

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
April 23, 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.

Roll Call.

Bob Beattie

Don Brown

Perry Chapin

Michael Galloway

Nolden Gentry

Ron Morden

Gerard Neugent

Jack Peters

Lynette Rasmussen

Sunnie Richer

Jodi Urich – arrived after Roll Call

Tom Whitney – arrived after Roll Call

Paul Hayes - absent

Randy Minear – arrived after Roll Call

Jack Bishop

Also in attendance were:

Gary Palmer, President/CEO

Ann Long-Richards, Vice President/CFO

Ann Atkin, Vice President of Operations

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 March 26, 2008 as written. The motion was seconded by Ms. Rasmussen and passed on a voice vote.

Public Comment. Doug Vail, Thoroughbred Ranch Manager, said he is here to discuss the cost of horse racing at PM – he doesn't question the numbers, but as a concerned horseman and with \$29 million in question, urges everyone to work together to reduce this deficit; he had requested a committee meet on this, but no action was taken; the horsemen have an audit report that should be ready soon. Mr. Vail said there was another article about a month ago pertinent to the cost of horse racing and he just couldn't make those numbers work to be able come to a conclusion; he wonders if racing is doing what it is supposed to be doing; he would like a comparison of the intake in the casino on live racing vs. non live racing days, months with racing vs. months without racing – the numbers look to be 18-22% in place in the casino overall during live racing; last month's numbers were specific number on specific days or months; the 2004 study by the National HPBA concluded that racinos were at about the same percentage, but should have more casino play during live racing and he would like to have the numbers; eleven families have relocated to Polk County due to horse racing and there is an economic

impact if live racing is doing what the report indicates; the horsemen should be involved in trying to solve the problem, unless the goal is to get rid of horseracing and he believes this is not on the Board's agenda. Mr. Vail said he knows the horsemen don't pay their own way dollar for dollar and we need to get a handle on this – the study on the economic impact to the state of Iowa should be completed by September. Mr. Vail said money is being bet on racing, but a lot goes to off-shore or account wagering; the horse groups have organized a Thoroughbred Group LLC to discuss this issue and currently, there are 17 tracks involved and he proposed PM look at joining; the goal is to get 18% of the off-shore betting with 6% going to purses, 6% going to the host track, and 6% going to the receiving track; if PM joined this group, it could receive ½ - ¾% more from the New York market – Mr. Gessman has more information on this. Mr. Vail appreciates the opportunity to speak and urges finding constructive ways to address the problem in a cooperative manner rather than a conflicting manner.

Lobbyist Report. Troy Skinner handed out and reviewed a Legislative Report dated April 23, 2008:

HF 2212 is the Smoking Ban Bill and the history of this bill and the Conference Committee report have been included in the report; the bill was passed in 24 hours; PM has a limited exemption – smoking will only be allowed on the casino gaming floor beginning July 1, 2008; the bill may get tweaked a bit as there are some small problems that are being worked on; there are a lot of budget bills and he is not sure if the small problems will be addressed between now and Friday.

SF 348 is the Referendum Bill and it is most likely dead for the session; two breeds were in agreement, but the Standardbreds were not on board and worked hard to defeat or amend the bill; the Governor has problems with the bill and wants a third referendum.

SF 2428 is the Debt Collection Bill – initially the bill stated any winnings over \$1,200, but it was amended to winnings of \$10,000 or more; the Senate passed it yesterday and the House will debate the bill today.

SF 2425 is the Health and Human Service Appropriations Bill – this bill would cut funding for the gamblers treatment program by 50%; passed by Senate, but not by House; it is now in a Conference Committee.

Ms. Richer asked if sections a-d in the Referendum Bill were in place and Mr. Skinner said we agreed to those terms, then there was a committee amendment, and it was not voted on on the floor and it won't be.

Mr. Gentry asked about the Debt Collection Bill and how to check winners and Mr. Skinner said the legislation will require the state to create a database and PM will check on winnings of \$10,000 or more; the hold harmless language was taken out of the bill. Mr. Gentry asked what the Debt Collection money would be used for and Mr. Skinner

said child support, alimony, court costs, surcharges – a collection agency is pushing this bill.

Ms. Rasmussen asked Mr. Skinner's thoughts if the smoking bill would be revisited and Mr. Skinner said it is likely that advocates will come after the casinos next year and that would mean a loss of \$30 million or more in revenue if the bill applies to casinos. Mr. Gentry noted the loss of revenue is what prompted the legislature to exempt casinos. Mr. Beattie asked if the advocates would go after the Veteran's Home and Mr. Skinner said that is a probability. Mr. Brown noted the legislature can afford to force casinos to be non smoking as they will find the money elsewhere.

Financials. Mr. Palmer reviewed the financials: March was our best month ever and YTD Net Revenue was above plan .1%; Total Expenses below plan 3.1%; Net Income before Community Betterment was above plan 8.5%. The attendance comparison for March 08 vs. March 07 shows PM is up in revenue and attendance; Harrah's and Horseshoe were up in revenue, but the attendance was down; Ameristar's and Terrible's revenue and attendance were down – our team has done a great job with its Marketing and Guest Service programs.

