

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
October 28, 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 – via Skype
Jodi Urich
Tom Whitney
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. Bishop to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on September 23, 2009 as written. The motion was seconded by Mr. Morden and passed on a voice vote.

Public Comment.

Arlen Nicholls said PMRC is required to file a balance sheet and profit and loss sheet and other forms; he's requested this information and looked through state records and he's never been able to find or receive it; he'd also like to have the dollar figures regarding racing. Mr. Flynn said that PM files reports with the Commission and they are satisfied; Mr. Wessels said PM files all that it's required to file with the IRGC, IRS, and State of Iowa; Mr. Morden noted the balance sheets are included in those reports; Mr. Galloway requested Mr. Nicholls provide Mr. Wessels with his addresses and the information he wants. Mr. Nicholls said he wants the figures and noted the regulators should be getting this from PM.

John Vernon said he is here to talk about two things – the Quarter Horse proposal and Conflict of Interest. Mr. Hammer, who was unable to attend today, asked that he speak about the October 12 meeting – the Quarter Horses proposed a 30 day, stand-alone meet, 3 days a week (Thursday, Friday, Saturday), 10 weeks of racing, 8 races a day, starting August 4, 2010, with a three year contract.

He represents Butch Bain on the Conflict of Interest and referenced Article 12 of the By-Laws, the Code of Ethics approved January 18, 2006, and IRS Form 1023 – by voting on the proposal to set racing dates, does Mr. Bain get an economic benefit to himself or the group he represents – the answer is no; if the answer were yes, then there are items that the At-Large members and Polk County representatives' shouldn't vote on.

2010 Live Racing Program. Mr. Galloway said the Executive Committee has a recommendation regarding the racing program and it was a 4-1 vote; the recommendation is to rescind the previous plan and vote on the following: 70 days of Thoroughbred racing with a five year contract; 15 days of Quarter Horse racing from 2010-2012 with three Trial Races held during the Thoroughbred Meet; Standardbred racing be terminated, purse funds split 85% for Thoroughbreds and 15% for Quarter Horses; race days – Monday, Tuesday, Saturday, Sunday and

review the days after the hotel is built; the balance of the items on the sheet reiterate points previously approved by the Board.

Mr. Bishop moved to rescind the previous plan and readopt the new recommendation. The motion was seconded by Mr. Neugent.

Discussion. Mr. Morden asked the days and Mr. Galloway said he may have misread the recommendation – it should be Monday, Tuesday, Friday, and Saturday.

Mr. Chapin moved to amend the resolution and change the Quarter Horse days to 30 days, not 15 days. The motion was seconded by Mr. Bain.

Discussion. Mr. Chapin said Quarter Horses provide economic development for Iowa and 15 days would hurt the Quarter Horses – similar to laying off people, he likes the Thoroughbred proposal, and he'd like the Quarter Horses to have an opportunity to race. Mr. Morden said the original proposal was 15 days plus three trials for a total of 18. Mr. Bain said the important item is getting enough days of racing – Quarter Horses have never had a stand-alone meet and need the number of days to make it worthwhile to have a good program – 30 is the bare minimum. Ms. Urich said she voted no in the Executive Committee and her concern is, we're fourth in the nation, will put people out of work, and slow the industry; filling races has a direct impact to the bottom line; Quarter Horses have 8-9 horse fields and can do exotic bets; she likes the 70 days for Thoroughbreds; Quarter Horses need to stand alone and PM needs to embrace and support them – she agrees with Mr. Chapin. Ms. Richer asked the number of racing days at other tracks and Ms. Urich said close to 60 – we could be the largest Quarter Horse and Thoroughbred track; we haven't address the food budget – horsemen buy food and beer – what will that impact be; before we said 30 days. Mr. Bain asked the length of the Quarter Horse contract and Mr. Galloway said three years. Mr. Bain said 15 days for Quarter Horses is a recipe for disaster – it won't bring in out of state stables – Quarter Horses needs more days. Mr. Morden asked the number of opportunities under the current contract for Quarter Horses and Mr. Bain said 321 days/5 races a day = 200; they also run Trials; cutting back will worsen the situation; the bare minimum is 24 days.

