

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
May 26, 2010
2:00 p.m.**

The Monthly 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 2:20 p.m.

Roll Call.

Bob Beattie	Sunnie Richer
Jack Bishop	Dan Riley
Michael Galloway	John Rowen
Andrea McGuire	Jodi Urich
Ron Morden	Tom Whitney
Gerard Neugent	Michael Helak
Lynette Rasmussen	Randy Minear

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 April 28, 2010 as written. The motion was seconded by Mr. Neugent and passed on a voice vote.

Mr. Galloway said the agenda will be modified and item X. will be reviewed first.

Action Item – Altoona Supplemental Agreement with the City of Altoona. Mr. Galloway said the request was presented to the Finance and Executive Committees. Jeff Mark, Administrator for the City of Altoona, said the grant was approved July 2008 and the city has received the base grant; based on financial needs and the Prairie Crossing development hasn't developed as projected, Altoona is requesting reconsideration of the supplemental \$500,000 to cover indebtedness.

Mr. Whitney asked if the request is for payment now and additional years and Mr. Mark said it is an eight year agreement - \$500,000 per year is the base grant with a benchmark that the city can request a supplemental \$500,000 every October; the supplemental grant and balance are based on valuations in the area, especially a hotel, and if valuations reach \$30 million taxable assessments, the grant goes away, if valuations reach \$20-\$30 million, there is a sliding scale. Mr. Whitney asked if it is \$500,000 for eight years and if

Altoona would ask for more and Mr. Mark said it is \$500,000 for eight years and if the valuation at PM or the Mike Whalen's development is \$124 million, the request for funds would disappear. Mr. Riley asked what the funds would be used for and Mr. Mark said principle and interest payments. Dr. McGuire asked if it is the same amount as the base payment and Mr. Mark said yes. Ms. Urich asked what else Altoona receives and Mr. Mark said ½ of 1% of the gambling proceeds which was \$900,000 last year. Mr. Whitney asked if that amount was in addition to taxes and Mr. Mark said yes, property taxes are approximately \$80,000. Mr. Beattie asked if there was any new development planned and Mr. Mark said nothing concrete. Mr. Minear asked the sales numbers at Bass Pro and Mr. Mark said he doesn't have the numbers as some of the information is confidential, but Altoona has a rental agreement with Bass Pro to receive a percentage of the sales and that is paid to the economic development corporation and they are hitting the rent numbers. Mr. Whitney asked if the 2010 budget includes this request and Mr. Neugent said no, PM is committed to \$500,000 a year for eight years and have made two payments of \$250,000, subsequent payments of \$500,000 will be paid every April 1; there are benchmarks for a second request of \$500,000 and that is a discretionary request; funds weren't available October 2009 and the Board declined to give the supplemental grant request. Mr. Whitney asked where the money would come from and Mr. Neugent said this was addressed in the Finance Committee meeting – YTD, we're \$900,000 ahead of the net income plan after charitables – we have the money and charitables won't be affected. Mr. Whitney asked what Altoona was doing to ensure not having to ask for the supplemental money and Mr. Mark said Altoona has worked with PM on the hotel, is working with Mike Whalen on development of the property, and he believes banks will start lending again soon and financing will be available for new development. Ms. Rasmussen read the paragraph from the agreement that contemplates Altoona can request every year a supplemental grant not to exceed \$500,000 – the request must be received by October 15 each year and noted this is an appropriate request. Mr. Whitney said the request was anticipated; PM wants to be a good partner with Altoona; we want Altoona to work hard not to have to come back; PM wouldn't be here without Altoona's assistance and there's a long history of being good partners; he supports the request, but reluctantly, due to not being in the budget. Mr. Minear asked if the financial analysis of the hotel is still on hold and Mr. Neugent said yes. Mr. Palmer said Mr. Mark and staff have worked hard with PM on the hotel and granted a \$2 million tax abatement, Altoona also has sewer issues, staff believes this is a wonderful partnership and we should help each other. Mr. Mark said with the premise of Bass Pro, Altoona worked with PM to make Altoona a destination area – Bass Pro and PM are helping each other grow. Ms. Richer asked to quantify the impact of Bass Pro and attendance at PM and Mr. Neugent said our attendance is up. Mr. Whitney asked about joint promotions and Jeff Nelson, Director of Marketing, said weekly meetings are held with PM, Bass Pro, and the Iowa Speedway to make plans; a direct mail piece was recently sent out to Eastern Iowa for all three properties; the group also does a lot of cross marketing. Mr. Galloway said the Finance and Executive Committee recommend approval.