Mr. Morden asked if Harrah's and Horseshoe's high net win was due to the higher hold and Mr. Palmer said that is part of it – PM is 7.03% and they are 10%; our coin-in is always the best in the state; April looks to be a good month to date.

Mr. Peters asked if the installation of the nickel and penny machine was completed and Mr. Palmer said yes, there are 1,900 games on the floor and 56.6% are penny machines – we're in the center compared to the other casinos with the mix of games.

Mr. Gentry asked about Terrible's and bankruptcy and Mr. Palmer said they are working on this – smoking was eliminated in gas stations and convenience stores in Las Vegas and that hurt Terrible's and rumors say they may sell their Midwest casinos.

Mr. Chapin asked why the attendance figures were removed from the report and Mr. Palmer said the attendance figures are at the bottom of the report.

Ms. Richer asked about the depreciation schedule and Ms. Long-Richards said with the lease hold, PM takes depreciation over the life of the lease, the lease expires in 2010, and this is approximately \$13-\$14 million a year – if PM owned the building, we could depreciate over 40 years. Ms. Richer asked the depreciation of the newest expansion and Ms. Long-Richards said three years – it is the life of the lease and equipment represents a small amount.

Other.

a. Board Retreat – Mr. Bishop said the retreat has been scheduled on May 17; there will be more information soon; there will be break-out committees as requested by Mr. Whitney and one will discuss horse racing.

Mr. Whitney noted the comments by Mr. Vail and said Ms. Urich has sent an e-mail with her comments and thoughts; we need cooperation between PM and the horse organizations and urges the committee be instituted or reinstated to review this.

Mr. Whitney said PM has held off on a hotel and parking garage due to possible legislative changes – the referendum bill is dead and he urges the Chair to assign the CEO and Board to start looking at options and not wait. Mr. Bishop said this has been discussed and there is already a committee; this is also his second topic for the retreat – the Board will be divided into committees, then the ideas will be shared with the full Board and direction given to staff; there may be a few more issues to add to the agenda. Mr. Bishop noted the Finance and Facilities Committees have gone about as far as they can with the hotel until financing (finding a funding source) is discussed and without legislation on the referendum, this needs to be reviewed again.

Mr. Palmer said the Board has requested a 2-3 hour class on the history of horse racing and staff would be glad to schedule this meeting prior to the retreat. Ms. Richer and Mr. Beattie said that would be very helpful and asked for copies of the contracts, what's legislated, where our hands are and aren't tied, etc. – this will set a base for the retreat.

Ms. Richer asked about options for the hotel and garage and Mr. Palmer said the process was started about a year ago and we have 2-3 scenarios – an outside company build and operate the hotel at no cost to us or we do it; then there is the question of the number of rooms; information will be put together for the Board. Mr. Gentry asked if there was any interest due to the referendum situation and Mr. Palmer said yes, they could just lease the land – there is no cost to look at any option. Mr. Beattie asked if there are entities that would build with the referendum situation and Mr. Palmer said we have heard there are, but nothing is for sure until something is signed.

Mr. Galloway asked if the Board should submit retreat topics to Mr. Bishop and he said yes – we will need to limit the number of subjects – we have two now (horse racing and hotel/development) and they will be discussed fully and any proposal will be submitted at the next Board meeting.

Mr. Chapin asked if we do have a horse committee with members of the Board and horse groups, who is on this committee and Mr. Palmer said that every other Tuesday for the last 4-5 years, several staff members (Ann Atkin, Derron Heldt, Clint Pursley, F&B, Marketing) have met with representatives from the HBPA and Quarter Horse groups; we also had a track surface committee with members of staff and the horse groups.

Mr. Gentry asked if the \$29 million gap has been discussed and Mr. Palmer said not yet. Mr. Gentry asked if this is an appropriate subject for the Tuesday meetings and Mr. Palmer said it should be done in another setting – the Tuesday meetings discuss the race book, track conditions, etc. Mr. Palmer said with reviewing savings during racing, PM went to a buffet on Friday and Saturday nights as menu service in the Clubhouse was very costly – we have also expanded the concession stand menu. Mr. Gentry noted there are meetings with the horsemen and Board or staff, but these meetings are not with the appropriate people (to discuss the deficit) and Mr. Palmer said yes. Mr. Bishop said we can come up with a committee to discuss the deficit; Ms. Rasmussen has requested more statistics; and this is a subject for the retreat – to develop a plan on how to deal with this issue and decide if this is something for the Board or staff to deal with; some of the racing program is regulated and legislated and all three groups have their own ideas, but not how to conclude.

Mr. Galloway asked when the retreat agenda would be sent out and Mr. Bishop said late next week.

Mr. Chapin requested that the Internal Auditor attend the Retreat in case there are any issues the Board may have.

b. Committee Reports. Finance Committee – Mr. Galloway said the committee heard explanations from the departments that are over budget and will continue having monthly updates. The committee also reviewed the Bonus Plan and directed staff to make the existing plan compliant with the IRS regulations – there are no changes to the percentages; the plan will be forwarded to the Board in advance of the May Board meeting.

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 2:55 p.m.

Respectfully submitted,

Michael Galloway
Its Secretary