

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
July 22, 2009
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 2:05 p.m.

Roll Call.

Butch Bain
Bob Beattie
Jack Bishop
Don Brown
Perry Chapin
Michael Galloway
Andrea McGuire

Ron Morden
Gerard Neugent
Lynette Rasmussen
Sunnie Richer
Jodi Urich
Tom Whitney
Randy Minear - absent

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 June 24, 2009 as written. The motion was seconded by Mr. Neugent and passed on a voice vote.

Public Comment. None

Financials. Mr. Wessels reviewed the June 2009 YTD financials: Net Revenue below plan 3.1%; Total Expenses below plan 5%; Net Income before Community Betterment above plan 5.9%.

Property	Net Win	Attendance	Slot Hold
PMRC	-\$2.4 million	+32,000	8.06%
Horseshoe/Harrah's	-\$7.8 million	-124,000	10.44% / 10.23%
Ameristar	-\$8.8 million	-179,000	9.35%
Terrible's	-\$1.1 million	-19,000	9.11%

Casino Revenue for the first six months of 2009	
Property	% Change
PMRC	-2.4%
Horseshoe/Harrah's	-5.2%
Ameristar	-9.7%
Terrible's	-4.2%
Group as a whole	-5.5%

Mr. Morden asked if PM's hold of 8.06% at the end of the fiscal year was the lowest and Mr. Wessels said yes and for the first six months of 2009, PM missed being the lowest by .001% - Dubuque Greyhound was the lowest. Mr. Whitney asked the actual dollars the hold represents and Mr. Wessels said it's just a statistic – a payback factor and people usually put the money back into the machine. Mr. Whitney asked the value to us and Mr. Wessels said it's pricing, with a lower percentage, we get more play.

Introduce a Director – Bob Gorla, Director of Facilities. Mr. Gorla said he's a Des Moines native, is married with three sons and a stepson; the Facilities Department includes: Building Maintenance, Housekeeping, Grounds Maintenance, Electronics, Track Maintenance, Dispatch, and Projects. Some 2008 fun facts: Facilities completed 33,746 work orders; the property has 233.44 acres; the building is 19.8 acres and the White House is 18 acres; the sign on Adventureland Drive is 120 ft. tall; electrical usage is 25 million + kilowatt hours; gas usage is 74+; water usage is 56+ million gallons; PM has 115 bathroom stalls, 266 toilets, 340 sinks, uses 8,320 rolls of toilet paper and 6,240 rolls of paper towels a year. Mr. Gorla said he is very proud of his staff – 70% of the building is twenty years old; the escalators are close to life expectancy; the HVAC has been redone; and the plumbing is the next item to be evaluated.

Mr. Whitney asked the cost to change the track back and forth for the Standardbreds and Mr. Gorla said the cost to remove the surface is approximately \$280,000-\$290,000 and new material costs approximately \$70,000-\$80,000 for two years. Ms. Richer asked the number of employees and if we're current with maintenance and Mr. Gorla said Facilities has 180 employees and we are current with maintenance – we just completed the four year cycle for the HVAC system and the roof was replaced in the last few years. Mr. Gorla said PM is always looking for ways to conserve money and with the last expansion and pre-planning, there was only a slight increase in utility usage. Mr. Morden noted the concerns with Capitals with the building being 20 years old and asked if replacement is included in the Five Year Plan and Mr. Gorla said yes, the Board gives staff the tools to do this. Ms. Urich asked the budget and Mr. Gorla said \$9 million for Capitals.

Track Superintendents' Conference Update. Mr. Gorla reported the Track Superintendents held their 8th Annual Conference at PM about a month ago; 67 participated; attendance is usually 100, but dropped due to the economy; representatives from three other countries attended – Canada, Greece, and Dubai; one panel consisted of Superintendents from Canterbury, Keeneland, Lone Star, New York Racing Association,

Santa Anita, and PM; Dr. Sue Stover, who analyzes track breakdowns gave an interesting lecture; the group looked at our track one afternoon and 5-6 took samples; it rained 2-2.5 inches in short time on Tuesday and they thought the track would be closed for two days, but we raced and they were impressed with the way we handled the water and with our equipment; every track is different and has different climate issues, uses different material and equipment; they were impressed with how we changed the equipment to work for us; they complimented the facility, food, service, quality, and environment – it's nice to bring personnel here and seek their advise.

Mr. Bain asked if PM had a Track Superintendent and if so, who and Mr. Gorla said Lamont Marks. Mr. Bain noted there have been serious track breakdowns and there's a concern with the uneven track for Quarter Horses and Mr. Gorla said staff is reviewing the autopsy reports and consultants are looking at the track; Mr. Marks made a very good adjustment with the amount of rain we've had – we had to run floats and that makes the surface hard – it's a rollercoaster as we have to deal with rain, humidity, and sun; we have a good Track Superintendent and he keeps the highs and lows together – extreme changes throw horses off.

