

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 13, 2011**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 13, 2011 at Stoney Creek Inn & Conference Center in Johnston, Iowa. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Rivera seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the November 10, 2010 Commission meeting. Commissioner Rivera moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

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

- February 2011 – No Meeting
- March 3, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by February 17, 2011)
- April 14, 2011 – Harrah's, Council Bluffs, IA (Submissions due by March 31, 2011)
- May – No Meeting
- June 9, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by May 25, 2011)

Chair Urban called on HGI-Lakeside, LLC for an update on the bankruptcy case and a discussion on their commitment for capital improvements at the Osceola property. Sean McGuinness, legal counsel to the senior lenders, and David Ross, Chief Executive Officer, were present to answer questions. Mr. McGuinness noted that he was before the Commission in June 2009, shortly after Herbst filed for bankruptcy, and provided an update as to the expected timeline for the bankruptcy proceedings, and the process. He advised that the timeline was close to what was projected; the company emerged from bankruptcy on December 31, 2010 as projected. The reorganization plan called for the lenders to convert their debt into equity pursuant to the bankruptcy, and the operating subs were converted to limited liability companies. The plan was submitted to the bankruptcy judge in October 2009; objections were filed by the bond holder contingency and Clarke County Development Corporation (CCDC). The objections were denied by the judge; the bondholders appealed the judge's decision, but CCDC did not. Mr. McGuinness advised that the bondholder's case was settled last month. The judge's ruling was that the plan of reorganization could proceed subject to approval from the

three gaming jurisdictions – Iowa, Missouri and Nevada. Subsequent to IRGC's approval on November 10th, Missouri gave its approval on December 1st, and Nevada did so on December 16th. Upon receipt of the approvals from the gaming jurisdictions, the proper filings were made with the bankruptcy court, and no objections were received by the court about Herbst emerging from bankruptcy. The lenders converted their debt to equity on December 31st; and the sub-corporations converted themselves to limited liability companies. Mr. McGuinness advised that the company holding the license for the property is HGI-Lakeside, LLC. The company used to be a corporation. Under Nevada corporate law, entities can be converted from one form to another, but the entity retains all of the obligations and rights back to the date of original formation. Mr. McGuinness stated that all of the vendor contracts approved for HGI-Lakeside, Inc. remain as obligations going forward so there is no need to reconsider any of the vendor contracts that have previously come before the Commission. He thanked everyone for their assistance in helping to move the process forward. He turned the floor over to Mr. Ross.

Mr. Ross stated that he approached the lender group regarding development in Osceola after listening to the Commissioner's earlier comments; he advised that the lenders have set aside \$10 million for development purposes in Osceola. He stated that while they are confident about the hotel expansion, the owners are also looking to see what other types of development might be available/possible in Osceola. They plan to have a market feasibility study completed to determine what would be best for the property, CCDC and the community. Mr. Ross stated they would present a plan to the Commission at mid-year with construction to commence in the fourth quarter. There are 88 acres of undeveloped land, not all contiguous, but there is room for growth and opportunity.

Mr. Ross advised that there is a good team in Osceola, and that he is meeting with employees today to hopefully remove some of their trepidation with regard to various rumors. He noted that there have been some maintenance issues and property neglect, which will be resolved immediately. Mr. Ross stated that the property has to do a better job of attracting return patrons.

Chair Urban, noting that the Commission will be taking up the excursion boat license renewals at the March 3rd meeting, stated that the Commission would expect a presentation or timeline on the proposed development at that time. She pointed out that an expanded and/or new hotel was promised in 2009.

Mr. Ross stated that the current hotel will be expanded, but requested additional time to work with the city, county and CCDC to determine what they would like to see in terms of additional development. He noted that company representatives have a 3:30 meeting with CCDC today. Mr. Ross stated that allowing them time to complete a feasibility study would allow them to bring alternative projects, in addition to the hotel, to the Commission. He reiterated the company's intent to present development plans to the Commission in mid-year with construction to commence in the fourth quarter. Mr. Ross stated that if the Commission wanted something at the March Commission meeting, it would be for the hotel as the market research could not be completed by that time.