Mr. Neugent moved to grant the supplemental request of \$500,000 and noted the revised budget will be presented at the next meeting. The motion was seconded by Mr. Whitney and passed on a Roll Call vote (11 yes, 0 no, Mr. Beattie abstained).

Public Comment. None.

Financials. Mr. Wessels reviewed the April 2010 YTD financials: Net Revenue below plan .04%; Total Expenses below plan 2.4%; Net Income before Community Betterment above plan 5%.

Property	Net Win	Attendance	Slot Hold
PMRC	-\$1.8 million	+11,000	8.27%
Horseshoe/Harrah's	-\$1.9 million	-50,000	10.3% / 10.3%
Ameristar	-\$2.4 million	-78,000	9.3%
Terrible's	-\$1.6 million	-26,000	8.85%

Mr. Wessels said the Form 990 Conflict of Interest forms are being passed around and need to be filled out and returned to him by June 25, 2010.

Introduce a Director – Hector Morales, Director of Table Games. Mr. Morales said he was born in New York and raised in Puerto Rico; started in the industry in 1971; has worked in Puerto Rico, the Bahamas, Florida, Lake Tahoe, and Las Vegas prior to coming to PM; he loves Iowa, but the Winter is hard to get used to; this is the first non-hotel operation he's worked at; it's very exciting to have the hotel project and PM has a very capable staff who have experience with hotels; Tables Games, which includes Poker, has 226 employees, with plans to hire an additional 6-7; his area is responsible for compliance and that the integrity of the games and guests is protected.

Mr. Whitney noted Board members are contacted about trespasses and asked the consequences. Mr. Morales said there are two types of trespasses – 1). The guest bar themselves due to personal problems – PM explains how to get counseling, etc. and that this is their choice, and once the paperwork is signed, PM can't do anything about the trespass, it's a done deal, 2). PM bars the guest (i.e. intoxication, internal problems, etc.). Mr. Palmer said the difference is with the self-trespass, they can't come back, if it's a PM trespass, staff can review the situation and reverse the decision. Mr. Whitney asked if PM has no choice as it's the law and Mr. Palmer said yes. Dr. McGuire suggested this be revisited when the hotel is built – someone trespassed still couldn't come to the casino, but could go to the hotel or convention center – some casinos made this exception and other casino don't allow the person on the property at all. Mr. Helak asked the number on the trespass list; Mr. Palmer said Mr. Pursley would have the answer, but was unable to attend.

Marketing Report. Jeff Nelson, Director of Marketing, reviewed a PowerPoint presentation: PM has seen a positive increase from 2007-2009; PM has received awards from the American Gaming Association, the American Marketing Association, and an American Advertising Award – the awards were for different areas; to date in 2010, we have had 60 promotions; direct mail promotions are sent to different segments of players and some are for multiple day promotions – these are easy to track and analyze; showed examples of the Live Racing Unique Ads, Live Racing Generic Ads, Kentucky Derby

Ads and Promotions, the Live Racing websites we use, and the TV ad for Racing. Mr. Nelson said PM meets weekly with Bass Pro on joint promotions, direct mail, etc.

Action Item – Extension of Kinseth Contract. Mr. Galloway said the Executive Committee has discussed this and Mr. Neugent said the Facilities and Finance Committees have also discussed this – Kinseth has issues with the lender and the referendums; Kinseth and the lender had a meeting the last few days – the equity money has been raised and the commercial terms are done except the referendum; Kinseth had until May 24 to get this resolved and couldn't get it done; he'd like to recommend and move an extension of the due diligence period of 30 days with another 30 day extension if the Facilities Committee believes the developer is making progress. The motion was seconded by Mr. Bishop.