Interruption Insurance. Mr. Wessels said there were questions at the last meeting about interruption insurance – PM has insurance through Chubb Group; coverage starts 48 hours after an incident happens; we have coverage from the time of the loss until we're up and running again. Mr. Galloway asked the calculated loss and Mr. Wessels said it's fixed costs and normal profits.

Action Item – Facilities Committee Recommendation – Hotel Developer. Mr. Neugent said the committee worked under the direction of the Board to prepare RFPs for a developer and to select a developer to begin negotiations; the target was the July Board Meeting; a RFP was sent to various companies in April and the committee interviewed three; the recommendation is to select Kinseth Hospitality Group. Mr. Neugent reviewed an “Executive Summary” about the Kinseth Hospitality Group, noting they are an Iowa-based company, developer, and operator; will use Weitz Construction as the contractor; have experience in developing and operating hotel facilities connected to casinos; would build an upscale hotel such as Hilton Garden Inn; Leslie Kinseth is here to answer any questions and was also available to meet with Board members prior to this meeting. Mr. Neugent said the recommendation is to ask for Board approval to select a developer, begin negotiations, and come to a definitive plan for a hotel – nothing is set yet (i.e. number of rooms, design, number of meeting rooms, etc.).

Ms. Richer asked the process/milestone steps and Mr. Neugent said Kinseth has been through this before – the committee would like approval to start negotiations, scoping meetings will be held to develop a schedule of critical dates, negotiations with the developer, negotiation the lease with Polk County; Kinseth will negotiate with the franchise, our designer and engineers regarding connectivity (PM will have costs for connectivity, the entrance, etc.).

Mr. Kinseth said there are many steps to define; his company has been through this process before (Council Bluffs) and understands building something to drive casino needs; the brands they represent are synergistic and target better than average income guests; his company will work with the designers and brand (Hilton Garden or equivalent) on design input. Mr. Neugent said part of the reason Kinseth was selected is that the committee met with different operators and some wouldn't do a brand, other would and the committee felt we needed a national brand.

Mr. Galloway asked about time and Mr. Neugent said he reported to the IRGC that we would start in the Fall, but that is not likely as we would only have 90 days to negotiate – Spring is the likely start time. Mr. Chapin likes Weitz as they've worked at PM before and asked if there would be Union subs and Mr. Neugent said yes. Mr. Chapin asked if the cost a year, room guarantees, etc. would be brought to the Board and Mr. Neugent said yes. Dr. McGuire asked about Cities Edge Architects and Mr. Kinseth said they are located in the Twin Cities and are very knowledgeable about the hospitality industry, but Kinseth will send out RFPs to other architectural firms. Dr. McGuire asked if Kinseth would go through a bidding process and Mr. Kinseth said yes, RFPs will be sent to a handful of architects with experience in the hospitality industry and with various brands. Mr. Brown asked if there would be an analysis on the brand or services with a franchise (franchise fee and certain services) vs. our Marketing costs and do in-house and Mr. Kinseth said with a franchise, we'll get certain services with rates and occupancy premiums; a franchise has a loyal customer base, a frequent traveler program, national reservation system, and marketing. Mike Heffling, General Manager of Kinseth's Des Moines operation, said there's another Kinseth project in the area – the Marriott Courtyard in Ankeny; Hilton has excellent customer service and high occupancy rates, operates as an independent, has a broader marketing segment with conventions and corporate people, can deliver broader marketing to the casino, and has name recognition. Ms. Richer asked the cost to PM (rooms, entrance, etc.) and Mr. Neugent said \$5-\$8 million for the front entrance, operating costs associated with leasing back meeting rooms, the number of rooms hasn't been quantified nor how and when to release the rooms which is subject to the hotel's costs; we have a minimum need of 30,000 rooms a year; 200 room hotel; we had two studies done and rooms a year vary from 33,000 to 44,000. Ms. Richer asked the demographic of people using the hotel and Mr. Kinseth said it will be a Marriott or a Hilton with above average income guests. Mr. Heffling said they would have an income of \$50,000 and up and there's a broad spectrum of business here – Adventureland, the sports complexes, business people, associations, corporate groups, and it also depends on the amenities and mix of room types – they would go after multiple types of groups. Mr. Whitney asked the occupancy in Council Bluffs and Mr. Kinseth said 75%+ - there are additional rooms in the Omaha market. Mr. Whitney asked, with a 200 room hotel, would PM guarantee over 50% and Mr. Kinseth said he would have to defer that question to an associate who, unfortunately, couldn't be here today. Mr. Neugent said 75% occupancy no matter who the guests are – some will be casino guests with a discounted rate. Mr. Whitney asked about financiers and Mr. Neugent said they would be local lenders and some investors. Ms. Urich asked about

Marketing and keeping the client list confidential; Mr. Kinseth said they would market to group sales, frequent travelers, use direct mail, and the casino would put together packages and use e-mail blasts for a certain rate; Mr. Heffling said guest lists are proprietary information and we will see the power of having 37 hotels with sales people, some groups like to change meeting locations within the state.

