

**Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
July 23, 2008  
2:00 p.m.**

The Monthly Meeting of the PMRC Board of Directors was called to order by Jack Peters in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:05 p.m. Mr. Peters noted that Mr. Bishop is not feeling well today and will join the meeting via conference call.

Roll Call.

Bob Beattie	Lynette Rasmussen
Don Brown	Sunnie Richer
Perry Chapin	Jodi Ulrich
Michael Galloway	Tom Whitney
Nolden Gentry	Paul Hayes
Ron Morden	Randy Minear
Gerard Neugent	Jack Bishop
Jack Peters	

Also in attendance were:

Gary Palmer, President/CEO  
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. Morden to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on June 25, 2008 as written. The motion was seconded by Mr. Chapin and passed on a voice vote.

Public Comment. None

Financials. Mr. Palmer reviewed the June 2008 YTD financials: Net Revenue above plan .2%; Total Expenses below plan 3%; Net Income before Community Betterment above plan 14.9%. Mr. Palmer said we had exciting things going on last week with the Flood Relief Concert, Heart Concert, and the Camel and Ostrich Races. Mr. Palmer reviewed the following graphs: 1). First Six Months Casino Revenue, 2005 through 2008; 2). Net Win Change vs. Attendance Change YTD June 2008 vs. YTD June 2007 (PM revenue is up \$4.2 million and attendance is down 18,000; Horseshoe revenue is up \$2.6 million and attendance is down 175,000; Harrah's revenue is down \$1.2 million and attendance is down 175,000; Ameristar revenue is up \$1.9 million and attendance is down 53,000; Terrible's revenue is down \$2 million and attendance is down 95,186); 3). Slot hold % - select Iowa casinos June 2008 and YTD 2008. Mr. Palmer said the team is working hard to bring in business and reviewed slides of last weeks events, noting the

Flood Relief concert brought in over \$600,000 including the match from the County, and thanked the Board for allowing the team to host the benefit.

Jeff Nelson, Director of Marketing, said the team put the Flood Relief Concert together in three weeks; received \$80,000 in corporate sponsorships; \$177,000 in ticket sales; \$5,000 from the money barrels; \$12,000 in auction items; over 100 companies participated; approximately 9,000 attended the concert – it was a great team effort; so far, we’ve raised \$600,000 which includes the County’s match and more money is still coming in; the money will be funneled through the Foundation to Polk County Human Services.

Mr. Beattie said the whole idea for the Flood Relief effort started with the employees and was pulled off by the employees – they worked hard. Mr. Beattie moved that the Board recognize their efforts and the motion was seconded by Mr. Chapin.

Approve Bank Resolution to add Ann Atkin. Mr. Galloway said Ann Long needs to be removed and Ann Atkin needs to be added to the bank documents. Mr. Galloway moved those items be approved, as well as noting that Elaine Castelline, Director of Accounting, be a contact to request and receive information. The motion was seconded by Mr. Morden and passed on a voice vote.

Approve City of Altoona Grant (Bass Pro). Mr. Neugent said there were slight changes made; the City has sold the bond; the agreement is for \$500,000 per year for eight years with the intent of an additional \$500,000 if there are available funds; if a \$30 million hotel is built on our property, it goes away; if there is a \$140 million increase in the TIF district, it goes away; the first half payment will be made at the end of 2009; everything is in full compliance with what has been discussed and previously approved. Ms. Richer asked about PM’s total taxable and Jeff Mark, City of Altoona Administrator, said \$20 million; Mr. Neugent noted that is just PM’s component – the big component is Bass Pro and the bonds will carry. Mr. Neugent moved to approve the grant, the motion was seconded by Mr. Galloway, and passed on a voice vote.

Mr. Mark thanked the Board and noted everyone is excited about the project; a “coming soon” sign and construction trailer are on the site; dirt will be moved in a few weeks; they are working on Bass Pro Drive; August 2 is the expected soft opening; PM will be advised of groundbreaking ceremonies, etc.

Approve Human Resources Committee Recommendation for a contract with Cliff’s Edge Strategies LLC. Mr. Peters said this was discussed with the Executive Committee and the recommendation is to refer it back to the Executive Committee to come up with a process as this involves a long term business plan; we need to come up with a system to involve all committees; a large part of the plan is horse racing; we want to ensure everyone has the ability to have input and make it be what we want it to be.

