

**Special Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
October 8, 2010  
12:00 p.m.**

A Special Meeting of the PMRC Board of Directors was called to order by Michael Galloway in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 12:08 p.m.

Roll Call.

Bob Beattie

Jack Bishop

Michael Galloway

Andrea McGuire

Ron Morden - phone

Gerard Neugent

Jack Peters - absent

Lynette Rasmussen –

arrived after Roll Call by phone

Sunnie Richer - phone

Dan Riley - absent

John Rowen

Jodi Urich

Tom Whitney

Michael Helak

Randy Minear

Also in attendance were:

Gary Palmer, President/CEO

Brian Wessels, Vice President/CFO

Nancy Winget, Its Recording Secretary

Members of the Press, Public, and Staff

Action Item – Contract for Pre-Construction Services. Mr. Neugent said the Facilities Committee discussed this and there are a few items to consider to continue work on the hotel – if we do, are we at risk for the next agenda item; if we go as an independent, it is the same basic plan/footprint; Mark Wandro and the Facilities Committee recommend the design of the steel and purchase re-rod and Weitz continue to do some of the work – their fees will roll into the general conditions if we continue the work, if not, we'd pay Weitz.

Mark Wandro, Snyder and Associates, said Weitz has been providing services and will assist with the design; the contract will be void if there's no hotel construction and will roll to the general contractor agreement; the cost is approximately \$40,000. Mr. Neugent asked Mr. Wandro to make a recommendation of a few items and Mr. Wandro said he recommends to keep moving – the approximate cost is \$108,000 for re-enforcement steel and to shop the drawings, steel won't be ordered that can't be utilized. Mr. Neugent said the recommendation assumes everything falls in place. Mr. Minear asked about the level of design and is this a safe purchase and Mr. Wandro said yes. Mr. Neugent said the total cost is - \$40,000 for Weitz, \$83,000 for steel, and \$25,000 for the drawing; the Facilities Committee recommends doing this and he moves to approve the contract for pre-construction services. The motion was seconded by Mr. Whitney and passed on a Roll Call Vote (10 yes, 0 no, 3 members absent).

Action Item – Hotel – Hilton Garden Inn or Independent Hotel. Mr. Galloway said this item was addressed in the Facilities Committee meeting and was a split decision (2-2) to make a recommendation to the Board; the committee wants the entire Board to make the decision and give everyone clear direction; he's sorry that some members weren't able to attend in person, but we needed a Special Meeting as it's important to get this done and off the table; staff brought the idea of an independent hotel to the Board about six weeks ago; some Board members assumed we were going one route and he wanted to schedule a meeting and let staff present their thoughts and allow the Board to ask questions.

Mr. Palmer reviewed the handout presentation, "Hotel – Hilton Garden Inn or Independent?" – Timeline of Hotel and Casino Hotels in Iowa - due to Kinseth being unable to get financing, the project was handed to PM July 31, 2010; we're working on the RFP with the bank and received the term sheets on September 7, 2010; we met with representatives from Hilton Garden Inn International from Chicago and Mike Whalen from Heart of America on what to do and where to go from here; we need to find a management team recognized by Hilton Garden Inn (HGI); the HGI application is huge with many restrictions; staff called the Iowa properties and asked them about their hotels, we asked Bo Guidry from Horseshoe and Harrah's why they used Kinseth and the advantages and disadvantages and he said they couldn't find a model they could afford so they teamed with Kinseth, he said they would never franchise on a hotel they own – most properties said the same thing and we can't find any that do – all casinos that own hotels are independent, but all said if we do a franchise, it should be a HGI.

Jeff Nelson, Director of Marketing, reviewed the Marketing portion of the handout and noted there are several pages in the franchise paperwork with items that we can and can't do with a franchise; everything would flow through the HGI system; we can't mention the hotel with casino advertising – we would have to market separately which is confusing and costly; we want the recreational gambler. Mr. Rowen asked about occupancy rates and Mr. Wessels said a HGI near a casino is 85%. Mr. Minear asked the gambling focus and Mr. Wessels said it's difficult to get the customer breakdown, but a HGI near a casino is 85% and all HGI properties are 64%. Mr. Galloway asked the number of HGI hotels in the Iowa casino industry and Mr. Wessels said there are two – Mystic and Horseshoe. Mr. Rowen asked the occupancy for those two HGI hotels and Mr. Wessels said Mystic is 86% and Horseshoe is 70-75% - this information was received through conversation, not hard documentation.

