

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
January 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 2:20 p.m.

Roll Call.

Bob Beattie

Perry Chapin

Michael Galloway

Nolden Gentry

Ron Morden

Gerard Neugent

Jack Peters

Lynette Rasmussen

Sunnie Richer

Jodi Urich

Tom Whitney

Paul Hayes

Randy Minear

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. Galloway to approve the Minutes of the Special Meeting of the Prairie Meadows Board of Directors held on December 7, 2007 as written. The motion was seconded by Mr. Peters and passed on a voice vote.

Approval of the Minutes. A motion was made by Mr. Galloway to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on December 19, 2007 as written. The motion was seconded by Mr. Neugent and passed on a voice vote.

Public Comment.

Ms. Chris Hovey commented on Mr. Neugent's participation in a radio show last week and noted it sounded as if he were speaking as a PMRC Board member; he had financial information that the horse groups were unable to obtain and the numbers were misleading; it sounded as if the Board doesn't understand what is going on; if money is taken away from county fairs, she hopes it doesn't help develop a street, bridge, etc. on Mr. Neugent's property; at least five Board members have worked closely with Mr. Knapp; PMRC gave a statement to the IRGC that it supported horses, but Mr. Neugent's comments seemed as if he were speaking on behalf of PMRC.

Mr. Tony Andrew commented on Mr. Neugent’s participation in a radio show using a race play-by-play format and noting the winner is Knapp and Neugent with an ulterior motive and the losers are rural counties, rural jobs, small charities, horse industry, and the average Joe.

Ms. Maggi Moss spoke on unity and everyone fighting about a great place (PMRC); we need unity with everyone and for what is best for everyone; PM has the best opportunity to have the best racing in the country due to no polytrack and people wanting a quality place to run and a quality program; prominent people around the country are wondering what’s going on at PM and PM is taking a terrible hit nationally; there are other places to run horses that don’t have fighting and a Board that doesn’t seem to want racing; everything is a big miscommunication; PM has quality racing and racing is for everybody; PM gives a lot of money to Polk County; she loses more than she earns; she loses more by racing at PM than at any other track due to expenses; we need to keep quality racing at PM or we will have a bad quality of horses and people; we need to work on a business plan and everyone needs to cut corners; PM needs to be a positive place for all participants.

Ms. Sharon Vail echoes Ms. Moss’s comments; the Board is a part of horse racing and the Board made the decision to help with the breeding industry; the Board needs to help with the horsemen’s needs and the horsemen will help with the referendum; we all need to work together and quit fighting.

Mr. Doug Vail echoes the comments by Ms. Moss and Ms. Vail and noted we are all partners; Jim Rasmussen was an integral part of PM and racing and his favorite quote was, “if we are to be partners, we need to act like partners rather than as adversaries”; the horsemen are concerned about the \$29 million deficit; he would suggest a Task Force with one horseman from each group, the Marketing, Accounting, and Racing Departments to meet and work together to set goals; the \$29 million deficit doesn’t reflect the revenue brought in by racing; we all need to work toward a common goal.

Financials. Mr. Palmer reviewed the December 2007 YTD financials: Net Revenue was .9% above plan; Total Expenses were 2.4% under plan; and Net Income before Community Betterment was 17.9% above plan and reviewed the following information:

2007 Community Betterment	
Polk County – Net Receipts - \$4,400,000	
Polk County – Tax Rate Sharing - \$7,428,905	
Polk County – School Districts – \$698,822	
Polk County – Lease – \$15,600,000	
Total Polk County	\$28,127,727
City of Des Moines	\$3,959,990
Legacy	\$2,020,000
Grants	\$1,968,824

Standardbred County Fair	\$1,000,000
Contingency	\$30,872
Total Community Betterment	\$37,107,413
Gaming Taxes – State	\$40,770,726
Gaming Taxes – Endowment	\$1,221,866
Gaming Taxes – Gambler Assistance	\$943,613
Gaming Taxes – County	\$943,613
Gaming Taxes – City	\$943,613
Total Gaming Taxes	\$44,823,431
2007 TOTAL COMMUNITY BETTERMENT/GAMING TAXES	\$81,930,844

Vote on City of Altoona/Bass Pro Shop Proposition. Mr. Bishop asked Mayor Burget to address the Board. Mayor Burget thanked the Board for the opportunity to speak; this project has real economic development potential for the area and PM is all about economic development; Altoona is asking PM to be a partner to bring Bass Pro to Altoona; Altoona will be responsible for \$40 million and is requesting \$1 million a year for an eight year period from PM; Bass Pro would bring two million visitors a year to the area; this has been developing over an eight month period and is an ambitious undertaking for a city the size of Altoona; it is the hope that Bass Pro will be the anchor for other facilities.