Ms. Richer said there are two elements in the proposal; the HR Committee has met twice; committee members are: Sunnie Richer, Nolden Gentry, Ron Morden, Paul Hayes, Perry Chapin, Jack Bishop, Dan Byers and Ann Atkin participated, and Gary Palmer was apprised; the immediate issues are compensation and an incentive system for Gary Palmer; the measurements and components are not defined; the approved system has a narrow band for ratings and most is an automatic percentage; half of the proposal deals with these issues and we want it in place for 2008.

Ms. Richer said the second piece is the Strategic Plan; we have had one in place since the beginning of the year, but a complete analysis, priorities, and accountability is not included. Ms. Richer said other Board members had the opportunity to meet with Cliff Gold and Mr. Gold understands the Strategic Plan piece, the question is what do we do with the HR piece?

Ms. Richer suggested and moved splitting the proposal. Ms. Rasmussen said if this happens, she has questions; Mr. Peters said based on the Executive Committee's discussion is the ability to get everyone up to speed; Mr. Whitney suggested referring the Strategic Plan to the Executive Committee to act and refer back to the HR Committee the HR section or refer the entirety to the Executive Committee to decide. Mr. Galloway said Mr. Gold did a great presentation and asked if the key to compensation is the Strategic Plan? Mr. Morden would like to separate the two pieces (the bonus piece falls in the HR Committee) and have a recommendation to go ahead independent of the Strategic Plan piece. Mr. Peters said if it is split there are questions and we need to decide to vote on Ms. Richer's recommendation or send it to the Executive Committee. Mr. Neugent said all are valid points – we need more input for the horse components – compensation and appraisal are more time sensitive and maybe the recommendation could be for one section. Mr. Galloway said we're up and running for this year and asked what was the hurry; Ms. Richer said this would be in place for 2009 and could be effective 1-1-09 and it would have been in place for the whole year – Mr. Palmer's piece is separate and 2008 is done. Mr. Beattie suggested the HR Committee take it back and come to the next meeting with a specific item that has been sent out prior to the meeting so the Board has time to review. Ms. Richer said the proposal is written into two pieces, along with separate pricing. Mr. Peters suggested Ms. Richer do the breakdown for the HR section and the Board vote on it and send the long term plan to the Executive Committee.

Ms. Richer moved to approve the HR portion with Cliff's Edge Strategies to perform a compensation evaluation and analysis effective for 2009. The motion was seconded by Mr. Morden.

Discussion. Ms. Rasmussen asked about a dovetail between the two pieces – there will be less work without the Strategic Plan piece – what will we get and is there enough framework? Mr. Whitney suggested doing this at the August meeting – is there anything critical that it must be done today? Mr. Peters said if it is delayed, will the Horse

Committee have time to review and Mr. Whitney said only the HR piece if there is a report in 30 days. Mr. Hayes believes Mr. Whitney's question is an implementation issue and Ms. Rasmussen's question is a Strategic Plan is needed so the evaluation system has something to hold people accountable for – both are tied together. Mr. Beattie asked about the component if the proposal is split and Ms. Richer said incentive, compensation, and risks. Mr. Beattie asked about compensation and Ms. Richer said it is defined – not to exceed \$35,000 – if we wait, it will be mid-September before we can start and time is short now; if we wait, the Board can't criticize management. Mr. Galloway had to leave the meeting at 2:45 p.m..

Mr. Minear suggested using Mr. Palmer's piece as a template for the rest of the organization, but with department specifics; Ms. Richer said the elements are from the Strategic Plan; Mr. Minear asked if this is included in the scope for Mr. Gold to use to develop the rest. Mr. Peters said without the Strategic Plan, it will detract from the ability to do the compensation and bonus and Ms. Richer said she didn't believe so.

Mr. Peters said there is a motion and a second to do the HR piece. The motion carried on a Roll Call Vote (8 yes, 4 no, 1 member absent).

Mr. Whitney moved the Strategic Plan section be referred to the Executive Committee. The motion was seconded and passed on a voice vote. Ms. Rasmussen asked if Mr. Gold would explain his philosophy to the Executive Committee and Mr. Whitney said that can be added.