Mr. Palmer said that no matter how we do the hotel (franchise or independent), the management company we hire will be one and the same with PM licensed employees, trained by the management company – the first thing to do is find a qualified hotel manager with casino experience – the hotel will fill the beds and the casino will fill the hotel with those who gamble. Mr. Minear said independent or franchise, we'd have a management company from the start; Mr. Whitney said that was true regardless of which way we go. Mr. Helak asked about hiring the management company and Mr. Palmer said

it could be a HGI management company. Mr. Nelson said in his past experience in Kansas City and Las Vegas, 65% came from the casino and there was 95% occupancy at all times and Mr. Neugent noted that compares with what was in the HVS Study. Mr. Whitney asked if occupancy rates differ – branded or not; Dr. McGuire said it depends on the customer – are they stopping for the hotel only or stopping to gamble and stay; Mr. Neugent said HGI has a higher rate. Mr. Whitney asked if the Facilities Committee discovered any evidence of occupancy rates being different; Mr. Beattie said it's 65% due to a casino; Mr. Palmer said Ameristar is 98% and it's their hotel, Harrah's is in the upper 90%. Mr. Galloway said the weighted average is 75% - we should look at HGI and the comparison and if we can fill the hotel and Mr. Wessels said the cities used were Council Bluffs and Waterloo based on their populations. Mr. Bishop asked if there's a difference on comp room; Mr. Neugent said not if we owned the hotel; Mr. Palmer said we'd pay the fee – full or empty; Mr. Bishop said there would be no fee if we owned the hotel. Mr. Nelson said there's an element of control – a franchise would dictate how we'd fill the rooms. Mr. Minear asked if Kineth had received the deal, is there an “out” in the franchise agreement; Mr. Neugent said it's a 22 year commitment. Mr. Helak noted if we're not concerned about outside visitors, we don't need a reservation system. Mr. Neugent asked, with the management company and with an independent hotel, will we do an RFP and have that company help with the design, construction, and managing the hotel and Mr. Palmer said yes and he expects that person to remain here. Mr. Whitney asked how is this different than with a brand and Mr. Neugent said there's no difference – all of the employees would be our employees and the management company would oversee and train them – it's a good idea that the employees are ours. Mr. Whitney asked about the day to day management – is there a difference with a brand or no brand; Mr. Neugent said they will manage to a specific standard with a franchise and a national pipeline of reservations, but we need a certified hotel manager either way. Mr. Bishop noted it would cost us a minimum of \$1 million a year with a franchise.

Clint Pursley, Director of Security and Facilities, reviewed the Quality and Design portion of the handout, noting our Marketing Department wants to market the property as a whole (Racing, casino, promotions, etc.) vs. segregated pieces with a franchise; we'll hire a consultant and will begin the search soon; the franchise software is very detailed and cumbersome and wouldn't communicate with our software; PM's standards exceed HGI's.

Mr. Wessels reviewed the Control portion of the handout, noting HGI serves HGI customers – the business traveler and PM would serve the leisure traveler; PM would look at the overall property revenue and a franchise would look at the hotel revenue; our standards are equal to or better than HGI's and we would change things on our own timeline vs. a franchise telling us.

Mr. Wessels reviewed the Cost portion of the handout, noting the franchise fee would be \$16.2 million with a 20 year agreement; we would have management fees with a franchise or an independent; HGI occupancy rate is 85% and overall, it's 64%; we have

a database with 200,000 names, The Meadows, and two interstate systems to draw from; staff's recommendation is to be a PM brand.

