

**Special Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
March 3, 2010
10:00 a.m.**

A Special Meeting of the PMRC Board of Directors was called to order by Gerard Neugent in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 10:05 a.m.

Roll Call.

Bob Beattie	Sunnie Richer
Jack Bishop	Dan Riley
Michael Galloway - absent	John Rowen
Andrea McGuire - absent	Jodi Urich
Ron Morden	Tom Whitney – arrived after Roll Call
Gerard Neugent	Michael Helak
Lynette Rasmussen - absent	Randy Minear – arrived after Roll Call

Also in attendance were:

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

Mr. Neugent noted that item VII. Action Item – Quarter Horse Contract would be deferred as we haven't received comments back from that group.

Closed Session to discuss the Hotel Budget. Mr. Flynn recommended the motion read, “due to not having final bids and negotiations and pursuant to section 21.51a of the Iowa Code, the Board is going into a Closed Session to discuss the budget as it relates to the hotel marketing and fishbowl”. Mr. Beattie moved to go into a Closed Session, per Mr. Flynn's recommendation. The motion was seconded by Mr. Bishop as passed on a voice vote. The Board went into a Closed Session at 10:06 a.m.

Open Session. Mr. Bishop moved to go back into an Open Session. The motion was seconded by Mr. Rowen and passed on a voice vote. The Board went back into an Open Session at 10:33 a.m.

Mark Wandro from Snyder and Associates reviewed the PowerPoint presentation, “PM Hotel Concept Plan dated February 22, 2010” - Conceptual Hotel and parking garage Expansion Project; Full Elevation; several Elevation Views; several Perspective Views; 1st Floor Plan; 2nd Floor Plan; 3rd Floor Plan; 4th Floor Plan; hotel at PM - at this time, the proposed hotel will be a Hilton Garden Inn with Kinseth. Mr. Neugent asked Mr. Wandro to confirm that the construction PM is responsible for is parking, the first floor

expansion of The Meadows, and construction of a link and enclosing the fishbowl and Mr. Wandro said that was correct.

Action Item - Hotel-relation documents. Mr. Flynn reviewed the “Legal Documents Pertaining to the Hotel” Summary and the agreements:

- Development and Construction Agreement. Items not resolved at this time are: 1). Bonds - the Finance and Facilities Committees requested Kinseth bond the project; Kinseth wants PM to pay the entire cost of the bonds. 2). Union contractors – he hasn’t heard anything back from Kinseth; “signatory to an International Union Agreements” language was added at the request of the Finance and Facilities Committees. 3). Union Neutrality – read the agreement language for Wells Fargo Arena given to him by Mr. Rowen and said this was given to Kinseth and they had a problem with it; PM Board members want Kinseth’s language removed and state that Kinseth will remain neutral on organized efforts; Kinseth will probably be ok with this language if it is specific to the Altoona property. Mr. Rowen asked if the Board needs to make a motion or give direction on the Union issue, as it is important – the intent with the Wells Fargo language was they had other facilities throughout the nation. Mr. Flynn said Kinseth agreed that they shall remain neutral; Mr. Rowen suggested it read, “neutral to this facility”; Mr. Bishop and Mr. Neugent concurred. Mr. Neugent said he’d like the Board to vote on the whole package, with directives to Mr. Flynn on each contract. Mr. Neugent said he’s ok with paying for the bond; Mr. Beattie concurred; Ms. Richer asked the cost and Mr. Neugent said \$200,000 - \$250,000 and noted we may only bond the subcontractors. Mr. Flynn said if the cost of the bond is more than \$250,000, the Board will receive an e-mail.
- Ground Lease. There will be two units – one is the hotel and Kinseth will pay the taxes, the second is PM’s part; each partner will receive a 50% vote and if Kinseth should default, PM would get 100% vote; allocations of costs for maintenance will be based on square footage with Kinseth responsible for 81.9% and PM responsible for 18.1%. Items not resolved at this time are: 1). The start date is 5-1-10 and Kinseth asked for 5-15-10; the Finance Committee is ok with May 15, but wants the completion date of 7-11-11 to remain and Kinseth requests it be moved to 7-15-11. Ms. Richer asked if there are penalties and Mr. Flynn said the penalty is \$5,000 a day for each day outside of the completion date and the incentive is \$5,000 a day each day the hotel is open before 7-1-11. Mr. Morden asked with an earlier opening, would PM get enough revenue to justify a \$5,000 a day payment and Mr. Neugent said Mr. Wessels did an analysis and \$5,000 is a conservative number – this would be a benefit for PM. 2). Section 15.01 – Option to Terminate Lease and Acquire the Hotel – PM proposed it would pay the higher of Kinseth’s investment in the hotel times 103% or the appraised value; Kinseth’s last proposal was investment in the hotel times 110%. Mr. Flynn said the key provision is section 27.16 – if the 2010 referendum fails, PM agrees to reimburse Kinseth for out-of-pocket expenses.
- Condo Declaration
- Operations Agreement. Staff had input on this section and Kinseth agreed to a two year agreement that PM has the right to reserve 90 rooms (30 @ \$75, 30 @ \$85, and

30 @ \$95), the normal rate to the public will be \$115-\$120. Mr. Neugent said 90 rooms is not a guaranteed room number, it is just the right to reserve 90 rooms and we'd have a set time to release the rooms back to the hotel. Mr. Flynn noted there are the same provisions regarding Unions and Union neutrality in this section.

