, Mr. Oberkirsch stated the following:

- Lyon County is compelling as it has a high incremental impact and low cannibalization;
- Webster and Wapello Counties showed decent incremental demand with moderate cannibalization.
- Franklin and Tama Counties have no large anchor city and therefore showed lower incremental demand and higher cannibalization rates.

- Des Moines showed the highest incremental revenue but significant cannibalization focused on two existing properties.

Commissioner Urban noted that Wapello County has the highest poverty rate in the state, and asked what impact that has on the community in terms of social problems, employment. Mr. Oberkirsch advised that they were not asked to address those issues. Commissioner Urban stated she knew that, but was asking him to draw on his knowledge from other studies. Mr. Oberkirsch stated that in making that determination they would look at criteria specific to the county, and indicated he preferred to stay with the information presented in the report.

Chair Seyfer asked if there would be a percentage of employees lost from one casino to another through cannibalization. Mr. Oberkirsch indicated that was a possibility. Chair Seyfer asked if there was a specific percentage that had been utilized previously. Mr. Oberkirsch stated that a “rule of thumb” could be developed.

Commissioner Hayes, noting that the variance between the low-end and high-end capital investment ranges in Tama were relatively small compared to the other counties, questioned why. Mr. Oberkirsch stated that the capital investment figures were based on the gaming revenue potential of the facility. The gaming revenue potentially dictates the number of gaming positions, which is then used to cost out the project. With regard to the Franklin and Tama County forecasts, Mr. Oberkirsch advised that the gaming revenue percent jump was much more significant between the low to mid-to high-end range due to the fact that higher end facilities have the ability to reach further out into the market, which is where the population lies in these two markets.

Commissioner Hayes asked why the cannibalization impact from Wapello County is so much higher for Terrible’s Lakeside than Catfish Bend when both facilities would be about an equal distance from the proposed facility. Mr. Oberkirsch stated that he would have to check that information. He noted that Innovation had received the players’ databases from the current facilities and had the ability to map out where they were drawing their current players from, which has a key impact on the cannibalization numbers.

Commissioner Hayes asked what the cannibalization impact would be on the proposed Lyon County facility if South Dakota were to build a comparable facility in Sioux Falls, South Dakota. Mr. Oberkirsch indicated that it would be significant due to state loyalty, and would totally change the dynamics of Innovation’s forecast.

A copy of the presentation is attached to these minutes and is hereby incorporated in its entirety by this reference.

As there were no further questions for Mr. Oberkirsch, Chair Seyfer advised there would be a five minute break to allow Marquette to set up their presentation. Upon reconvening

the meeting, Chair Seyfer advised that copies of the presentations would be available on the Commission's website on Friday.

Chair Seyfer called on GVA Marquette Advisors. Louis Frillman and Brent Wittenberg, President and Vice President respectively, were in attendance and addressed the Commission.

Mr. Frillman thanked the Commission members for their confidence and members of the industry that provided a significant amount of information that enabled them to do the best job possible for the Commission and the State of Iowa. Mr. Frillman advised that the presentation would be given in two stages; the first will convey Marquette's thoughts and the second will convey the process used to reach the conclusions.

Mr. Frillman stated that Marquette arrived at the following conclusions from their analysis and fieldwork:

- Iowa's statewide gaming market is generally stable overall in 2009.
- Is outperforming the majority of US gaming markets in 2008 and 2009 due to the comparatively stable economy and few alternative leisure activities.
- Iowa has quality facilities that are well-built, maintained and well-managed;
- Facilities are not over-built for their respective locations.
- Are appropriately designed and themed for their respective markets.
- Iowa's economy and gaming market are well positioned for a return to modest growth, possibly in 2010.
- Recent gaming developments (2005-2008) have been well received in the market.
- Iowa's market is not saturated, but is approaching equilibrium. There are fewer opportunities for a new supply without significant cannibalization.
- Feel that most additional casino developments in most areas reviewed would result in a significant cannibalization of existing facilities.
- Expansion opportunity providing the highest participation and drawing new money in from out-of-state players and the least amount of cannibalization is in Lyon County.

Mr. Wittenberg covered some of the historical performance of Iowa's gaming market. In comparing Iowa's gaming markets to other jurisdictions for the years of 2007, 2008 and 2009, Iowa saw a total growth increase of 23.2% for that time frame.

Mr. Wittenberg stated that Marquette developed a 2008 base model, which was then adjusted for population and growth to 2013 levels; the 2013 model was then adjusted utilizing various development scenarios. The 2008 base model was created by predicting Iowa's current gaming market performance; reviewing the current gaming market performance; and by utilizing player tracking data by zip code and by county as provided by the current operators. The 2013 adjusted base model was prepared by projecting population and income growth to 2013 levels. The 2013 adjusted model assumed supply changes with new casinos in various counties; predicted modest increases in gaming

participation (this varied by county); and predicted a redistribution of market share based on their property inspections, and location/travel time considerations. Additionally, Marquette looked at key feeder markets in adjacent states. Mr. Wittenberg stated that based on the 2008 base model, Iowa is looking at a casino net win of \$1.425 billion, which is a 1% increase over the prior fiscal year. Taking those projections out to 2013 with no changes to the current facilities other than those announced – PMR&C, Horseshoe and Dubuque – Marquette is projecting a 15% growth between 2008 and 2013, or a net win of approximately \$1.64 billion. Their projections also indicate an 8.4% increase in casino admissions, a 6.4% increase in win per admission, and an 11.6% net win from non-Iowa residents.

Mr. Wittenberg stated that in reviewing potential “underserved” markets, Marquette has the following observations:

- Casino supply approximately matches up with maximum demand in most areas.
- A majority of Iowa population centers are served by multiple casinos within a 1 hour drive time.
- Additional development in most sub-markets is likely to have a significant cannibalization effect on existing casinos.
- In most areas, “cannibalization” by new casinos would exceed “new” demand (a.k.a. “incremental” gaming revenue)

Of the five counties evaluated in detail (Lyon, Wapello, Franklin, Tama and Webster), Lyon County has the most potential for gaming for the following reasons:

- Proximity to major population center: Sioux Falls, SD
- Sioux Falls market mostly un-tapped by current Iowa casinos
- Limited cannibalization impact
- Potential to capture additional gaming dollars from non-Iowans

Additionally, they looked at the potential for expansion in the Des Moines area, and presented the following information:

- There is the potential for additional casino development, but it has not been approved by referendum
- There is already a significant gaming supply within an easy drive:
 - 1 casino in the metro (PMR&C)
 - 2 within a 1 hour drive (Terrible’s, Meskwaki)
 - 3 additional within 2 hours (Riverside, Waterloo, Northwood)

Another central location means that most of the revenues are likely to originate from Iowans, with a limited potential to capture revenues from out-of-state residents. Although a large casino resort could be expected to generate revenues of around \$140

million, approximately \$70 million of those revenues would represent direct cannibalization from existing casinos, primarily PMR&C and Terrible's.