Commissioner Hayes stated that it would be interesting to see the specifics of a plan. He is glad to see the \$10 million set aside for development in Osceola, but feels it is more critical to see the \$10 million expended during the 2011-2012 license year.

Mr. Ross stated that he was at the meeting when the presentation was made regarding a hotel in 2009. He noted they had a partner at that time; they were unable to obtain the necessary financing. Mr. Ross stated that HGI-Lakeside would be doing the hotel themselves this time around; that the funding is there. He assured the Commission that the goal is to commence construction no later than the fourth quarter of this year.

Commissioner Cutler stated that Lakeside should be prepared to provide an update on the steps they have taken to move this process forward between today and the March Commission meeting.

Mr. McGuinness stated that Mr. Ross and some of the board members wanted to be sure that they could be as responsive as possible at the March meeting for the license renewal; he noted that had Mr. Ross waited to approach the lender group until after the company exited bankruptcy and asked for an amendment to achieve the hotel financing, it could have taken as much as 60 days to accomplish.

Chair Urban stated that the Commission sees the possibilities for the Osceola property, and is looking forward to seeing some plans. She noted that the Commission had received a letter from Jerry Crawford, legal counsel for Herbst, regarding the payments to CCDC, which indicated that when all of the payments are taken in account and credits received from building and development, that it will be in excess of 3%. Chair Urban stated that the Commission needed further clarification.

Mr. Crawford stated that the agreement reached at the time Herbst acquired the Osceola property from Grace, was for 1.5%. The parties agreed that Herbst would prepay an additional point, or approximately \$3.2 million, which would extend for 8 years or almost 2012. Further, the parties agreed that the payment to the sponsoring entity would go from 1.5% to 2.5 % at the end of the 8 year period, but that Herbst could buy down from 2.5% to 2.0% through additional mutually agreed upon and specified capital expenditures at the site. Mr. Crawford clarified that the percentage payable to CCDC by Herbst could go from 2.5% to 2.0%, but only if Herbst spent an additional dollar for every fifty cents of credit, or go down to 2.0% by spending an additional 1%, for a total of 3%. He stated that with today's announcement of \$10 million for the hotel, that will put Herbst above the 3%.

Commissioner Hayes noted that Mr. Ross had stated that the new company, HGI-Lakeside, LLC, had assumed all of the contracts previously entered into by HGI-Lakeside, Inc. He stated that he was seeking to verify that the new company was not in violation of any of the contracts, has made any payments required by the contracts, and is in compliance with the terms of all of the contracts, specifically, the CCDC contract and any contracts with the City of Osceola, Clarke County or the Osceola Water Board.

Mr. McGuinness advised that the obligations were not “transferred” as the entity remains the same. While the entity is changing its form, the obligations of the prior form carry forward to the new form. He stated that the Bankruptcy Plan envisioned that all of the vendor agreements would be paid and fully satisfied. He advised that to his knowledge the company was in compliance with regard to vendor contracts. Mr. McGuinness stated that the contracts with CCDC and the City remain the same. He stated there is an issue with the Water Board contract, which Doug Gross, legal counsel for CCDC, mentioned at the November Commission meeting; the issue has to do with the number of employees to be employed by the facility. Mr. McGuinness stated that he understood the issue arose due to changes in technology in the gaming industry and the addition of table games at Prairie Meadows Racetrack & Casino (PMR&C), which impacted the table games at Lakeside. He stated that Herbst went to the City and the Water Board to seek a change in that particular aspect of the agreements. The City agreed to remove that stipulation; however, it appears the Water Board has not. Mr. McGuinness advised that the Water Board has not filed a formal notice of default, nor was it raised during the bankruptcy proceedings.

Bob Thursby, General Manager, stated that in May 2009 he approached the City, the Water Board and CCDC and advised them there were two items that Herbst would like to have changed in the various agreements. One was the amount of land Herbst leased around the lake since they no longer cruise and did not want the responsibility. They advised the Water Board that they would pay the same amount going forward for a significant decrease in the amount of land. He also advised everyone that the facility did not have 500 employees due to the following circumstances: the advent of ticket-in/ticket-out technology and the addition of table games at PMR&C. Mr. Thursby stated that Lakeside’s table game revenue went from \$10 million per year to \$5 million per year. He noted that table games are very labor intensive, and as the table games went away so did some of the employees. He stated that Herbst was very proactive in seeking the changes; noting that the City did sign off on the change, but the Water Board did not.

