

**“Racing 101” Information Meeting of the  
Prairie Meadows Racetrack and Casino  
Board of Directors  
May 12, 2008  
3:00 p.m.**

In attendance:

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

Also in attendance were:

Gary Palmer, President/CEO  
Ann Atkin, Vice President of Operations  
Nancy Winget, Its Recording Secretary  
Derron Heldt, Director of Racing  
Dan Doocy, Racing Secretary  
Members of the Press, Public, and Staff

Mr. Palmer passed out and reviewed the information book.

History Tab

The key dates in PM’s history are: March 1, 1989 – the first race at PM; November 27, 1991 – filed for bankruptcy; May 7, 1993 – the return of live racing; 1994 – approval to add slot machines; April 1, 1995 opening day of the racino; January 2001 – opening of the new 50,000 addition; April 2006 – new Paddock and Jockey’s quarters; January 2007 – opening of Triple Crown, Clubhouse, The Meadows Events Center and AJ’s.

Chapter 10 – List of Mandated Thoroughbred and Quarter Horse Officials and Chapter 9 – List of Mandated Harness Officials.

Racing Information - In addition to the information listed, PM also has Backside office space, restaurant that serves two meals a day, vending machines, and a Chaplaincy office for the horsemen.

Race Meet Statistics, 1998-2007 – Lists racing dates, days per week, days of racing, duration of meet, number of days, starters, number of opportunities, opportunities per day, average field size, net purses, supplement.

Thoroughbred Foal Crops Graph, 1999-2006; Quarter Horse Foal Crops Graph, 1999-2006; Foals Crops Graph – all three breeds, 1999-2006. Mr. Heldt said the graphs represent the registered horses for that breed for racing purposes. Mr. Peters asked that with 387 foals, what percentage represents mares and Mr. Heldt said approximately 16

## “Racing 101” Information Meeting – May 12, 2008

mares. Mr. Peters asked if these were registered foals and Mr. Heldt said yes; Mr. Beattie asked if they are Iowa-bred foals and Mr. Heldt said yes. Mr. Hayes asked if the foals were registered at birth or later; Mr. Heldt said either – Quarter horses are often used for other events prior to racing; Mr. Peters said owners usually start the registration process when the foals are six months old as it is a six month process.

### Purses and Supplements Tab

Mandatory Purse Calculation, Vision Iowa Deduction of Mandatory Purses, Obligation Bonds information, Audit Confirmation, Iowa Events Center information, Percentage of Contractual/Legislated Purses/Supplement - Mr. Palmer said the formula used to determine purses is: adjusted gross revenue of the prior year, minus Vision Iowa payments, multiplied by 11% of the first \$200 million and multiplied at 6% over \$200 million. Mr. Palmer said the County contract expires in 2010 and the Vision Iowa contract expires in 2021. Ms. Urich asked after the \$19.2 million is distributed, who decides where the purse money goes and Mr. Palmer said this is in the contract.

Iowa Bred Program – Mr. Heldt said there are two types of races – Restricted and Open Races and the supplement money is 25% for Restricted (Iowa-breds) and 35% goes to those running in Open Races. Ms. Urich asked about full fields and Mr. Heldt said we are a relatively new racing facility and we are growing. Ms. Rasmussen asked who determines the percentage and Mr. Heldt said the president of each breed – we go into the year with the information. Ms. Rasmussen asked if the percentage changes; Mr. Heldt said yes; Mr. Peters asked if it changes every year and Mr. Heldt said yes and Mr. Doocy said it has changed during the meets; Mr. Heldt said it is monitored carefully and adjustments are made. Mr. Minear asked if this falls within the \$19.2 million and Mr. Heldt said yes.

### Audits Tab

Mr. Palmer said this information is from the outside auditor, Deloitte & Touche, for 2002 – 2007 and shows a loss of approximately \$29 million. Mr. Palmer said staff met with the Thoroughbred accountant, Loren Jacobsen, for three hours and he agreed with the numbers at that time. Mr. Palmer said staff has tried to minimize the costs and are trying different things – only two meals served on the Backside, no menu service in the Clubhouse, but we do have a buffet and expanded concession items with more items added next year; most tracks only have concession stand service.

Purses and Supplements vs. Net Pari-Mutuel Loss graph, 1989 – 2007. Mr. Palmer said we are reviewing facts today, not opinions. Mr. Hayes asked if promotion/advertising costs for racing were included and Mr. Palmer said this information is not in the graphs, but is in the audits.

Mr. Palmer noted there are a lot of details in this section and asked the Board to review it and call with questions.

'08 Racing Information Tab

Mr. Palmer noted this tab includes the 2008 Racing Calendar; Event Analysis for the first three live weekends 2008 vs. 2007, and Kentucky Derby Analysis, 1998-2008. Mr. Chapin asked about the drop in attendance and Mr. Palmer said it could be attributed to the economy and the weather.

Horse Contracts Tab

Mr. Palmer said staff and horsemen from all three breeds meet each year to work on the contracts; there are a lot of meetings; and the IRGC has the last word on the contracts. Mr. Palmer reviewed the chart with items that are totally under our control, items open for negotiation, and items that we have no control. Mr. Palmer said PM gives \$157,000 to the HPBA and they used \$50,000 to lobby against us and for conventions and staff feels the money shouldn't be used for these purposes, but the law states the HBPA determines if we can simulcast or not and simulcast amounts to approximately \$1 million, and the Board agreed to pay the \$50,000. Mr. Palmer said PM also gives \$57,500 to the IQHREI for dues. Mr. Palmer noted there is still a referendum and negotiations will start again soon and negotiations are up to the Board.

Ms. Urich asked the breakdown on the \$1 million simulcast and Mr. Palmer said PM receives 2% from other facilities and the simulcast aggregate averages \$1 million a year. Mr. Chapin asked how the 10% drop in attendance relates to table games and other areas and Mr. Palmer said the Table Drop is up \$200,000 and revenue is up even though attendance is down – PM is doing terrific compared to other casinos and with the bad weather. Mr. Chapin asked how F&B service is affected and Mr. Palmer said he couldn't answer that question at this time. Mr. Chapin asked the cost of beer and Mr. Antone said imported is \$4.25 and domestic is \$3.50. Ms. Rasmussen asked if the tables in use relates to the numbers and Mr. Palmer said Mr. Antone will do a comparison on menu service, buffet, etc. Mr. Peters said he is torn about the food service and the loss to F&B, the buffet is excellent, but he has heard a lot of concerns and maybe we should look at menu service again and Mr. Palmer said staff will do a comparison. Ms. Rasmussen said the original kitchen on the third floor is being dismantled and we should make a decision before it is all torn out – possibly leave 1/3 of the kitchen in place. Mr. Peters suggested a modified menu as people are waiting five minutes at the concession stands or are asked to return shortly. Mr. Palmer said staff can do a comparison on labor savings, revenue, etc. – we want to give the best service that we can afford. Ms. Urich asked about the equipment in that kitchen and Ms. Atkin said some was moved to the new kitchen and some has been stored. Mr. Palmer said plans include an expanded concession next year– the equipment will be there and the food will be made there, but we currently don't have the capability to make nachos, fruit plate, cheese plate, or drummies. Mr. Peters asked the revenue for companies renting the tables by the year (season table holders) and Ms. Atkin said it is \$500 for a season table, \$750 for the party boxes, and the deuces are a little less.

“Racing 101” Information Meeting – May 12, 2008

Mr. Heldt briefly reviewed the contracts and noted the season approval is presented to the IRGC in January for approval (includes days/dates, purses, use of funds, how the pool is divided, simulcast authority and these items are the boiler plate for all three breeds); negotiations with the Thoroughbreds and Quarter Horses start in the middle of the year; the Standardbred season approval is submitted to the IRGC in July; the main items to negotiate are the number of race dates (Thoroughbreds and Quarter Horses), the number of opportunities (Standardbreds), and sometimes the breeding money. In response to Ms. Urich’s earlier question, Mr. Heldt said information on race days, purses, etc. can be found in the History Tab. Mr. Peters asked if the negotiation numbers have to be 100% and Mr. Heldt said yes and within the \$19 million boundary. Mr. Peters noted the average wager is \$70 on Thoroughbred races, \$35 on Quarter Horses races – what is the wager for Standardbreds? Mr. Heldt said the change in going over 11% is the County and State Fair money for harness racing – it is \$1 million this year and the IRGC can ask that more be given. Mr. Minear asked what drives Standardbred payments (betting, attendance, horse production) as the percentage has gone up; Mr. Beattie said legislation; Ms. Rasmussen said they are a strong group; Mr. Peters said they are very politically distributed around the state. Ms. Rasmussen noted PM also has to remove the track surface for harness racing. Mr. Peters said PM has done a good job – the 11% is there whether we race or not; Thoroughbreds and Quarter Horses come here from all over the country; and the horsemen are doing an economic study.

