

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
June 24, 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 – arrived after Roll Call

Ron Morden

Gerard Neugent

Lynette Rasmussen

Sunnie Richer

Jodi Urich

Tom Whitney – arrived after Roll Call

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 May 27, 2009 as written. The motion was seconded by Mr. Chapin and passed on a voice vote.

Approval of the Minutes. A motion was made by Mr. Chapin to approve the Minutes of the special meeting of the Prairie Meadows Board of Directors held on June 8, 2009 as written. The motion was seconded by Mr. Morden and passed on a voice vote.

Public Comment. None

Financials. Mr. Wessels reviewed the May 2009 YTD financials: Net Revenue below plan 2.1%; Total Expenses below plan 5.2%; Net Income before Community Betterment above plan 9.3%; casino revenue by month – the first two months of 2009 were better than budget, the last three months were below budget.

Property	Net Win	Attendance	Slot Hold
PMRC	-\$2 million	+15,000 or -2.4%	8.02%
Horseshoe/Harrah's	-\$7.3 million	-103,000 or -5.8%	10.45% / 10.31%
Ameristar	-\$6.6 million	-138,000 or -8.7%	9.37%
Terrible's	-\$986,000	-17,000 or -4.3%	9.1%

The average attendance drop is 5.5% and PM is -2.4%. Ms. Richer asked what was happening with the rest of the country and Mr. Wessels said everyone is down.

Introduce a Director – Jeff Nelson, Director of Marketing. Mr. Nelson said, besides Marketing, he is also responsible for Player Services and the Gift Shop; he grew up in Kansas City; has worked in the sports and leisure industry, in Las Vegas for eight years, and for a securities company in Kansas City prior to coming to Prairie Meadows; has been in gaming for eleven years; he and his wife have three children under the age of three.

Ms. Richer requested Mr. Nelson give an overview of what's happening in Marketing. Mr. Nelson said his staff is looking for promotions that have a high return on investment; is finalizing changes to the website; will have a new e-mail program starting in July with the capability of doing e-mail blasts; working on promotions, but still be smart on expenditures. Mr. Nelson said he follows the market and Las Vegas is down 14%, Atlantic City is down even more, Kansas City is down 2.5%; Iowa is slowing down due to the economy; staff is working toward last year's numbers; PM is leading the market share.

Ms. Rasmussen requested information on the number of employees and some things the department does. Mr. Nelson said Marketing includes: 15 in Marketing, 20 in Players Club, and 4 in the Gift Shop – Players Club and Gift Shop employees are cross-trained; Marketing does most of the creative work, printing, and some TV production in-house – probably 97% is done in-house; the website was done by an outside company; Marketing is under budget.

Ms. Ulrich asked about the new commercial and Mr. Nelson said the “Senior Class” commercial runs for five weeks, has a graduation spin, and features fun shots of the casino.

Dr. McGuire noted volume (attendance) is up and revenue is down – PM is the only property with good attendance numbers - how does staff target this? Mr. Nelson said he stays away from attendance and looks for quality of play; the win per person is going down; people are coming out for the free entertainment and not spending. Dr. McGuire asked if staff looks at win per person and Mr. Nelson said yes. Mr. Palmer noted the market is changing, people are coming out for the best value of entertainment, but revenue is down; Mr. Nelson said people can find a game that fits what they have to

spend. Dr. McGuire asked if this is based on loyalty and \$3 could turn into \$30 and Mr. Nelson said yes.

Ms. Richer asked Mr. Nelson to e-mail the entire Board the segmentation chart handed out at the Marketing Committee meeting – it shows dollars played. Mr. Nelson said Marketing divides play into eight segments – we’re losing on the top two tiers, but growing the base and there are more middle players.

Mr. Whitney said there seems to be a dilemma in Marketing – the Festival of Racing is this weekend, along with the Hy-Vee Triathlon and the Arts Festival; he’s only just seen information about the Festival today, except for the articles by Dan Johnson. Mr. Nelson said the Festival has been scaled back and we’ve cut back on the advertising expense; a big ad is coming out later in the week; ads have been placed in *The Datebook*, *Altoona Herald*, and some other small papers; ads have been running on the radio; we’ve promoted in-house; we want to promote the Festival and hope it brings in a good crowd; it is an established event; there’s not been a big splash this year.

Finance Committee Charter. Mr. Morden noted everyone received a copy of the charter and the revisions are minor – small changes under “Purpose” and in items #5 and #9. Mr. Neugent moved to approve the charter. The motion was seconded by Mr. Morden and passed on a voice vote.

Investment Policy. Mr. Morden said there was a minor change on the last page – net worth was changed to \$150 million. Mr. Morden moved to approve the policy. The motion was seconded by Mr. Neugent and passed on a voice vote.

Reserves. Mr. Neugent asked that the packet of information regarding the Operating and Capital Reserves be distributed to the Board and noted these are recommendations from the Finance Committee; this should be an annual decision of the Board (to fund the reserves) and it is prudent to have an established revenue for Capitals and Operating Reserves; the information is being introduced today, questions answered at the July meeting, and action at the August meeting.

