

**Monthly Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
January 26, 2011  
2:00 p.m.**

The Monthly Meeting of the PMRC Board of Directors was called to order by Lynette Rasmussen in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:05 p.m.

Roll Call.

Bob Beattie	Andrea McGuire	John Rowen
Bill Eisenlauer	Ron Morden	Jodi Urich
Diana Ewing	Bob Myers	Mary Chapman
Mark Hedberg –	Jack Peters	Michael Helak
arrived after Roll Call	Lynette Rasmussen	
Michael Knapp	Dan Riley	

Also in attendance were:

Gary Palmer, President/CEO  
Ann Atkin, Vice President of Operations  
Brian Wessels, Vice President/CFO  
Tom Flynn, Legal Counsel  
Nancy Winget, Its Recording Secretary  
Members of the Press, Public, and Staff

Approval of the Minutes. A motion was made by Mr. Morden to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on November 30, 2010. The motion was seconded by Dr. McGuire. Ms. Urich would like the Minutes amended to add all of her Conflicts of Interest: Broadlawns Medical Center, Everly Ball, Hansen House, Beacon, St. Vincent de Paul, Reengagement Center, WDM Schools, Central Iowa Youth Basketball, Luther Park Services, Volkssports, Iowa Quarter Horse Association and Ms. Rasmussen would like to amend her Conflict of Interest to only be: Greater DM Partnership. The motion with the amendments passed on a voice vote.

A motion was made by Mr. Morden to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on December 15, 2010. The motion was seconded by Dr. McGuire. Mr. Flynn would like to change paragraph 4 to read, “the IRGC dislikes the current lease”. The motion with the change passed on a voice vote.

A motion was made by Mr. Morden to approve the Minutes of the Special Board Meeting of the Prairie Meadows Board of Directors held on January 8, 2011 as written. The motion was seconded by Dr. McGuire and passed on a voice vote.

Public Comment. None

Action Item – Bylaws Amendment (Section 13.5). To provide for 2/3 majority for changes to the Bylaws. Current Bylaws require a simple majority. Ms. Rasmussen noted the Board is governed by Roberts Rules of Order and that calls for 2/3 majority vote for changes to the bylaws. Mr. Beattie moved to make this change and the motion was seconded by Dr. McGuire. Dr. McGuire said the bylaws are the constitution for this Board and bylaw changes should need more than a simple majority and Mr. Morden said 2/3 represents nine of the 13 voting members, if all are present. The motion passed on a Roll Call Vote (13 yes, 0 no).

Action Item – Amend Grants Charter. Ms. Rasmussen noted that she and Dr. McGuire have carefully reviewed the charter and members cannot be on the committee more than two years as a voting or non-voting member – this has not been followed and if it were, there would be a complete turnover and the committee needs continuity; after their terms expire, the non-voting members should be able to become voting members – it is better to do it this way as they would have a better understanding of the Grants process. Mr. Morden asked for clarification – is this the Grants Advisory Committee or the members of this Board that are a part of that committee and Dr. McGuire said it is the Board representatives on the Grants Committee. Dr. McGuire said there are two parts to Grants – Community Betterment Grants for smaller requests that the Grants Advisory Committee, including the two Board members vote on (and the Board thereafter votes on), and Legacy Grants for larger grants that the PMRC Board directly votes on; non-voting members may discuss and lobby for a grant, but cannot vote. Ms. Rasmussen noted there are a few “housekeeping” changes – Article Two – B, committee members must be from the “golden circle”, and committee members cannot receive direct compensation or remuneration.

Dr. McGuire moved to amend the charter regarding voting members, golden circle members, and compensation. The motion was seconded by Mr. Riley and passed on a unanimous voice vote.

Presentation to Patricia Weidner, Chef of the Year. Ms. Rasmussen and Mr. Palmer presented Ms. Weidner with the framed newspaper article regarding her award as Chef of the Year, noting Ms. Weidner is very humble and gives credit to her staff and she is the first female to win this award. Ms. Weidner said, under Mr. Willey’s direction and leadership, morale in the department has risen, goals were set and staff has exceeded them – this award is good for everyone. Ms. Weidner thanked the Board for the gift and was acknowledged by those attending the meeting.

Financials. Mr. Wessels said these are preliminary numbers as we are in the middle of the audit and staff does not anticipate changes; December 2010 was PM’s second best December ever; PM ended second in Net Win in the state. Mr. Wessels reviewed the December 2010 YTD financials: Net Revenue was above plan by 0.5%; Total Expenses were under plan by 3.1%; Net Income before Community Betterment was above plan by 17.7%.

