

**Annual Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
November 25, 2008
2:00 p.m.**

The Annual Meeting of the PMRC Board of Directors was called to order by Jack Bishop in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:00 p.m.

Roll Call.

Bob Beattie
Don Brown
Perry Chapin
Michael Galloway
Nolden Gentry
Ron Morden
Gerard Neugent
Jack Peters

Lynette Rasmussen
Sunnie Richer
Jodi Urich
Tom Whitney
Randy Minear – arrived during JACKPOT Service
Jack Bishop

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 October 22, 2008 as written. The motion was seconded by Mr. Brown and passed on a voice vote.

Public Comment. None

Updated on JACKPOT Guest Service. Mr. Siemens noted staff is trying to take Guest Service from something good and make it great; this program was developed with PMRC staff led by Ms. Stewart in Community Relations; Guest Service is beneficial to the Mission of PMRC; JACKPOT Service represents – Joyfully meeting others – Anticipating every need – Creating memories – Kindness beyond belief – Positive attitude – Operating with passion – Thankfulness for being on the team; Guest Service is not just one department – it is the responsibility of everyone; customer service was changed to guest service; everyone knows and lives the Vision, Mission and Core Values (Vision: To be the best entertainment experience in the Midwest; Mission: We will value our guests, employees, and community through outstanding racing, gaming, and entertainment that exceeds expectations Core Values: **Respect Integrity Teamwork Excellence**).

Mr. Siemens said this program was developed using three parts:

*Discussion - don't put anything off; quality; nothing is perfect, but it can be fixed; the competition loves bad service; find answers to questions; quality of work = quality employees.

*Discovery and Designing and Doing – the program is currently in this stage – focus groups were held which gave employees a chance to ask questions and for the committee to listen to the employees, a Guest Service Team has been implemented with ambassadors from each department, we have a Train the Trainers program and materials to support the program, and a recognition program for those who go above and beyond – employees need praise often and recognition.

Mr. Siemens said the task has just begun and this is something everyone needs to work on daily – Guest Service will separate PMRC apart from others – the best is yet to come!!

Mr. Richer noted one incentive component is Guest Service and how can we make it quantifiable? Ms. Stewart reviewed the tactics and noted for the benchmark, the same questions are asked; the scale is 1-10 and our goal is 8; we have a quarterly recognition program; we plan to add surveys and a Secret Shopper program each quarter to measure how we're doing. Mr. Siemens said the committee is trying to get everyone on the same page and take it to the next stage and everybody is doing this. Ms. Richer requested the information be sent to the HR Committee and Ms. Stewart noted it was in the original HR Committee packet, but she will send it again. Mr. Gentry asked if all employees were measured and Ms. Stewart said yes, on the surveys, but the Secret Shopper program only does the front line staff – we can't shop 1,500 employees due to the cost, but we will have a large sampling to measure. Ms. Richer said we need the concepts and direction on where we're going and make sure all are buying into the program. Mr. Gentry asked how employees are recognized and noted this is objective and Ms. Stewart said there are three programs – On the Spot Recognition, Quarterly Recognition, and an Annual Recognition.

Financials. Mr. Palmer reviewed the October YTD 2008 financials and noted this was the best October ever: Net Revenue above plan \$46,000; Total Expenses under plan \$1.8 million; Net Income before Community Betterment above plan \$1.89 million. Mr. Palmer reviewed the first ten months of casino revenue 2005-2008: PM revenue up \$7.3 million and attendance down 15,000, Ameristar's revenue up \$1.4 million and attendance down 143,000, Horseshoe and Harrah's revenue up \$790,000 and attendance down 463,000, Terrible's revenue down \$3.7 million and attendance down 187,000; PM's current Hold is 8.10%, YTD Hold is 7.74%, last year's Hold 7.19%. Mr. Morden noted PMRC has the second lowest Hold in the state. Mr. Whitney said we're up 4.6% above last year and asked where we'll be this year and Mr. Palmer said currently, we're \$1.8 million above plan. Mr. Whitney asked projections for 1-1-09 and Mr. Palmer said we hope to stay at \$1.8 million, but we need to make budget in November and December. Mr. Whitney asked if this amount includes the excess in Marketing and Mr. Palmer said yes.