Mr. Wittenberg advised that they also looked at the Cedar Rapids market, but again the gaming has not been approved by a county-wide referendum; there is limited potential to capture revenues from out-of-state residents, and would have a significant cannibalization effect on existing casinos.

Mr. Wittenberg stated that Marquette used the following development scenarios in evaluating the proposed projects in Lyon, Wapello, Webster, Franklin and Tama Counties:

- Large Casino Resort – 1,400 plus positions, 100-150+ hotel rooms, assumed cost of \$120,000,000 - \$150,000,000;
- Mid-Size Casino Resort - +/- 800-1,000 positions, 60-80 rooms, assumed cost of \$80,000,000 - \$100,000,000;
- Small Casino – 500-600 positions (or less), no lodging, assumed cost of \$40,000,000 to \$50,000,000.

Using the above development scenarios, Mr. Wittenberg provided the following information regarding the proposed developments:

Lyon County: All three of the above scenarios were evaluated for Lyon County. Based on the type of facility, projected net win is estimated to be between \$48,000,000 to \$75,000,000; 700-1,400 gaming positions; and a capital investment between \$50,000,000 and \$120,000,000. A Lyon County facility would receive around 17-27% of its revenues from cannibalization of Argosy, Emmetsburg, DJW, the Council Bluffs facilities, PMR&C, and possibly others. Marquette projected that a Lyon County facility could generate incremental gaming revenues of \$40,000,000 to \$55,000,000, primarily from non-Iowa residents. This proposed project could generate incremental gaming taxes of \$8,800,000 to \$12,100,000.

Wapello County: The project was evaluated on the basis of a small to mid-size facility. Based on the type of facility, projected net win is estimated to be between \$32,000,000 and \$54,000,000; 500-1,000 gaming positions, and a capital investment between \$45,000,000 and \$80,000,000. A Wapello County facility would receive around 69-88% of its revenues from cannibalization of Terrible's, Catfish Bend, PMR&C, Riverside and others. A Wapello County facility could generate incremental gaming revenues of \$4,000,000 to \$17,000,000, with approximately \$2,000,000 to \$6,000,000 coming from non-Iowa residents. This proposed project could generate incremental gaming taxes of \$880,000 to \$3,740,000.

Webster County: This project was evaluated on the basis of a small to mid-size facility. Based on the type of facility, projected net win is estimated to be between \$28,000,000 to \$54,000,000; 500-1,000 gaming positions, and a capital investment between \$40,000,000

and \$80,000,000. A Webster county facility would receive around 50-80% of its revenues from cannibalization of Emmetsburg, DJW, PMR&C and others. This proposed facility could generate incremental gaming revenue of \$5,000,000 to \$27,000,000, all coming from Iowa residents. There could be incremental gaming taxes of \$1,100,000 to \$5,940,000.

Franklin County was also evaluated on the basis of a small to mid-size facility, and could have a projected net win between \$28,000,000 and \$49,000,000; 500-1,000 gaming positions, and a capital investment between \$40,000,000 and \$80,000,000. Anywhere from 69-79% of its revenues would come from cannibalization of Waterloo, Emmetsburg, DJW, PMR&C and others. This proposed facility could generate incremental gaming revenue of \$6,000,000 to \$15,000,000, with all of it coming from Iowa residents. The incremental gaming tax is estimated at \$1,320,000 to \$3,300,000.

Tama County was also evaluated on the basis of a small to mid-size facility, and could have a projected net win of \$58,000,000 to \$90,000,000, 1,000-1,700 gaming positions, and a capital investment of \$100,000,000 to \$150,000,000. Cannibalization of revenues from PMR&C, Waterloo, Riverside, Terrible's and others would make up 44-57% of their revenues. A Tama County facility could generate between \$25,000,000 and \$50,000,000 of incremental gaming revenue, with all of it coming from Iowa residents. There could be incremental gaming taxes of \$5,500,000 to \$11,000,000.

Mr. Frillman summarized the previous information in the following manner:

| <u>County</u> | <u>Cannibalization</u> | <u>Out-of-State Gaming Revenue</u> |
|---------------|------------------------|------------------------------------|
| Lyon | \$8M to \$20M | \$40M to \$50M |
| Wapello | \$28M to \$37M | \$2M to \$6M |
| Webster | \$23M to \$27M | \$0 |
| Franklin | \$22M to \$34M | \$0 |
| Tama | \$33M to \$40M | \$0 |

He stated that Lyon County would have the least amount of cannibalization and provide the highest incremental gaming revenue, with the other counties listed in no particular order. Mr. Frillman stated that it is Marquette's opinion that a Tama project would need the higher capital investment in order to be competitive; however, the need to build bigger and better in order to remain competitive would eventually erode the returns from that investment, as has been seen in Las Vegas. He further stated that at a certain point in different markets, the addition of more concrete and gaming devices can have a dilutive and negative impact on the market.

Mr. Frillman stated that Innovation and Marquette are at least two of the primary consultants in the gaming industry, and ignoring differences and nuances in the numbers, the two have reached approximately the same conclusion. He stated that he and Mr. Oberkirsch met each other for the first time at the March Commission meeting, and have not talked during the course of the engagement. He called for any questions.

Commissioner Cutler, noting that Innovation indicated there was low gaming participation in Polk County and Marquette's estimate of \$140 million of revenues from the Des Moines market if a second facility was built, asked if that meant there was \$70 million of gaming revenue that PMR&C could hope to gain if they did the appropriate marketing.

Mr. Wittenberg advised that the short answer is no. He noted that gaming visits increase as expansion occurs and alternatives offer more options. He stated that the majority of the increase would be attributable to the development of a second facility in the metro area.

Mr. Frillman stated that the flip side is the obvious one; that there is no way that a second facility could be built without having a serious negative impact on the existing facility.

Commissioner Hayes noted that the report set forth the economic impact for each county regarding jobs, supplies and services. He asked if they had some idea of what the effect would be on the cannibalization of jobs. Mr. Frillman stated that if a casino doing \$100+ million per year in revenues experienced a reduction of \$30-\$40 million, there would have to be cutbacks. This has been experienced throughout the industry over the past 6-12 months; it is one way for them to try to maintain some operating economic health in a very difficult economy.

Mr. Wittenberg also stated that there can be direct cannibalization of employees, depending on the market and labor supply. He pointed out that many casino jobs require a unique skill set. There could be a significant impact, depending on the location of the facility.

A copy of the presentation is attached to these minutes and is hereby incorporated in its entirety by this reference.