Mr. Whitney said there are myths that horses cost PM money – it's been identified as \$32 million; PM hired the best consultants around (Doug Reed and Mr. Margaret Ray) and they recommended 18 days of Quarter Horse racing and 55 days of Thoroughbred racing; the Quarter Horses came to the Racing Committee and advocated 30 days of racing – they've always run in a Mixed Meet; the Racing Committee recommended 30 days; the Quarter Horses repudiated at the IRGC meeting that 30 days was not acceptable and are now saying 30 is acceptable; PM needs to look at the consultants' recommendation and what represents PM's best interest; with the new proposal, we're making the Quarter Horse handle close to the highest in the country – they'll come here to make money; our first obligation is to our customers and quality of racing; during the Mixed Meet, people leave when the Quarter Horses are racing; we're giving the Quarter Horses an opportunity to show they can do well; it's a three year contract; we'll use the metrics after three years to see the outcome; the consultants said there's no justification for a longer meet and they weren't even sure if there should be any Quarter Horse racing; what's proposed by the Executive Committee recognizes our strengths and gives folk an opportunity; no racing here for Standardbreds, but the recommendation includes working with them on the County Fair circuit; the recommendation is an intelligent compromise and he supports the recommendation and is opposed to the amendment. Mr. Bishop also opposes the amendment.

Vote on the amendment by Mr. Chapin to change the Quarter Horse days to 30 days, not 15 days. The motion failed on a Roll Call Vote (4 yes, 8 no, Ms. Rasmussen abstained).

Vote on the motion adopted by the Executive Committee. The motion passed on a Roll Call Vote (4 no, 8 yes, Ms. Rasmussen abstained). Mr. Galloway said this is subject to Commission approval, with direction to Mr. Flynn to work on the contracts.

Financials. Mr. Wessels reviewed the September 2009 YTD financials: Net Revenue \$148.4 million vs. budget of \$154.6 million; Total Expenses \$122.8 million vs. budget of \$130.1 million; Net Income before Community Betterment \$25.6 million vs. budget of \$24.6 million; the report represents nine months of casino revenue and we're down \$4.4 million.

Property	Net Win	Attendance	Slot Hold
PMRC	-\$4.4 million or -3%	+52,000	8.09%
Horseshoe/Harrah's	-\$14.3 million or -6.4%	-234,000	10.4% / 10.2%
Ameristar	-\$14.5 million or -10.7%	-282,000	9.3%
Terrible's	-\$1.5 million or -3.7%	-27,000	9.1%

Mr. Wessels said the state as a whole is down -6.3% and PM is -3%.

Grants Committee. Mr. Whitney requested the Board pick up their Legacy Grants binder and score sheet after the meeting; please return the score sheet to Community Relations by November 23, 2009; a reminder e-mail will be sent out; the Grants Committee recommendations will be made at the December 16 Board meeting; the Legacy budget is \$2 million and \$988,500 has been allocated due to multiple year grants; the Board will be voting later today on placing the DM Partnership back in Legacy – we'll have \$711,500, but we will also have to take out \$250,000 for United Way and that leaves \$550,000; we received 19 Legacy applications this year; we received 521 Community Betterment applications and the committee has been divided into sub-groups to help get a handle on the number of applications.

Mr. Galloway asked about the Community Betterment grants of \$10,000 and under and noted Legacy is set at \$100,000 – how will the in-betweens be addressed? Mr. Whitney said that is being addressed. Ms. Richer said the movement of the DM Partnership to Legacy is not a budget reduction, it's just moving and cutting back on expenses. Ms. Richer asked how the 2010-2011 budget will be treated and Mr. Neugent said this is being reviewed – the final budget will be sent to the entire Board with explanations and the changes highlighted; we haven't gone beyond 2010; the Partnership is in Legacy, not a separate line item; Legacy is being kept at the same level and is the next agenda item – it was in Legacy in 2008; there's no reduction in Legacy this year, but revenue has declined. Ms. Richer asked about next year and Mr. Neugent said projections indicate unemployment will remain and revenue will be down in 2010; staff is cutting expenses the best it can without jeopardizing service or the work force; Legacy remains the same, but includes the Partnership. Ms. Richer noted it's still a reduction and Mr. Neugent said it was part of Legacy and moved to a separate line in 2009 without realizing a revenue reduction – the budget change in 2009 can't be accomplished and it's been restored to 2008 levels.

DM Partnership. Mr. Neugent passed out the Executive Committee's recommendation and said it is a cut to Legacy, but it's the responsible thing to do; we're staying as close to budget as we can; we're reducing costs without jeopardizing service. Mr. Wessels reviewed page 2 of the recommendation and said in 2008, there was \$5 million for charitable contributions, the 2009 forecast is \$5.3 million with the DM Partnership, and if approved, the 2010 budget will be \$5.3 million with the DM Partnership in there. Mr. Neugent said with the DM Partnership moved to Legacy, that's still \$340,000 more than we did in 2008.

Ms. Richer said with the cut in expenses and squeeze on revenue, she'd like to remind the Board that PM isn't a public company with stockholders; the existence of PM is to serve the community and charities, but she understands the motion and the recommendation. Mr. Neugent said we give \$23 million over and above other casinos – PM does five times more. Ms. Richer said Legacy has more of an impact and visibility for PM. Mr. Galloway asked what would happen if we don't do anything (\$300,000) this year – what is the next step and Mr. Wessels said it reduces cash flow \$300,000 and would affect the savings to build the hotel.

Mr. Whitney supports the proposal and noted \$1 million is mandated by the State to the Standardbreds, there's an economic downturn, and we have to go to Legacy and Community Betterment to find money; asked if we should be paying the \$300,000 to begin with and why do we have to carry the burden; we want to make the maximum

commitment to the community and we should find alternative solutions. Dr. McGuire asked with the cash flow and hotel – do we have to do this this year and Mr. Wessels said in his opinion, yes. Dr. McGuire asked if there was a middle ground and Mr. Wessels said it's a challenge with the economic uncertainty; we have cut expenses and employees are taking early-outs and at this point, reducing any more would impact services and that'll affect the revenue in the future. Mr. Neugent said he's cognizant to protecting charitable giving – the current budget is \$5.3 million, we paid the first installment to Altoona, and there's still an increase to that budget. Mr. Bishop said we increased revenue with ATM fees; Mr. Galloway said the committee will continue to monitor and can make changes.

Mr. Neugent reminded the Board that with the recently adopted policy, the whole Board will look at anything left over and not expended and where the most need is – operating reserves, capital reserves, or charitables – it was applied to debt in the past; this will probably be brought to the Board in March. Mr. Morden said there's \$2 million in charitables and \$2 million in Legacy in the budget; in 2009, the Board wanted to increase the budget by \$300,000 and that is why the Partnership was pulled out; the economy is not friendly and by reclassifying, we can't afford to increase Legacy by \$300,000, but need to keep it the same at \$2 million; with the previously passed policy, any excess funds will be reviewed annually by the Board and a decision made where to put it – operating, capitals, charitable.

Mr. Bishop said the Board has this same discussion every year and says and does the same thing – the Partnership gets big money from us and in the same amount every year; the Partnership sometimes gives to the same things that PM does, but PM doesn't get credit; maybe we need to make an adjustment in what we're doing as some smaller organizations/businesses would go out of business if we didn't fund them.

Mr. Brown said with the volatile economy and with staff making adjustments and still maintaining a good revenue flow with cost reductions and each economist saying something different, we could use the \$300,000 for the hotel and that will create jobs and revitalize the community in this way – the quicker the hotel is completed, the quicker revenue will flow to the community; it's the casinos with expansions that have survived the economic situation; he supports the resolution.

Mr. Bishop said with the economy and unemployment, we haven't adjusted giving – the Food Pantry is empty and we should help them; we need to fine tune the community giving program.

Mr. Neugent moved to approve moving the DM Partnership to Legacy Grants. The motion was seconded by Mr. Bishop and passed on a voice vote.

General Manager's Report. Mr. Palmer reported on: PM hosted 350 for the Honor Flight lunch and 900 for the Honor Flight Dinner; The Temptations Review concert is November 12; Harness Racing is over; PM is partnering with Bass Pro on promotions and buying opportunities. Mr. Beattie asked if PM would be hosting the November 4 Honor Flight dinner and Mr. Palmer said no, Hy-Vee is doing that one. Mr. Galloway said it was a nice event and complimented staff and its partners. Ms. Urich attended the VIP Party last Friday and said it was a great event and the food was outstanding.

Break 3:15 p.m. – 3:30 p.m.

Closed Session – Discussion on the Budget and the Hotel. Mr. Neugent moved to go into a Closed Session under Iowa Code 21.5(1). The motion was seconded by Ms. Urich and passed on a Roll Call Vote (12 yes, Mr. Bain absent).

Open Session. 4:00 p.m.

Hotel Design. Mark Wandro from Snyder and Associates reviewed the PM Hotel Concept Plan dated October 22, 2009. Mr. Neugent moved the Board approve the conceptual design and continue negotiations and the lease document. The motion was seconded by Mr. Morden. Mr. Galloway asked if an update would be provided to the

committee and Mr. Neugent said yes. Mr. Bishop thanked the committee for all the hard work being done on this project. The motion passed on a voice vote (Mr. Bain and Ms. Urich absent).

Other Business.

At-Large Committee Interviews – Mr. Bishop said the current at-large committee will interview candidates on November 7, 2009; there are 10 applicants and two seats; Bob Beattie can be reappointed and Perry Chapin's terms are done; the recommendation will be given to the Board in November.

Altoona Economic Development – Mr. Neugent said Altoona requested the voluntary \$500,000 grant and the Finance Committee recommendation is not to do this as funds are not available.

Legacy Grants Applications – Mr. Whitney reminded the Board to pick up their notebooks and score sheets.

Adjournment. A motion was made by Mr. Morden 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 4:06 p.m.

Respectfully submitted,

Gerard Neugent
Its Secretary