

**Monthly Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
February 25, 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 January 28, 2009 as written. The motion was seconded by Mr. Bain and passed on a voice vote.

Public Comment. Doug Vail extended an invitation to the Board to attend a PowerPoint presentation on Friday, February 27 at 11:30 a.m. in the Altoona Room to learn about Advance Deposit Wagering and the Thoroughbred Horse Group; the THG is a big part of revenue to the horsemen and tracks need to be involved; it is a 20 minute presentation and has been made to several individuals and groups, the Racing staff and management; he plans to make the presentation to the legislature and lobbyists; if someone is unable to attend, he can do one-on-one presentations.

Financials. Mr. Wessels reviewed the January 2009 financials: Net Revenue above plan 1.6%; Total Expenses under plan 3.6%; Net Income before Community Betterment above plan 20.2%. Mr. Wessels reviewed YTD January 2008 vs. YTD January 2009: PM's revenue up \$697,000, attendance down 2,000, net win up 4.8%; Harrah's/Horseshoe revenue down \$23,000, attendance down 1,000, net win down 1%; Ameristar revenue down \$911,000, attendance down 21,000, and net win down 6.4%; Terrible's revenue down \$124,000, attendance down 4,000, net win down 3%. Mr. Wessels said PM's slot hold is 7.8% vs. 7.2% last year; Horseshoe's hold is 10.4%; Harrah's hold is 10.2%; Ameristar's hold is 9.1%; and Terrible's hold is 9.1%.

Three Vendor Resolutions/Contracts. Mr. Sears, Director of Logistics, said there are three separate contracts to review:

1. Williams Vending – this is an existing contract, the term expires at the end of the year, and the ownership has changed; this is for two vending units for medicine (i.e. aspirin, Tums); we also sell medicine in the Gift Shop.
2. Automatic Beverage Company – this is an existing contract for four vending machines and the term expires at the end of the year; one machine is in the main building, one machine is in Backside Maintenance area, two machines are in the Backside Administration building.
3. Great Caterers of Iowa – this is for the 2009 Racing season and is a year to year contract; there is a typo on page 3, item 7 – the date should be 2009; April 24 – September 29 with an option to continue through the Harness Meet; located on the Apron and open on Friday and Saturday and special days as noted from the Director of F&B; fee raised from \$250 to \$275/day; conditions – owner satisfies waste grease disposal and wooden ramp approved by City of Altoona.

Mr. Whitney asked if there are other vendors, beside Williams and Automatic Beverage, who could provide the services and Mr. Sears said yes. Mr. Whitney asked if other vendors had been contacted and Mr. Sears said no – these are existing contracts with a 60 day termination clause and no termination date; other companies have contacted us and when they learned the need is for very few machines and only during Racing season, they weren't interested.

Mr. Whitney asked about Great Caterers on the Apron – PM initiated this, the previous F&B Directors said we lost \$500,000 and sometimes in excess of \$1 million, PM has had 4-5 different F&B Directors, why is it desirous to retain a vendor who competes with PM? Mr. Willey, Director of F&B, said Great Caterers provides a service and products to our guests that we can't provide and their equipment and trailer costs \$250,000. Mr. Whitney said Great Caterers sells sandwiches and PM sells sandwiches and Mr. Willey said Great Caterers has a specialty item. Mr. Whitney asked if Mr. Willey knew of any other place that would allow someone to sell the same type of item and Mr. Willey said no, not a stand alone business. Mr. Whitney noted Mr. Willey is recommending doing something that no one else does and asked what Great Caterers sells and Mr. Willey said nothing that competes directly with the Homestretch (PM's concession stand) – if PM sells chips, Great Caterers can't – PM has discretion over the menu. Ms. Rasmussen asked how staff knows that people enjoy Great Caterers and Mr. Willey said through customer comments – Great Caterers sell a lot of ribs. Mr. Morden noted the customer base likes the products and asked if it would make sense for PM to supply a similar product and Mr. Willey said no, they're here only two days a week during the Racing season, it would be expensive for PM to do, and would mean a large investment for PM. Mr. Whitney asked, if in the process, were others offered an opportunity to do this and Mr. Sears said no, this contract has been done for the last three years, the unit is here, and staff anticipated until last month, that Great Caterers would be here again this year. Mr. Bain asked if Great Caterers furnished a financial report to PM and Mr. Willey said no.

Ms. Urich asked who set the price per day and Mr. Willey said PM – it is the same increase as the previous year. Mr. Whitney asked what the other vendors paid to PM and Mr. Sears said 10% of the gross sales and they don't provide financial information. Mr. Morden noted with vending machines, there is no human involvement and it would be hard to verify.

Mr. Neugent moved to approve vendor 1 – Williams Vending. The motion was seconded by Mr. Morden and passed on a voice vote.

Mr. Bishop moved to approve vendor 2 – Automatic Beverage Company. The motion was seconded by Mr. Neugent and passed on a voice vote.

Ms. Rasmussen moved to approve vendor 3 – Great Caterers of Iowa and the motion was seconded by Mr. Beattie. After an inconclusive voice vote, the motion failed on a roll call vote (9 no, 4 yes).

Mr. Galloway noted with all the conversation, the issue is competitiveness and staff should look at the process.

Ancillary Agreements. Mr. Galloway said this item will be deferred and placed on the March agenda; the Executive Committee was briefed on negotiations and asked for direction on some item.

