

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
May 27, 2009
The Meadows – Room A**

The Monthly Meeting of the PMRC Board of Directors was called to order by Michael Galloway in The Meadows - Room A at Prairie Meadows in Altoona, Iowa at 2:05 p.m.

Roll Call.

Butch Bain	Ron Morden
Bob Beattie	Gerard Neugent
Jack Bishop - absent	Lynette Rasmussen
Don Brown – arrived after Roll Call	Sunnie Richer
Perry Chapin	Jodi Urich
Michael Galloway	Tom Whitney
Andrea McGuire	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 22, 2009 as written. The motion was seconded by Ms. Richer and passed on a voice vote.

Public Comment. Mr. Galloway said two people, Tom Levis and Ned Krupko, wish to make a statement and he'll allow each one ten minutes.

Mr. Levis works at the Brick Gentry Law Firm and represents the IHBPA and ITBOA and those organizations would like to express their objection to a couple of the recommendations; his clients welcome a long term plan; 90% of his clients are small business owners who own horses and are in the business to make money. The focus is on revenue and expenses - expenses for a Thoroughbred (TH) from birth to racing averages \$15,000-\$25,000 and the focus on revenues includes the size of the purses and the opportunities to run. TH need 8-9 opportunities to run to be profitable; TH only run once every 2 1/2 – 3 weeks; to get 8-9 opportunities to run, the TH meet must be for four months or 700 opportunities. There's also a circuit concern with Remington Park, Oklahoma, and Hawthorne – if PM's meet ends July 15, others don't start until August 15 and there's no place to train the horses; if the committee's recommendation of a 55 day TH meet over three months is adopted, a vast majority won't make enough money and will be shut down; 95% are small ag farms trying to make a living; by law, PM is required to nurture racing. The elimination of Monday and Tuesday racing is another concern – TH love to run in front of big crowds and live racing is the best; Monday-Tuesday is unique across the country and has a huge simulcast following; PM would generate more revenue with Monday-Tuesday racing; PM gets a certain percentage with simulcasting and the TH have no say in the money; PM's percentage compared to others is less and they are some missed simulcast opportunities – he will share the

data with the Racing Department; the horsemen are willing to work with management on PM’s costs; PM is unique due to having a horse track; everyone wants PM to succeed; the racing schedule proposed won’t be a success and the Monday-Tuesday switch is not beneficial to PM.

Mr. Krupko lives in Urbandale, is a racing enthusiast and fan, is an insurance executive, and a former horse owner. When he heard PM was developing a Strategic Plan for racing, he was very enthusiastic; he watched the process unfold and attended the public hearings; and he believes this is far less than a Strategic Business Plan – it should include everyone involved in racing and gather the desires and wants and make an evaluation and find a common ground and develop it – plan objectives, goals, evaluations, and set a plan. PM hired consultants and the report is back, public hearings were held, and very few support the proposal – he encourages the Board to engage in a true planning process, bring in a knowledgeable facilitator, and define where it wants to go.

Financials. Mr. Wessels reviewed the April 2009 YTD financials: Net Revenue below plan .7%; Total Expenses below plan 6.3%; Net Income before Community Betterment above plan above plan 16.3%.

Property	Net Win	Attendance	Slot Hold
PMRC	-1.4%	+2,000	8.05%
Horseshoe/Harrah’s	-5.2%	-70,000	10.51% / 10.34%
Ameristar	-7.3%	-99,000	9.34%
Terrible’s	-5.2%	-15,000	9.12%

Ms. Richer asked the correlation with hold and attendance at Horseshoe/Harrah’s and Mr. Wessels said it’s difficult to tell – it’s their strategy.

Amended By-Laws. Mr. Flynn said the changes were discussed at the last meeting – Ms. Richer asked that the rules for non-voting members’ terms and replacing terms be consistent with the remainder of the Board. Ms. Richer moved to adopt the revised By-Laws. The motion was seconded by Mr. Morden and passed on a voice vote.

Finance Committee Charter. Mr. Galloway said this item will be deferred until the next meeting.

HR Committee Charter. Ms. Richer said a copy was e-mailed this morning and there’s a copy in the handout material and moved to adopt the HR Committee Charter. The motion was seconded by Ms. Rasmussen and passed on a voice vote.

Investment Policy. Mr. Galloway said this item will be deferred until the next meeting.

Grants Committee Members. Mr. Whitney moved to approve Martha Willits, Ginny Strong, John Smith, Karrie Wilson Weinhardt, and Loretta Sieman. The motion was seconded by Ms. Richer and passed on a voice vote.

General Manager’s Report. Mr. Palmer noted the Principal Classic Draw was held at PM last night, 600-800 attended, and he heard very positive comments; May 29 is the Clint Black concert; June 6 is the Belmont Stakes, June 13 is Family Night; June 19 is Grand Funk Railroad concert;

June 26, 27 is the Festival of Racing; June 27 is the first Morning at the Meadows; “Introduce a Director” was cancelled this month and Kevin McDonald, Director of Special Events, will be on the June agenda.

Racing Consultants’ Report – Q&A. Mr. Galloway said Tom Whitney chairs this committee and other members include: Butch Bain, Don Brown, Perry Chapin, and Randy Minear; the Board has received the report; and the committee will entertain questions.

Mr. Whitney said the committee is pleased with the consultants, Dr. Margaret Ray and Mr. Doug Reed, – the report is thorough and self-explanatory and the consultants did everything assigned by the committee.

Ms. Rasmussen asked about the bridge between the consultants’ recommendations on opportunities and days and what she’s hearing in the committee recommendations. Mr. Whitney said the consultants were asked to establish what is in the best interest of PM, an ideal racing season, and they arrived at a number, it is a subjective judgment; the consultants looked at other tracks and costs in an attempt to create circumstances to reduce revenue and costs – PM is in the red approximately \$400 million and that means money is not available for other things; PM was built to race horses and has been in the red since day one; the last 14 years, racing has been subsidized by the casino – racing was saved, but created a disconnect with handle and purses at 11%; purses at 11%, no matter the quality of horses, created a welfare program; in 2008, the Department of Agriculture distributed an Iowa supplement for all three breeds to 122 people; we’ve raced for 20 years and there’s no predictability; since 1995, horsemen have received 11% in purses; prior horse breeding statistics in the US listed 41,000 foals and in 2008, the number was 31,000 foals; Franklin D. Roosevelt said to do something and if that doesn’t work, do something different and that is what we’re trying to do – we can’t continue in the red, the committee is trying to find a better product for the patrons; there’s no guarantee this is the ideal program; we’ve had numerous programs over the 20 years and the consultants gave the committee their best judgment – it’s not guaranteed to be 100% right; the committee wants better horses, quality racing, and big handles; Churchill reduced racing days this year; if there was not a casino at PM, there would be no racing today.

Ms. Rasmussen appreciated Mr. Whitney’s comments and said the horsemen are willing to work with staff for a win/win situation and noted the report puts all on the same page to make a good program; the law states PM is to help nurture the breeding industry, we need to establish a matrix, what’s the reason the opportunities are 560 vs. the 700 discussed by the consultants – 560 restricts the program to hobby farms. Ms. Richer referred to page 3 of the recommendations and the number of races in 2009. Mr. Whitney said everyone is entitled to their opinions, but not to their own facts – PM has been in business for 20 years; the Commission told PM to look at similar tracks – Arkansas does not have a breeding industry like Iowa – in 2008, Arkansas had 600 foals and Iowa had 300 foals; in the public hearings, the committee heard racing in Iowa, according to the consultants, is a \$123 million business and the ag industry is a \$20 million industry - \$123 million = .01% of the ag industry in the state – we could increase this 100 fold and there’d be no significant impact on the ag industry; he appreciates the concern to save racing at PM, but we need to accept racing’s loss of millions of dollars every year for 20 years; facts can’t be made up – a number of people breed horses and it’s suspect when 97 Thoroughbred, 41 Quarter Horse, and 30 Standardbred breeders received a breeder’s supplement in 2008 – we can’t characterize this as a breeding industry; what we’re doing now isn’t working – Arkansas had twice as many foals as Iowa; the customers and community are entitled to good racing and want

to know if the Board will continue to support the losses – this is all the committee is trying to address.

Ms. Richer asked about the number of starts and out of state racing (page 40 of the consultants' report) and why is there a mismatch on the money earned? Mr. Whitney said the committee supports investigating PM joining in with other tracks and when PM is not running, provide a supplement for Iowa-breds like we do at PM (breeders receive a supplement) – win purses and receive a supplement; the money wouldn't come from purse money, but where it would come from is another question. Mr. Whitney said the committee met with the CEO at Oaklawn – he's been a CEO for 24 years, Oaklawn only races Thoroughbreds, and said the difficulty is the owners and trainers; pages 22-23 in the report show there's a drop in racing opportunities across the country; Thoroughbreds started at 11 and are down to 6; Thoroughbreds' lifetime opportunities went from 35 to 17 – Thoroughbreds raced more often in the past; a Hall of Fame trainer at PM said we don't race them nearly enough and he concurred with the CEO at Oaklawn. Ms. Rasmussen asked the name of the PM trainer and Mr. Whitney said Dick Clark.

Racing Committee Recommendations. Mr. Galloway thanked the Racing Committee and noted this is a volunteer Board and we need committees to work on specific issues; there has been a lot of debate about this item; the committee had a tight timeline to get a report to the IRGC; the committee has only good intentions; and the Board has received the five page report.

Mr. Whitney said it is important for the Board to establish a matrix and benchmarks for the benefit of PM, the breeders, and the owners – something to measure by; the committee looked for the best interest of PM and the best interest of racing at PM – these recommendations are not a 100% guarantee, and if they don't work, we'll do something different.

Ms. Rasmussen commented on the difference in the racing days from the consultants (56 Thoroughbred, 19 Quarter, 2 Standardbred) and the committee (55 Thoroughbred, 30 Quarter, 0 Standardbred) – the consultants said the Thoroughbreds are the logical focus at PM and there's no jump in Thoroughbred days, but there is in Quarter Horse days – why? Mr. Whitney said the committee felt it needed to give the Quarter Horses a chance as they piggyback onto the Thoroughbreds and haven't had a chance to show if they're viable or not; we're taking a chance and letting them try – the risk is, can they generate enough horses and they said they needed 30 days to demonstrate they are viable and can stand alone; the committee was reluctant, but wanted to give the Quarter Horses an opportunity and they have a two year plan; both the consultants and committee had doubts and, if after two years, it doesn't work, there are other options that might not be acceptable; there's not a Quarter Horse breeding program in Iowa and this may give them a start. Ms. Rasmussen said that was the answer to her previous question. Mr. Whitney said Quarter Horses never had the opportunity and the Thoroughbreds have – Quarter Horses leaned on Thoroughbreds for success and this is an opportunity to show they're viable.

Ms. Rasmussen asked about item 4 – racing on Thursday, Friday, Saturday, and Sunday and taking away the simulcast days of Monday and Tuesday – no one is here on Sunday – why not trade Sunday for Tuesday for simulcast purposes? Mr. Whitney said, in the long term, there's more success financially going to Thursday through Sunday racing and we want to give it an opportunity to work; the simulcast signal will continue go out, but not in the same amount; the consultants don't think we'll grow the handle – the future is simulcasting; if this doesn't work, we'll try something different.

Ms. Urich said she's heard comments and concerns regarding the committee's recommendations and she realizes the committee was under stress to give a recommendation for the Commission, but she has these concerns: Has the committee talked to everyone involved – she's not heard in the open meeting why we should adopt this program – does anyone agree with the report? If we do these recommendations, do they comply with the law – she hopes to have a matrix with benchmarks and is uncomfortable voting on these recommendations without a Business Plan and no clarification on the \$30 million loss. There's no information on the hotel (i.e. room rates, etc.). What if the matrix doesn't support the recommendations – do we start over? Mr. Whitney said if it doesn't work, we can change it, it's a living thing and is not set in stone; we're giving three years to evaluate the thoroughbred program and two years to evaluate the Quarter Horse program and we can change if it isn't working.

Ms. Urich said the \$400 million hasn't been verified and asked the timeframe? Mr. Whitney said \$29 million or \$2 million doesn't matter – we will race horses at PM and we will subsidize racing at PM; we need to quit apologizing for racing at PM, it is an attractive addition to PM – the rub is what we spend; we're giving the Thoroughbreds a three year opportunity and the Quarter Horses a two year opportunity; we'll build a matrix and make a final judgment. Mr. Galloway asked if it would be realistic to have a matrix to the Board in 3-4 months and Mr. Whitney said he hopes to have it in advance of that time and noted Mr. Morden is working on the Strategic Plan.

Mr. Chapin said he's never been opposed to a few more days of racing and there was a compromise made within the committee on the number of days; we have \$50 million tied up in infrastructure here; he will vote for the recommendations; he likes Standardbred racing, but it's his opinion that there's no attendance or wagering on Standardbreds – they do a great job out in the circuit and he's not opposed to a subsidy in the circuit.

Mr. Whitney said the recommendation doesn't include specific dates, but the committee would like to investigate a circuit.

Ms. Urich said the consultants' report had a strong concern about Marketing; the Marketing Committee met yesterday; in the matrix, are we going to separate out racing in the Marketing budget? Mr. Whitney referred to item 7 in the recommendation, if we adopt the recommendations, this is part of it. Ms. Urich said the Marketing budget is set.

Mr. Whitney moved to adopt the recommendations from the Racing Committee. The motion was seconded by Mr. Brown.

Ms. Rasmussen referred to the letter from Todd Lieber and offered an amendment – change Thoroughbred days to 64 due to the Code and breeding industry. Mr. Galloway asked if Mr. Whitney would accept a friendly amendment and Mr. Whitney said he did not.

Before voting, Ms. Rasmussen said she would like to explain why she wouldn't be voting, along with a couple of others - she will recuse from the vote do to the IRS code and conflict of interest section – she has no personal interest or resources, nor does her husband, but her mother-in-law does. Mr. Flynn said it is ok for Ms. Rasmussen to offer the amendment, but not vote, and said the Board should vote on the amendment first and then the motion.

Mr. Bain seconded the amendment offered by Ms. Rasmussen for the number of Thoroughbred racing days to change from 55 to 64. The motion failed on a Roll Call vote (1 absent, 3

abstained, 7 no, 2 yes). Mr. Bain said he must abstain and Ms. Urich said she must abstain by legal counsel advise.

The motion to adopt the Racing Committee's recommendations passed on a Roll Call vote (1 absent, 3 abstained, 9 yes, 0 no).

Other.

Mr. Chapin would like the Marketing Committee to meet following the Board Meeting.

Adjournment. A motion was made by Ms. Rasmussen 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 3:30 p.m.

Respectfully submitted,

Gerard Neugent
Its Secretary