Approve Amended By-Laws, per Resolution approved at the October Meeting. Mr. Whitney moved to approve the amended By-Laws. The motion was seconded by Mr. Morden and passed on a voice vote.

Approve 2009 Budget. Mr. Wessels referred to the purple information packet – there is a \$1.9% increase in the Gross Margin; an increase of \$4.2 million in Operating expenses due to two line items (wages, salaries, and health insurance and Purses and Supplements), all other expenses are down \$100,000; Net Income before Community Betterment is \$1.4 million less; Net income of \$4.8 million less year over year; Capital Budget requests of \$9.2 million.

Ms. Richer asked about Marketing being up 4% and Mr. Wessels said we're moving some items to sales and incentives – this is how we're marketing next year. Ms. Richer asked about Special Events and Mr. Wessels said there are timing issues and this is a small piece of the budget. Ms. Richer asked about the Polk County distribution being up; Mr. Flynn said this is extra money based on the agreement due to the favorable results from the lawsuit; Ms. Castelline, Director of Accounting, noted the first \$15 million in purses means zero to Polk County and anything in

excess is paid to Polk County dollar for dollar – we anticipate \$20 million in purses next year – purses are up \$1 million and the payment to Polk County will be up \$1 million.

Mr. Galloway said comments from the Finance Committee include:

*Concerns about the economy and low revenue growth so zero was budgeted for expenses except for wages and salaries.

*Brian Wessels will track the “soft” budget with a five year review – we beat expenses if we remove Marketing.

*The committee is working on drafts of policies for an Operating Reserve Fund and a Capital Reserve Fund if there’s an excess in Cash Flow and how to shift some to Grants – the committee is working on a 1/3 to Operating Reserves, 1/3 to Capital Reserves, 1/3 to Grants plan. Mr. Galloway said \$2 million will be kept as placeholders for Grants and Legacy and the committee is working on a process to add additional funds to the Grants areas if we’re doing well.

*The committee is also concerned about the age of the facility and replacement/repairs, but will live up to the Mission for community betterment.

Mr. Whitney asked what was in Community Relations as there are two listings and Mr. Wessels said sponsorships and public events to broaden our name. Mr. Whitney asked about the listings being different and Ms. Castelline said one is for sponsorships and the rest is for things like the Arts Festival to get our name out in the community – Ms. Stewart’s budget is those two pieces and they’re just kept separated for accounting purposes. Mr. Whitney asked what is in the Grants and Charitable contributions at a proposed \$5.65 million and Mr. Neugent said it is the following six items in that section.

Mr. Chapin said the horse expenses were reduced 10% and asked how this was reflected in the budget – there’s a change in expenses, not purses; Mr. Palmer said this wasn’t reflected in this budget; Mr. Galloway said the budget was done before this occurred.

Mr. Galloway moved to approve the budget. The motion was seconded by Mr. Morden and passed on a voice vote.

Appointments to the PMRC Board of Directors. Mr. Bishop said Don Brown was appointed by Labor, Butch Bain will represent the Horse Industry, and Andrea McGuire was appointed by Polk County.

Recommendation from At-Large Committee and Election for one At-Large Director. Mr. Bishop said Ms. Urich was the only applicant. Mr. Chapin moved to approve Ms. Urich and the motion was seconded by Mr. Whitney. Mr. Whitney said if there are no other applicants, he moves that Ms. Urich be appointed. Mr. Flynn said Ms. Urich could request it be a ballot vote or voice vote and Ms. Urich requested a voice vote. The motion passed on a voice vote.

Approve new Performance Review Forms and Bonus Plan. Ms. Richer said Mr. Gold presented the results of his study at a previous meeting and the Board voted to accept the report; Mr. Gold has been working with staff and the committee; Mr. Palmer will discuss the action items; the HR Committee has met several times and there are two pieces for review – performance review forms are significantly changed and the committee likes the new forms and the incentive compensation (three of the four committee members want a different approach and one member doesn’t); she would like to open these items for Board discussion.

Mr. Palmer reviewed the performance review forms and noted that in the past, we had a five point evaluation system and it was reviewed twice a year. With the proposed new form, Bargaining unit employees would be reviewed once a year and it is not an rated evaluation, it is a communication tool for eye to eye communication between the Supervisor and the employee. There are approximately 200 Non-Bargaining employees and they also had a three point evaluation system and it mostly consisted of making checkmarks on the form with very little comment space and the items were hard to explain/define. When the Bargaining unit receives a cost of living increase (it was 3.75% on July 1, 2008), everyone received the same percentage, with the proposed new form for the Non-Bargaining unit, there is a change in this system.

Mr. Palmer introduced Michele Wilkie and Gina Vitritto-Robinson from Human Resources who worked with the HR Committee. Ms. Wilkie reviewed the proposed performance review form, noting page 1 has three Goals sections – the Supervisors will write the goal and then attach an in-depth back-up; the goals are rated and then averaged against the weighted rating; IT will put this form in Excel and it will auto-populate to get the score and the bottom average. Page 2 has the Core Competencies with desired behaviors listed; each are rated with room for comments with the final total on page 3 – the final rating will auto-populate. With the three point evaluation system, employees could get tenths of a percent, now it is a straight 1-2-3-4-5, but the overall could be decimals. The Non-Bargaining unit will be evaluated twice a year – the first evaluation will be more of a discussion on how to achieve their Goals and Core Competencies and the second evaluation at the end of the year will be the formal ratings – there is room for comments from the Supervisor and employee and if the form is typed, the areas expand. Mr. Palmer said the proposed system gives the opportunity for a spread of 1-6% for the cost of living increase instead of the match with the Bargaining unit – the superstars get a higher percentage; the proposed form will mean more work, but we'll get better results. Ms. Richer said it is a big departure from the old performance review system and it isn't an automatic cost of living increase – the Board requested a change and management bought in.

Ms. Rasmussen asked about #8 and #9 on the first page (explanation of the incentive program) – what if there are lay-offs and would those employees not receive a bonus? Mr. Palmer said we've never had lay-offs before and Mr. Byers, Director of HR, said this was not discussed. Ms. Rasmussen said this is something to consider in these economic times; Ms. Vitritto-Robinson said employees receive their annual cost of living increase check in the first pay period in January – this is the proposed plan for 2009.

Mr. Brown asked if there was an appeals process if the employee and Supervisor have issues. Mr. Byers said as with any issue, employees should follow the chain of command and the Open Door Policy is utilized. Mr. Whitney asked if Department Heads can change the review and Mr. Byers said yes, and he gets involved at this point.

Ms. Rasmussen requested the language in #8 be rewritten and that lay-off be defined. Mr. Byers said lay-off is defined in the Union contract. Mr. Galloway asked if the 1-6% spread/cost of living increase would be for everyone; Mr. Palmer said it excludes the Bargaining unit; Ms. Richer noted the incentive/bonus is separate process from the performance review form.

Ms. Rasmussen moved to amend #8 – “Employees must be actively employed on the date of incentive distribution to receive the incentive unless laid off, and in that event, employees shall be employed as of the end of the year” and also add a definition of “laid-off” and Mr. Byers said that will be addressed. Mr. Minear asked if there is enough time to execute the incentive by mid-

February and Mr. Palmer said yes, after the books are closed. Ms. Richer said the incentive/bonus is currently being paid in December before the books are closed and the proposed plan waits until the books are closed – it could be March. Mr. Galloway asked if the 7-1-08 cost of living for the Union is also for the rest of the staff and would we get rid of it and Mr. Byers said not this year – the Union increase was 7-1-08 and the Non-Bargaining would receive the same percent effective 1-1-09 if the Board approves it. Ms. Richer noted the cost of living increase is the proposed merit increase for Non-Bargaining employees and the incentive is the current bonus plan and suggested the Board talk about the proposed appraisal forms and the merit ratings.

Mr. Whitney asked when the average employee's pay increased, i.e. Bargaining unit; Mr. Palmer said July 2009 and it's predicated by the contract; Mr. Byers said the Bargaining unit last received an increase on 7-1-08 and it will be negotiated for 7-1-09. Mr. Whitney asked if this was the only increase and Mr. Byers said yes. Mr. Whitney asked in 2009, if the Bargaining employees get anything additional beyond that and Mr. Byers said it depends on the negotiations – there is nothing additional in 2008. Mr. Whitney asked when the Non-Bargaining employees last received a pay increase and Mr. Byers said 12-17-07. Mr. Whitney asked if it is acted on in 2008 for Non-Bargaining, would they receive it in 2009 and Mr. Byers said yes. Mr. Whitney asked what would be done differently in 2009 for both groups and Mr. Byers said staff will negotiate the labor contracts and will request an updated wage survey. Mr. Whitney asked if all Non-Bargaining in 2009 would be done as a whole and Mr. Byers said at the end of 2009, the Non-Bargaining employees would be eligible for an increase – it is a 12 month cycle; they would receive one January 2009 and at the end of 2009, they would be eligible for an increase on January 1, 2010. Mr. Whitney asked if the Non-Bargaining would get an adjustment in 2009 and Mr. Byers said no, unless something is changed. Mr. Peters said there are two proposals and asked which one Mr. Byers was most comfortable with and Mr. Byers said he's always worked with two system. Mr. Whitney asked with the 2009 annual increase, would everyone get a different figure and Mr. Palmer said yes, under the new program. Mr. Beattie said he needed this simplified and Mr. Whitney's questions helped. Mr. Beattie asked if the committee and staff were in agreement on the proposed performance review forms and Mr. Palmer said yes.

Ms. Richer asked for discussion on the incentive piece for the Non-Bargaining employees. Mr. Palmer said the Board charged staff with a zero based improvements and no additional money and the management team respectfully disagrees with the HR Committee – a bonus is a natural in this industry and are mostly 100% company-goals based on EBITDA; staff recommends 90% company goals and 10% Guest Service goals; Specialists are currently at 2.5% and Manager and Supervisor at 5% and incorporating Specialists in the Manager, Assistant Manager, and Supervisor group allows everyone in this group to receive up to 6.25%. Mr. Wessels noted the examples used are 2008 numbers. Mr. Palmer said PMRC has had a bonus for the last 13 years; Directors/Assistant Directors could get up to a 20% bonus; the proposed plan is slightly different and 10% was added for Guest Service to get the full bonus. Mr. Palmer said the casino industry has a bonus system and new Directors are hired under the assumption they will receive a bonus – this helps with teamwork, there is no manipulation of the system, all casinos are similar, staff would like the company and staff goals to be the same, the proposed plan decouples personal goals from company goals, each Director is a specialist in his/her field, and all need to work towards the same goal. Mr. Palmer said if there is a significant change, it will cause low morale and there could be retention and recruitment problems; the proposed plan pays out after the audit is completed.

Ms. Richer handed out and reviewed a summary of the current plan and the proposed plan; noted she, Mr. Gentry, and Mr. Morden are in agreement and Mr. Chapin isn't in agreement; the committee's concerns are the finances are the major piece with the ability to get more, there is a narrow percentage band, Guest Service is not currently defined. Ms. Richer said the Board needs to decide: if all will be measured as a team with no special incentive to perform; limit the downside if the budget is not made; define the Guest Service piece – the 2009 plan functions like the 2008 plan and the majority of the committee recommends a larger spread between 90-100% and 15-20% and a goal setting percentage for Assistant Directors and above.

Ms. Richer requested a discussion on the philosophy. Mr. Minear said if the bonus is weighted on financials, it is a socialized bonus and Ms. Richer said that was correct. Mr. Chapin said the reason he dissented is the 13 year history and it's revenue-neutral – if we change the system, we will take away from one person to give to another person – this is a team approach and the whole team works toward the bonus. Mr. Whitney noted that in that case, it's not a bonus – it's a repetitive circumstance, a bonus is getting something extra for extra service, now employees expect to get it. Mr. Whitney asked if it should be based on individual performance, not as a team? Mr. Peters said it can be characterized as incentive vs. bonus; Ms. Richer said it is like profit sharing now and Mr. Neugent said that's not a bad thing; Ms. Richer said Mr. Gold suggested 60% profit sharing and 40% individual goals with the Assistant Directors and above group. Mr. Beattie said the Board shouldn't forget that no matter what it's called, it has worked well so far and it could just be added to the salary and if someone isn't performing, then fire them. Mr. Gentry said it is not a bonus the way it would be given out; JACKPOT Service was discussed extensively and what do employees get – recognition; a bonus would dovetail with the JACKPOT Service program and employees would be rewarded with compensation. Mr. Peters said with Directors and Assistant Directors – the casino driven business is different than a normal business and these people are the backbone of our business and we need to be careful as we could lose key players and we don't want our competition to piecemeal our employees. Ms. Rasmussen said her company has a bonus structure and there are some unknowns, but there wouldn't be friction with the team approach and she doesn't want to support something that Mr. Palmer doesn't like. Mr. Minear said a bonus is a tool to motivate the higher rank, but it needs flexibility if someone is doing better or worse than others – all are star performers and we need to reward them or we may lose them. Mr. Palmer noted the proposed performance review form does one part – with a better merit/cost of living increase and we're talking about the top leaders of the company and to be able to take care of all the obligations we have, if the company doesn't produce, we can't meet those obligations – this system works and it makes sense – if we don't do our jobs, we won't be here. Mr. Whitney said the bonus is valueless – PM's mission is good jobs and good wages and we need a rational approach that recognizes individual achievements – the proposed plan makes a more peaceful workplace, but crushes creativity. Mr. Byers said with the proposed plan, we would operate as a team and this is a different approach than we had in the past – each department was a separate entity and now, everyone would be working together toward the company goals; he doesn't want ratings in the bonus program and all we need to do is look at the results – PM has done well. Mr. Neugent asked about the merit raise equaling more incentive; Ms. Richer wants a 60-40 split; Mr. Neugent suggested a 70-30 split with flexibility; Mr. Galloway would like to spread the numbers – 90% = 16% and what would happen if we take a substantial hit; Ms. Richer said she's always wanted a split of some kind, but management has to buy into the plan.

Mr. Whitney asked if this should be deferred back to the HR Committee and come back at the December meeting with a recommendation and Ms. Richer yes, she doesn't want to vote on any

plan today. Mr. Neugent said the committee should work with Mr. Palmer on a 70-30 split. Mr. Whitney moved to defer this item back to the HR Committee with a presentation at the December meeting. The motion was seconded by Mr. Galloway.

Ms. Richer moved that the Board accept the proposed performance review forms portion and defer the incentive portion back to the HR Committee. The motion was seconded by Mr. Neugent and passed on a voice vote.

General Manager's Report. Mr. Palmer didn't have anything new to add to the information in the Board packet.

Other Business.

Mr. Bishop presented a token of appreciation to Mr. Peters and Mr. Gentry for their service on the PMRC Board and said he appreciated the time they spent on the Board. Mr. Chapin said they both have been an asset to the Board – it is a volunteer Board and members spend a lot of hours here. Mr. Bishop introduced Butch Bain, the new representative for the Horse Industry.

Mr. Gentry said it has been an enjoyable experience; PM has one heck of a staff; the revenues are ahead of last year and above plan and the competition can't say that; he is concerned about a gaming article he read regarding Las Vegas casinos, but PM is in good hands; and he is happy Community Betterment hasn't suffered and there is a possibility to add more to this area.

Mr. Peters echoes most of Mr. Gentry's comments; noted he filled a partial term and then was appointed to two full terms; it has been a fruitful experience and he has enjoyed working with the horsemen and relaying their message to the Board – the relationship has been somewhat cloudy at times; he commends PM on its selection of staff – they are user friendly, the facility is well run and fun to come to and is a good entertainment facility; he hopes the racing program can become an anchor as the key to the facility; wished everyone the best of luck in the coming year and noted nothing is insurmountable.

Mr. Palmer asked Mr. Chapin to explain the lapel pins by each place setting that were sent out by Jerry Addy. Mr. Chapin said the pin represents the arms and hands of labor and management and is a smaller version of the worker's monument on the corner of East Grand and East 9th Street – the Grants Committee awarded a grant and in recognition of the grant, label pins and a plaque were purchased.

Adjournment. A motion was made by Mr. Galloway to adjourn the meeting. The motion was seconded by Ms. Rasmussen. There being no further business, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Michael Galloway
Its Secretary