Approve Hotel/Parking Lot Committee Recommendation for a Feasibility Study with HVS. Mr. Neugent said the committee members are Gerry Neugent, Bob Beattie, Randy Minear, Jodi Ulrich, Mike Galloway, with assistance from Mr. Wandro from Snyder and Associates and Mr. Bishop, and the committee determined there is a need for a marketing and feasibility study before going forward with a hotel plan. Mr. Neugent said Mr. Wandro has been a PM consultant on the most recent construction project and on previous hotel discussions and has done due diligence in contacting HVS to do a feasibility study, financial projections, and a market study for a hotel; Mr. Wandro recommended HVS to the Committee and the recommendation was presented to the Finance Committee and then to the Executive Committee; the cost is \$30,000 plus reimbursable costs to determine the product type, do a market study, and do financial projections.

Mr. Neugent moved to engage HVS through Snyder and Associates to do the study based on the proposal just reviewed. The motion was seconded by Mr. Morden. Mr. Whitney asked if PM has officially retained Snyder and Associates and Mr. Neugent said Snyder has an on-going consultant contract with PM. Mr. Whitney asked the cost and Mr. Neugent said it is an hourly rate and Mr. Sears, Director of Logistics, said he has a requisition for \$20,000. Mr. Whitney requested Mr. Palmer prepare an update on what has been spent and the cap with Snyder and Associates. Mr. Chapin asked how the hotel

would be financed; Mr. Beattie said costs and alternatives will be in the study; Mr. Neugent said there are a lot of models and casinos in Iowa with hotels owned and operated by independents and owned and operated by the casino, we are gathering information to make a recommendation, and need to know if it is economically viable to do a hotel. Ms. Richer asked about HVS's background and Mr. Neugent said HVS is a San Francisco-based appraisal and financial corporation and are hospitality and gaming consultants and Mr. Wandro has the list of clients and has talked to several who spoke highly of HVS. The motion passed on a voice vote.

General Manager's Report.

Mr. Palmer reported that the horsemen have hired Richard Thalheimer to do a study and would like him to give a report to the PMRC Board at its August meeting – the Executive Committee has agreed and he would like Board approval. The Board concurred with the request.

Mr. Palmer said the job search for a CFO will begin this weekend and the Executive Committee has recommended this be done as soon as possible.

Other Business.

Mr. Whitney noted that the Horse Committee will meet at the conclusion of the Board Meeting and all Board members are welcome to attend as observers, but not as participants.

Discuss Gary Palmer's Performance Evaluation Criteria. Ms. Richer handed out and reviewed the 2<sup>nd</sup> Draft and noted some elements were not defined for 2008; information from 2007 and the Strategic Plan was used to come up with this plan; Gary Palmer and Dan Byers, Director of HR, have reviewed the plan; the HR Committee has met twice and exchanged e-mails; the 2<sup>nd</sup> Draft was e-mailed to the Board a few days ago.

Page 1. Mr. Minear asked if 8% (1. a. revenue/income/expenses to enable charitable mission) is judgmental and is it all or nothing or an 8% risk in that category and Ms. Richer said the Committee decided this item should be judgmental. Mr. Hayes said this can't be tied to the bottom line due to IRS guidelines; the Executive Committee does Mr. Palmer's review; and these are just some guidelines for Mr. Palmer and the committee. Mr. Neugent asked if 1. b. should include maintenance and preservation of the physical plant and Mr. Hayes said that could fall under the implementation of Capital Expenditures. Ms. Rasmussen asked about the dollar amount to reduce horse racing expenses in 1. b. iii.; Ms. Richer said the committee didn't know what to put in that blank; Mr. Whitney said we really don't know the negative numbers and asked if Mr. Palmer should receive a bonus on this item as it is a policy determination. The Board decided to change 1. b. iii. to "maximize horse racing and profitability".

Page 2. Mr. Morden noted that 6. a. (develop and promote model racing program that would optimize the use of PMRC's allocated recourses toward the promotion of PMRC

encing program attendance and support of Iowa agribusiness) is similar to 1. b. iii. and Mr. Hayes said this is for a future point.

Page 3. Ms. Richer said the Community Relations piece is a visibility piece.

Mr. Hayes asked if Mr. Palmer would prepare his own report card for the Executive Committee in November; Ms. Richer noted that Mr. Palmer requested to meet with the Executive Committee and then the full Board as part of the formal process; Mr. Gentry said a document would be done that reflects the consensus of the full Board and not 13 different documents. Mr. Flynn asked if the Commission (IRGC) should be included and Ms. Richer said this could be added to the Community Relations section.