Chair Urban moved on to the next agenda item, CCDC’s request for the Commission to reconsider their decision to grant Herbst Gaming, LLC a license. Mr. Ketterer stated that the agenda item is not a parliamentary position of the Commission; that the language for the agenda item was taken from a letter received from CCDC, which requested that the Commission reconsider its decision. Noting that the Commission is in the midst of the license renewal process, Chair Urban stated that the Commission is receptive to receiving new or additional evidence or information that CCDC has to offer and will take it into consideration at the March Commission meeting.

Mr. Gross asked Mr. Ketterer if the previous statement meant that reconsideration was not before the Commission at this time. Mr. Ketterer advised that there was no motion for reconsideration made by a Commission member. Mr. Gross concurred, but stated that a member could make the motion at this time. Mr. Ketterer then asked if the motion would be in order. There was a brief discussion about Robert’s Rules of Order.

Mr. Gross thanked the Commission for the questions posed to HGI, and stated that CCDC is pleased that the company has emerged from bankruptcy. He stated that the basis for CCDC's request for reconsideration of the granting of the operator's license was the change in facts/circumstances from the time the decision was made. Mr. Gross stated that CCDC feels the Commission granted the license at the November meeting as it appeared the Commission felt they did not have a choice because of the actions of the Bankruptcy Court; that the Commission could not require Herbst to sit down with CCDC and renegotiate the Management Agreement, even though it is not assignable. A review of previous Commission actions shows that any time there has been a new licensee, the qualified sponsoring organization and the new licensee have re-negotiated the management agreement. Mr. Gross stated that since the company is no longer in bankruptcy; they are no longer subject to the jurisdiction of the Bankruptcy Court and their hands are not tied. If Herbst so desires, they have the ability to negotiate with CCDC regarding the management agreement. Mr. Gross requested that the Commission instruct Herbst to do so. He stated that whether it is done under a Motion to Reconsider or subject to renewal of the license, the Commission can put conditions on the license, and has done so in the past. Mr. Gross stated that CCDC is requesting the Commission instruct HGI-Lakeside, LLC to do more than talk about Lakeside development. CCDC and the community have heard for two years that the hotel would be renovated, additional rooms, and an upgraded property. He stated the appearance of the property is such that it looks like the new owners are trying to recoup as much money as possible. He stated that it is the Commission's responsibility to stand and support the interests and rights of Iowans, Iowa licensees and communities.

Mr. Gross requested that the Commission either instruct HGI-Lakeside via a Motion to Reconsider or conditions placed on the license renewal to:

- Spend the \$10 million authorized under the credit agreement for a new hotel; and
- Sit down with CCDC and re-negotiate the management agreement.

Mr. Gross noted that Mr. Crawford stated that previous negotiations allow for a one-time payment and a step-up in the payment once capital improvements are made. He stated that particular provision relates to the City, not CCDC. The City and the Water Board are the landlords as they own the land. Mr. Gross stated that CCDC receives the lowest rate from an operator of any co-licensee in the state. He stated that the agreement contains a provision which requires the agreement to be re-negotiated in the event it is to be assigned to another entity. Mr. Gross stated that CCDC has submitted a proposal to re-negotiate to HGI-Lakeside, but has not received a response.

Chair Urban stated that she was happy to open the matter for reconsideration if there is a motion from the Commission. None was forthcoming.

Mr. Gross advised that a number of individuals from the community were present, and would like to address the Commission. Jim Kimball, a member of CCDC and the City Council, stated that he would like to see more development at the site, and HGI Lakeside

is indicating they will do so; however, they have been telling the community that for some time. There is concern that the new owners are a group of Las Vegas bankers and their main purpose is to recoup the losses they suffered. It is his opinion that HGI-Lakeside is telling the Commission all the things they are going to do, but in the meantime, they will suck the property dry as long as they can. The community does not want that to happen.