Chair Seyfer thanked both Innovation and Marquette for their work, and advised that they provided the information the Commission requested.

Chair Seyfer moved to the next agenda item, Ameristar Casino's request for approval of a proposed debt financing transaction. Jane Bell, Director of Government Affairs, noted this transaction involves the refinancing of \$650 million of senior unsecured notes that were due in 2014. The net proceeds were used to prepay and permanently retire a portion of Ameristar's outstanding revolving loans and revolving loan commitments under the Company's senior secured credit facility.

As there were no comments or questions concerning the transaction, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the transaction as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-53)

Chair Seyfer moved to the contract approval portion of the agenda and called on Harrah's. Jeanne Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- Johnson Controls – Cooler and Chiller Repair
- Scooter's Coffee – Coffee Shop Outlet in Hotel
- Zenith Media – Advertising Media Vendor

Commissioner Cutler noted that the Scooter's contract did not indicate a value. Ms. Magdefrau stated that it is a third-party lease; Scooter's will be leasing space within the Harrah's property.

Commissioner Urban asked if Scooter's was replacing an existing venue. Ms. Magdefrau stated that as individuals exit the parking garage, there is a small bijou diner which will be replaced by Scooter's.

Chair Seyfer clarified that Zenith Media comes into the market and purchases time from local stations. Ms. Magdefrau indicated that was correct.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-54)

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

- Aristocrat Technologies, Inc. – Purchase Slot Machine Conversion Kits
- Bally Gaming, Inc. – Purchase of Slot Machines
- Blue Lark, Inc. d/b/a D and J Vending and Coffee Service – Vending Machine Agreement
- The Des Moines Register – Advertising Print Weekly Flyers
- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Global Payments Gaming Services, Inc. – CCCA/DCCA Agreement
- U.S. Bank Gaming Services/Ultrion Processing Services, Inc./U.S. Bancorp – ATM Agreement
- Riverside Realty – Name Change on RTA 7203

Commissioner Urban noted that the facilities are paying out a significant sum for check guarantee services. Mr. Massa stated that the facilities can assume the liability themselves; however, this company has the networks and data established. He indicated that it would be very difficult for the facilities to take on this task for the same price; it would not make economic sense.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Riverside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-55)

Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Schumacher Elevator Company for complete preventative maintenance of the hydraulic elevator.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by WRC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-56)

Chair Seyfer called on Diamond Jo Dubuque (DJ). Kim Pang, General Manager of Diamond Jo Worth (DJW), presented a contract with Penguins Entertainment Management for entertainment.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by DJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-57)

Chair Seyfer called on DJW. Mr. Pang presented the following contracts for Commission approval:

- Konami Gaming – Slot Machines, Conversions and Parts
- LPG & NH₃ Supply, Inc. – Upgrade Propane Supply System for Casino, Hotel and Convenience Store
- Ultron Processing Services, Inc. (Subsidiary of US Bank) – ATM Services

Commissioner Urban, noting DJW's proximity to Minnesota, asked if there were Iowa propane suppliers in the area. Mr. Pang advised that DJW did receive a bid from an Iowa vendor, but it came in \$500,000 higher, and there was no cap on the contract, meaning the cost difference could have been even greater.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted

by DJW. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-58)

Chair Seyfer called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented the following contracts for Commission approval:

- Ainsworth Game Technology – Equipment and Game Lease
- Bally Technologies – Equipment and Game Lease
- IGT – Equipment and Game Lease
- Konami – Equipment and Game Lease
- WMS – Equipment and Game Lease

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-59)

Chair Seyfer called on Dubuque Greyhound Park (DGP) at Mystique. Roger Hoeger, Assistant General Manager, presented the following contracts for Commission approval:

- Durrant Group – Construction Management Services for Casino Renovation
- Epic Construction – General Construction for Casino Renovation
- JCJ Architecture – Design Fees for Casino Renovation
- Lange Sign Group – Digital Sign Replacement and Move Existing Sign
- Sportview Technologies – Surveillance System
- Sportview Technologies – Televising and Recording Races, including equipment
- Woodcrafters – Casework for Casino Renovation

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DGP at Mystique. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-60)

Chair Seyfer called on Bluffs Run Greyhound Park/Horseshoe Casino (BRGP/HSC). Ms. Magdefrau presented the following contracts for Commission approval:

- Burton Plumbing – Emergency and RV Park Plumbing Contractor
- Zenith Media – Advertising Media Vendor

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by BRGP/HSC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-61)

Chair Seyfer moved to the update on the replacement of the tote board at BRGP. Lorraine May, legal counsel, advised that the facility is working their way through the process, but noted that the Decision as written relies upon the rule that governs tote boards for the horse industry and requires the tote board to be in the infield and be capable of showing quarter time splits. The Decision further includes the statement that there is no compelling reason to treat the display of race results differently for dog racing and horse racing. Ms. May stated that if that is the case; then there is no dog track currently in the state that is in compliance with the rule that states the tote board has to be in plain view. Based on her understanding of the Decision, Ms. May stated that BRGP would have to put the new tote board in the infield, meaning any patrons outside on the apron would not be able to see the backstretch. The other option is put the tote board back in its original position; however, the people in the highest seats of the grandstand would not be able to see the tote board. Ms. May asked for any advice the Commission might have.

Chair Seyfer asked Ms. May if she had any recommendations. Ms. May stated that BRGP liked their current set up. Chair Seyfer asked if she had any recommendations based on the Decision. Ms. May stated that based on the Decision which states that the tote board and race results have to be the same for dog and horse tracks, and the rule states that the tote board for horse tracks has to be in the infield, she asked if BRGP was required to put the tote board in the infield and block the backstretch.

Mr. Ketterer advised that there are tracks that have tote boards that block the backstretch. Ms. May asked if that meant the Commission wanted the tote board in the infield. Mr. Ketterer advised that if BRGP had a proposal that put the tote board on the backstretch that would be acceptable as well.

Ms. May stated that the update is that BRGP is trying to work their way through the matter. She noted that a mockup of the tote board is going up in the infield the following week that will be the potential size of the tote board. The question at that time will be how much of the backstretch is blocked. She pointed out that BRGP does not have many patrons that watch the races outside; that the majority watch the races from inside at the tables. It is BRGP's view that for the people sitting down inside at the tables, the tote board should not block the backstretch much, if it all. Ms. May stated that if the purpose for having the tote board in the infield is to serve the patrons outside, then BRGP is providing a disservice by blocking the backstretch. She stated BRGP will have a tote board somewhere outside within the next two-three months.

