

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
December 17, 2008
2:00 p.m.**

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

Mr. Bishop welcomed the two new Board Members – Andrea McGuire and Butch Bain.

Roll Call.

Butch Bain	Andrea McGuire	Jodi Urich
Bob Beattie	Ron Morden	Tom Whitney
Don Brown	Gerard Neugent	Randy Minear
Perry Chapin	Lynette Rasmussen	Jack Bishop
Michael Galloway	Sunnie Richer	

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. Neugent to approve the Minutes of the Annual Meeting of the Prairie Meadows Board of Directors held on November 25, 2008 as written. The motion was seconded by Mr. Morden and passed on a voice vote.

Public Comment. None

Financials. Mr. Palmer reviewed the YTD November 2008 financials: Net Revenue below plan .4%; Total Expenses below plan 1.9%; Net Income before Community Betterment above plan 6.3%. Mr. Whitney asked about September – November and the economy and Mr. Palmer said PM did well in September and October, but the storm in November hurt, along with the economic situation; PM will finish within budget; staff is being cautious on what's coming up and have plans in place; December YTD is better than last year.

Mr. Palmer reviewed the first eleven months of casino revenue 2005-2008: PM's revenue up \$7 million and attendance down 16,000, Ameristar's revenue up \$383,000 and attendance down 167,000, Horseshoe and Harrah's revenue up \$386,000 and attendance down 478,000, Terrible's revenue down \$5 million and attendance down 210,000; PM's current Hold is 7.46%, YTD Hold is 7.72%, last year's Hold 7.2% - PM had the lowest hold in the state in November.

Approve Tentative Agreements with The Machinists, AFSCME, and Operating Engineers. Mr. Byers, Director of Human Resources, reported PM came to an agreement with the Machinists on November 20 and they ratified the agreement on December 15; PM reached an agreement with the Operating Engineers and AFSCME and they will be ratified soon – they are three year agreements; wages in year one and year two increase 3.75% and in year three increase 4%; one additional float day was added starting 1-1-09; the 401k is currently 4.25% and in year three it will go to 4.5%; negotiations went well and he believes everyone is satisfied with the results; he is asking approval from the Board to approve the contracts when ratified by the Unions.

Ms. Richer asked if there were any caveats or recourse if there is an issue with the financial performance and Mr. Byers said there are lay-off provisions and short work weeks to control expenses. Ms. Richer asked about the healthcare insurance and Mr. Byers said it remains the same and the employee percentage stays the same through year three. Mr. Morden asked the employees' percentage and Mr. Byers said the family plan is 16.5%, the single plan is 10%, and the Spouse/Child plan is 19% - PM had a 5.15% overall increase in premiums and nothing was changed with the co-pay or deductibles. Ms. Rasmussen asked the current contract length and Mr. Byers said it was a five year agreement and the new agreements are for three years. Mr. Brown asked who the healthcare provider was and Mr. Byers said Wellmark.

Mr. Chapin moved to accept the agreement with the Machinists and the Operating Engineers and AFSCME agreements upon ratification. The motion was seconded by Mr. Galloway and passed on a voice vote.

Approve Legacy Grants. Mr. Chapin noted Resolution 2008-2 relates to the Legacy Grants and moved to accept the Resolution. The motion was seconded by Mr. Morden. Mr. Neugent noted conflicts are to be marked on the blue sheets and noted as abstentions in the Minutes. Ms. McGuire asked the definition of conflicts and Mr. Flynn said examples are: if you or a family member sits on a Board of one of the organizations or receives compensation. The motion passed on a voice vote. Mr. Brown abstained on the whole vote and Mr. Neugent abstained on St. Anthony Catholic School and United Way.

Approve 2008 Grants Recommendations. Mr. Chapin noted Resolution 2008-1 relates to the Grants and moved to accept the Resolution. The motion was seconded by Mr. Whitney and passed on a voice vote. Mr. Galloway abstained from the whole vote due to numerous conflicts with his law firm; Mr. Brown abstained from the whole vote due to numerous conflicts; Mr. Beattie abstained on the Greater DM Partnership and Mentor Iowa; Mr. Bishop abstained on Mosaic; Ms. McGuire abstained on the Prevent Child Abuse and Mercy Foundation; Ms. Rasmussen abstained on the AAU Metro Basketball, Anawim Housing, and Grand View College; Mr. Neugent abstained on DM Playhouse, Dowling Catholic High School, Drake Innovative Solutions, and Drake Legal Clinic.