Wil Reisinger, Chair of CCDC, stated that the entire board is made up of local community members, who serve without pay. Everything they do is done for the community; and the Commission is the tie between the casino and the community. He noted that neither the Commission nor CCDC has had to deal with a bankruptcy before. Mr. Reisinger stated CCDC did not appeal the Bankruptcy Judge's Decision with regard to the assignability of the management contract because the Commission is supposed to protect the qualified non-sponsoring organizations and the communities. He referenced the contract with the Water Board which contains a requirement that the facility maintain a set number of employees, which they now choose to forget about because it doesn't really apply. Mr. Reisinger stated that Osceola started working in 1995 to get a casino in the community. A license was finally granted in 1998, and the facility opened in 2000. He called the facility the lifeblood of the community; the cornerstone of the community. He noted the Las Vegas owners showed up approximately four years ago. While he understands the fact that they are running the show; the "show" belongs to Iowa, Osceola and the Commission. It is not supposed to be run by a Bankruptcy Court in Las Vegas or bankers from New York. Mr. Reisinger noted that the owners have been talking about a hotel and additional development for a number of years, but the community has yet to see any of those promises fulfilled. He stated that the Commission should hold their next meeting at Osceola to see the decline in the facility. Mr. Reisinger stated that CCDC has been trying to work with HGI, but keeps getting the line that their hands are tied because they are in bankruptcy. He noted while that was true, it was not CCDC's fault. He stated the Commission needed to assist CCDC in getting HGI to sit down with them to find a solution to the issues at the property.

Chair Urban stated that the Commission is sympathetic to what is occurring and looks forward to seeing some changes.

Mr. Gross introduced Helen Kimes, a CCDC member. She stated that Osceola is very fortunate to have the casino. She noted the property was sold to Herbst several years ago, at which time CCDC negotiated and agreed to accept a certain amount of money upfront, which was to be held for a development project in Osceola; the money is still being held in escrow. The agreement included a provision that any time the ownership was transferred, and she would consider this ownership change a transfer, the management agreement would have to be re-negotiated. It is CCDC's opinion that the management agreement should be re-negotiated at this time. They agreed to accept less money in the past; but feel they are entitled to re-negotiate the contract and the percentage they receive at this time. She stated that no one has taken CCDC's request to re-negotiate the contract seriously. CCDC feels they have been treated rather shabbily by HGI.

Mr. Gross again thanked the Commissioners for asking the questions of HGI that they did and reiterated his request that the Commission instruct HGI to work with CCDC in good faith on development at the site and to re-negotiate the management contract.

Commissioner Hayes asked Mr. Gross if he believed HGI was in default of their contract with the Water Board. Mr. Gross answered in the affirmative. Commissioner Hayes asked what the remedies were. Mr. Gross stated that the Water Board has asked HGI for their recommendations on what they wish to do in regard to the default, but they have yet to receive a response. They hope to receive some type of response prior to taking any further legal actions. Mr. Gross stated the Water Board would have all the rights and remedies available to them under the breach of any contract. He stated that if HGI lost their lease agreement with the Water Board, HGI would not have the ability to operate. Mr. Gross stated that the City, Water Board and CCDC would appreciate it if HGI took them seriously.

Chair Urban again asked Mr. Crawford to address the issue of the percentage that CCDC receives. Mr. Crawford stated that the new ownership group has been in charge for 13 days, and that they are amenable to Commissioner Hayes' suggestion that a condition of the license renewal be that HGI will fully spend at least \$10 million on projects that are undertaken in 2011-2012. He stated that HGI-Lakeside would agree to the condition as a condition of re-licensure.

Mr. Crawford noted that Mr. Ross indicated there were a number of rumors circulating within the employee group; he believes that is fairly common in smaller communities. He indicated that HGI-Lakeside is eager to resolve those. Mr. Crawford advised that Mr. Ross did meet with CCDC on October 24th at which time he reviewed all of the potential development and expansion plans that he is interested in pursuing in Osceola. He noted that Mr. Ross has a 27-year record in the gaming industry and has accomplished many of the same things he is proposing for Osceola. Mr. Crawford stated that the entire CCDC Board and staff were invited to Las Vegas last fall to view the kinds of expansion projects Mr. Ross has achieved in Las Vegas and hopes to achieve in Osceola. Mr. Crawford stated that HGI looks forward to providing the Commission with additional information prior to March. He stated that HGI, by July 1, will inform the Commission whether they intend to expand the existing hotel or proceed with a separate hotel development on the property. Mr. Crawford emphasized that it is not whether, but which. He advised that a meeting to start those discussions with CCDC is slated for this afternoon.