Ms. Richer asked if this should be voted on. Ms. Rasmussen asked Mr. Palmer's thoughts and he noted it is nice to have a format to be judged by and this is fair and has subjectivity and objectivity.

Mr. Whitney asked why 1. b. i. has an emphasis on F&B as there are a lot of departments and is there criteria for all departments, breakeven might not be the right word. Mr. Morden said at the beginning of 2008, there was a concern about F&B and this could change for 2009. Mr. Hayes noted the 2009 plan would be developed in December. Mr. Whitney asked that at the end of 2008, if F&B is breakeven but another department is in the red, what holds Mr. Palmer accountable and Mr. Palmer said 1. a. Ms. Richer said 1. b. lists the hot spots and noted Marketing will never be a profit center. Mr. Gentry said a department could do well, but still be in the red, we want to be objective and have been too subjective in the past. Mr. Hayes suggested adding, "all other budget items within x%"; Ms. Richer suggested "F&B to a profitable level and all other departments within a reasonable range"; Mr. Morden said Marketing expenses were explained by Mr. Nelson and he doesn't want a set percentage; Mr. Peters said 1. a. covers this; Ms. Richer said the intent of 1. b. i. was what the Board identified as a problem area; Mr. Whitney likes breakeven, not profitable and said departments have budgets and any changes need to be approved by the Board – spending to make money is a Board determination. Mr. Morden asked if Mr. Palmer should be held accountable on a line item basis or in total – this is micro-management – it should be ok as long as the total stays within the budget. Mr. Gentry would like to hear a plan to amend the budget. Mr. Palmer said everything is discussed with the Finance Committee every month and asked if all committees should be eliminated and just report to the Board; Mr. Gentry would like a financial report to the full Board. Ms. Rasmussen asked if it is feasible to amend the budget three to four times a year and Mr. Bishop said the Board has two responsibilities – budget and policy and both are dealt with by the Board – the Executive Committee is aware of Marketing's spending. Mr. Neugent said holding to line items for a bonus is not proper, we need to look at the overall; management should be able to react to situations; if there is a line item problem, it should be highlighted for next year. Mr. Bishop said high numbers need Board attention, most years we've made more than the budget, and it is the Board's responsibility to be on top of.

Mr. Minear asked if the Board owes Mr. Palmer a formal authorization to run the place within this budget – there is a variety of opinions on overall or line item or is this something for the Finance Committee’s authorization? Mr. Morden said the Finance Committee reviews the financials and variables are discussed with Mr. Palmer and staff; if something is out of line, it is reported to the full Board; if something is within the plan, the Finance Committee isn’t too upset. Mr. Whitney asked if Mr. Palmer operates on the basis that the object is the bottom line, the department, or the line item and Mr. Palmer said P&L meetings are held and looked at both ways – some are timing issues that catch up later; he knows the total for the year and staff regulates by the month. Mr. Whitney asked that at the end of twelve months, if PM is inside the income and budget, but two departments are in the red vs. the budget, is it successful, a problem, or a failure? Mr. Palmer said everyone would know before the end of the year and it can be fixed – this is our barometer and staff closely watches sales and revenues; no one knew the inflation rate last year at budget time and we’re trying to figure out how to make the numbers; staff will ask for an amendment if it is needed; we need to be cautious as there’s a point of diminishing return; the goal is to meet the budget, but there sometimes needs to be adjustments; everything is reviewed with the Finance Committee. Mr. Whitney asked when staff would ask for the budget to be amended and Mr. Palmer said for Marketing, it could be the next month or so; details will be given to the Finance Committee; promotions are tracked; much of it is instinct and Mr. Nelson knows the market and the trends; some things like overtime can be controlled, but there is a reason, other things like utilities can’t be controlled and everyone understands; the department heads know every month what is going on and we’ve already had several meetings to discuss the capital items for the remainder of the year. Mr. Flynn offered the following language for 1. a. i. “F&B Department at a breakeven level and all other departments at levels acceptable to the Board” – the Board agreed to this language. Ms. Richer will make the changes discussed today, send out the revised version, and the Board can vote on it next month.

Adjournment. A motion was made by Mr. Neugent to adjourn the meeting. The motion was seconded by Ms. Rasmussen. There being no further business, the meeting was adjourned at 3:45 p.m.

Respectfully submitted,

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Michael Galloway  
Its Secretary