Mr. Bishop said there is a recommendation from the Executive Committee. Mr. Galloway moved that the Board, subject to available funds, approve a floor of \$500,000 which may be increased up to \$1 million a year for eight years pursuant to discussion/negotiation between the City of Altoona and the Finance Committee to support the Bass Pro Shop development and the Finance Committee is directed to find alternative funding methods other than funding this using Grant funds. The motion was seconded by Mr. Whitney.

Mr. Galloway said questions should be directed to Mr. Palmer and will be answered prior to finalizing the funding. Mr. Flynn noted that this, like all other PM commitments, is contingent on the availability of funds as PM has the referendum and other things that could impede its ability to pay and Mr. Bishop said the City is well aware of this.

Mr. Gentry asked for the CEO's/staff recommendation; Mr. Bishop said the five members of the Executive Committee recommended this; Mr. Palmer said he is in favor of Mr. Galloway's scenario – it is a great opportunity for the area and for Prairie Meadows's future.

Ms. Richer asked for clarification on the finances – in 2007, PM had a net loss of \$6.9 million and the 2008 projection shows a loss of \$5.9 million and with the projections shown during the Financials, \$83 million goes to others, not counting Racing, and with the need to find alternative funding, will we cut somewhere or be \$6.5 million in the hole? Mr. Galloway said there are ideas for the staff to review or move the money around in the budget as we don't want to take a net loss.

Mr. Hayes believes no one objects to the project and the main focus is the impact to the facility and future – how was the \$500,000 determined? Mr. Bishop said the Executive Committee recommended the number to be able to vote on the project today – \$500,000 subject to available funds for the City to be able to move forward and if there is any further commitment, it will be after talks have been held with the City.

Mr. Hayes asked if gambling is approved in Newton, would that be an out for us? Mr. Bishop said no one knows what will happen with Newton – there are others ahead of Newton for a license; this has not passed in Jasper County yet, and he can't predict the outcome. Mr. Bishop said he supports this project (Bass Pro) and there is a risk in anything we do – the cost to build PM was \$40 million with another \$4 million from the Partnership and another \$17 million from the County for operations, then several people went to the legislature to get casino gaming and we borrowed another \$26 million – the total debt was \$88 million, but the risk paid off and the debt was retired in two years; there is a benefit with this kind of project and it is a good opportunity for PM to invest in as it will bring a lot of visitors to the area, many who will also come to PM.

Mr. Morden said he agrees that this is a good project and will be a boon to the Eastern side of Polk County, similar to that of Jordan Creek, but his concern is financial projections show we have to hit goals in order to have the money to fund the commitments and pay back the \$21 million loan by the end of 2010 – where will this money come from; the City has put together an economic group and this would be a charitable contribution, but our finances say we don't have the money; it is his fiduciary responsibility to PM and the community and he needs more information before he could vote to commit that kind of money, as much as he supports the project, and he would have trouble voting yes without more information; he has been told it is not critical that the Board act on this today; there is a Grants process in place and this is outside of that process.

Ms. Richer echoes Mr. Morden's comments – she is supportive of the project, but would like to know how we're going to pay for it; a 2-3 week wait won't hurt; the Board only heard about this project two weeks ago and was only provided with a one page information sheet.

Mr. Gentry asked about making a commitment prior to meeting with the City; Mr. Galloway said there is no payment due until next year; Mr. Mark, the City Administrator, said the date is April 2009.

Mr. Whitney supports the Executive Committee's recommendation and having the Mayor and City here to answer questions; the project fits the original intention of the Supervisors and PMRC Board to balance the growth in Polk County and fits PM's goals and Mission; this project is extraordinary and no other project has received this type of contribution; his concern is the status and position of Altoona and what was done with the previously received \$900,000, in addition to the property taxes PM pays and what is the property tax paid by the Altoona residents vs. other citizens of Polk County. Mr. Whitney said these are the questions in the recommendation – we support the project, but have concerns due to limited knowledge; the Finance Committee will interact with the City before finalizing

the commitment; PM wants to be a good corporate citizen of Altoona and he believes this resolution does that.