Ms. Stewart, Director of Community Relations, reported there were 328 applications and 203 were funded. Mr. Flynn asked the Board to review the list and call the office with conflicts and they will be deemed as abstained votes. Ms. Richer said there is a 13 member volunteer board that screens and rates all the applications and then a meeting is

held to award the grants. Mr. Chapin said it is a citizens' review process; Ms. Stewart said there are 13 members and four are Board members.

Approve End-of-Year 401k Distribution Among Bargaining and Non-Bargaining Employees – 2.5%. Mr. Byers noted this started with the 2000 labor contract, that at the end of the year, PM pays the bargaining unit 2.5% and the non-bargaining unit has received the same percentage which is currently 2.5% and he would like the Board to again consider the same percentage for the non-bargaining unit. Mr. Galloway moved to give 2.5% to the non-bargaining unit. The motion was seconded by Ms. Richer and passed on a voice vote.

Approve General Wage Increase for Non-Bargaining Employees – 3.75%. Mr. Byers said the last pay increase for the non-bargaining unit was December 30, 2007 and recommends the non-bargaining unit receive a 3.75% increase effective January 1, 2009 – this would be a general wage increase and is consistent with what has been done the last eleven years. Ms. Richer moved to give 3.75% to the non-bargaining unit. The motion was seconded by Mr. Galloway and passed on a voice vote. Ms. Richer noted this is the last year for an “across the board” increase due to the new appraisal system.

Approve Three Officers' Compensation (Compliance with IRS 4958 for 2009 – external report to determine fair and reasonable salaries). Mr. Bishop noted Deloitte did a study for PM. Mr. Galloway said the Executive Committee has reviewed the study – it is to ensure the three top executives are compensated comparably with other casinos and non-profits the size of PM – ours is in the low portion and this study shows that PM meets the IRS requirements. Mr. Whitney asked if this item is just to confirm the salaries paid fall in the compliance rules and it is not to approve salaries and Mr. Galloway said that was correct – this is a “safe harbor” provision. Mr. Galloway moved to accept the Deloitte study that the top executives' compensation falls within the regulations. The motion was seconded by Mr. Morden and passed on a voice vote.

Hotel Committee Update and Recommendation. Mr. Neugent said the Hotel/Parking Committee has received a preliminary draft of the HVS Study – the goal is to have the final report ready for the IRGC meeting in January; there was a recommendation for a secondary study and the committee asked HVS to do a study on usage and comps and that study is underway; the committee is being conservative; Snyder and Associates did 10-12 sites for the garage and hotel and the site recommendation from the committee is on the screen; the hotel needs to be close to the convention facility due to the need for additional break-out rooms; proximity to the casino is important; this is a space outline and not a design; we need to plan an entrance to the hotel and convention facility; hotel parking would be on the North side of the facility; a hotel needs to be close to the food outlets in the casino. Mr. Neugent said the committee would like authorization to continue to proceed with this site to be able to work on design.

Mr. Neugent said the parking ramp would be on the South end with an entrance to the casino on the second floor; the previous plan was to have 1,500 parking spaces and this plan is for 1,000 parking spaces – this will meet our needs; the cost is \$15,000 per space and we could add on in increments to get to 1,500, if needed.

Mr. Neugent said the committee has met with Jesus Aviles, the CEO from Dubuque Greyhound Park and Casino, Kehl Management (Riverside Casino and Golf Resort), Kinseth Group (don't own or operate a casino, but operate hotels), and Whalen (Heart of America and Bass Pro Development) to discuss what kind of hotel, owner/operator arrangements, etc.; the committee is pleased with the information received; the committee has not come to a conclusion or selected any group – it's just getting base information on amenities, structure, and ownership possibilities; the next step for the first quarter is to make a report to the IRGC at its January meeting with the final HVS Study, report on the Board's desire on the site recommendation, and a proposed timetable to bring the hotel to fruition; Deloitte, Tom Flynn, and Mark Wandro will work on the legal structure and the operating proposal when a decision is made; the committee will meet with Polk County on the lease of the property and a RFQ and RFP for the operators.