Commissioner Hayes asked why the tote board could not be located in the backstretch. Ms. May stated that it would not be visible to all of the patrons, which is part of the reason they installed their current system. She explained that the grandstand seating starts low and goes higher, similar to a theater and people at the top can not see the tote board behind the backstretch. She stated that it is visible down just a few rows from the top. Ms. May stated that BRGP would work with IRGC staff to try and get the tote board installed as expeditiously as possible.

Jim Quilty, representing the Iowa Greyhound Association, advised that the old location of the tote board was fine; that it was very visible.

Chair Seyfer moved to the next agenda item, contract approvals for PMR&C. Gary Palmer, General Manager, presented the following contracts for Commission approval:

- Global Spectrum, LP (Wells Fargo) – Wells Fargo Arena Skybox Lease and Advertising
- Snyder & Associates, Inc. – Engineering Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-62)

Chair Seyfer moved to the Hotel Committee Report from PMR&C. Mr. Palmer advised that Gary Neugent, the Chair of the committee, was replaced last week and was unable to attend today's meeting. Mr. Palmer advised an RFP had been sent out to 13 different properties that requested them; four were returned. The committee has met twice since then, and has had discussions regarding which contractors they want to negotiate with. Mr. Palmer stated that they are learning a lot, and the project is moving forward.

Commissioner Cutler asked about the timing of the project. Mr. Palmer advised that Mr. Neugent and the facilities committee had the hotel on a fast track. As soon as the pieces fall together, the financing is arranged and the contracts are signed, it will go forward.

Commissioner Urban asked how the parking garage will fit in. Mr. Palmer advised they are looking into that along with the hotel design. Commissioner Urban asked if it would be incorporated into the hotel. Mr. Palmer stated that he did not know if it would be located adjacent to the hotel, but that they hoped to build it around the same time. Commissioner Urban asked for an update at each meeting.

Following a short break, Chair Seyfer moved to the Horse Racing Committee Report. Tom Whitney, Chair, stated that the committee was appointed about one year ago for the purpose of evaluating both short-term and long-range horse racing at PMR&C. As part of the process, the committee employed Dr. Margaret Ray and Douglas Reed as consultants to assist them in their process. The committee prepared a final report that was submitted to PMR&C's Board of Directors in May. Mr. Whitney stated that the report, without amendment, was adopted by PMR&C's Board of Directors on a 9-0 vote with three abstentions and one absence. He informed the Commission that Mike Galloway, Chair of the Board of Directors, was present. He indicated that the report was self-explanatory, and would answer any questions to the best of his ability.

Commissioner Urban commended Mr. Whitney on the report; that the committee did an admirable job of answering many questions, and goes further than anticipated. She

pointed out that the Committee made many recommendations; and there were several that did not follow the study. One of the recommendations included in the study called for racing on Friday, Saturday, Monday and Tuesday as simulcasting would generate more revenue on Monday and Tuesday; however, the committee decided to go with Thursday, Friday, Saturday and Sunday. Commissioner Urban stated that it was her understanding that Sunday has never been a successful day at the racetrack, and asked the Board's rationale for making the discussion to proceed with Sunday racing.

Mr. Whitney stated the race days were adopted at the recommendation of PMR&C's administration. He indicated the race days were reviewed and discussed with Dr. Ray and Mr. Reed at the time of their report. The selection of those race days anticipates the construction of the hotel; and the administration's belief that the hotel will provide a different set of circumstances; that Thursday and Sunday racing will induce more people to come and make a long weekend. Secondly, when the committee looked at the numbers in terms of simulcasting, there could be some simulcasting on Saturday and Sunday, but the opportunities would not be as great as on Monday and Tuesday. At the present time, the best simulcast opportunity is on Tuesday, and represents about \$20,000 for PMR&C. Management believes there are ways in which the loss can be compensated for. Mr. Whitney noted that one of the things contained in a study performed by Dr. Richard Thalheimer for PMR&C and some of his findings were also taken into consideration in relation to the simulcast issue, and the Monday/Tuesday versus the Thursday/Sunday matter. At this time, the committee does not know if these projections will come to fruition, but feel the trade-off is worth trying. This issue was discussed with Dr. Ray and Mr. Reed, and they concurred with the decision at the time of the discussion. They want to look at the circumstances and numbers over a several year period. It is anticipated that all recommendations will be acted upon within a three-year window.

Mr. Whitney stated that one area of the report that has not received much attention is the establishment of the matrix and benchmarks that will be used to measure future racing seasons. He noted this has not happened in the past; there haven't been hard numbers to evaluate the racing program at PMR&C.

Chair Seyfer stated that it was his hope that the benchmarks and evaluations would be translated into numbers. Throughout the report by Dr. Ray and Mr. Reed, as well as the committee's report, there are references to long-term planning and evaluations. It seems the direction was to put these things in place and see exactly what we have before any dramatic changes are made. He feels there were numerous recommendations made by Dr. Ray and Mr. Reed in their report that were ignored.

Mr. Whitney stated that PMR&C now has enough information as to what has happened in the past, noting that PMR&C has been in operation for 20 years; casino legislation was added in 1995, and the Legislature set purse levels at 11% in 2005. He stated that PMR&C wants to establish a more refined system on which to evaluate the racing program. Mr. Whitney stated that prior to preparing the report he asked the PMR&C Board what the footprint of racing is at PMR&C versus the footprint of casino gaming at

PMR&C in terms of slot machines. The response was that casino gaming has a larger footprint geographically from which to draw than horse racing does. Mr. Whitney stated that the committee feels it has enough information to make needed changes now as much of what PMR&C is doing is not working; the changes will be measured against the matrix and benchmarks to make sure they work.

Commissioner Cutler asked if the matrix and benchmark documents had been prepared. Mr. Whitney indicated they would be developed prior to the 2010 season, the first year this report would go into effect. The report by Dr. Ray and Mr. Reed, as well as the committee's report, identify what some of the matrix and benchmarks will be but are not all inclusive. Commissioner Cutler asked when the Commission would see the matrix and benchmarks. Mr. Whitney indicated that he felt it would be this fall as part of the racing license renewal application.

Commissioner Cutler asked when the hotel was supposed to be completed. Mr. Whitney stated that he could not answer that question. Commissioner Cutler stated that she posed the question as the rationale for keeping the Sunday races was the availability of hotel rooms for patrons to make a "long weekend".

Commissioner Cutler asked if a consultant would be working with them on the matrix/benchmarks, or who would be putting the information together. Mr. Whitney answered in the affirmative, indicating that some information would come from administration, and he intends to recommend that the horse racing committee continue. He stated that he believes the Board is going to take a hard look at the entire marketing study for PMR&C, horse racing included. Mr. Whitney expressed his hope that Dr. Ray and Mr. Reed would continue their relationship with PMR&C.