<b>Property</b>	<b>Net Win 2010 vs. 2008</b>	<b>Attendance</b>	<b>Slot Hold</b>
PMRC	-4.1%	+28,000	8.2%
Horseshoe/Harrah’s	-7.9%	-433,000	10.2% / 10.3%
Ameristar	-9.1%	-406,000	9.4%
Terrible’s	-6.1%	-80,000	9.0%

Mr. Helak asked if staff monitors inclement weather days and Mr. Wessels said not officially, but the weather in 2010 was better than 2009 and it also depends on when storms hit. Ms. Urich asked what was the highest revenue year; Mr. Wessels said the amount was \$195 million; Mr. Palmer noted 2008 was the best year, 2009 was the second best year, and 2010 was the fourth best year in PM's history.

Polk County Lease. Mr. Palmer said the teams are still negotiating: PM's team includes Tom Flynn, Brian Wessels, Jack Peters, Bob Beattie, Bob Myers, Ron Myers Morden and Gary Palmer; staff sent a proposal to the County yesterday. Mr. Palmer handed out and reviewed a summary of what was sent to the County: \$15.6 million rent, plus \$8.4 million of net cash flow before Community Betterment After Operating Expenses. Mr. Palmer noted the County requested this morning that PM provide eight years of CAPEX which not was doable in such a short time, but the County will be sent a copy of the recent MEPS Study (an independent study stating what needs to be done and when and does not include vehicles or slot machines); PM has had to monitor capitals very closely the last few years due to its obligations; a slot machine age schedule shows 43% of the machines are over six years old – five years is too old for a slot machine; some of our vehicles are 10-14 years old and we have just been repairing them as there was no money to replace them; PM has 27 barns that are 20 years old and need to be reroofed – we've been doing one or two barns a year as this is a very expensive project. Mr. Palmer requested the negotiating team meet after the Board meeting adjourns.

Mr. Flynn said the County asked for a draft of the Lease prior to tomorrow's meeting and we have provided one with a disclaimer that the Board hasn't voted on or approved anything. Mr. Morden asked if there was language in the draft regarding the smoking ban and Mr. Flynn said no, but any resulting decrease in revenues would play out by a drop in net receipts – the \$8.4 million could drop to \$1 million or nothing – the County would still receive the base rent of \$15.6 million. Mr. Morden asked if the County receives less than \$8.4 million, how will it affect the community betterment and Legacy grants recipients and Mr. Flynn said this was discussed with the County and by putting the County first, it could cause no money to be available for other charitable groups. Dr. McGuire said there is a clause in the grants, "if funding is available". Mr. Flynn said PM must, by statutes, give away 3% of its adjusted gross receipts. Mr. Rowen asked if revenue drops, can the Lease obligation supersede the statute and Mr. Flynn said the proposed \$8.4 million counts as part of the 3%. Mr. Morden noted if the smoking ban happens and the amount of revenue decreases, there might not be enough money to give the County any net receipts and Mr. Flynn said that was correct, but PM would need to make adjustments to comply with the 3% requirement. Mr. Morden noted the referendum passed by 74% and was partially due to those connected to the 200+ charitables that received funding from PM – if we have to say no, we're breaking faith with those organizations. Mr. Flynn said the negotiating team has had these discussion with Polk County; Dr. McGuire noted giving to the community is part of PM's Mission; Ms. Urich asked if the Lease proposed would cause the County to oversee PM's operations and Mr. Flynn said it probably would as the County has already asked for PM's capital expenditures for the last eight years – most likely to compare with PM's projections going forward. The IRGC has instructed PM to set \$12.5 million per year

aside for capitals. Ms. Urich asked if the County's request to see the capitals opens the door for other information such as salaries and Mr. Flynn said neither the IRGC nor PM want the Polk County micro-managing PM – this became an issue in 1997 when the Commission feted an administrative action against the County and PM alleging the County was actually managing PM. Mr. Myers asked if there was language in the proposed Lease that if the referendum goes away, the Lease will convert to a 15 year lease and Mr. Flynn said that has been included and also the provisions that the County has to approve the Bylaws and approve capitals over \$100,000 have been removed.

Director Report – Jeff Nelson, Marketing. Ms. Rasmussen said she requested Mr. Nelson discuss moving Marketing in-house vs. an external agency. Mr. Nelson said there are four departments in Marketing – Advertising, Promotions, Direct Mail/Database, and Player Services. Jerrell Royal was hired as Assistant Director to help build the Player's Service Team. Most of Marketing is being done in-house because we can do it and it saves a lot of money - buy advertising, print materials, produce TV and radio spots in-house; mass printing is done outside; producing TV out-of-house would cost anywhere from \$50,000 - \$400,000 and we can do it in-house for \$3,000.

PM has received several national recognition awards: AGA Best Print for the 2009 camel and ostrich races; AMA NOVA Award for Pick Your Promotion and the Halloween Bash; three Romero Awards for best casino promotion, best e-mail promotion, and the Payday Derby; we just received word that PM will receive a 2010 Addy to be presented on February 19 – we competed at the state level and then will compete at the national level.

Mr. Rowen commended Marketing for the great work and Mr. Nelson said he has a great team. Dr. McGuire asked if building the team for the hotel is a different task and Mr. Nelson said we're moving from a service team to a sales team where hosts will bring in players, offer different comps and have a different tracking system, players will be assigned to hosts – we're building this slowly.

Lobbyist Report – Troy Skinner. Mr. Skinner said there are 93 days left in this session; there are a lot of bills in the draft stage; there is a bill to eliminate the smoking exemption, but there's been no movement yet; there is a referendum bill (PM has had three referendums); bills have been drafted in both chambers and one thing that may cloud the bills is internet gambling, but there doesn't seem to be a lot of interest, especially in the House; there are horse issues and we're trying to work through them – there is a lot of interest in modifying the current law.

Ms. Rasmussen asked Mr. Palmer to speak on the horse issues. Mr. Palmer said staff has been approached by the horse organizations on legislation they are proposing: 1). Removal of the referendum requirement, 2). Removal of the sunset clause, 3). Not less than 67 days of Thoroughbred racing, 4). Not less than 26 days of Quarter Horse racing, 5). Advanced Deposit Wagering (ADW) which allows 50% of net revenues to go to the horse purses and 50% to go to PM, 6). Funding of the Horse Associations is out of the 11%, 7). Law allowing Standardbred purse money to be spent at county fairs and credited to PM's statutory purse obligation; PM will

no longer contribute \$1 million to county fairs, 8). Standardbreds will no longer run a live meet at PM, 9). Codifying purse allocation – 76% Thoroughbreds, 14.5% Quarter Horses, 9.5% Standardbreds, 10). This would start in 2012 and all existing contracts would be voided and new contracts would be issued.

Mr. Palmer said #2 – Sunset clause (11% mandate of purses) goes away in 2021 – it could go higher or be eliminated at such time – staff has no problem with eliminating the Sunset clause; #3 and #4 – mandating days will help the breeding industry and staff is ok with these items; #5 - ADW is not a problem for PM – as long the 50-50 split comes from the net profit after equipment is purchased/rented; #6 – the horse groups would pay their own expenses which now total about \$225,000 per year for PM; #7. Standardbred money would come out of the 11% purse money which now comes out of our operating expenses and counts as part of PM's charitable bequests; #8 – no Standardbred racing at PM – this would save PM approximately \$460,000 a year; #9 – codifying purse allocations between all three breeds is negotiated between the breeds – staff has no objection to the proposed split; #10 voids the current contracts. It is staff's opinion that there is merit to this plan, as written today; the horse groups want PM to say it agrees in concept; he and Lynette met with the horse leadership yesterday; he suggests seriously considering supporting the list of items and see where it goes and ask the horse men to help with the removal of the referendum.

Mr. Morden asked if the horse groups have bought into the Standardbred purse money; Mr. Peters said they believe the money can be recouped with ADW, but he's not sure all three breeds agree on this; Ms. Rasmussen said it is the presumption that all three breeds agree. Mr. Rowen asked if the 67 and 26 days of racing goes into law, what happens with a situation where there are only four horse races – he is leery of mandating days; Mr. Palmer said we would go back and change the legislation – all are trying to make this work with the new system of separate meets – it seemed to work last year and we had a lot of new people and new horses. Mr. Peters said the benefit from the horse side if this gets done is, horse men can move along with the breeding program and that means stability and it will fill the starting gates. Mr. Palmer noted this is a true partnership and benefits everyone. Mr. Myers asked what is needed from the Board – move forward with the concept and Mr. Palmer said yes. Mr. Flynn said it should come back to the Board if a bill is ever formalized; Mr. Morden noted this is the first time all have agreed on a plan and he sees no problem with the concept; Mr. Peters said this is a win/win scenario for both sides; Ms. Urich responded to Mr. Rowen's question – it is days, not opportunities and we don't have to race with a small field; Mr. Palmer said if horse inventory is available, we'll run more races a day and there are ways to write conditions to take care of the two-year olds by working together – we need both side to go together to get this done and we need both sides to go together with the referendum. Mr. Peters said 2010 was the first year with separate meets, we had extra horses in the second meet and added races, and people were pleased. It was the informal consensus of the Board that this concept should be further discussed and pursued with the horse men.

Committee Reports.

\*Human Resources Committee. Mr. Myers said the committee met yesterday and discussed the items that the Board will discuss in Closed Session.

\*Facilities Committee. Mr. Beattie reported the committee met with Heart of America on Monday and reviewed the hotel plans; things are progressing well with the hotel; there have been some delays, but we're still on budget. Mr. Palmer said the "fishbowl" (the enclosure and connection between the hotel and casino) were constructed on time and under budget by approximately \$30,000 and this area can be used to expand the gaming floor..

\*Finance Committee. Mr. Morden said the committee met on Monday and reviewed the 2010 employee bonus numbers and funds are available to pay out the bonus.

General Manager's Report. Mr. Palmer reported:

- PM finished 2010 in very good financial shape. It exceeded the revenue budget as well as decreased the expense budget and ended \$5.5 million better than the overall budget.
- PM finished 2010 as the #2 casino revenue generator in Iowa. Horseshoe Casino beat us out by only \$2.5 million (1/2 average of PM's average one day of revenue). Their addition of a new hotel in January helped beat us.
- PM was #1 in casino attendance this past year with more than 2.5 million people coming in. We were up .2% from 2009.
- Current employees – 1,200 (1,000 FT, 200 PT).
- We are represented by three unions - AFSCME 692, Operating Engineers 36, Machinists 49.
- Gender of employees – 582 female, 610 male.
- January Promotions: Player Points Challenge, Sunday Poker Tournaments and Lessons, Guys and Dolls Poker Tournament, Snow Me The Money, Soup and Mug Set Giveaway, Blackjack Tournament.
- February 11 – 14 (Friday, Saturday, Sunday, and Monday) - Valentine's Day Specials in TCE and AJ's.
- February 17 – Winter Dance Party Concert - A tribute to Buddy Holly, Big Bopper, Ritchie Valens.
- February Promotions: Sunday Poker Tournaments and Lessons, Vocal Hero Auditions and competitions, Guys and Dolls Poker Tournament, Groundhog Day Drawing, Diamonds Drawings, Shopping Bowl Drawings, Player Points Challenge Drawing, Valentine's Day Giveaway, Presidents' Day Giveaway, Blackjack Tournament, Academy Awards Promotion.

Mr. Beattie asked the number of promotion items ordered and Mr. Nelson said 3,000 and we usually give everything away. Mr. Helak asked the trends in the Events Center and Mr. Palmer said Mr. McDonald will make a report, but we're receiving calls on the hotel and new meeting rooms already and US Bank held a teleconference meeting here. Mr. Helak said PM did a great job. Dr. McGuire asked if the construction disruption was slowing Special Events and Mr. Palmer said he's not sure, but PM has a great reputation and great food and staff is discussing changing the race schedule to include Sunday matinees once the hotel is built.

Other Business.

June Meeting date – Ms. Rasmussen would like to move the June meeting to June 24 at 4:00 p.m. in the Board Room, followed by a night at the races in the Prairie Rose Room - this is during the Festival of Racing and should be an exciting evening and Board members may bring a guest.

Global Gaming Exp will be held October 4-6, 2011 in Las Vegas and the Racing Symposium will be held December 5-8,2011 in Tucson. Ms. Rasmussen said the Board may elect to go to one of the events and spouses may attend, but will pay their own airfare, please contact Nancy if you are interested.

Mr. Bob Urich, a Quarter Horseman, said the report he received listed 700 Thoroughbred opportunities and 240 Quarter Horse opportunities – it did not list racing days (67 Thoroughbred and 26 Quarter Horse).

Closed Session – Discuss 2010 Bonus for Gary Palmer; Discuss 2011 Bonus Matrix for Gary Palmer; Discuss 2011 Bonus Matrix for Management. Ms. Rasmussen requested a vote for the Board to go into a Closed Session under Iowa Code 21.5(1)i to discuss Gary Palmer’s job performance. Dr. McGuire seconded the motion and Mr. Palmer requested a Closed Session. The motion passed on a voice vote (11 yes, 2 absent at this time). The Board voted unanimously to go into a Closed Session, took a short break, and went into a Closed Session at 3:35 p.m.

Open Session. Dr. McGuire moved to go back into an Open Session, the motion was seconded by Mr. Riley and passed on a voice vote. The Board went back into an Open Session at 4:06 p.m.

Action Item - 2010 Bonus for Gary Palmer. Mr. Beattie moved to approve Mr. Palmer’s 2010 bonus as recommended by the Human Resources Committee. The motion was seconded by Mr. Eisenlauer and passed on a voice vote.

Adjournment. Mr. Riley moved to adjourn the meeting, the motion was seconded by Mr. Knapp, and passed on a voice vote. There being no further business, the meeting adjourned at 4:08 p.m.

Respectfully submitted,

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Bob Beattie, Its Secretary