- Amendment to Polk County Lease. Polk County wanted the term of the lease to be extended to match the hotel lease with Kinseth; PM will be negotiating a new lease with the County this year; we will use the language in the Recognition, Non-disturbance and Attornment Agreement that Polk County will honor Kinseth's lease for the term of the lease and if PM goes away, Kinseth will not pay rent to Polk County – he tried to put in safeguards for Polk County.
- Recognition, Non-Disturbance and Attornment Agreement. The key is Polk County acknowledging the lease.

Mr. Neugent said all the contracts/agreements are subject to final terms in accordance with the recommendation of the Facilities Committee; everything has been reviewed by the Finance Committee; both committees recommend Board approval for the legal structure. Mr. Beattie moved to accept the recommendation and the motion was seconded by Mr. Bishop. Ms. Urich asked if the Board could legally approve the contracts/agreements until Polk County approved them or is it subject to Polk County's approval and Mr. Flynn said all contracts/agreements will need Polk County's approval, but it starts with Board approval, will then be submitted to Polk County and then to the Commission for approval. Mr. Flynn noted that Mr. Galloway would like the record to reflect that he would have abstained from voting on the hotel contracts. The motion passed on a Roll Call vote (7 yes, 0 no, 3 members absent, Mr. Whitney was called away from the meeting; Mr. Riley did not vote as he has not been licensed yet). Mr. Neugent will report to the IRGC tomorrow that the Board approved the contracts/agreements with Kinseth, subject to finalized documents, and they will be sent to Polk County for approval.

Action Item – Construction Contract with Weitz for the Fishbowl. Mr. Neugent said this is authorization from the Board to enter into a contract with Weitz for the fishbowl; the budget was discussed in the Closed Session and the amount would not go above what was discussed. Mr. Bishop moved to authorize entering into a contract with Weitz. The motion was seconded by Mr. Rowen and passed on a Roll Call vote (7 yes, 0 no, 3 members absent, Mr. Whitney was called away from the meeting; Mr. Riley did not vote as he has not been licensed yet).

Action Item – Thoroughbred Contract. Mr. Neugent noted this was e-mailed to everyone. Mr. Flynn said it is a five year contract, 2010-2014; 67 days of racing; nine races a day with an opportunity for more if there are enough horses; includes a Study Committee provision; includes a legislative provision (“peace pact”) in #23. – there are four items the Thoroughbreds may want to do: 1). Account Deposit Wagering – this is subject to PM's approval and PM has no objection; 2). Casino Referendum – PM has no objections; 3). Establishment of a percentage of annual purses for the support of the IAHBPA and

elimination of the subsidy provided by PM for its benevolent fund in the amount of \$162,500 – PM has no objection; 4). Elimination of the Sunset Clause for horse racing at PM – PM would not consent to this item and retains the right to oppose it. Mr. Flynn said the IAHBPA has signed the agreement, it needs approval by this Board, and will then go to the Commission for approval. Mr. Beattie moved to approve the Five Year Thoroughbred Agreement and the motion was seconded by Mr. Bishop. Mr. Morden asked about the matrix – how will PM verify attendance by taking snap shots and Ms. Atkin said this idea was in the Reed/Ray report; staff has discussed this with all three breeds; the TV Department will take pictures at the same time each day in three different areas and average out the attendance in each area to use as a base this year (i.e. before the third and fifth race); PM will do it this way for a year and can change. Ms. Richer said she's exchanged e-mails with Ms. Atkin and asked if the number of races are close to the 2009 number and Ms. Atkin said yes and the information didn't include 10 races – the information was the base number. The motion passed on a Roll Call vote (8 yes, 0 no, 3 members absent, Mr. Riley did not vote as he has not been licensed yet).

Action Item – Quarter Horse Contract. Mr. Neugent said this item has been withdrawn, pending final negotiations.

Other Business. Mr. Neugent thanked the members of the Facilities Committee, Mr. Flynn, Mr. Wandro, and staff – they worked hard to put the hotel contracts together; Mr. Bishop thanked Mr. Neugent for his efforts the last few years – he has done a yeoman's job; Mr. Flynn noted Mr. Neugent has been an invaluable source with his real estate knowledge.

Adjournment. Mr. Bishop moved to adjourn the meeting, the motion was seconded by Mr. Neugent, and passed on a voice vote. There being no further business, the meeting adjourned at 11:25 a.m.

Respectfully submitted,

Gerard Neugent, Its Secretary