Commissioner Urban noted that PMR&C spent a tremendous amount marketing opening day this year, and wondered if it had a dramatic effect. Mr. Whitney answered in the negative. He stated that PMR&C does not know enough about its horse racing customers, and in fact, needs to know a great deal more. The fact that PMR&C should have known, or known ten years ago, does not change the place where the facility is at today. They want to know much more about the individual who does patronize PMR&C, as well as those that do not.

Commissioner Urban stated that the report indicates PMR&C needs to do some marketing. She noted that while she did not know the amount spent by PMR&C, she did notice the full page ads in the newspaper in the Des Moines Register, and she is guessing they appeared in papers in other parts of the state as well. She stated that if the money and full-page ads did not have an impact on opening day, then they need to take a hard look at the way they are marketing the program and make some changes. Mr. Whitney stated that he anticipates moving forward with a number of recommendations in June; they are not going to sit back and wait. Michael Galloway, Chair of PMR&C's Board, has also indicated that the study and recommendations are high on his priority list and that of the Board as well.

Commissioner Cutler asked if horsemen would be involved with the development of the matrix and benchmarks as they are the experts in that area. Mr. Whitney answered in the affirmative. There are members of the board that are horsemen or have a family member directly involved in the industry, and at least one or two have been members of the horse committee since its inception. Mr. Whitney noted that members of the horse committee spent dozens of hours visiting with the various horse organizations, individual owners and trainers, and traveled to other tracks where they also spoke with owners, trainers, horse group representatives, and CEOs in an effort to determine how PMR&C can do a better job determining what the future of racing should look like at PMR&C. PMR&C held two public hearings at which any citizen could be heard. The entire horse committee met with the four horsemen's groups prior to the first public hearing, and again with designated representatives of those groups for two hours just before the meeting.

Commissioner Cutler asked if there were any changes to the report once the horsemen were heard. Mr. Whitney advised the horsemen were heard prior to the report. Regarding their presentation after the report, no changes were made to the committee's report. He stated that it is his intent that the horsemen would be involved in establishing the matrix and benchmarks. Commissioner Cutler suggested that the parties all work together as she did not think PMR&C wanted the Commission to make the final decision regarding race dates as it did in 2006.

Commissioner Hayes noted that one of the recommendations of Dr. Ray and Mr. Reed was that PMR&C should develop a vision of what horse racing should look like at PMR&C. He stated that recommendation was not included in the report, and wondered if that would be coming from the horse committee, or what it would look like. Mr. Whitney stated that the vision/recommendation would come from the full PMR&C Board; that it will be a statement of who PMR&C is and where they think they are going. Commissioner Hayes stated that he felt that would be helpful for everyone to know. Mr. Whitney reminded Commissioner Hayes the development of the matrix and benchmarks would be a process, noting that the study provided examples. He feels the committee will pay close attention to that, but indicated items could be included that have not been thought about at this point.

Commissioner Urban noted the study recommended dropping standardbred racing, but suggested a "festival" of racing for standardbreds. She asked if the committee took that recommendation into consideration, and if so, why they chose not to do it. Mr. Whitney advised that they did take the recommendation into consideration, but determined they did not want to pursue the "festival" for several reasons: the goal of ending racing at PMR&C on or close to Labor Day and the harness racing circuit at county fairs does not end until after that date. Secondly, if harness racing is not going to be part of the program at PMR&C, then the severance should be whole and complete in order to prevent the constant lobbying, bickering, etc. that has occurred in the past. The third issue is the safety of the track surface for the standardbreds. The report by Dr. Ray and Mr. Reed suggested that the track surface should be packed; however, the standardbreds have indicated that is not possible for safety reasons, which would require PMR&C to

remove the limestone base for a two-day festival. Mr. Whitney advised that the committee asked individuals in the harness industry what the ability to race at the track meant to them in terms of additional income. The response was approximately \$300,000 as the horses are able to run faster. That is approximately what it costs PMR&C to prepare the track for harness racing.

Commissioner Urban asked why they chose to bring paints into the mix when the decision was made to do away with standardbred racing. Mr. Whitney stated that paints currently run at Remington Park in combination with quarter horses. He indicated PMR&C is taking some high risks with respect to what they are trying to do with quarter horses. Quarter horses have historically piggybacked with thoroughbreds. PMR&C does not know if quarter horses are a viable group; a stand-alone group who can be successful. Mr. Whitney stated that quarter horses as a whole represent the largest group of horses in Iowa. PMR&C wanted to give them an opportunity to demonstrate that they are a viable group, and potentially a larger part of the entertainment package that PMR&C provides. Mr. Whitney stated that the committee was asked to consider paints, and decided to give them an opportunity to race.

Chair Seyfer asked Mr. Whitney who asked the committee to consider paints. Mr. Whitney stated that it was a representative on the committee who has quarter horse connections.

Commissioner Hayes asked about the timeline for the marketing study. Mr. Whitney hoped they would be able to start by the end of July; first part of August.

Commissioner Urban noted that at the end of the synopsis of the report there is a recommendation that states: "Encourage, with the assistance of Prairie Meadows, the State Racing and Gaming Commission to explore collaboration with other states to develop a racing circuit which would include Prairie Meadows." She stated that the Commission does not see that as their job; however, she does feel it is worthwhile for PMR&C to look into and work with other tracks. Mr. Whitney stated that what they are saying is that there may be an opportunity via the Interstate Compact that might require assistance, authorization or confirmation by the Commission, and they need to explore that but may need the Commission's participation if it is required under the Interstate Compact Act. Commissioner Urban stated that PMR&C could expect the Commission's support in whatever endeavors they undertake to better their racing program.

Commissioner Cutler referred to the twelfth recommendation which, in part, states that no new casinos should be established without requiring them to contribute to the horse and dog racing purses at existing pari-mutuel facilities. Mr. Whitney stated that the Board feels, as is done in some states, that all casinos should support horse and dog racing, and certainly that any new casinos that come on line should support horse and dog racing. Secondly, PMR&C's Board feels that all Iowa casinos, and especially any new casinos, should carry simulcast racing from PMR&C.

Commissioner Urban, referring to the same recommendation, noted that it called for the mandated requirement that all casinos in Iowa carry simulcast racing from PMR&C. She stated that is a legislative issue; not a Commission issue. She indicated that she does not believe casinos have that ability under current statute. She also noted that casinos would have a limited amount of space available, and the ability to present simulcast races would require a whole different set up. Mr. Whitney stated that those casinos that can offer simulcasting should; and noted that PMR&C is cognizant of the facts just stated by Commissioner Cutler. Mr. Whitney concurred that this is not something the Board can act on other than through legislative means.

Mr. Ketterer stated that he felt there was just some confusion as to whether or not the Commission could require casinos to carry simulcast races.