Mr. Neugent said the Facilities Committee also includes Lynette Rasmussen, Butch Bain, Bob Beattie, Randy Minear, Mike Galloway and staff, and they all believe this is a good recommendation. Mr. Neugent moved to approve Kinseth Hospitality Group. The motion was seconded by Mr. Bishop and passed on a voice vote.

Ms. Richer thanked Mr. Neugent for taking the leadership on this project and Mr. Galloway thanked the committee and staff – this project took a lot of time and meetings.

Audit Committee Recommendation – Audit Firm. Mr. Morden said the committee met in accordance with its charter to request a RFP for audit services; two firms were interviewed; the committee's recommendation for the next two years is to retain Deloitte, who is our current firm; this recommendation needs approval by the PM Board, the County, and the Commission. Mr. Morden moved to approve Deloitte as PM's audit firm. The motion was seconded by Mr. Beattie and passed on a voice vote.

Policies and procedures for Charitable Donation Budgeting and Review of Additional Funding at Year End.

Policies and Procedures for Establishment of Operating, Capital and Designated Cash Fund Policies.

Designate up to \$10 million in Operating Funds and \$2 million in Capital Funds.

Mr. Morden said these items would provide a policy, if there are additional funds, to spend them prudently to have reserves or designated funds for Capital projects; there are three legs for designated funds: Capitals with a max of \$2 million, Operating with a max of \$10 million and noted there is a two day delay on interruption insurance, and Charitables; the intent, at the end of the year and knowing the final numbers, is to receive a recommendation from staff on what's appropriate and then the Board take action on the limited amounts – the \$2 million and \$10 million aren't firmly set numbers, things could change the amounts and we may need to change the amounts due to the age of the facility; there will be an annual review by the Finance Committee and Board regarding what funds are available; this year, there may not be any additional funds to designate.

Mr. Galloway asked the timing and Mr. Morden said when we have the final numbers for the year – probably March after the audit.

Mr. Neugent said there are three parts to the recommendation and asked if the items should be done separately or collectively? Mr. Morden moved to approve the two SOPs and designate up to \$10 million and \$2 million as initial amounts, subject to change

annually. Dr. McGuire is in favor of doing this with a cap of \$10 million and a cap of \$2 million, but cautioned not to forget charities – it's for all three – Capitals, Operating, and Charitables. Dr. McGuire seconded Mr. Morden's motion for all three action items (agenda items X., XI., XII.) and the motion passed on a voice vote.

General Manager's Report. Mr. Palmer reported:

- PM hosted the Racing Commission last Thursday for the first time in twenty years.
- July 18 was the end of the Thoroughbred Meet.
- July 27 – start of the Mixed Meet.
- August 7 – Camel and Ostrich races.
- August 14-15 – Quarter Horse Challenge Races.
- August 22 – Celebrate the 1980's.
- August 28 – Iowa Classic weekend.

Other.

- Strategic Plan. Mr. Galloway noted Mr. Palmer and staff did a plan, it was presented to the Board, and the Executive Committee is taking this up – Mr. Morden was the lead on the project and combined the Board's comments; comments were shared with staff and their response was good; the comments will go out to the Board with a recommendation to adopt a final Strategic Plan.
- Bass Pro Shop Tour. Mr. Galloway reminded the Board of the tour following the Board Meeting.
- Special Board Meeting. Mr. Galloway requested a special Board Meeting on August 7 to discuss planning and Marketing Strategy issues – there are issues to address in a quick fashion and it will probably be a closed session starting at 8:30 a.m. or 9:00 a.m. – details will be sent out.
- Racing Committee. Mr. Whitney said the committee will meet with the racing consultants on July 27. Mr. Galloway noted that at the IRGC meeting, the horse representative said they have a plan and it will be sent to the committee soon; Mr. Whitney said he hasn't seen anything; Mr. Bain said that is why he requested a committee meeting prior to meeting with the consultants - to review this information; Mr. Whitney said he wouldn't entertain anything on that day – the committee needs to have the information prior to that date.
- Marketing Committee. Mr. Chapin said the committee met on Tuesday and Marketing is under budget.
- Human Resources Committee. Ms. Richer said the committee and Board needs to revisit Mr. Palmer's incentive plan – a draft was sent to the HR Committee and she will e-mail it to the Board within a week; please call her with comments.

- Finance Committee. Mr. Neugent reported revenue is down, but we're over with profit – staff is to be commended for their good work. Ms. Urich asked about the budget process and Mr. Neugent said the committee has a calendar and the budget schedule was presented to the committee in June; goals were identified for direction to Mr. Wessels; the tentative schedule will be sent to the Board.

Adjournment. A motion was made by Mr. Bishop to adjourn the meeting. The motion was seconded by Mr. Neugent and passed on a voice vote. There being no further business, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

Gerard Neugent
Its Secretary