Mr. Morden asked the number of surface parking and Mr. Gorla, Director of Facilities, said we currently have 3,600. Mr. Morden asked how many spots the garage would add and Mr. Neugent said 800. Mr. Whitney asked if the committee had the recommendation in writing and Mr. Neugent said he received a copy from Mark Wandro after the meetings yesterday – Mr. Whitney requested the Board receive a copy of that memo. Mr. Whitney asked if the first decision is how to build, who should be involved, the location, and if we should build it or have someone else build it and if it is someone else, the relationship – the second decision is outside interests and a process so that any and all can be evaluated by the Board and Mr. Neugent said that was correct. Ms. Rasmussen asked about the Paddock and the parking garage and Mr. Neugent said the garage would be walled to reduce the noise level.

Mr. Brown asked about our current JACKPOT Guest Service and how we can develop an ease for check-in (the entry area looks congested) and if an outside entity operates the hotel, how can the Guest Service system be integrated into the operating mode so we have an even flow of Guest Service in all areas of the site (especially employee contact with patrons of the hotel) and Mr. Neugent said this would have to be part of the details for the operating agreement and if we go that direction, it will be a complex agreement – Kinseth said there should be no issues and they operate jointly with Ameristar.

Mr. Beattie noted there will be separate entrances for the hotel and the convention center; Mr. Brown said the image shown erases the entrance to the convention center; Mr. Beattie said there will be an entrance to the hotel and to the convention center; Ms. Urich said the porte-cochere area at the main entrance will be enlarged.

Mr. Chapin asked if the Polk County Supervisors need to approve this and Mr. Neugent said yes and the committee will also discuss a ground lease if we decide to go that way – there are many alternatives to consider and the committee is working on the best scenario for PM and hopes to have the structure to present to the Board during the first quarter – the final HVS study will be presented to the Board at the next meeting.

Mr. Whitney asked if something could be built on top of The Meadows and Mr. Gorla said the footings are not in place to do that and this site alignment has always been in mind if we built a hotel.

Mr. Chapin asked why the garage was on the South and Mr. Neugent said it would serve the casino rather than hotel; Ms. Urich noted the hotel could be expanded to the North. Mr. Neugent said this is a block image, not design and there will be three key entrances. Mr. Chapin asked if guests could watch the races from the hotel and Mr. Neugent said probably not, it wouldn't be that high.

Mr. Galloway said the committee has met with several groups and is exploring if we can build and operate in these difficult financial times if Polk County is not agreeable to bonds as we have no property to mortgage; it will cost \$15 million for the garage and \$20-30 million for the hotel – the committee is looking for a viable solution to financing. Ms. Richer asked if the hotel is a priority over the garage and Mr. Neugent said that is a Board decision. Mr. Whitney said the Gaming Commission said we have failed to meet their expectations with a hotel and ideally, we would own and operate the hotel, but the questions are: can we do it financially and do we want to be in the hotel business? – the Board needs to give direction to the committee and the committee needs to give its recommendations to the Board. Mr. Neugent said the committee is gathering information and at this time, is just trying to find the type of hotel, the economics, and the issues and there is no recommendation yet on who will own and operate the hotel. Mr. Whitney said the committee has to do this at some point – recommendations with justifications. Mr. Galloway said when the committee meets with outside groups, it is looking at the broad scope and gathering information. Mr. Neugent said the committee believes its charge is the scope and this is the first step to show the Commission what we're doing.

Mr. Galloway moved that the Hotel Committee be directed to move ahead and make a report to the IRGC. The motion was seconded by Mr. Whitney and passed on a voice vote.

Approve 2009 Lobbyist. Mr. Whitney said for the past four years, Troy Skinner has represented PM with the Iowa Executive Branch and Legislative Branch; he and Ms. Urich have met with Mr. Skinner and their recommendation to the Board is to retain Mr. Skinner for 2009 at \$70,000/year. Mr. Galloway moved to approve the recommendation. The motion was seconded by Mr. Chapin and passed on a voice vote.

Approve 2009 Legislative Agenda. Mr. Palmer said there are three issues: keep the casino carve-out for smoking, no increase in the casino gaming tax, if it's a clean referendum, support it. Mr. Palmer noted he's heard there's a bill in play that additional casinos have to give a certain percentage to PM for the purse distribution. Mr. Whitney moved to adopt the items identified by Mr. Palmer. The motion was seconded by Ms. Urich and passed on a voice vote.

Approve HR Committee Recommendation – 2009 Incentives for Directors. The proposed plan was passed out and Mr. Palmer noted it was also e-mailed to the Board yesterday; this is similar to last month's proposal with two individual goals added; 70% is financial, 10% is Guest Service, and 20% is individual goals; a 2.6 or less is zero incentive; page 2 describes the individual goals and there are two examples with mathematics and two department heads' goals were added.

Ms. Richer said the HR Committee didn't meet on the changes, but gave staff direction on what to change and this plan reflects the changes; she and Mr. Palmer discussed the individual vs. performance appraisals and tangible goals for specific individuals; the pay-out based on performance was changed from 3% to 5%. Mr. Chapin asked if staff supported this plan and Mr. Palmer said yes.

Mr. Chapin moved to approve the Incentive Program. The motion was seconded by Mr. Neugent and passed on a voice vote.

General Manager's Report. Mr. Palmer said there's been a lot of things going on and the team has performed wonderfully; it was our best year ever and he complimented everyone; the team participated in three events during November and early December and collected 2,586 non-perishable food items for the Food Bank (in addition to 107 turkeys), collected 430 hats, mittens and scarves for Bidwell-Riverside, and collected 389 toys for Toys for Tots (our patrons donated 1,280 toys).

Other Business – Mr. Bishop said the 2009 Meeting Dates are attached to the agenda.

Closed Session to discuss: 401k discretionary contribution for Bargaining and Non-Bargaining Units and Performance Review and Bonus for Gary Palmer. Mr. Galloway moved to go into Closed Session and Mr. Flynn noted that Mr. Palmer has to request a Closed Session. Mr. Palmer requested a Closed Session. The motion was seconded by Mr. Morden and passed on a voice vote.

The Board took a short break and went into Closed Session at approximately 3:20 p.m.

Open Session. The Board went back into an Open Session at 4:20 p.m.

Mr. Chapin moved that a 104k discretionary contribution of 1.5% be made for all employees. The motion was seconded by Mr. Galloway and passed on a voice vote.

Mr. Chapin moved the bonus for Mr. Palmer be 26.5%. The motion was seconded by Mr. Whitney and passed on a voice vote.

Election of Officers (Chair, Vice Chair, Secretary).

Chair: Mr. Whitney nominated Mr. Galloway for Chair. There being no other nominations, Mr. Whitney moved that nominations cease and a unanimous ballot be cast. The motion was seconded by Mr. Neugent and passed on a voice vote.

Vice Chair: Ms. Urich nominated Mr. Morden for Vice Chair. There being no other nominations, Mr. Whitney moved that nominations cease and a unanimous ballot be cast. The motion was seconded by Mr. Galloway and passed on a voice vote.

Secretary: Mr. Whitney moved to nominate Mr. Neugent for Secretary and the motion was seconded by Ms. Urich. There being no other nominations, Mr. Whitney moved that nominations cease and a unanimous ballot be cast. The motion was seconded by Mr. Brown and passed on a voice vote.

Election of Executive Committee (1 position in addition to Officers just elected).

Mr. Chapin nominated Ms. Urich; Mr. Beattie nominated Ms. Rasmussen; and Mr. Neugent nominated Ms. Richer. Mr. Flynn distributed and counted ballots and reported that Ms. Urich received seven votes.

2009 Executive Committee:

Chair - Michael Galloway

Vice Chair – Ron Morden

Immediate Past Chair – Jack Bishop

Secretary – Gerard Neugent

Member – Jodi Urich

Other. Mr. Whitney handed out a Resolution regarding outside vendors and requested it be placed on the January Board Agenda.

Adjournment. A motion was made by Mr. Galloway 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 4:32 p.m.

Respectfully submitted,

Michael Galloway
Its Secretary