Chair Seyfer noted that one of the recommendations is that PMR&C's Board should adopt a legislative program that includes asking for more flexible purses and racing dates as to Iowa breeds. Mr. Whitney stated that PMR&C is looking at supporting Iowa-bred horses that race in other states; however, they don't feel they can do that with the amount of purse money currently available to them. They believe it would take legislative action to allow the Board more discretion with purse money in order to do that. They feel this supplement would encourage Iowa-bred horses to run at other tracks.

Commissioner Urban asked if PMR&C would seek legislation. Mr. Whitney advised that PMR&C has a legislative program every year.

Commissioner Cutler asked for a response as to the \$1 million payment to the Iowa Harness Horsemen's Association (IHHA), and the proposed agreement that calls for the IHHA to contribute one-half the cost of removing the track surface. She stated that she does not feel the funds should be held hostage by PMR&C in order to get a signed ancillary agreement with the IHHA. Mr. Whitney stated that he was not a party to the conversation.

Mr. Palmer stated that PMR&C has ancillary agreements with each breed, and have signed agreements for the current year with the thoroughbreds and quarter horses, but not with the standardbreds. A copy of the proposed agreement was forwarded to Royal Roland last week. The agreement contained the payment schedule and indicated a desire to negotiate the removal of the track surface. Mr. Palmer indicated the proposal is the standard negotiation, and that the parties have not yet met to discuss the proposed agreement.

Commissioner Cutler asked about the scheduled payment. Mr. Palmer stated that the parties have not yet agreed on a schedule of payments. He indicated that PMR&C has every intention of paying the \$1 million. Mr. Palmer stated it is his understanding that the only issue to be discussed is that the IHHA does not want to help cover the costs of removing the track surface to allow them to race at PMR&C.

Commissioner Cutler asked if the IHHA has ever paid a portion of the cost for removing the track surface. Mr. Palmer answered in the negative. He stated that he felt it would be a disservice on the part of himself and PMR&C staff to the PMR&C Board if they did not at least ask the IHHA to assume part of the cost, especially in light of the economy at this time.

Chair Seyfer asked if PMR&C was aware this contract would be coming up late last year. Mr. Palmer answered in the affirmative. He noted that the IHHA has established their own non-profit and have requested that the \$1 million be given to them versus scheduled payments as have been done in the past. Mr. Palmer stated that the Chief Financial Officer sent a copy of the ancillary agreement indicating that PMR&C would prefer a schedule and requested that they assume one-half of the cost of removing the track surface. Mr. Palmer advised this is the same process they go through every year; they just haven't finalized the negotiations at this time. He indicated that PMR&C representatives are available to meet with the IHHA to negotiate the agreement.

Commissioner Cutler indicated that she felt PMR&C's tactics were unfair to the IHHA. Chair Seyfer noted that the Commission is being asked to consider numerous changes. Mr. Palmer reiterated that PMR&C is going through the system regarding the ancillary agreement. He noted that previous payments have not been to one person in one lump sum either. Mr. Palmer stated that he felt negotiations would take about an hour. Chair Seyfer stated that it would be great if the parties could get that done today.

Royal Roland, President of the IHHA, advised the Commission that the issue is not about receiving four payments of \$250,000 over the next four months, but about the proposed \$150,000 expense to help cover the removal of the track surface. He stated that absent the Commission's intervention, the IHHA would not have any leverage or option but to accept the terms. He noted that the process for determining costs, etc has not even been started.

Commissioner Urban noted that the report includes race dates that will have to come back before the Commission in October. She advised that Commission members have received a substantial amount of correspondence from breeders, trainers and owners of thoroughbreds and quarter horses. Commissioner Cutler stated that she felt the Commission would be willing to look at different racing dates in October.

Commissioner Cutler stated that she felt PMR&C was putting the cart before the horse as the hotel will not be completed by fall and the market study is not done; but PMR&C is indicating their actions/decisions are going to be based on those factors. In her opinion, the matrix and benchmarks appear to be subjective, not objective.

Mr. Whitney stated that over the last 14 years, PMR&C's financial department has indicated that PMR&C has lost between \$30-35 million per year on horse racing, or a total of \$420 million that has not been available for capital improvements such as the turf track, a hotel; or for distribution within community, charitable contributions and public

use. He indicated PMR&C is very sensitive to that fact. Mr. Whitney stated that PMR&C has seen what is happening with racing over the last 20 years, and have had the casino since 2005. He pointed out that horse racing is in trouble in the United States, and the Board has a strong belief that they need to look at doing things differently. He stated that there was not one person in the room that wants to see PMR&C lose that kind of money, or the entertainment value they offer slide.

Mr. Whitney stated that in 1985 there were 45,000 thoroughbred foals in the United States; in 2008, that number had declined to 31,000. He advised that the Iowa Department of Agriculture distributed funds to 122 individuals for breeder supplements in 2008 for all three breeds. He reiterated that PMR&C needs to look at doing things differently or they will continue to lose between \$30-35 million per year.

Commissioner Cutler stated that when she first joined the Commission she brought up the issue of a hotel at PMR&C. She stated that PMR&C can not blame the horse people for all of the losses; some of them can be attributed to the fact that PMR&C does not have some of the amenities necessary to draw people in.

Mr. Whitney stated that the \$35 million is for the racing program alone, not the rest of the operation. Commissioner Cutler stated that had PMR&C built the hotel six or seven years ago perhaps the number would not have been as large. She stated that PMR&C's Board of Directors has contributed to some of the problems at the facility; it is not all the horsemen's fault. Mr. Whitney stated PMR&C is trying to address various issues now; that he was not there 20-10- or even 5 years ago, nor was a majority of the current Board. They are attempting to address issues in the best way possible to bring the best racing to PMR&C. They can not go back and undo what has been done previously; they can only address issues going forward.

Commissioner Urban congratulated the horse racing committee and PMR&C's Board on what they have done to this point; but indicated they needed to feel an urgency to get the numbers under control.