Mr. Whitney asked where the customers would come from (who would stay here – people from Ft. Dodge or New York City) and how significant is a reservation system and the gambler staying in the hotel (who are we trying to get)? Mr. Nelson said we'll target the regional gambler (we're a local casino and draw from a 60 mile radius, with a hotel, we'll get people from Council Bluffs) and the Kansas City market or a market with a half day drive. Mr. Galloway asked how we'll match up the percentages and Mr. Nelson said 65% will be casino guests – we'll also have convention, drive-by, and association meeting business; if there's a shortfall, the casino will fill the hotel. Mr. Whitney asked about the outer areas (Ottumwa, Ft. Dodge) – will the customer stay inside the footprint with some outside the footprint and Mr. Nelson said yes, plus Northern Missouri. Mr. Whitney asked if the footprint is the same, franchise or not, due to the hotel accessibility on the property, is there an advantage to a national reservation system that's costly and Mr. Neugent said there's no advantage with those customers, but there are a couple of questions – are we capable of developing the hotel product without one and if the HVS Study is wrong and it's 50% occupancy from customers, is it better to have a reservation system? Mr. Whitney asked if there's evidence that happens; Mr. Neugent said the HVS study opinion was not to build a hotel in Polk County for anything outside the casino guest and we would need a reservation system with a 300+ room hotel

Dr. McGuire asked if there were other “pros” for HGI besides the reservation system and Mr. Beattie said the name. Dr. McGuire said our brand of PM is significant; Mr. Helak asked what business we're after; Mr. Minear said we're invisible to the non-gambler from the interstate and should tweak the website; Dr. McGuire said most people use sites like Expedia or Price Line to get hotel rates. Mr. Rowen said the pros for HGI are expertise - they know what people like and long term consistency on service and upgrades. Dr. McGuire said we'd have a hotel management company and Mr. Wessels said we'd hire of Director of Hotel Operations. Mr. Minear said the financial risk is ours now going either way. Mr. Beattie noted that managing a hotel vs. the facility we have now is peanuts – hire someone good and incorporate our own Security, Accounting, promotions, etc. – he recommends going independent and will move that recommendation.

Ms. Rasmussen said we have standards – The Meadows has been operational for a while and there's history – quality has been maintained by staff in food, entertainment, etc.; Ameristar is a higher quality and more upscale than a HGI; we're looking for a B+ hotel and we can mandate the standards as a Board; we can also request “x” amount of years experience for the hotel manager with cross usage in the casino business – HGI doesn't have that; economic part – the loss of revenue with unfilled rooms – we could fill with a reservation system or by other means, but need to balance what we're giving up – the franchise fee is very costly; she favors staff's recommendation to be a stand-alone hotel.

Ms. Richer moved for a vote. Mr. Beattie moved to go independent and the motion was seconded by Mr. Bishop. Mr. Neugent assumes a hotel consultant would be hired and a management company would be hired. Mr. Beattie said he would include that in his motion. Mr. Whitney said the Facilities Committee needs to establish the criteria for staff and be a watch dog on what's going on. Mr. Bishop asked if the motion should be amended with Mr. Whitney's suggestion; Mr. Whitney said yes; Mr. Bishop moved to adopt the second amendment. Ms. Richer asked what's being voted on and Mr. Galloway said this is one single motion – independent hotel and the hiring of a management company approved by the Board.

Mr. Morden asked with the turnover in the Board and Board Committees, do we need a timeline for staff's recommendation and Mr. Galloway said staff will do a RFP/RFQ which will take 45-60 days – it will be on the shoulders of the new Board. Ms. Richer said there's good arguments on both sides - branded is her favorite option, but it is more expensive. Mr. Galloway said the hotel will be successful either way; the Board had no preconceived notion it would be a brand; four out of the five companies we met with at the start of this project recommended a brand and he supports a brand.

Mr. Rowen called to question. The motion passed on a Roll Call Vote (7 yes – Beattie, Bishop, McGuire, Morden, Rasmussen, Urich, Whitney, 4 no – Galloway, Neugent, Richer, Rowen, 2 members absent – Peters and Riley).

Adjournment. Mr. Neugent moved to adjourn the meeting, the motion was seconded by Dr. McGuire, and passed on a voice vote. There being no further business, the meeting adjourned at 1:15 p.m.

Respectfully submitted,

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Gerard Neugent, Its Secretary