Mayor Burget said the project includes \$8 million from PM and a \$44 million Altoona contribution; PM's money has been used to hire 17 peace officers and build a new fire station and EMS facility; Altoona took the risk with PM the first 4-5 years; PM is a great community citizen; PM money was used to reduce property taxes and for special projects like the Water Park that does not charge for non-city residents; the City understands this is a hard and complicated thing to understand; the payback to PM is the additional visitors to the area; the City is not asking for more money than is needed; he and his staff will answer any and all questions from PM as well as from the community.

Ms. Richer asked if the recommendation is an intent or a firm \$500,000 commitment and Mr. Galloway said it is a \$500,000 commitment, up to \$1 million, and is a firm commitment, subject to available funds.

The motion passed on a roll call vote (9 yes, 2 no (Morden and Richer), and 1 abstained (Beattie).

Mr. Galloway reminded the Board to send questions to Mr. Palmer by the end of next week and then the Finance Committee will meet and visit with the City and get answers.

Mayor Burget thanked the Board for the opportunity to speak and for the commitment and said he and his staff are available to answer questions.

Vote on 2008 Ancillary Agreement - Thoroughbreds. Mr. Palmer said staff is still working on this and it is not ready for approval today.

Mr. Whitney requested a short recess and asked that the Executive Committee meet during that time.

The Board was in recess from 3:10 p.m. – 3:30 p.m.

Legislative Agenda. Mr. Bishop reported the negotiations are on-going and several people (Gary Palmer, Tom Flynn, Jack Bishop, Troy Skinner and others) have been involved; there is a general agreement with the Thoroughbreds and Quarter Horse people, but he has no idea about the Standardbreds' position. Mr. Bishop asked Troy Skinner to review the points of discussion.

Mr. Skinner said there are six points:

- Account Wagering which could amount to an additional \$25,000 a year for PM.
- Referendum language which extends the referendum to 15 years with reverse referendum language.
- Racing Program – 711 performances for Thoroughbreds and 180 performances for Quarter Horses, subject to a competitive field size – the numbers will be set in the Code and there would be no further negotiations on this item. The Thoroughbreds originally requested 770 opportunities.
- Elimination of the Sunset Clause which expires in 2021.
- Finding alternative source funding for County Fair purses for the Standardbreds.

- 60 mile protection for new licensees/casinos.

Mr. Whitney about the 11% and 6% - does this include 11% across the board and removal of 6%. Mr. Skinner said it would eliminate the “not less than 11%” and make it 11% across the board. Mr. Hayes asked if 6% would be removed and Mr. Skinner said that is on the table – he will work on just the six point discussed.

Mr. Bishop said there will be a recommendation from the Executive Committee and these are just the initial thoughts and will be refined.

Mr. Gentry asked about the referendum and Mr. Skinner said he has been told there are not enough votes to pass the referendum bill at this time without the support of the horsemen.

Mr. Peters asked Mr. Heldt, Director of Racing, for a recap of the past three years regarding racing opportunities. Mr. Heldt said for 2008, there will be 669 Thoroughbred opportunities and 178-180 Quarter Horse opportunities and for 2007, there were 650-655 Thoroughbred opportunities and 178-180 Quarter Horse opportunities. Mr. Whitney asked if the real change is for the Thoroughbreds and Mr. Heldt said yes. Mr. Peters asked if the 2008 calendar had four days of racing a week and Mr. Heldt said yes (Monday, Tuesday, Friday, and Saturday with Post Times the same as 2007).

Mr. Whitney moved to adopt the six points presented by Mr. Skinner and was seconded by Mr. Galloway.

Mr. Chapin asked about the 6% and Mr. Whitney said it wouldn't be in the future – the Executive Committee was divided on this as it seems as if the Legislature is micro managing PM; to remove the referendum, we need the horsemen and they won't support the referendum without the other language. Ms. Richer asked what happens if it is voted down by the Board and Mr. Whitney said Mr. Skinner will pursue the previous course – legislation to remove the referendum – period. Mr. Peters said the opportunity here is to understand that it won't add or take away anything from anyone – removal of the referendum will allow the horsemen to grow their industry and we need a trade-off between all groups.

Ms. Richer would liked to have had information to review beforehand and it was noted this all happened in the Executive Committee meeting prior to this meeting.

Mr. Neugent said he has an issue with mandating the performances – this has been give and take in the past and the market changes; to put in legislation takes away our ability to manage horse racing – a legislative mandate is bad; he supports the removal of the referendum and the 60 mile protection, but hates to see purses increase; he doesn't want to open the purse language this year as there would be a lot of problems; he also supports account wagering and the Sunset Clause; he doesn't support an increase in purses or mandated performances.