Chair Seyfer called on the Iowa Horsemen's Benevolent and Protective Association (IHBPA). Tom Levis, representing the IHBPA, stated that he was going to tell the Commission what the IHBPA liked about the horse racing committee report. He stated that the IHBPA owners and breeders believe the matrix and benchmarks should have been developed a long time ago and concur with getting a handle on the costs of racing for each breed. He stated that PMR&C doesn't know what the true numbers are as they relate to the cost of racing. Mr. Levis stated that before PMR&C demolishes the racing program, the IHBPA believes PMR&C should get the facts to support the numbers and look at revenue. He noted that Dr. Thalheimer's report indicated that slot revenue increases by 13% during the live race meet. Mr. Levis stated that the IHBPA does not feel PMR&C has a handle on what their revenues and expenses are; and relish and welcome the opportunity to get a handle on them. He indicated the thoroughbred owners

and breeders would like to help, and offered the following suggestions for cutting costs/increasing revenue:

- Employ pari-mutuel staff on a part-time basis rather than full-time;
- Concur with the suggestion that other casinos should be required to carry simulcast racing;
- Feel that PMR&C should focus on the simulcast revenues available on Monday and Tuesday as there is not as much competition, enabling them to raise a substantial amount of revenue from simulcast and run their horses in front of bigger crowds, drawing a bigger handle. Sundays have been tried and withdrawn and they don't understand why PMR&C thinks anything different will happen this time.
- The IHBPA has data showing that other comparable tracks are getting 5-6% of the handle for simulcast revenue, while PMR&C is only getting between 2-3%. Simulcast is big business within the industry.
- The IHBPA feels PMR&C needs to focus on revenue; feel the thoroughbreds bring revenue to the table and have a significant economic impact for the State of Iowa, as do all the breeds.
- The IHBPA agrees with the idea of a racing circuit. They also concur with Dr. Ray and Mr. Reed that the track should be focused so that the races at PMR&C fit the circuit. PMR&C doesn't need any legislation or the Commission to mandate to other states. Mr. Levis indicated there is already a circuit in place; the thoroughbred owners know that when the meet ends at PMR&C they can go to Remington Park. If PMR&C ends their thoroughbred meet in mid-July as proposed, the thoroughbred owners would not have anywhere to go to race. Mr. Levis stated that PMR&C's plan should follow the current racing circuit. Mr. Levis distributed proposed racing dates by the IHBPA, which called for 72 days of thoroughbred only racing commencing on April 15 when other tracks are finishing and ending August 14, or 685 racing opportunities. He pointed out that the Ray/Reed report indicated the average number of race days for a Midwestern track is 73; there are two that skew the average as they only have four or five races. Mr. Levis stated that Oaklawn runs during the winter months and therefore does not have any competition.

After reviewing minutes from previous Commission meetings, as this is his first meeting, Mr. Levis noted that there has been a significant amount of acrimony between the horse industry and PMR&C, which he finds very difficult to understand because what is good for PMR&C is good for the horsemen.

Mr. Levis noted that in 2002 the barns were full, the races were full and the handle was good. At that point, the IHBPA was talking to PMR&C about building new barns. Since then, PMR&C keeps making changes to the racing program, which is causing anxiety among the industry; they are worried about their ability to make a living. In closing, Mr. Levis encourage PMR&C to develop a program that is fair to all breeds.

Scott Pope, Director of the Iowa Breeders and Owners Association (ITBOA), stated that a number of his questions and issues that he intended to raise have been answered. He stated that the breeders understand that changes have to be made as the program over the last several years has not worked; however, everyone needs to be mindful of what is required by the law. He pointed out that 99D, 99F and the Administrative Code require the license holder to grow, promote, nurture, and develop the racing industry in Iowa, but the ITBOA does not see how reducing the number of thoroughbred race dates by almost 40% accomplishes that goal. Purses are no longer an issue as they have been set by the Iowa Code. Mr. Pope stated that the growth and nurturing of the racing industry are the obligation of the license holder and the regulator; and the ITBOA believes the proposal before the Commission flies in the face of the mandates. He advised the Commission that the number of thoroughbred foals born each year has steadily declined since 2002, which is when the original purse program was cut by around 25%. The decline has also been exasperated by a couple of issues: the erosion of live race dates and the number of opportunities to run. Mr. Pope stated that the ITBOA members also made the decision to focus on quality rather than quantity in the horses that are being bred. He advised the Commission that there are Iowa-breds that compete at virtually every level at PMR&C, as well as around the country. Mr. Pope stated that PMR&C holds Arkansas up as the "gold" standard, and noted that at a recent Board meeting, Mr. Whitney stated that Arkansas breeds 600 foals per year compared to Iowa's 225. The ITBOA researched the records of the Jockey Club and found that Arkansas has never had 600 foals; and in fact, their numbers are very comparable to Iowa's.

Mr. Pope stated that the ITBOA is cognizant of the fact that their horses need to be able to compete at other tracks; particularly since the number of racing days offered here don't generate sufficient revenue for the owners and breeders to cover their costs. By maintaining and improving the quality, it has allowed them to race elsewhere, compete, and win money and bring it back to Iowa. As of 2008, the Jockey Club's records indicated that Iowa-breds had started 2,172 times at other tracks around the country other than PMR&C; won 232 of those races at some of the top racetracks such as Oaklawn, Belmont, Hollywood, Santa Anita, Keeneland, and Churchill Downs. Mr. Pope stated that Iowa-breds compete everywhere, but also need the opportunity to continue to grow in Iowa; however, cutting the program down to 56 live racing dates will only exacerbate the decline in the foal crop. He noted that his trainer just made a large reinvestment in his brood mares and has 13 Iowa-bred foals. Under the current proposal, the number of racing opportunities for these foals to race by the time they reach the racetrack will be minimal. Based on the current proposal of 56 race days, there would be approximately 40 maiden races available.

Mr. Pope stated that the ITBOA is, and has been, willing to work with PMR&C to find a viable alternative to their proposal. They agree changes need to be made, and are glad to see PMR&C pursuing a marketing study, and the true cost of racing. He stated there was an interesting quote in the Ray/Reed report on page 46: "The development of fans is an effort everyone must participate in. In towns where racing is embraced, horsemen, communities and employees are apostles for the racing program, not terrorists for the

product.” Mr. Pope pointed out that PMR&C keeps stating that they lose between \$30-\$35 million per year on the racing program; however, the numbers have never been substantiated; and the Ray/Reed report states that the number is overly exaggerated. He questioned whether PMR&C was really talking up the program. Mr. Pope stated that PMR&C can do all the marketing they want; however, the attitude of many individuals in the downtown business community and PMR&C’s Board is to do the minimal amount to see if they can get rid of racing. He noted that PMR&C can not do that statutorily or they would have done so already; therefore, they have decided to erode the product until it is not viable. Mr. Pope reiterated that the quality of horse is here, and is constantly being upgraded by the membership of the ITBOA. He gave several examples of Iowa-breds competing and either winning or finishing in the top of various races at other tracks. Mr. Pope stated that if it weren’t for the Iowa-breds at PMR&C this year, there would not be a live race meet at the track this year. He advised that as of June 2nd, there were 1,091 horses on the backside; 539 are Iowa-breds. It is not possible to run a meet with only 500 horses. Mr. Pope stated that Iowa-breds have been used to fill out a number of races this year.

As there were no questions for Mr. Pope, Chair Seyfer moved to the hearings before the Commission. Mr. Ketterer advised that all of the hearings had been resolved via Stipulated Agreements.