Commissioner Cutler asked whether funds were available for the maintenance and upkeep of the property, such as replacing light bulbs, etc. Mr. Crawford answered in the affirmative; stating that those are funds over and above the \$10 million set aside for development projects. Mr. Crawford stated that yesterday was the first that HGI management had heard about maintenance issues at the property. He advised that there was going to be an on-site inspection later today, and assured the Commission that those issues would be resolved prior to the March meeting.

Chair Urban asked about the percentages that would be going to Clarke County or the City. Mr. Crawford stated that he would have to review the documents, but indicated that his recollection was that funds for all three entities are to be administered by the City. Chair Urban asked that he send the Commission a letter clarifying the matter. Mr. Crawford indicated he would do so.

Chair Urban advised that all information would be taken into account at the March 3rd Commission meeting. She moved to the contract approval portion of the agenda and called on Diamond Jo.

Todd Moyer, General Manager, presented a contract with Giese Sheet Metal for preventative maintenance of the casino's HVAC system.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Hayes moved to approve the contract as submitted by Diamond Jo. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-01)

Chair Urban called on Argosy Casino. Kees Eder, General Manager, presented a contract with Kor for new casino chairs.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by Argosy Casino. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-02)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Sales and Security Agreement
- Clear Channel Airports – Scrolling Display at Eastern Iowa Airport
- Konami Gaming, Inc. – Server Replacement and License Support
- Neesvig's, Inc. – Specialty Food Purchase
- Wells Fargo – Second Amendment to Credit Agreement
- Windstream – Data Services Agreement

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts as submitted by RCGR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-03)

Chair Urban called on Grand Falls Casino Resort (GFCR). Dan Kehl, Chief Executive Officer, and Ken Bonnet, Chief Financial Officer, were present to address the financing for the project and the contracts that were before the Commission. Chair Urban advised that the Commission would take separate votes on the financing and contracts.

Mr. Kehl advised that obtaining the financing has been a long road as the capital markets have been difficult. The loan has been closed and the funds are in escrow waiting for the Commission's approval of the agreement. Chair Urban asked if there was anything new or additional information contained in the large submission of financing documents. Mr. Bonnet advised that there were no changes; that in addition to what was submitted there is another 6-8" of supplemental schedules.

Hearing no further comments or questions concerning the financing for GFCR, Chair Urban requested a motion. Commissioner Seyfer moved to approve the financing for GFCR as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 11-04)

Chair Urban moved to the contracts submitted by GFCR. Mr. Kehl presented the following contracts for Commission approval:

- AA Horwath & Sons – Construction – Purchase Laundry Equipment for Hotel
- American Video & Security – Purchase Surveillance System & Equipment for Property
- Britons Custom Carpets – Construction – Carpet Supply
- Brockway Mechanical & Roofing – Construction – Interior Water Features
- Community Oil Company – Propane Gas Supplier
- Computer Service Innovations, LLC – Construction – Low Voltage Contractor & Equipment
- Great West Rock Company, LLC – Construction – Landscaping & Irrigation
- Great West Rock Company, LLC – Construction – Grand Falls Water Feature
- Grundman Hicks Construction – Construction – Waste Water Facilities
- Harms Oil Company – Propane Gas Supplier
- Modern Gas Company – Propane Gas Supplier

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by GFCR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-05)

Chair Urban asked for a construction update. Mr. Kehl noted that Sharon Haselhoff had distributed some pictures that were taken at the site yesterday. He stated that construction is progressing. There will be a 35' man-made waterfall that will be visible from the highway, as well as from the hotel rooms. Sheetrock is being put up. Mr. Kehl stated that while the original projection for opening was July 4th, he indicate that staff is working on plans to be open by Memorial Day provided the building can be completed and they receive occupancy approvals from the State Fire Marshal's Office.

Commissioner Cutler asked if weather had impacted construction progress. Mr. Kehl advised that the workers continue to work outside; that they have not lost any work days

recently. He noted they did lose approximately three weeks during the summer due to rain.

Chair Urban called on Harrah's. Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- Black Hills Energy – Natural Gas Provider
- Deffenbaugh – Waste Disposal for facility
- Global Payment Gaming Services, Inc. – Credit Card/Cash Advance Transaction Provider
- US Bank d/b/a Ultron Processing Services – Provide ATMs for the facility

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-06)

Chair Urban called on Lakeside. Mr. Thursby presented the following contracts for Commission approval:

- Ainsworth Game Technology – Lease/Purchase Slot Machines, Parts & Supplies
- Flynn Wright – Marketing Services
- Multimedia Games – Lease/Purchase Slot Machines, Parts & Supplies
- ShuffleMaster, Inc. – Lease/Purchase Electronic Table Games, Parts & Supplies
- RK Fuels – Fuel Purchase for C-Store

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Lakeside. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 11-07)

Chair Urban called on IOC Waterloo. Bari Richter, General Manager, presented the following contracts for Commission approval:

- Verizon Select Services, Inc. – Purchase of Network Equipment for High Speed Floor for SDS
- Bally Technologies, Inc. – Purchase of Slot Accounting System

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOC Waterloo. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 11-08)

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

- Black Hills Energy – Natural Gas Provider
- Deffenbaugh – Waste Disposal for Facility
- Global Payment Gaming Services, Inc. – Credit Card/Cash Advance Transaction Provider
- Midwest Electrical Contractors – UPS Backup and Generator Installation
- US Bank d/b/a Ultron Processing Services – Provide ATMs for the facility

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by Horseshoe Casino/BRGP. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-09)

Chair Urban called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with the International Union of Operating Engineers for a labor agreement with the maintenance department.

Hearing no discussion or comments regarding the contract, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Mystique Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-10)

Chair Palmer called on PMR&C. Gary Palmer, General Manager, introduced Lynette Rassmussen, the new chair of the PMR&C Board of Directors.

Chair Urban asked Mr. Palmer to provide an update on the hotel construction. He indicated that they hope to have the hotel substantially completed by March 1, 2012. They have hired Heart of America (HOA) as a consultant to help with leadership training, purchasing of furniture, and staff training for one year.

Chair Urban moved to the matter of the lease between PMR&C and Polk County. She advised that the Commission will not be taking a vote on the matter as it is a continuation of the lease that was voted on eight years ago, and is now on a month-to-month basis. She requested an update on the negotiations. Mr. Palmer indicated that the negotiations have been cordial, and believes the parties are close to reaching an agreement. He stated they have met five or six times. He believes the parties can reach a conclusion soon.

Chair Urban stated she is aware that it is difficult for both sides; but advised that the Commission does not want the lease to continue on a month-to-month basis indefinitely.

Commissioner Rivera asked if the sides were meeting on a weekly basis. Mr. Palmer indicated it was close. He stated that when an issue is resolved, each side has to take it

back to their full Board for consideration. He stated that a meeting was scheduled for the following week.

Chair Urban noted there is six weeks until the next Commission meeting; she advised that the lease would be an agenda item.

Chair Urban moved to the race dates for the standardbreds. Mr. Palmer advised that the standardbreds will have a 10-day race meet at PMR&C, similar to last year. The purse will be \$550,000. He noted that PMR&C packed the track for the 2010 meet; however, the standardbreds have requested that the track be removed as in previous years. The standardbred group agreed to pay \$100,000 out of the \$1,000,000 they receive for the county fair races, and PMR&C will cover the balance of the expense.

Chair Urban stated that the staff also felt the track should be scraped for safety purposes; that PMR&C was very fortunate there was no bad weather during the meet that could have resulted in some catastrophic injuries.

Derron Heldt, Director of Racing, presented the amended race date calendar, which reflects the dates for the standardbred meet. Chair Urban clarified that it did not make any changes to the dates previously approved for the thoroughbreds and quarter horses. Mr. Heldt indicated that it did not.

