

**Monthly Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
March 25, 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 2:10 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 - absent

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 Ms. Urich to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on February 25, 2009 as written. The motion was seconded by Mr. Morden and passed on a voice vote.

Public Comment. None

Annual Audit Report – Deloitte. Scott Wilgenbusch said the audit has been completed and is ready to issue; it is an unqualified opinion; there is no deviation from accounting principles, the Audit and Finance Committees received a report; Internal Controls are also being developed to help plan the scope and the plan of audit procedures; the audit will be filed with the IRGC. Mr. Wilgenbusch said 2008 findings include: the policies are consistent; there are no changes; policies compared to others are appropriate for the business; no significant estimates or judgments; investments and liquidity – Prairie Meadows is cash; no misstatements identified; no disclosures; Deloitte received the full cooperation of management and staff; the focus was on the Cage and an audit is done twice a year with the Internal Auditor, Revenue procedures, and utilizing the Internal Auditor with the procedures to cut costs (i.e. Cage and Horsemen’s Bookkeeper)

Mr. Morden said Deloitte has met with the Audit and Finance Committees and moved the Board accept the audit report from Deloitte. The motion was seconded by Mr. Bishop and passed on a voice vote.

Annual Report of Audit Committee Activities. Mr. Morden handed out and reviewed the report summary – there is nothing extraordinary to report; Paul Hayes resigned and Nolden Gentry's term expired; the committee reviews litigations quarterly and there is nothing to report; the Internal Auditor attends the meetings; the committee approves the Internal Audit schedule for the year.

Financials. Mr. Wessels reviewed the February 2009 YTD financials: Net Revenue above plan 5.6%; Total Expenses below plan 4.2%; and Net Income before Community Betterment above plan 39%. Mr. Wessels said the first two months of 2009 exceed expectation and reviewed YTD February 2008 vs. YTD February 2009: PM revenue up \$900,000 and attendance up 4,000; Horseshoe/Harrah's revenue down \$1.6 million and attendance down 13,000; Ameristar revenue down \$2.2 million and attendance down 46,000; Terrible's revenue down \$100,000 and attendance down 6,000. Mr. Wessels reported Pm's slot hold is 7.8%; Horseshoe/Harrah's hold is 10.3%; Ameristar's hold is 9/4%; Terrible's hold is 9%.

Ms. Richer asked the correlation in hold between the other casinos; Mr. Wessels said it is difficult to answer, it could be pricing strategy; Mr. Palmer said there are two philosophies: PM's is to be the lowest so people will stay longer and come back, with high hold, people spend their money and leave. Mr. Palmer noted other properties are laying off people and he's not sure if this is due to the economy or patrons not playing long enough. Ms. Richer noted major casinos are down and Mr. Morden said PM has good guest service. Mr. Palmer said several staff members and the Racing Committee visited Oaklawn and Remington and he saw a big difference in guest service as compared to PM; PM needs to continue giving good guest service and keep the hold down; PM has always been first or second in the state each month according to IRGC reports. Mr. Bishop noted PM has a reputation for being clean and friendly and that goes a long way towards its success; Mr. Beattie said the Marketing Department is also a big factor in the cusses; Mr. Palmer said PM also has a good F&B Department - it's a combination of things; Mr. Morden said PM's philosophy is to be the lowest hold and the fiscal year ending July 1, 2008 lists PM as the lowest.

Legislative Update. Troy Skinner handed out and reviewed the report dated March 25, 2009: There's not a lot of gaming issues to report on; the REC met on March 20, estimates a shortfall of \$100 million this year and a deficit of \$800 by FY 2010, and wants to pass the budget in the next two-three weeks. Bills of interest: SF 380 increases penalties for minors – the bill is moving and there's little resistance; SF 305 Pari-Mutuel Audits would be due within 90 days from the end of the calendar year rather than 90 days from the end of the meet – this passed both houses with no amendments and has been

sent to the Governor; SF 428 increases prizes from Amusement Devices from \$5 to \$50. The “I-Jobs” Bonding proposal includes many ties to gaming revenue.

Ancillary Agreements. Mr. Flynn said that staff at PM had expressed some concern with the proposed language on the simulcast approval and that he intends to meet with the staff after the Board meeting to discuss their concerns. Mr. Galloway said the simulcast language is in paragraph 19, the Executive Committee has discussed this and recommends the Board approve an additional \$5,000 to the IHBPA and an additional \$2,500 to the Quarter Horses, with direction to Mr. Flynn and staff to finalize the simulcast language. Mr. Bishop moved to accept the Executive Committee’s recommendation and, that with this action, this concludes negotiations. The motion was seconded by Mr. Morden and passed on a voice vote.

Reconsideration of Revised Contract with the Rib Shack. Mr. Galloway said he and Mr. Palmer have discussed this issue and staff understands the Board’s position, but time is too short to get bids this year and staff doesn’t feel that it can provide this service to the guests; the Executive Committee discussed this and requests that staff have a plan of action on sourcing food operations at PM for 2010 by September 1 and recommends reconsideration of the one year contract with revisions to two items. Mr. Morden moved to accept the Executive Committee’s recommendations to the revised one year contract. The motion was seconded by Mr. Neugent and passed on a voice vote.

Introduce Julie Stewart, Director of Community Relations. Ms. Stewart said she started at PM in 1989 in the Sales Department; held the following positions: Advertising and Marketing Manager, Assistant Director of Sales and Marketing, Director of Sales and Marketing, and is currently the Director of Community Relations; she has a BA in Business from Stephens College; sits on several boards; Community Relations is responsible for all external and internal relationships for Prairie Meadows; supports a high standard of ethics and financial responsibility when allocating Prairie Meadows fund; ensure that Prairie Meadows receives recognition for its financial contribution; Community Relations is broken down into these areas: Community giving, JACKPOT Guest Service, Partnerships, Media Relations, and Employee Relations; the department has four full time employees and one part-time employee.

General Manager’s Report. Mr. Palmer noted that YTD, PM has done very well; upcoming events include: April 16 - Golden Boys concert with Frankie Avalon, Fabian, Bobby Rydell; April 24 – Start of Live Racing; May 2 – Road to the Triple Crown – Kentucky Derby; May 16 – Road to the Triple Crown - Preakness Stakes; May 29 – Clint Black Concert; June 6 – Road to the Triple Crown – Belmont Stakes; June 26, 27 – Festival of Racing. Mr. Palmer invited the Board to Opening Night and noted Ms. Stewart will send an e-mail with more details, PM will plan another night of racing for those who can’t attend on April 24. Mr. Palmer said the Clubhouse is being renovated and invited the Board to tour the 4<sup>th</sup> floor with Ms. Atkin after the Board meeting.

Other.

Human Resources Committee. Ms. Richer said the committee (Sunnie Richer, Don Brown, Tom Whitney, Randy Minear) met yesterday and discussed several items. \*Incentive compensation and goals – previously, a portion of the incentive was based on the appraisal and this has been decoupled; each employee, with the exception of Union employees, will have three or more measurable job specific goals; the management team training is done and goal setting is underway; the committee reviewed an example of an appraisal and incentive goals and it looked good. Ms. Richer handed out a copy of the Training Manuel and noted the performance evaluation is a number grade; the range changed from four to five; the new system will use a normal bell curve; training covered the new evaluation process; evaluation dates are June and the end of the year and the incentive compensation will be done at the end of the year.

\*An open item is Mr. Palmers plan and incentive compensation; last year there were 15 items to be ranked and the information binder was quite thick, the committee would like to simplify the information to be reviewed, and would like the Board to consider selecting these five areas and one item per area: Finance, Racing, Facilities, HR, and Community Betterment; Mr. Palmer did a quarterly update on the Strategic Plan and accomplishments to date. Ms. Richer asked the Board to consider the committee’s ideas and send the committee an e-mail with their thoughts.

\*Hay Study. Ms. Richer said this study takes all jobs and slots them; compensation is driven from the study; the last study was done in 2004 for all jobs at PM; a recommendation from Cliff Gold was to revisit this and the team received a proposal to evaluate 23 jobs; there’s no significant changes except two new positions; the cost would be \$35,000. Ms. Richer said the committee believes there doesn’t appear to be any problems and would like to wait for the IGA survey in the Fall to use as a comparison and then act at that time if something is askew.

Finance Committee - Mr. Neugent said one of the charges for the committee is to review its charter – the Finance charter interfaces with the HR Committee, changes are being made, and the charter will be presented to the Board for approval when finalized; the committee is also working on a Reserve Policy and will bring that to the Board when finalized.

Facilities Committee – Mr. Neugent said a meeting has been scheduled with Polk County and the RFP should be ready by the next Board meeting.

Racing Committee – Mr. Chapin said the committee and staff visited Oaklawn (Arkansas) and Remington (Oklahoma) last week. Oaklawn is privately owned; has 54 days of racing; very little negotiations; purses are large due to only 54 days of racing; very little given for breeding or supplements – they have one Arkansas-bred race a session. Remington is a Quarter Horse track that also runs Paints and Appaloosas; they have good purses; the service was poor. Mr. Chapin said it was an excellent trip and the committee learned a lot – people at both tracks complimented PM. Mr. Brown said

Oaklawn doesn't have lights – they run only during the day. Mr. Galloway noted the consultants' report will be ready by June 1.

Mr. Galloway thanked Mr. Wessels and Ms. Castelline, Director of Accounting, on the favorable audit report presented by Deloitte and thanked the committee chairs for taking on additional responsibilities.

Adjournment. A motion was made by Mr. Bishop to adjourn the meeting. The motion was seconded by Mr. Neugent and passed on a voice vote. There being no further business, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,

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Gerard Neugent  
Its Secretary