Mr. Galloway said the \$200 million is a net number, offset with \$13 million for Vision Iowa Money and Ms. Richer noted we are at \$188 million this year.

Mr. Whitney said if we don't add "if less than", it will be an on-going issue – we need to make it 11% across the board or the Board will be in discussions with everyone – 11% across the Board removes all future discussions and is worth doing.

Mr. Bishop said days have been spent in negotiations and PM has obligations to several facets (horses, casino, employees, community, etc.) and it is a difficult job; PM was a horse track in the beginning and is a first class act; if we can't do 711 performances, we can't have first class racing; a longer season is essential with a great opportunities here; we have a great facility for racing; we need to work with the horsemen and they need to work with us; we need to go with these points; this ought to pass, but we win some and lose some and this was a fair negotiation.

Mr. Skinner briefly reviewed the six points and Mr. Bishop said that this is the motion on the floor. Mr. Peters said if we follow this, it is very favorable for PM and for the horsemen. Ms. Richer asked if this means there would be no more negotiations/contracts. Mr. Whitney said all we can do is offer our suggestions to the legislature and Mr. Chapin said we all need to be together and go for one thing. Ms. Rasmussen said contracts will still need to be signed, but the percentages and the number of days will already be solved and should be an easier process through this legislation – everyone has worked very hard and it is January and there is still no contract. Ms. Richer asked if the days and money would be off the table unless legislation doesn't change with the exception of the Standardbreds and the group said yes. Mr. Hayes asked if the legislation would address the split of purses and the group said no.

Mr. Gentry asked if costs were discussed in the Executive Committee meeting and Mr. Peters said the Executive Committee had a time breakdown of racing and costs and numbers clear across the board on the cost of the racing program - there is no cure. Mr. Gentry suggested both sides review the figures and Mr. Peters said Mr. Palmer and Mr. Vail alluded to this and assumes it is the next step. Mr. Palmer said staff is constantly minimizing expenses and will continue to do that and the sheet with the costs is not misleading – we need to watch expenses in all areas. Mr. Gentry noted if we are to be partners, we should sit down and get their (horsemen's) view and suggestions to help staff reduce costs and Mr. Palmer said the last 3-4 years, several staff have meet on Tuesday mornings with the horsemen and many common problems were resolved. Mr. Whitney said this Board would like to see staff sit down with the horsemen - \$29 million is what we're in the red and that is what we lost, there is probably another \$29 million above that; we're always giving and we want the horsemen to tell us how they'll help us reduce the \$29 million in the red. Mr. Gentry said he senses a mistrust, similar to that of this Board before is was restructured and hasn't felt recently, and we need to meet with the horsemen to discuss how to get the costs under control. Mr. Palmer said there is a need to know where we're going, not where we've been and we need to move cautiously toward the future – our growth will mean more to everyone.

Mr. Morden asked if the Board were voting on a roadmap for legislation and Mr. Bishop said yes. Mr. Beattie asked for a call for questions. The motion passed on a majority voice vote with Mr. Neugent voting no.

General Manager's Report. Mr. Palmer said he had nothing to add to what was in the Board packet.

Other Business.

- Audit Committee Report – Mr. Hayes said the report was sent to the Board.
- Finance Committee – Mr. Galloway said the committee met on Monday and the 2008 items are the Bass Pro Proposition and revenue and expenses. The committee heard a report from Mr. Antone, Director of F&B, on the progress being made in his department - \$200,000 in overtime has been reduced to \$20,000; 5% reduction in cost of goods sold; 5% reduction in labor costs; control costs are being reviewed; updates will be given to the Finance Committee every few months; this is a big positive.
- Committee Assignments - Mr. Bishop said he has been working on this for three weeks and thought he had to change all the committees and, after several revisions, it was brought to his attention that no changes were needed this year so all committees will remain the same for 2008.
- Mr. Chapin remarked on the horse racing deficit and noted all money is economic development money for wages, business, employment, and it is an operating cost.
- Mr. Galloway said if anyone had questions about the Bass Pro Shop to submit them to Mr. Palmer by the end of next week, the questions will be submitted to the City of Altoona, the Finance Committee will then meet with the City, and a report will be given to the full Board.
- Mr. Whitney introduced a member of the audience, Don Brown, who is the acting President of the South Central Federation of Labor.

Adjournment. A motion was made by Mr. Peters to adjourn the meeting. The motion was seconded by Mr. Galloway and passed on a voice vote. There being no further business, the meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Michael Galloway
Its Secretary