Mr. Whitney noted it's May and there's been nothing resolved; do to the referendum and timeframe, PM couldn't finance now, but with a successful referendum and eight years to do it, maybe PM should revisit doing the hotel at the end of the extension. Mr. Neugent said Polk County didn't sign the contract until April 13; the credit market is different than what Kinseth envisioned – no one had an issue with the referendum during the interviews for a developer; PM is working on the lease with Polk County to extend the sub lease beyond eight years; Kinseth is the best fit to build and operate a hotel here and are requesting an extension – it's not Kinseth's fault, it's the economic conditions; we need to look at alternative options; if nothing works out, we will own the plans; a delay won't hurt our deliberation; if it can't get done, we'll wait until after the referendum. Mr. Galloway said there's been lengthy discussions if we do a hotel, how will it affect other things such as the parking garage, capitals, etc. Mr. Neugent said the cost would be \$3.5 million a year over eight years. Ms. Urich asked if a consideration has been made to send this out to bid as others may be able to get financing and Mr. Neugent said everyone is having the same problem – starting over would really put us behind – we'll own the plans and can find another hotel manager. Mr. Helak asked if the only point is the referendum or are there other issues; Ms. Richer said it's other referendums, not the 2010 referendum; Mr. Neugent said it's the 2018, 2026, and 2034 referendums. Mr. Flynn said the concern from the lender is if there's a default of the lease by Kinseth, PM could take back the hotel free and clear – this is not our intent and we're working on the language; we're also working to refine Kinseth's and the lender's points if the referendums fail, what will PM be willing to do to guarantee repayment of the debt (protect the loan). Mr. Neugent said the Board would vote on any change in the relationship.

The motion passed on a voice vote.

Action Item – Hotel Development Agreement with the City of Altoona. Mr. Palmer said the agreement is that Altoona will give PM a \$2 million (\$200,000 a year for 10 years) tax abatement. Mr. Whitney moved to approve the agreement. The motion was seconded by Mr. Beattie and passed on a voice vote.

General Manager's Report. Mr. Palmer reported: Stable Tours – Fridays through September 3; Horse Racing 101 – Saturdays through September 4; Smokey Robinson Concert – June 3; Belmont – June 5; Ronnie Milsap and the Oakridge Boys Concert – June 24; Festival of Racing – June 25 and 26; Fireworks – July 3; Camel and Ostrich Races – July 17; the Marketing Department received two awards on May 13; Dan Johnson, Tom Witowski, and Bill Petroski won a national award for their article on PM's 20th Anniversary – congratulations.

Other.

Human Resources Committee. Ms. Richer said the committee met on Tuesday and discussed the 401k plan – PM matches at 4.25%, dollar for dollar; we'll do a RFP to reevaluate the administrator; the current administrator has been Principal for the past six years.

Executive Committee. Mr. Galloway said hotel issues were discussed; staff and the Facilities Committee are working on a long-term capital strategy for the next 10 years; staff is working on the Marketing Study with two groups – one for the horse racing side and one for the casino side; the Succession Plan and Strategic Plan were referred to the Human Resources Committee.

Global Gaming Conference. Mr. Whitney noted this conference will be held November 17-22, the Board Meeting is scheduled during that time, and he'd like to request the Board Meeting date be changed. Mr. Galloway asked staff to change the date.

November Referendum. Mr. Whitney said a committee has been formed and there have been several meetings; a lunch meeting will be held on June 15 with the regional chairs; the Board will be contacted for help, outside the purview of PM, as individuals.

Racing. Mr. Whitney would like to acknowledge Jerry Crawford for his promotion of horse racing in the state of Iowa.

Ms. Urich requested to receive a report from the studies.

Adjournment. Ms. Rasmussen 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 was adjourned at 3:32 p.m.

Respectfully submitted,

Gerard Neugent, Its Secretary