Commissioner Seyfer asked if it was going to be \$100,000 that the standardbreds would pay toward the scraping of the track. Mr. Palmer stated that PMR&C obtained an RFP for scraping the track last year, and the \$100,000 will cover approximately half the cost of scraping the track.

Hearing no further discussion or questions concerning the standardbred race dates, Chair Urban requested a motion. Commissioner Seyfer moved to approve the standardbred race dates as presented. Commissioner Hayes seconded the motion.

Commissioner Hayes noted that the Commission had not received the same documentation, such as officials, security, etc., that has been received for the thoroughbred and quarter horse meet. Mr. Ketterer stated that information is contained in the season approvals, and PMR&C just has to submit that 45-days in advance of the start of the meet.

Commissioner Seyfer asked if the Commission needed to set the purse amount. Mr. Ketterer stated that he felt the motion should contain the purse amount and that the track is to be scraped. Commissioner Seyfer amended his motion to include those items. Commissioner Hayes concurred. The motion carried unanimously. (See Order No. 11-11)

Chair Urban, noting this is the second year the standardbreds have been given a reprieve at PMR&C in regard to being taken off the race schedule, stated that it is her hope that

PMR&C management would meet with the standardbred organization and work out an arrangement so that this matter does not come before the Commission in the future. She stated that the future of the standardbreds is probably in racing at the county fairs, but that they would need assistance in terms of financing. Chair Urban stated that PMR&C and the standardbreds need to take whatever steps are necessary in order for them to keep the purse money, etc., and that it needs to be done before the issues reach this point next year. She stated that PMR&C should take the initiative in the matter. Chair Urban stated that the Commission would like to see standardbred racing continue as they have a long history in the State of Iowa, and wants to nurture horse racing, but feels it is time for them to consider a different venue. Chair Urban requested that Mr. Palmer provide updates on this issue throughout the coming year.

Chair Urban moved to the season approvals for the thoroughbred and quarter horse meets. Commissioner Seyfer moved to approve the season approvals as submitted by PMR&C for the thoroughbred and quarter horse meets. Commissioner Rivera seconded the motion. Commissioner Hayes noted that the approval should be contingent upon the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes, race days, post times, or the number of races.
- Continuing compliance with conditions entered into the record at the November 10, 2010 Commission meeting.

Commissioners Seyfer and Rivera concurred with the amendment to the motion. The motion carried unanimously. (See Order No. 11-12)

Chair Urban moved to the additional contracts. Mr. Palmer presented the following contracts for Commission approval:

- Blue Frog Graphics – Printing Services
- Casey's General Stores – Miscellaneous Purchases (RP)
- Control Installations of Iowa – Surveillance Equipment
- Durkan Patterned Carpet – Specialty Carpet for Casino
- HOA Development, LLC – Hotel Consulting Services
- Potthoff Foods – Food Products
- Pristine Linen – Linen Service
- R&D Industries – Audio-Visual Engineering Services
- Ziegler Caterpillar – Maintenance Equipment

Commissioner Hayes asked Mr. Palmer to elaborate on the contract with HOA Development, LLC for hotel consulting services. Mr. Palmer stated that it is a twelve month contract. HOA will help PMR&C design the rooms, buy furniture, the telephone system, and provide staff training for the various positions (front desk, housekeeping, etc.); basically the whole show as PMR&C is new to the hotel business. Mr. Palmer noted that one advantage of working with HOA is that they operate six hotels in the Des Moines area and hotel staff hired by PMR&C will be able to receive hands-on training at these properties.

Commissioner Hayes asked if the design assistance was for the interior or exterior of the hotel. Mr. Palmer advised that they would be assisting with interior design – colors, room sizes, how many suites, how many smoking rooms, etc. He stated that PMR&C staff members have really learned a lot about the hotel business in the last month.

Commissioner Rivera asked how many employees PMR&C expected to hire for hotel operations. Mr. Palmer stated there will be some carryover from the current housekeeping staff, but estimated they would need to hire an additional 15-20 housekeepers, as well as front desk staff since it will be open 24/7. He estimated 50 people. Mr. Palmer noted that PMR&C already has security.

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 11-13)

As there was no Administrative Business or Public Comment, Chair Urban requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Rivera seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK