

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
August 26, 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

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 monthly meeting of the Prairie Meadows Board of Directors held on July 22, 2009 and the Special meeting held on August 7, 2009 as written . The motion was seconded by Mr. Morden.

Ms. Urich would like the Minutes to reflect the following changes: July 22, 2009, page 3 – Facilities Committee Recommendation, add that she requested a list of the investors and August 7, 2009, under the vote for a Closed Session, list the no votes (Urich and Bain)

Mr. Neugent and Mr. Morden accepted the changes and the motion passed on a voice vote.

Mr. Galloway said there have been several questions regarding the agenda and the technical definition of reconsider vs. rescind, there is no hidden agenda with the wording, and the motion can be made to rescind the Racing Plan. Mr. Chapin accepted the change to rescind and Mr. Flynn said the motion should be rescind.

Public Comment.

Ed Skinner. Mr. Skinner said he previously served on the Board during bankruptcy and referred to the article in this morning's paper regarding the issue of another casino in Polk County – the perception is PM is in support of another casino. Mr. Skinner received permission from Stacy Cargill from Dallas County to read the e-mail she sent him – excerpts include: she is very opposed to gambling, they met while working to block referendums in the surrounding counties, she believes there should be only one casino in Polk County and the surrounding counties, would like the Board to publicly state that PM does not want a second casino, PM requested and received a resolution from the IRGC that there would be no other horse racing within 50 miles of Altoona and that has not been rescinded, the IRGC is on record stating that no license would be issued if it would cannibalize another casino, the Board needs to take a

stand and take immediate action and put to rest this issue or it'll affect legislation. Mr. Skinner said a second casino would cannibalize PM and affect other casinos, would affect the racing purses, would defeat and deplete grants and charitables; the Board opposed a casino in DM and spent money to do so; the Board represents PM and there's no need to study this issue – the facility is based on ownership by the citizens of Polk County and became a reality; it is not in the best interest to the City to have a second casino; the Board serves the public and needs to act and take care of the citizens of Polk County and take care of PM so all funds are funneled back to the county. Mr. Skinner requested the Board pass a resolution stating flat there is no support for a second casino in Polk or any surrounding county.

Tom Levis. Mr. Levis is a lawyer with the Brick Law Firm; is the Thoroughbred representative; spoke at the May Board meeting; now represents all three breeds; a proposal was given to the Board that would satisfy PM, IRGC, and all three breeds; all three breeds will approve the proposal. The proposal includes racing from mid-April to the end of September with a 35 day Thoroughbred Meet from April – May, 45 day Thoroughbred and Quarter Horse Meet in June, 9 day Quarter Horse and Standardbred Meet, 10 days of Standardbred racing, no racing in October, Extreme Sundays in August with three races for each breed, race Monday, Tuesday, Friday, and Saturday to get the simulcast revenue; construct a Standardbred track inside the current track at a cost of \$400,000-\$500,000 and PM can take \$100,000 a year out of the \$1 million a year given to the Standardbreds to build it, Koontz from Lexington, Kentucky proposes a 7/8 mile track, would start immediately, and would have it done by next June, the Standardbreds are willing to hire an engineer, this would save PM \$250,000-\$300,000 a year by not converting the track. Mr. Levis said benchmarks and a matrix say this would make racing successful having a five year contract; reports by Dr. Thalheimer, Dr. Ray, and Doug Reed were taken into account; the horsemen are willing to meet tomorrow. Two ideas to help PM focus on revenue is increasing 1) the simulcast signal - the horsemen have an expert from Canterbury Downs willing to do this at no charge unless there is an increase in simulcast, PM has \$1 million to gain by using the expert and 2) the horsemen agree to partner with PM on ADW legislation that would generate money. Mr. Levis said the proposal fits the racing circuit; it is a five year plan and all three breeds would sign; the Standardbred track is budget neutral; it promotes Iowa horses and ensures viability of all three breeds; there is stability with a five year contract and racing could better be marketed. Mr. Levis said the IRGC wants all three breeds and wants them to work with PM; he received a letter from Terry Branstad who supports the horsemen's proposal and said he only signed the gambling bill due to horse racing. Mr. Levis asked the Board to rescind the May proposal and adopt the Horse proposal.