The first two Stipulated Agreements are with Diamond Jo (DJ). Mr. Ketterer stated that the first is for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. In March 2005, a female created multiple Player’s Club accounts using variations of her name. She used the second Players Club account to enter herself into the state-wide self-exclusion program. There were several instances where checks were cashed, and she received promotional mailings for approximately two years on the account that was not part of the self-exclusion program. Then, last December and January, the individual hit two jackpots that were recorded to the “state excluded” account. The individual was paid both of the jackpots. It was not until a third jackpot was hit on January 28th of this year that the person was identified as self-excluded. The Diamond Jo has paid the required funds to the Iowa Gambling Treatment Program, and acknowledges the above facts constitute a violation of the Iowa Code, and have agreed to an administrative penalty ranging from \$3,000 - \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-63)

The second violation at DJ was for a violation of Iowa Code Section 99F.9(5), underage gambling. On February 23, 2009, an underage male and several companions entered the gaming floor through the east entrance, where the security guard failed to request identification from the individual. The individual purchased three alcoholic beverages, spoke directly to a security officer on the floor, and a buffet employee. The individual approached a third security officer to ask the time. The security officer smelled alcohol

on the individual's breath and proceeded to question the individual about his age. The individual did admit to being underage and consuming alcohol on the gaming floor earlier in the evening. Mr. Ketterer stated that DJ acknowledges the violation and has agreed to pay an administrative penalty of \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement as presented. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-64)

The next two Stipulated Agreements are with Wild Rose Clinton (WRC). The first agreement stems from a violation of Iowa Code Section 99F.9(5), underage gambling. On April 25, 2009, an underage female entered through the main entrance unchallenged. The individual exited the casino and re-entered the casino on several occasions without being challenged. The individual gambled for approximately 70 minutes before exiting the gaming floor again. Upon re-entering the individual had contact with approximately eight WRC employees, none of whom requested identification. The individual returned to the casino on April 26th and was again allowed to enter the casino unchallenged. She again exited and re-entered the casino without being challenged. It was not discovered that the individual was underage until she went to Guest Services and submitted her information to obtain a Players Club Card. Mr. Ketterer stated that WRC has initiated several training and corrective actions to resolve various issues. WRC does acknowledge the violation of the Iowa Code and has agreed to pay an administrative penalty of \$20,000. He recommended approval.

Commissioner Hayes moved to approve the Stipulated Agreement as presented. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-65)

The second WRC Stipulated Agreement is for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. The individual, originally excluded at the DJ on February 15, 2005, was added to WRC's player tracking system as a "disassociated person" on February 15, 2009. This individual won a \$12,000 jackpot on May 9, 2009, and was paid. A WRC employee, performing his normal job duties, discovered the payout and reported his findings to WRC management. WRC has paid the \$12,000 into the Iowa Gambling Treatment Program as required. WRC has instituted new procedures and issued a corrective action to the cashier who failed to follow established procedures. WRC will continue to evaluate their procedures to ensure that best practices are in place. Mr. Ketterer advised that WRC acknowledges the violation, and has agreed to an administrative penalty between \$3,000 and \$20,000. He recommended approval.

Commissioner Urban moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-66)

The next Stipulated Agreement is with Isle Casino Hotel Waterloo (Isle) for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. On November 5, 2008, an individual completed the self-exclusion paperwork and was added to the Isle's casino management system. Subsequently, four months later a security manager discovered that Isle had not uploaded the individual's information into the Iowa Gaming Association's database. The information was uploaded on March 11, 2009, 125 days after the paperwork was signed. Isle has disciplined the employee involved and updated its procedures so that the Compliance Officer will now review surveillance reports for self-excluded patrons and cross-check the IGA database to ensure the information is uploaded appropriately. Mr. Ketterer stated that the Isle acknowledges the violation, and has agreed to an administrative penalty between \$3,000 and \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-67)

The last Stipulated Agreement to come before the Commission is with the Iowa West Racing Association d/b/a Horseshoe Casino for a violation of Iowa Administrative Code Sections 11.2(1) and 11.2(2)b, which require the licensee to conduct gambling games in a manner suitable to protect the public's health, safety, moral, good order and general welfare and prohibit intoxicated persons from gambling respectively. On September 20, 2007, a security supervisor and a casino manager advised the intoxicated patron that it was necessary for him to leave the casino floor and not return for 24 hours per Horseshoe's policy. The facility found a hotel room for the individual and he was escorted off property. However, twelve hours later, the individual entered the casino through the valet entrance and received 23 drinks over the next ten hours, and even though he was exhibiting signs of intoxication, was allowed to continue gambling. The individual was subsequently noticed by a security officer, who contacted the Division of Criminal Investigation (DCI). The DCI administered a breath test which revealed a reading of .344. Mr. Ketterer stated that Horseshoe acknowledges the violation and has agreed to pay an administrative penalty in the amount of \$20,000. Mr. Ketterer recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement as presented. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-68)

Chair Seyfer moved to Administrative Business. Mr. Ketterer provided Notice of the Request for Proposals for the Greyhound Promotion Fund, with requests due in the Commission's Des Moines office by June 30, 2009 in order to be eligible for the funds. Last year's recipient, the Iowa Greyhound Association, must provide an accounting of how the funds were used last year.

Mr. Ketterer moved to the regulatory fees for Fiscal Year 2010. These fees are the recapture of the appropriations to IRGC, for DCI agents and expenses incurred in the regulation and law enforcement of gaming and racing in Iowa. He noted that IRGC's appropriation is pretty straight forward and the costs for each facility can easily be calculated. It takes the DCI longer as they have to determine the exact cost for that portion of the Department of Public Safety budget that is allocated to the racetracks and gambling structures, and riverboat licensees. Mr. Ketterer advised the Commissioners that the handout included in their packets shows what the costs are for the Commission for each facility for FY 2010. The amount shown for the DCI is the amount from last year for informational purposes, and is not calculated into the figures. Mr. Ketterer stated staff would like approval for these figures from the Commission and the figures that will subsequently be received for the DCI in order to begin billing the regulatory fees on July 1, the beginning of the new fiscal year. He advised that the final figures would be brought back before the Commission for approval at the July meeting.

Commissioner Seyfer asked if the fees would be adjusted. Mr. Ketterer stated that hopefully there would not be any adjustments needed; that the Commission would receive the DCI figures prior to the start of the fiscal year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the regulatory fees for the Commission for FY 2010 and the DCI based on last year's figures with the understanding that the final fees would be brought before the Commission at the July 16, 2009 meeting. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-69)

As there was no further business to come before the Commission, Chair Seyfer requested a motion to adjourn the meeting. Commissioner Cutler so moved. Commissioner Hayes seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK