

**Board Retreat
Prairie Meadows Racetrack and Casino
Board of Directors
May 17, 2008
9:00 a.m.**

The Board Retreat of the PMRC Board of Directors was called to order by Jack Bishop in Salons 2-3 at Prairie Meadows in Altoona, Iowa at 9:05 a.m.

In attendance.

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

Break-out into Committees. Mr. Bishop said the Board has been divided into three committees and staff is available to assist with information; each committee will discuss their assignment, select a spokesperson, and give the committee's thoughts to the full Board; it was discussed at the "Racing 101" meeting on Monday that the Board can spend the last hour today discussing other issues; we want to continue to educate new members as members can only serve two three-year terms; the break-out committees will meet for 30-60 minutes. Mr. Bishop said he requested agenda items for today's meeting at the last Board meeting, he didn't receive anything, the agenda was sent out, and then the e-mails started – one request was to set aside time at the end of today's meeting to start discussions on the Strategic Plan. Mr. Bishop noted that Don Brown and Ron Morden are unable to attend today's meeting.

The Board was in break-out committees from 9:10 a.m. – 10:35 a.m.

Roll Call.

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

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Discuss results of break-out committees.

Hotel/Parking Committee. Mr. Galloway said the committee does not have a concrete plan, but does have recommendations – discussion included: moving forward on hotel/parking plans; the referendum is an issue; financing through the County may be an option; does the cash flow support financing – the project is approximately \$100 million and the committee doesn't foresee that the cash flow will support financing, and recommends we talk to the County about financing; hotel proprietors may be interested and we could enter into a management agreement – this is a viable solution; the project needs to be process-driven.

Recommendations: develop a specific committee to work on this project (members from the Marketing, Finance, and Facilities Committees); develop a RFQ process (Mr. Palmer has information that some are interested and they currently work with other casinos with operating and management agreements); the RFQ for hotel/parking should be a development and building combination and we make payments on the parking garage and later own it – both projects are inter-related and we should use the same contractor; there is a financing issue with the referendum issue and we may have to delay the parking ramp for a year.

Summary: start the committee and RFQ process soon and for construction and the committee, have an owner representative that will report to the staff and the hotel/parking committee.

Discussion: Ms. Rasmussen asked if there were other reasons to develop a hotel besides becoming a destination and the Will Cummings report that said we constantly need to grow and evolve? Mr. Galloway said we want to become a regional attraction and have conference opportunities that are revenue-generators. Mr. Minear noted that in the development process and building revenue assumption with events and Marketing, we need to have a positive net revenue and comp obligations for a hotel. Mr. Peters said that in the WhiteSands study for a hotel, the numbers were productive and they noted at that time, if we didn't build a hotel then, we would within three years – it might be interesting to review that study. Mr. Hayes asked if the process would look at what kind of hotel (size, amenities, etc.) and Mr. Galloway said this would be part of the RFQ and if it is a chain hotel, their outside marketing to their members would be an added bonus – the break-out committee discussed a hotel bar overlooking the track with a Pari-Mutuel

window and revenue sharing between the casino and hotel. Mr. Whitney asked if we would retain someone from outside to represent us and Mr. Galloway said yes, an owner
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representative who works for the Board. Mr. Bishop summarized the recommendations from the break-out committee are to appoint a committee to take the process from the look to the development and hire an overseer for the project soon.

Future of PMRC Committee. Mr. Hayes said the committee started with the fact that the Vision is to be the best entertainment in the Midwest and also generate economic development and community betterment and support the agri-business through horse racing and the committee recognized six challenges to future earning potential:

1. Possible smoking ban in the future (whole casino) – the impact would be significant and we would still have on-going increase in expenses – we need to look at racing and make it the very best program - increase attendance, make it a great experience for the customers, etc.
2. The Polk County and City of Des Moines contracts expire soon.
3. A hotel is needed.
4. Look at other sources of revenue (i.e. restaurant, entertainment, IMAX theater – think outside the box).
5. Employee retention and work place issues (i.e. wellness center, day care site, etc.).
6. Look at charitables and grant-giving – what does the community really need.

Discussion: Mr. Chapin asked about racing and Mr. Hayes said we need to look at what is the best program for this facility and to also support the horse industry. Mr. Gentry said at the “Racing 101”, it was discussed that if we started with a clean piece of paper, what would attract and be the best revenue generator for racing. Mr. Hayes said racing is one of the parameters we work under and is a given. Mr. Gentry asked if the committee was looking at only a Thoroughbred meet or all three breeds? Ms. Rasmussen asked if it is the number of people participating or is it revenue generating and Mr. Hayes said all this needs to be defined – we want it to be the most exciting and best entertainment for our customers. Mr. Minear asked if we would keep trying to define the racing program on the agenda? Mr. Hayes said we may need a task force to look at new entertainment ventures – management has gathered information on the casino industry.

Horse Committee. Mr. Peters said this committee runs along similar lines as the Future of PMRC Committee and the committees recommendations are:

1. Do an in-depth study on what we want horse racing to be at PM and make it a destination point; Mr. Heldt gave the numbers for a comparison to other tracks (Oaklawn, Lone Star, Shakopee, Arlington) and the only one with gaming is Shakopee with a gaming room – we can’t compare to others.
2. Develop a horse committee that reports to the Board and be more viable to the average Board member.
3. Look at the true economic value based on horse racing and the economic impact to the whole state.

Discussion: Mr. Bishop said he thought this would be the largest discussion committee and noted the IRGC has asked for the Board's view of the future of racing – we gave two reports and they evidently want something more. Mr. Peters said Mr. Whitney addressed this at the “Racing 101” meeting – create what racing is and what it will be, get the Board to vote on and move forward – get a road map and use it. Mr. Peters believes. Mr. Ketterer sees a bigger picture than we do and is encouraging us to move forward and be more productive. Mr. Bishop said the Board did approve the recommendations from staff, but that didn't satisfy the IRGC and they want us to do it again. Mr. Bishop said it is the same issues (horse contracts), but things are different each time; Board members would get an inside view by sitting in on the negotiations – it is not an easy task and things change from meeting to meeting as different people attend and have different ideas. Mr. Galloway asked about the horse committee and Mr. Peters said it was the consensus of the group to have input and move forward, a guide to help Mr. Heldt, and an attempt to get more input in the process. Ms. Rasmussen noted the Finance Committee has a calendar of events to follow for the year and the horse season has a similar breakdown calendar (i.e. in December we know we are two months away from a contract – what are the issues, etc.) – we need more education for the Board with continual updates to help racing become a positive and PM be an entertainment destination. Mr. Galloway asked the program level and Ms. Rasmussen said to use as an earmark with information each month. Mr. Galloway asked if this would include reducing expenses and Ms. Rasmussen said yes, how it compares to the goals, involve and inform the Board – use as a communication tool. Mr. Minear thought that was a great idea – in meetings, the Board can hear what's ahead and what are the issues and it would be easier to have a perspective. Mr. Bishop said this could be done, but we can't assume everyone is talking to one voice – different people come to different meetings (contract negotiations) and there are also three horse groups to negotiate with – he likes the idea, but the Board shouldn't get their expectations too high. Mr. Peters said negotiations are a challenge, but this would help communicate better to the Board about the racing program. Mr. Bishop said Mr. Peters intervenes and tries to get both sides together – the Board should give staff direction. Mr. Whitney said those not on the Executive or Finance Committee, often feel left out of the loop on issues – one issue is horse racing and by having a committee concentrate on one area, we can have greater group participation and be more confident on the issue – the committee can create a broader knowledge for the Board. Mr. Whitney believes this committee would like to go to the IRGC to answer questions and tell them, “we don't know what horse racing is at PM, but we will find out” – establish a program with outside assistance, the Board vote on the program once it is established, and work toward that program goal. Mr. Galloway asked for the definition of outside assistance and Mr. Whitney said someone knowledgeable with expertise on what racing should look like and then the Board decides and supports that program at the IRGC, legislature, etc. – staff has been a great help, but we need someone with experience from across the country. Mr. Galloway and Ms. Urich believe that is a good idea. Mr. Peters noted there have been very good communication and productive

comments today and Mr. Galloway said there have been recommendations made. Mr. Bishop said he is not sure about a horse committee with the exception of reporting to the
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Board and Mr. Peters said the committee would gather information and be a work in progress. Mr. Galloway said there are immediate issues – horse racing and hotel/parking and Mr. Whitney said a hotel committee will be appointed and we probably will do the same on horse issues.

Mr. Bishop feels all committees gave good reports and he can appoint committees – the hotel committee can move forward and this does have an end, but the horse racing committee has a lot of negotiations and regulations to follow and there is no end – we should use the same people (as much as possible with the Board terms and changes) and get started – Mr. Hayes' Future of PMRC Committee can help fine-tune and prioritize. Mr. Bishop said the Retreat has helped get us a start on all three areas to pursue – everyone did a good job in accomplishing what we set out to do and gave legitimate suggestions. Mr. Beattie said the horse issue will go a long way with cooperative and common sense attitudes

Other.

Mr. Beattie noted that on his way in today that some things get overlooked like the landscaping, employee attitudes, and cleanliness and we sometimes take these things for granted and complimented Mr. Palmer on how well-managed and well-maintained the property is and on the great attitudes of staff. Mr. Palmer said that the staff in the audience are the ones to thank.

Mr. Bishop said lunch will be in Triple Crown and this concludes the original plan for the day; e-mails said some want to discuss other issues today (i.e. Strategic Plan) and we can do this at a regular meetings as the agendas have been light, we can schedule another Saturday meeting, or we can start today. The consensus of the group was to start today.

Closed Session pursuant to Section 21.5(1) of the Iowa Code. Mr. Whitney moved to go into a Closed Session and Mr. Galloway said this falls under the 21.5(1)a section in the Iowa Code. The motion was seconded by Mr. Peters and passed on a voice vote. The Board went into a Closed Session at 11:30 a.m.

Open Session and Adjournment. The Board went back into Open Session and immediately adjourned the meeting at approximately 12:30 p.m.

Respectfully Submitted,

Michael Galloway
Its Secretary