Facilities Committee Hotel Recommendation. Mr. Neugent said he and Mr. Galloway met with Polk County regarding the lease, financing, and ownership of a hotel and there were no negative thoughts; the committee met on February 11 with Wild Rose and Venerts Group and have also met with other groups to help the committee and staff understand the issues and economics of a hotel; the Board previously approved the site of the hotel and parking structure; the committee needs approval to begin the process for a RFQ/RFP; the committee recommends the hotel be built, owned, and operated by an outside operator with a sublease with Polk County and an option to buy; during the meetings, the committee advised the hotel representatives that PM uses Union contractors and has Union labor; the committee is requesting a two step deal – the committee be authorized to negotiate a lease with Polk County and an RFP authorizing the committee to work with Mark Wandro from Snyder and Associates, Tom Flynn from Belin Law Firm, and Scott Wilgenbusch from Deloitte on the legal framework and bring the information to the next meeting.

Mr. Whitney asked when the lease expired and Mr. Flynn said a the end of 2010. Mr. Chapin said the hotel should face the racetrack so PM could sell suites like the ballpark and he agrees with Union labor. Mr. Neugent said this request is for absolute design and structural approval – the siting of the hotel occurred in the past and the consultants said this was the best scheme – it needs to be close to the casino and meeting rooms – this site was thoughtfully considered; he's not sure the hotel could be built high enough to view

the track. Mr. Galloway said the efficiency is where the hotel is located – other options were considered, but there were other issues; Mr. Neugent said we may be able to connect the second level of the hotel to the casino floor. Ms. Richer asked who would work on the RFI; Mr. Neugent said a team made up of Tom Flynn, Deloitte, Snyder and Associates, the committee, and senior staff. Ms. Richer asked who would be the lead and Mr. Neugent said the committee; Mr. Galloway said it would be lead by the committee and staff would develop the RFQ. Mr. Neugent said it wouldn't be a hard bid – it will take a lot of negotiating. Mr. Brown asked the level of hotel service – 1-5 stars and Mr. Neugent said he'll send out Phase 2 of the HVS Study when it is finalized – the survey shows there is a high demand for rooms, but people want a low priced room – the hotel will probably be a “middle of the road” hotel. Mr. Brown asked about expectations for conventions – low end rooms are not acceptable and noted there are different sets of people – gamblers, convention, and comped rooms; Mr. Neugent said there's also a reservation system and points to consider – half said we need a franchise and half said we need to be an independent – there are a lot of decisions. Mr. Whitney asked if anything is needed from the Board (i.e. staffing) and Mr. Neugent said staff is working on this and Bob Gorla (Director of Facilities) and the designers will be important, but at this point, the committee needs Board direction to talk to the County about the structure to create a legal ownership and financing that the County agrees with. Mr. Galloway asked the timeframe and Mr. Neugent said if everything goes well, the hotel could be open late next Summer or early Fall.

Mr. Neugent moved that the committee be authorized to work with Polk County on a sublease and adopt a recommendation to begin the RFP with the hotel being owned and operated by a third party. The motion was seconded by Mr. Morden and passed on a roll call vote (13 yes, 0 no).

Legislative Update. Troy Skinner handed out and reviewed the Legislative Report dated February 25, 2009 – there are no carry-over bills and this session is 10 days longer; funnel dates are March 13 and April 10; the legislature is focused on the budget as the state has a deficit of \$700 million; the stimulus package for Iowa will be \$1.9 billion; gaming bills - one adds five new DCI officers at PM, but they have backed off of this idea, another is the audit bill that would allow more time to do the audit, but opens the Code and will die if amendments are added, another bill increases the fine to minors; there are several smoking bills; and the sale of the lottery information.

Mr. Whitney asked about the audit process and Mr. Skinner said the bill delays the time the audit has to be done – it will probably be amended by the accountants – we're ok with the amendments.

Introduce Clint Pursley, Director of Security. Mr. Pursley said he's been in the gaming business for 17 years, 14 at PM; he received his certification in gaming management from the University of Nevada at Reno; PM is required by code to certified peace officers, Polk County officers, Sheriff's officers, Highway Patrol, and Altoona Police`,

and EMTs; in 2008, there were over 4,200 reportable incidents, dispatch logged over 215,000 calls for service, staff received more than 5,800 hours of training, \$68,000 worth of property was recovered or 81% of all reported lost or stolen property, 218,000 customers were id'd.

General Manager's Report. Mr. Palmer said PM had a great January; February numbers look good; upcoming concerts: March 6 - Glen Campbell, April 16 - Golden Boys (Frankie Avalon, Fabian, Bobby Rydell), May 29 – Clint Black; Valentine's Day was the best one ever for F&B with \$73,000 in sales; Grants luncheon was held on February 19 and 850 were served; tonight is the first JACKPOT Service Award Dinner and 150 are expected to attend; the *DM Register* has three reporters working on an article about PM's 20<sup>th</sup> Anniversary, the article comes out next week, and 20<sup>th</sup> Anniversary promotions are scheduled all year.

Dr. McGuire asked about the 14<sup>th</sup> – was it due to luck or promotions and Mr. Palmer said there were food specials in AJ's and the buffet and there were long lines for the buffet until 10:00 p.m. Mr. Bishop noted F&B has had a big turn around and he credits staff who worked hard to bring F&B to its current level. Mr. Morden said due to the efficiency of the food staff, 850 were served at the Grants luncheon buffet in 17 minutes.

Other.

Mr. Galloway reported the Executive Committee received a revised Strategic Plan, Mr. Wessels is working on forecast models, Ms. Atkin provided Marketing Plan data, after the Executive Committee reviews the information, it will be circulated to the entire Board.

Mr. Whitney requested the Racing Committee stay for a short meeting after this one concludes.

Mr. Neugent said the Finance Committee will meet after this one concludes.

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

Respectfully submitted,

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Gerard Neugent  
Its Secretary