Mr. Chapin asked how the field size can be raised and Mr. Heldt said the philosophy in recruiting is for a trainer to bring in a balanced stable with expectations of a balanced condition book; we rely on trainers to bring in x amount of horses and assign x number of stalls; things change and trainers don’t bring the number of horses they said they would; out of 1,200 horses, 800 might be maidens; we provide opportunities for the horses to run; there is a lot of give and take; no track in the country gets a 11-12 field size; we may get in enough horses, but they can get hurt or get sick; we average 4.5 scratches a day. Mr. Whitney asked the number of days we have raced and Mr. Heldt said 14. Mr. Whitney asked the number of races with less than seven horses and Mr. Doocy said 39. Mr. Heldt noted betting on track is down 13%, but simulcast is up 16%; we have a viable field size for simulcast betting; we’ve had terrible weather, but the numbers look good; we hope to improve the field size. Ms. Urich asked the number of horses on property and Mr. Heldt said approximately 1,187. Ms. Urich asked the number of two year olds not racing and Mr. Doocy said approximately 170. Ms. Urich asked if we have 1,000 to use and Mr. Doocy said yes. Ms. Urich asked about the first meet percentage and Mr. Heldt said this is negotiated with the HBPA. Ms. Urich said her concerns are having the best racing program to help PM and noted we need more full fields for betting. Mr. Heldt said we give the opportunities for the trainers to run their horses and we want big fields, but things happen. Ms. Urich said her concern is recruiting to get the field size and Mr. Heldt said two major trainers cancelled, but we had back-ups – approximately 100-150 didn’t come that said they would; we have 25 new trainers this year; recruiting is building and we are counteracting for those who don’t come. Mr. Whitney asked if the percentage is

less than seven horses and Mr. Doocy said we struggled in the beginning, but are picking up now – we have to go with what we have.

Mr. Whitney asked if 20% is an acceptable number – is it standard in the industry – is it good, bad, or indifferent? Mr. Doocy said it depends on the region – Delaware and California have 4-horse fields; we can go with 5-6 and we attempt to fill races for several days; our entry schedule is predictable and gives horses an opportunity to run every two weeks. Mr. Whitney said he hears that we don’t have enough horses – the Board needs a working knowledge when things are good or bad – what are our standards? Mr. Heldt said the Racing Office receives entries from trainers and jockeys’ agents – we take the information from them. Mr. Whitney asked who recruits and Mr. Heldt said he and Mr. Doocy. Mr. Whitney asked how is staff held accountable if it is doing a good job and asked if we should develop criteria to measure if horse racing at PM is healthy? Mr. Bishop asked the average number of horses per race and Mr. Heldt said 8.2 before scratches and 7.7 after scratches. Ms. Urich asked the policy on scratches; Mr. Heldt said it is the State Vets decision; Mr. Doocy said we can go down to 8 betting interests before the trainers get a penalty – we work with what we have at a particular time. Mr. Hayes asked how our purses compare to other tracks and Mr. Doocy said we have allowance purses; claiming is equal or better than Arlington – the majority is claims races (60-66%). Mr. Bishop said our facility is better than the competition and most trainers are happy to come here. Mr. Whitney asked if what he is hearing about not enough horses is true and Mr. Doocy said if we have empty stalls, the answer is yes – part of the problem is the year-round racing circuit and infrastructure around those tracks (i.e. Lone Star); half of our horses have to come in; other problems are the length of time they can run here, lack of training centers and lack of horse people, some are turf course horses – the field size problem is not unique to us. Mr. Peters noted the majority of tracks (Remington, Arlington, Canterbury) are good facilities with turf tracks, swimming pools, vet clinics, etc. and another problem is we have to ask about 200 horses to leave to make room for horses coming in for the second meet. Mr. Chapin suggests the Board give staff the tools to help bring up horse racing. Mr. Peters said the people attending the Festival of Racing are very appreciative of staff and our facility and they enjoy coming here – he hears this all around the country. Mr. Palmer noted the horse contracts are negotiated every year.

#### Dan Otto Study Tab

Mr. Palmer said the study is from 1999 and it is time for a new one and noted the IRGC is talking about doing an independent study. Mr. Gentry said PM needs its own study. Ms. Rasmussen noted the legislature mandates the minimum number of days and asked if it is the view of the Board to do an economic study or who should do a study? Mr. Brown said we need the basic information (i.e. what do we lose a year to support racing) – we need information to take to the legislature regarding tax money, direct and indirect jobs and to make the arguments for decisions, how we compare to other tracks, how to generate money to purses, cost to stable horses, how to increase betting revenue, etc. – we need statistical data to base our decisions on. Mr. Neugent noted the legislature mandates purses and days and a study is merited to find out the most efficient and

profitable way to operate – we also need a committee that looks at the best interest of PM and the horsemen and work together toward efficiencies.

Mr. Bishop said this is the first “go round” for many Board members and the most efficient way is to drop to 60 days of racing, but this would kill the breeding program; he has no problem doing a study and getting accurate information, but it probably won’t solve the problems as every side has their own angle and why they are important to racing in Iowa.

Pari-Mutuel Wagering Tab

Mr. Palmer said key points have been listed and the Board can review and call with questions.

Track Surface – Mr. Palmer noted we put on a new surface last Fall and a track expert visited last week and asked Mr. Heldt and Mr. Doocy to discuss the track this year. Mr. Heldt said we put on a new surface last Fall and had a harsh Winter; we usually open the track the first part of March, but opened it the third week this year; initially the horsemen are happy with the track, but the jockeys have concerns that it is too loose; bi-weekly meetings are held every Tuesday with staff and horsemen; the expert visited last week and will give us his recommendations soon; times look accurate this year; we have had some “soft” injuries due to the loose track.

Mr. Whitney asked about the Racing Commission and track surface update and Mr. Palmer said PM gave an update last month that included a packet of information and statistics – six tracks have artificial surfaces and 90 don’t; we also discussed our new track surface; we will give another report in three months on nationwide findings.

IRGC Request. Ms. Urich asked about the Commission’s other request and Mr. Palmer said they want to know what the Board is going to do about horse racing – the Board requested a Retreat to discuss this and we have been asked to do a report at the June meeting, if there is any direction from the Board. Mr. Whitney said the Commission’s question is a valid one and he accepts that we will have horse racing and it will be subsidized and the only way to change the subsidy is to change the philosophy on what is put on the track – we need to start at the Retreat and think about if we were to start from scratch, what program would we build (i.e. only Iowa-owned horses, only non-Iowa horses, etc.). Mr. Palmer said horse racing is a deep subject and there is a lot of material, he has asked Mr. Heldt and Mr. Doocy to attend the meeting on Saturday, and they will get statistics on tracks.

Mr. Peters said the initial goal was to create another Oaklawn - our meet ties into Oaklawn’s; they have better weather and horse-related activities; Iowa and Arkansas only have one track in the state; we run three breeds and they run one breed; we try to enhance all three breeds and the Thoroughbreds and Quarter Horse racing has evolved; Iowa gives 11%, New Mexico 17%, Louisiana 19%; no other track runs three breeds on one track.

“Racing 101” Information Meeting – May 12, 2008

Other

Mr. Bishop said everyone has received a copy of the agenda for Saturday – the request was to discuss horses and PM’s future (hotel), he asked for ideas to include and waited over a week before setting the agenda; now there has been a rash of e-mails about discussing other things, but he suggests doing the three items and setting aside one hour at the end to discuss the Strategic Plan. Mr. Bishop said there has been no attempt to keep anything from the Board and there are no secrets; call Gary Palmer or Jack with questions; we can set up another meeting to discuss other concerns; the Board will get information if it is available; please bring the Strategic Plan notebook to the meeting on Saturday; the meeting starts at 9:00 a.m., lunch break at 11:30 a.m., the meeting will end around 1:00 p.m. – 2:00 p.m.; the break-out committees will meet for 30-45 minutes and then the whole Board will discuss the items for about one hour, lunch break, one hour open meeting, we could have a Closed Meeting, but only for 2-3 things.

Doug Vail reported the three horse groups have hired Richard Thalheimer to do an economic impact study; the study is two phases – breeding industry and evaluating the economic impact in the Polk County area when the horses are here; the study should be available in August or September. Mr. Vail noted he has answers to the horse questions and noted everyone needs to work together (horsemen and the Board) as one joint group – PM was a racing facility first and racing couldn’t sustain financially and everyone worked together to get the casino.

Mr. Beattie said he thought this was to be an information meeting, Racing 101, to get background information and it degenerated away from its intent.

The meeting adjourned at 5:05 p.m.

Respectfully Submitted,

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Michael Galloway  
Its Secretary