

**Monthly Meeting of the
Prairie Meadows Racetrack and Casino
Board of Directors
September 24, 2008
2:00 p.m.**

The Monthly 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 2:03 p.m.

Roll Call.

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

Also in attendance were:

Gary Palmer, President/CEO
Ann Atkin, Vice President of Operations
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 August 27, 2008 as written. The motion was seconded by Ms. Richer and passed on a voice vote.

Public Comment. Butch Hammer, President of the Iowa Quarter Horse Racing Association, said he is disappointed in the proposal presented to him on the number of racing days and the way it was handled; the trainers are unhappy that the days were cut to 20 because they need a longer window (length of meet) for their breed and opportunities to make money; the Quarter Horse people were happy with the meet with year; a shorter meet would force younger horses to run with less rest and could cause more injuries; asked what the proposal to have separate meets would do to Iowa Classic Night and the AQHA Regional races; the Quarter Horse people suggest the program be left as it is with a few minor changes.

Financials. Mr. Palmer reviewed the YTD August 2008 financials: Net Revenue was virtually even; Total Expenses below plan .9%; Net Income before Community Betterment above plan 4.2%; this was the best August ever considering the economy; reviewed the first eight months of casino revenue 2005-2008; reviewed the net win change vs. attendance change YTD August 08 vs. YTD August 07 – PM revenue up \$6 million and attendance down 10,000, Ameristar's revenue up \$2.8 million and attendance down 68,000, Horseshoe revenue up \$3 million and attendance down 200,000, Harrah's revenue down \$1.9 million and attendance down 220,000, Terrible's revenue down \$2.8 million and attendance down 154,000. Ms. Richer asked if Horseshoe and Harrah's had an increase in hold and Mr. Palmer said yes and reviewed the new hold chart, noting PM's hold is 7.22% YTD - the team is doing a great job.

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Approve Annual Meeting Date change from November 19 to November 25. Mr. Bishop said the change is due to several Board members attending a seminar the week of November 19. Mr. Morden moved to approve the date change. The motion was seconded by Ms. Richer and passed on a voice vote.

Vote on Human Resources Committee Recommendation. Ms. Richer said the Board approved two months ago to hire Cliff Gold as a consultant to review the incentive and evaluation structure; the HR Committee (Ron Morden, Perry Chapin, and Paul Hayes before resigning, along with Jack Bishop and staff members Gary Palmer, Ann Atkin, and Dan Byers) met on Monday and reviewed Mr. Gold's recommendations; the committee would like to accelerate this program as the end of the year is quickly approaching; a binder was delivered to the Board with information and samples; the committee would like the Board to approve the recommendations; there was a strong and collaborative effort with senior management and staff on this project.

Mr. Gold thanked staff for assistance in the Focus Group meetings; the full report tab is the "guts" of the report; there are also tabs with examples of a proposed incentive design and appraisal form and related articles; Focus Groups were held with the three levels of the organization and there is passion for this organization and what it does; the current product evolved over 20 years, is antiquated, and doesn't incorporate human capital; this project has the support of the senior team and everyone recognizes it needs to be done; there is some administrative costs to do this plan.

Mr. Gold reviewed a PowerPoint presentation: Outline of Presentation; Background and Situational Analysis; Current practices of Compensation and Performance Management program; Current Practices of the Bonus Program(s); General Observations; Compensation Recommendations and Rationale. There are 12 Recommendations for consideration: Compensation recommendations - Tie salary increases to performance and evaluate everyone; De-couple salary system from incentive program; Re-validate incentive opportunities by level; Re-evaluate salary ranges every 1-2 years; Consider changing performance year to 1/1 – 12/31; Performance Management recommendations – 3 tier rating system for Bargained; 5 tier rating system (no tenths or half-points) for the Non-Bargained; Spread performance ratings equitably across rating scale; Revamp appraisal forms; Adopt competency model; Deploy Organizational development plan company-wide; Develop Succession Plan for crucial positions.