Butch Hammer, President of the IQHRA, said his association supports the proposal and it fits the needs of all three breeds and announced that, effective August 25, 2009, Butch Bain has resigned as Vice President of the IQHRA.

Matt Eide, representative for the Standardbreds, said his association supports the proposal.

Sharon Vail, President of the ITBOA, said her association also supports the proposal.

Financials. Mr. Wessels reviewed the July 2009 YTD financials:

Net Revenue below plan 3.5%; Total Expenses above plan 4.9%; Net Income before Community Betterment above plan 3.1%. Mr. Wessels said for the first seven months of casino revenue, January and February were better than 2008, but the next five months are below 2008.

Property	Net Win	Attendance	Slot Hold
PMRC	-\$2.8 million or -2.4%	+27,000	8.1%
Horseshoe/Harrah's	-\$9 million or -5.1%	-157,000	10.5% / 10.2%
Ameristar	-\$11 million or -10.5%	-225,000	9.3%
Terrible's	-\$1.3 million or -4%	-24,000	9.1%

Introduce a Staff Member. Mr. Palmer introduced Kent Shirley, Internal Auditor. Mr. Shirley said he's been here for over a year and thanked the Board for the opportunity to discuss Internal Audit.

Internal Audit: First of all, is our Mission Statement. Our mission is to provide Prairie Meadows independent, objective assurance and consulting services designed to add value and improve operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Role Internal Audit is established by the Board of Directors, and its responsibilities are defined by the Audit Committee. The Authority of Internal Audit is granted full, free, and unrestricted access to any and all of Prairie Meadows records, physical properties, and personnel relevant to any function under review. The Organization of Internal Audit shall report administratively to the Chief Executive Officer, and functionally to the Audit Committee of the Board of Directors. Independence of Internal Audit - all Internal Audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. We shall have no direct operational responsibility or authority over any of the activities we review. We shall not develop nor install systems or procedures, prepare records, or engage in any other activity, which would normally be audited. The Scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, and system of internal control structure.

Rules of Conduct: Integrity – this is very important to us because it establishes trust and thus provides the basis for reliance on our judgment. Objectivity – We are to exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. We are to make a balanced assessment of all the relevant circumstances and we not to be influenced by our own interests or by others in forming judgments. Confidentiality – We respect the value and ownership of information received. We will not disclose information without appropriate authority. Competency – We will apply the knowledge, skills, and experience needed in the performance of internal audit service.

The Goals of Internal Audit: Direct and continue to improve the technical and administrative functions of the Internal Audit Department. Develop an annual Audit Plan, which identifies the audit projects to be conducted during the upcoming year. The Audit Plan is approved each year by the Audit Committee, and may be amended at any time to include requested audits, special projects, or changes in priority. Assist in audit efforts with the external auditors. Review Whistleblower Policy with employees on an annual basis. Stay current with the facility operations and audit functions by means of continued professional education. Meet with officers on a semimonthly basis. Strive to perform excellent guest service, as well as helping associates see the value of internal audit.

Ms. Urich asked the number of employees in Internal Audit and Mr. Shirley said there is one other employee. Ms. Urich asked for the chain of command explanation if a Board member requests information and Mr. Shirley said he redirects the requests to the Board Chair and the Audit Chair. Mr. Chapin noted this is not the way it was – it was either the Chair or the Audit Chair and Mr. Shirley said he also contacts Mr. Palmer. Kent needs authorization from the Chair or Mr. Palmer.

Action Item – Reconsider Racing Plan Approved May 27, 2009. Mr. Galloway said this is a general item and the motion can be to reconsider or rescind and nothing will relate to a 2/3 vote. Mr. Chapin moved to rescind the previous action taken by the Board. After a conversation on who could or couldn't make the second (only someone who previously voted could second a reconsider, anyone can second the motion with rescind), the motion was seconded by Ms. Urich.

Discussion. Mr. Chapin said two casinos made presentations at the last meeting, horse racing is important to this casino, and he voted in favor of the plan. Since that time, he is now of the opinion, that since all

the horsemen got together and the plan includes all three breeds at PM; there's no other casino or racing elsewhere in the county; we're unique; management has done a good job with racing and it's been successful; the Board should pass the emotion to rescind; all three breeds are in agreement and this is the first time ever.

Ms. Rasmussen said several Board members attended the June IRGC meeting and there was a firm directive from the IRGC to try to work with the horsemen; the Board voted 9-0 for the plan in May and that was the end of the story; rescinding would allow discussion to begin again; the horsemen have done their part and we need to talk about this and have time to work out a good program; with the second casino, the hook was horse racing and bifurcation and racing allows this to happen; there's been a lot of changes in the last month; it's better to rescind than hurting the industry; the Board should rescind so this can be discussed.

Ms. Ulrich said she was told she couldn't vote at the May meeting - there are three Board members with horse backgrounds and they were not allowed to vote; she would ask the Board to rescind so that she can vote. Ms. Ulrich said the problem with the plan is it came unfinished with no numbers – a \$29 million loss was reported – what's the percentage of what; the Board needs to talk about horse racing costs; the consultants provided a plan and they're now being asked for more information – we're paying them more; the Board needs to vote to rescind; to fight a second casino, we need the horse vote; she's asking the Board to rescind so this can be discussed and she can vote.

Mr. Morden asked if the Board doesn't vote to rescind, it doesn't cut off future negotiations and discussions? Mr. Galloway said the position now is the Board is being asked to rescind and discussions will continue until the plan is presented to the commission.

Ms. Richer said with the horsemen's proposal, there are two areas of savings - \$1 million savings and the simulcast piece. Ms. Richer asked how the \$1 million was arrived at and noted the simulcast piece has been on the table and asked why it wasn't presented to the Board earlier. Mr. Levis said the \$1 million savings is due to no racing in October; he has a quote from Robert Farinella who said it costs \$57,000/day to operate. Ms. Richer asked about the simulcast potential for increased revenue and asked why this hasn't been brought up and Mr. Levis said he's offered the data.

Mr. Whitney said racing at PM is not new, we have 20 years of experience and have occasion this Fall to resolve and make modifications to the proposal; the \$1 million in savings was resolved when the Board passed the resolution to have no racing in October; other casinos desired to have horse racing only for bifurcation of the license to be able to open a casino and not have a referendum; he'd like other casinos to have a track – that would create a circuit; the Racing Committee's desires have been misrepresented – he hopes to continue to negotiate and talk to the horsemen and we're doing that – we have a committee and have had discussions, the consultants have been retained to continue to work on a matrix and standards, the adoption of the resolution in May doesn't terminate the committee. Mr. Whitney said with the proposal, all have had predictability; we've had racing for 20 years; the State statute regulates 60 days of racing with 11% and 6%; the lack of predictability costs us; the most famous tracks are all reducing purses and the number of racing days; the new proposal expands days and costs; reports indicate that in 2010, there will be a thirty-three year low with Thoroughbred foals – PM is not the cause, these are national numbers; the horse industry is in trouble; additional days will create a burden to PM; the horsemen's proposal is “log rolling” and expands racing to 103 days – 80 Thoroughbred days, 54 Quarter Horse days, 19 Standardbred days and includes Extreme Racing on Sundays - this would be the first one in the nation and there's a reason why this hasn't been done – it doesn't improve handle. PM has two responsibilities – quality racing and cost of quality racing – the new proposal is mediocrity in racing with an expensive cost to PM; Dr. Thalheimer, Marketing, and Finance have listed costs of racing, he asked the Finance Department at PM to run the costs and they're in the red north of \$35 million every year; we need to pursue the best quality of racing; patrons voted on this – they don't come and they don't bet; the

CFO at a Louisiana track said they got out of trouble when they got rid of the mixed meet – Evangeline got rid of mixed to create profitability; the new proposal has a mixed meet and PM will be further in red ink. Mr. Whitney said the Board needs to keep an open mind and continue conversations and discussion; PM is in the red and that money didn't go to education, the County, schools, cities, Boys Club, United Way, or 400 other organizations – this is unacceptable and we need to find a resolution; the committee spent over a year listening to all groups and traveling to tracks; PM has an obligation to the public and the process was started in May and we need to continue to pursue; today's plan is offering more red ink and the Board should vote against it.

Mr. Bain said Peninsula Gaming was asked if they believed in the success of the state bred program and the days to run and they said yes; he's asking for additional days to strengthen the program. Mr. Morden said in Peninsula's presentation, they said they'd make profit on racing opportunities, but the finance person said before they'd have to pay purses and not make a profit.

Mr. Whitney commented on simulcast and advance wagering and said he's talked to staff on these issues; PM has 100+ simulcast locations and staff wants to make money; he talked to the simulcast employees and walked through the new proposal and their concern is litigation, but they will exam and pursue. Advance Wagering needs legislation to do and the problem is, the horse groups have never allowed a "clean" bill – they always attach other issues which we're opposed to; the same happens with the referendum legislation – there's been no clean bill dealing with only the referendum; the finance people have ran an analysis of Washington and it would mean a \$400,000 increase to us; there's always been a group of "blame PM first" people; the Board would do Advance Wagering if the horse groups would allow a clean bill.

Ms. Urich said this is premature – she's not asking to vote on the horsemen's bill, just vote to be able to discuss it. Ms. Urich asked the number of meetings held since the earlier August meeting and Mr. Whitney said a couple. Ms. Urich asked for a full disclosure of the meeting with Mr. Levis and asked who else was involved and Mr. Whitney said he, Mr. Galloway, and Mr. Gessmann. Mr. Whitney said he was invited to the meeting and he attended – they heard what Mr. Levis would be presenting to the Board, where we're going with the horse plan, asked if we needed help and ideas, and agreed to continue to talk. Mr. Galloway said there was no conspiracy – Mr. Levis was unable to contact Mr. Whitney as he was out of the office for medical reasons, he wanted to discuss this, and called Mr. Galloway; Mr. Galloway was out of the office for a few days and all were finally able to meet in Mr. Galloway's office for 30-45 minutes – there were no negotiations, they just talked about the horsemen's proposal. Ms. Urich asked about communication with the horse groups and said she's troubled this wasn't discussed with the committee and Mr. Galloway said Mr. Levis is engaged by all three horse groups and there's no better person to discuss this with than him. Mr. Beattie asked what was discussed and Mr. Galloway said personal views of the new proposal, Mr. Whitney's thoughts, there were no negotiations, they looked at days, discussed that there didn't seem to be a lot of support for the proposal, and that Mr. Chapin asked for the agenda item to rescind the previously approved plan. Ms. Urich asked if they discussed only one breed at PM and Mr. Galloway said there was a discussion of every breed and that Standardbreds wouldn't continue, but it would be revisited today.

Mr. Galloway said he sat in on a few of the meetings with the consultants and they very clearly said they needed information from PM regarding costs; it was the Executive Committee's consensus on the numbers shared with the consultants; the consultants were asked for two reports – cost out the original plan and cost out the horsemen's plan, but they haven't had an opportunity to do this yet. Ms. Urich said it was premature to vote on the proposal without numbers – the Board should vote to rescind and discuss the numbers; the Board needs to understand the numbers; it should be discussed at the committee level. Mr. Galloway said the Board voted and went in one direction – the Board acted and he believes it is appropriate to continue discussion.

Mr. Chapin said if the Board does not vote to rescind, what we have is what we have, and it'll be an affirmative vote to the IRGC – the Board needs to rescind.

Ms. Richer said there are two issues on the table – the second casino and the racing program and they are two separate issues – the racing program is not a vote for or against another casino. Mr. Morden noted the Board is getting two opinions and asked if it is not rescinded, no negotiations is not the case and Mr. Galloway said yes. Mr. Whitney said with the approved proposal, all agree this is the proposal, period; we had one in May; negotiations will continue and will be revisited in the Fall and changes can be made – we will continue with discussions, regardless of the vote outcome, discussions will continue.

Mr. Beattie called for question (cease discussion and vote). The motion was seconded by Mr. Bishop and passed on a roll call vote (11 yes, 2 no – Rasmussen and Ulrich).

Mr. Flynn said he had sent a memo to the Board regarding voting on this issue – he didn't say someone couldn't vote, but was just reminding the Board about conflict of interest, etc. (i.e. for Polk County issues, he would recommend the four County representatives shouldn't vote); he won't tell anyone they can't vote, he can only give a recommendation. Mr. Galloway said it is up to each individual to judge if there's a conflict of interest – it is up to each individual's conscience. Mr. Whitney said it is not appropriate for some to vote as it could raise questions with the IRS, tax questions, etc. Mr. Flynn said the statements are clear – if you, your family, or organization benefit, you can't vote. Ms. Ulrich suggests this type of information be sent out prior to one hour before a meeting; noted every attorney has an opinion and the one she consulted said she could vote today. Mr. Galloway noted this information was sent out the last time; Mr. Flynn said he sent it out before for Board members to make a decision. Mr. Whitney said every Board member receives the By-Laws when they come on board and Mr. Flynn just re-sent the information - it's not his place to tell someone if they can or can't vote, he can only inform the Board of the rules; the Board can decide who can/can't vote.

Mr. Galloway said there's a motion to rescind and a second and discussion is ended. The motion was defeated on a roll call vote (8 no and 5 yes – Bain, Brown, Chapin, Rasmussen, Ulrich).

The Board took a break 3:30 p.m. – 3:40 p.m.

General Manager's Report. Mr. Palmer reported:

- Upcoming events: Fridays, 9:30 a.m. – Stable Tours; Saturdays, 5:30 p.m. – Horse Racing 101 Classes; August 28 – Iowa Classic Hall of Fame Night; August 29 – Iowa Classic Parade at 11:00 a.m.; August 29 – Iowa Classic Night with 12 races and full cards; September 18-19 – Quarter Horse Festival of Racing; September 25 – Concert – The Shirelles, The Crystals, The Chantels.
- Handed out the Summary of the Guest Service Surveys and noted three types of surveys were done: a 24 Hour Questionnaire Blitz was passed out to 800 guests and only one declined; staff finished with a 4.16 overall on a 1-5 scale; Secret Shopper survey, 100 shops were done, the questions are listed in the summary, and staff received a score of 4 on a scale of 1-5; and an on-line survey found on PM's website, only 38 responded; the three surveys were weighted and the result was 4.10 – there is some room for improvement; congratulations to staff, these are nice ratings. Ms. Richer noted the surveys are done by an outside source; Dr. McGuire said that's a fabulous score, but it can be better; Mr. Palmer said the scores are used for bonuses and pay raises.
- Handed out an Executive Summary that lists efficiencies and cost controls; PM is doing pretty good considering the 4% increase for this year; we're on budget in a rough economy; this looks to end as the second best year and he commended staff; attendance is up, but guests are not spending as much.
- PM will be honored with a Philanthropy Award, along with James Hubbell, Steve Zumbach, and Suku Radia sometime in November.

Other

Facilities Committee. Mr. Neugent hopes to have the preliminary schedule on the location, front, etc. for the hotel to present at the next meeting. Ms. Urich asked if Mr. McDonald, Director of Special Events, has been included in the discussions; Mr. Neugent said the consultants are meeting with the architect and Mr. Gorla, Director of Facilities, attends the meetings; Mr. Palmer said we're not at that point, we're in negotiations, and all staff will be involved.

Mr. Chapin asked if it would be appropriate to discuss no other casinos and Mr. Galloway said he will address this in the Executive Committee report.

HR Committee. Ms. Richer said the committee meets quarterly; a meeting was held on Monday and addressed:

- Medical benefits will increase almost 7% on October 1, 2009, the increase is split evenly between the employee and company, staff plans to look at alternatives earlier next year.
- Succession Plan and PM University – staff is developing the plan, it should be in place in February and will then be presented to the Board, there are some costs involved.
- Employee Complaint Hot Line – this hot line allows employees to call in and raise issues anonymously.
- Child Care Opportunities – this has been tabled due to the costs, but staff is looking into where this could be housed.
- 401k Plan Update was presented to the HR Committee and then the Finance Committee.

Questions for Mr. Shirley, Internal Auditor. Ms. Urich said she followed the procedures for requesting information, she asked in February and hasn't received the comp information; she also requested credit card information in June and hasn't received that and asked when she would receive it. Mr. Neugent and several other Board members said they received the credit card information. Ms. Richer asked if a Board member has issues, should this be done through the sub-committee rather than by an individual? Mr. Galloway said he may be sitting on the information and asked Ms. Urich to resubmit her request to him and he will forward to Mr. Neugent or to Mr. Morden and the Audit Committee. Ms. Urich said she requested information on food comps and the rate; Mr. Morden said he received the report about a month ago; Mr. Galloway suggested Ms. Urich talk to Mr. Morden; Mr. Neugent requested Ms. Urich send him a copy of her request.

Right to Vote. Mr. Whitney would like clarification on the right to vote - the vote didn't affect the outcome today, but it could in the future and he would like this defined and a statement made. Mr. Galloway asked Mr. Flynn to research and send a memo on the procedures if this situation should occur. Mr. Flynn read a section from Roberts Rules and noted the IRS asks for a conflict policy and is it enforced; if we don't enforce votes, he's not clear of the penalty - a sanction could be that PM would lose its 501(c)4 status; he will review litigation. Mr. Galloway asked the Board's duties and responsibilities; Mr. Neugent asked who is the final arbiter; Mr. Whitney said this is a Board decision with a ruling/decision by the Chair stating who cannot vote and the Board can decide; Mr. Flynn said if there's an issue with the action of the Chair, it can be appealed, and the Board can vote on the Chair's decision.

Executive Committee. Mr. Galloway said there is no agenda item regarding a second casino and the committee revisited this today; the IRGC hired two consultants to do a study; there are five counties that passed a gambling referendum; the IRGC study said the Polk County metro area is being underserved which lead the PM Board to have concerns and lead individuals with a license to approach PM, PM did not approach them; the PM Board held a closed to discuss a second casino; when he received the IRGC agenda, there was an item to discuss potential expansion in DM; the Executive Committee believes there is no need to appoint a committee to explore additional gambling at this time; after the discussion with the Executive Committee and having visited with other Board members, the Board has no interest in

expanding gambling; the meeting with the other companies was a defensive position in case other casinos come in - that would impact the stakeholders (Polk County and the city); the committee believes it is prudent to wait and see what the commission will do – we don't want to be at the forefront and won't appoint a committee – we'll wait for the commission.

Mr. Bishop said that was the proper position, but if the Board disagrees, they need to say so as staff has to report to the IRGC tomorrow. Mr. Minear said we need more from the commission; Mr. Galloway would like to wait for the IRGC meeting tomorrow and said there's no sense of urgency. Mr. Bishop said the commission said they won't consider a license if it cannibalized an existing casino and a second one in Polk County would affect two – Terrible's and Prairie Meadows.

Adjournment. A motion was made by Mr. Neugent to adjourn the meeting, the motion was seconded by Ms. Rasmussen, and passed on a voice vote. There being no further business, the meeting was adjourned at 4:05 p.m.

Respectfully submitted,

Gerard Neugent
Its Secretary