Mr. Wessels briefly reviewed the information – establish an Operating Reserve of \$10 million and a Capital Reserve of \$2 million, as cash flow would allow; PM would need one-two months of cash to operate with a disaster; one SOP includes Operating and Capital Reserves and their distribution; the second SOP regards charitable donation funding.

Mr. Minear asked about business interruption insurance and the amount and Mr. Wessels said we have insurance and he’s not sure of the deductible – his concern is the timing for cash flow. Mr. Minear asked about a twelve month disaster – is PM covered and what is the length of time; Mr. Wessels he will find out; Mr. Palmer said this is be an item for the next meeting.

Mr. Whitney asked if the total would be \$12 million and Mr. Wessels said yes. Mr. Whitney asked if we had nothing now and Mr. Wessels said that was correct. Mr. Neugent noted there is a contingency fund with \$700,000 in it this year and Mr. Morden noted there's \$9 million in the Capitals budget. Mr. Whitney said this is a goal and an aspiration – how will it be accomplished? Mr. Neugent said this arose from questions in the past and what to do if there's excess money at the end of the year – what to do with it, give it away or set up reserves; if there's funds available, does it makes sense to give one-third to Operating Reserves, one-third to Capital Reserves, and one-third to charitable; if every dime is spent, there's no decision to make. Mr. Galloway said the intent always, has been to look at the age of the facility and having no reserves in place; every year the Finance Committee makes recommendations to the Board. Mr. Galloway asked if there is no intent to fully fund and Mr. Neugent said that was correct – this is a policy for future Board's consideration and it's prudent to have reserves, if there's excess funds. Dr. McGuire noted \$2 million and \$10 million are caps and asked if the percentages would be decided each year with a recommendation from the Finance Committee and Mr. Neugent said that was correct. Mr. Minear asked how the \$2 million was determined and Mr. Morden said this is one-fourth of the annual Capital budget (\$9 million in that fund this year) and an example of its use would be if the parking ramp is built, how would it be financed as the bank requires a significant percentage down – if there was a reserve, it could be used; the current policy is, if there's anything left, it goes out; we need to think of the future.

Mr. Whitney said the history at the end of the year is we're over budget and Mr. Neugent said it's been close and there's been no significant funds left over, charitable have been funded in the past; with the past history of what's been left over, it would be a long way to go to reach the cap; the facility is 20 years old and if a cooler or HVAC unit quits, it would be very costly – in the \$1 million range. Mr. Galloway noted that when we ran above budget, it was used to pay the debt earlier and Mr. Neugent said that was correct – staff made the decision to pre-pay the debt and it was prudent to do so. Mr. Whitney asked the amount PM pre-paid and Mr. Palmer said \$7 million. Mr. Whitney asked if there had been a policy in place, would some of the \$7 million have gone into this and Mr. Galloway said yes, and to charitables.

Ms. Rasmussen said this is a business plan and a philosophy and with the age of the structure, it is an on-going concern. Mr. Whitney noted this policy should have been done sooner; Mr. Galloway requested any questions be e-mailed to Mr. Wessels. Ms. Richer requested staff send out the balance sheet (Note: this is in the Financial packet).

General Manager's Report. Mr. Palmer reported that the Grand Funk Railroad concert on June 19 was sold out; upcoming events include: Stable Tour on Fridays at 9:30 a.m., June 26, 27 – Festival of Racing, June 27 – 8:30 a.m. - Morning at the Meadows with a breakfast buffet, July 3 – fireworks; this week, PM is hosting the Track Superintendents Conference that includes participants from Dubai, Canada, Canterbury, Del Mar, Louisiana Downs, Keeneland, New York, Oaklawn, Turf Club, etc., the group also

includes track experts and they can see our operation and discuss track surfaces, etc. – PM is very honored to have been chosen to host this event.

Ms. Rasmussen said it would be interesting to hear a report next month from Bob Gorla about the conference and this is also a way to get information on artificial turf for the update to the Commission. Mr. Palmer noted one of the participants attending the Conference is Javier Barajas, who was at Arlington and went to Dubai last year where it's 100°+ and very humid and runs seven races once a week.

Other.

Facilities Committee. Mr. Galloway reported the committee interviewed two potential owner/developers last Friday and a third interview is scheduled on July 10; a recommendation will be presented to the Board at its July meeting; if anyone is interested in meeting with the recommended developer, please call Nancy and staff will arrange for a meeting the day of the Board meeting; the committee is on schedule with its timeline.

Audit Committee. Mr. Morden said the committee met earlier today, interviewed two CPA firms, and will give a recommendation to the Board at the July meeting.

July Meeting – Mr. Galloway said the Board has the opportunity to tour the Bass Pro facility after the Board meeting and return to PM for refreshments.

August Meeting – Mr. Galloway said the World Food Prize has offered to host the Board meeting at their facility, followed by a tour and reception; this will be a discussion topic at the July meeting.

Adjournment. A motion was made by Mr. Morden to adjourn the meeting. The motion was seconded by Dr. McGuire and passed on a voice vote. There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Gerard Neugent
Its Secretary