Mr. Whitney asked Ms. Richer's intention, is it to vote on this today? Ms. Richer said many of the items are not policies or Board approved items, but the Board had a problem with the system last year and can't hold staff accountable if there isn't a Board approved system this year; recommends taking the report and approving it in concept; there are 12 recommendations and there are some we may want to do and some we may not want to do; the incentive and performance pieces are the most important ones; would like to ask for management's recommendations on how to implement and structure this program, along with the costs associated with the program – some are one time costs and some are on-going costs. Mr. Whitney said he likes this approach and emphasizes that staff also look at unworkable aspects in the recommendation. Ms. Rasmussen said the year before last, the Finance Committee reviewed the bonus program and suggests we go back to that structure, accepting this report as a tool to use with staff's recommendations on how to implement it, and the HR Committee and the Finance Committee have a joint meeting with to work on the bonus and salary. Ms. Richer noted that for 2008, the program will be left alone, but for 2009 work on what we want to implement. Mr. Brown said there are two sections that involve bargaining employees and asked how it would

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reflect with the contract – it complicates bargaining as there is no plan in place and it changes the compensation atmosphere. Mr. Gold said there is no recommendation to change compensation and the only recommendation for bargaining employees is to have a mandatory appraisal – the biggest impact is increases for non-bargaining employees based on performance – nothing impacts the contracts, 5 levels can be maintained for bargaining employees - everything else presented is for non-bargaining. Mr. Beattie asked the number of non-bargaining and bargaining employees; Mr. Palmer said the August Employee Data lists 579 non-bargaining, 795 AFSCME, 6 Machinists, 38 Operating Engineers; Mr. Gold said it is approximately a 40/60 split.

Ms. Rasmussen moved that the report be passed to staff to make recommendations for changes and then be presented to the Finance and HR Committees, along with costs. The motion was seconded by Mr. Beattie.

Mr. Palmer said staff needs time to review the recommendations and proposes it be done in January so staff meetings can be held to get buy-in as this is a big cultural; staff is in the midst of horse negotiations, Union negotiations, and the budget; this could be implemented in 2009; several staff are on-track with this and can start developing the plan; staff can make recommendations to the Finance and HR Committees in January. Mr. Whitney asked about the training period and how it would fit if delayed until January and Mr. Gold said preferably, training would be done before the performance year begins, but if there's a consensus, staff can work on training before it is actually approved. Ms. Richer noted there are some consulting hours left with Mr. Gold, as approved by the Board, and can be used for Mr. Palmer and Mr. Gold to meet and work on a timetable. Mr. Morden said both don't have to be done parallel – work on performance and then compensation.

The motion passed on a voice vote.

Ms. Richer said there's another part of Mr. Gold's recommendation – a RFP for a job and salary survey – the last one was done in 2004 and she recommends that staff go forward with a RFP. The motion was seconded by Mr. Whitney and passed on a voice vote.

Mr. Morden suggested the Board read the full report tab as it is very well done. Ms. Richer thanked Mr. Gold, the management team, and those who participated in the Focus Group meetings – it was very well done.

Vote on the Marketing Coupon Line Item for the 2008 Budget. Mr. Palmer said the Finance and Marketing Committees have been discussing this, but there has been no answer and staff would like to recommend to increase spending on this line item. Ms. Atkin passed out a sample of a Direct Mail piece and Mr. Nelson, Director of Marketing, said Direct Mail is for Slots, Table Games, and Racing and doesn't affect the expense side – it's an incentive and this is where Marketing is over; Marketing spent over \$1 million to get additional gaming revenue; guests have to play the coupons; staff went deeper into the database to drive more traffic due to the weather and economy and more players came out and utilized their coupons; this is similar to what other casinos are doing; and this has helped keep us up for the year. Mr. Palmer referred to the net win and attendance chart in the Financial presentation – we're getting players to come out and play and it's hard to know what the next year will bring when the budget is done in October; currently 68¢ out of every \$1.00 is obligated and we need this revenue coming in and we need to continue this program until the end of the year or there'll be a drastic drop; staff is not asking to change the budget, but to just change this one line item.

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Mr. Beattie moved to increase the Coupon Line Item as recommended by Mr. Palmer. The motion was seconded by Mr. Morden and passed on a voice vote.

Other Business.

Mr. Bishop noted that Mr. Hayes resigned due to being appointed to the Racing Commission and he was Chair of the Audit Committee. Mr. Bishop would like to appoint himself to fill Mr. Hayes' position on the Audit Committee if there are no objections.

Mr. Whitney requested the members of the Horse Racing Committee remain after this meeting concludes for a brief meeting.

Mr. Whitney handed out a Resolution and requested it be included on the October Board Agenda.

Mr. Bishop noted two people have applied for the horse representative position and the At-Large Members (Perry Chapin, Jodi Urich, Tom Whitney, Bob Beattie, Jack Bishop) need to meet with the two applicants. The committee requested starting the meetings at 8:00 a.m. on a Saturday.

Adjournment. A motion was made by Ms. Rasmussen to adjourn the meeting. The motion was seconded by Ms. Urich and passed on a voice vote. There being no further business, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Michael Galloway
Its Secretary