

**Monthly Meeting of the
Prairie Meadows Board of Directors
October 25, 2017
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Ms. Grandquist in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:00 p.m.

Roll Call.

Bob Chittenden

Mark Cooper

Michael Gartner

E. J. Giovannetti

Linda Grandquist

Lisa Moody-Tunks

Gerry Neugent

Jack Peters

Suku Radia

Kurt Rasmussen

Paul Rogness

Karen Novak Swalwell

Martha Willits

John Irving

Gene Meyer

Also in attendance were:

Gary Palmer, President/CEO

Ann Atkin, Senior Vice President/COO

Brad Rhines, Senior Vice President/CSO

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. Neugent to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on September 27, 2017 as written. The motion was seconded by Mr. Radia and passed on a voice vote.

Public Comment. None

Financials. Elaine Castelline, Vice President of Finance/CFO and Brad Rhines, Senior Vice President/CSO.

Ms. Castelline:

Performance Goals September 2017 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+2.5%
Total Revenue	+2.0%
Net Revenue	+2.0%
Operating Expenses	-2.7%

Ms. Castelline said September was the best one ever. Mr. Rhines reviewed the Total Revenue YTD September 2017 Pie Chart: 89% is casino revenue and 11% is “Other” revenue; the trend is up and it is continuing.

Ms. Castelline:

Casino Operations	Change % Exceeds/below plan
Net Revenue	+2.5%
Expenses:	
Salaries/Wages/Benefits	-2.5%
Operating Expenses	-3.9%
Total Expenses	-2.8%
Net Income/(Loss)	+3.0%

Mr. Rhines said Table Games and Poker was \$15 million in 2017 and \$13 million in 2016; Poker has really taken off since it was moved to the 2nd floor; 2016 and 2017 were the best years in the last five years. Mr. Rhines said for Slot Hold, nine of the eleven months averaged 8.16% and that's close to our target goal; average Hold for the state as a whole was 9.15%. Mr. Rhines reviewed the graph YTD September 2017 Total Revenue: we've seen growth in all parts of the property. The 2017 Slot Hold graph: Slots - \$130 million in 2017 and \$127 million in 2016 and that's not easy in a mature market and gaming is flat.

Ms. Castelline:

Racing	Change % Exceeds/below plan
Net Revenue	-5.7%
Expenses:	
Salaries/Wages/Benefits	+6.8%
Purse & Supplement	+0.5%
Operating Expenses	-4.4%
Total Expenses	-1.0%
Net Income/(Loss)	flat

Mr. Rhines:

Hospitality	Change % Exceeds/below plan
Net Revenue	-2.5%
Expenses:	
Salaries/Wages/Benefits	-7.6%
Operating Expenses	+4.4%
Total Expenses	-4.6%
Net Income/(Loss)	+6.7%

Mr. Rhines noted September hotel occupancy is down a bit as there are 330 more hotel rooms in the Altoona area since March; PM's occupancy is better than the Des Moines set and the Competitive Set.

Ms. Castelline:

Food and Beverage	Change % Exceeds/below plan
Net Revenue	-1.5%
Expenses:	
Salaries/Wages/Benefits	-2.2%
Operating Expenses	+4.1%
Total Expenses	-2.1%
Net Income/(Loss)	+4.0%

Mr. Rhines reviewed the 2017 YTD September Casino Revenue:

Property	Net Win 2016 vs. 2017
All Iowa Casinos (average)	-0.92%
Iowa Casinos without Prairie Meadows, Rhythm City, Isle in Bettendorf	-1%
Iowa Casinos without Prairie Meadows	-.3%
St. Louis market	+1.6%
Kansas City market	+.5%
Omaha/Council Bluffs market	+0.4%

Ms. Castelline said the Top September Performing Areas in the most Recent Four Years are: Casino Revenue*, Slot Revenue*, Table Games*, Poker Revenue, Average Win per Guest, Food and Beverage Revenue, Paddock Revenue, AJ’s Steakhouse Revenue, Homestretch Revenue, Casino Bars Revenue (*best September in history). Mr. Rhines said this is a team effort and all areas are contributing and doing their part to drive the bottom line.

Mr. Cooper asked why insurance is under plan \$1 million and Ms. Castelline said we had a positive experience (\$400,000 better than 2016) and we are self-insured. Mr. Palmer said we made some changes in the contract (i.e. we can use Doctors on Demand instead of going to the Emergency Room for things like Pink Eye or a sore throat – that saves a lot of money, and we changed some of the deductibles).

Ms. Grandquist thanked Ms. Castelline and Mr. Rhines for the great news – we having a good year and PM is going up when others are going down; PM has a great team.

Racing Update. Derron Heldt, Director of Racing, reported:

- Recap of Quarter Horse Meet, which ended on October 14:
 - Handle, on-track and off-track was up due to TVG coverage and the JACKPOT Pick 5 bet.
 - Field size down a bit – 7.7 in 2016 and 7.4 in 2017 – we had more scratches and some trainers were not here the last part of the meet, and we had limited starters the 870 yard races.

- The track surface was safe. We had two catastrophic injuries out of 1,649 starters and the industry average is one per thousand; we send our Track Superintendent to a conference every year to get more informed about track surfaces.
- AQHA Challenge Championships were held on October 14; we've held the Championships a couple of times; we had heavy rain this year, but we had a good crowd and participation; the Regional Champion horses performed well; the three year old derby colts qualified here and finished first, second, and third in the finals; the main event had a \$330,000 purse and an Iowa-bred owned by Tom Lopic won; that horse competed well here and across the country.
- The Thoroughbreds held their Annual Fall Sale on Sunday; 51 horses were sold, one sold for \$55,000 and seven sold for \$20,000 or more; we're breeding here and the horses are selling well; there were new buyers at the sale and a few buyers that haven't attended for a few years came back and purchased some horses.
- November 3-4 is the Breeders' Cup for Thoroughbreds at Del Mar; the Cornhusker winner will participate in a \$1 million race; Dennis Albaugh's horse, Free Drop Billy, will participate in a \$2 million race and is expected to run well; usually the top three runners are considered a Kentucky Derby contender.

Lobbyist Report. Troy Skinner said there's not a lot going on; the Senate Democrats elected Janet Peterson as their new leader; oral arguments will be held December 4 on Sports Betting with a decision expected in early June; the state budget is challenging. Mr. Gartner asked if we have a plan for Sports Betting here and Mr. Palmer said yes, it's similar to Pari-Mutuel and easy to transfer – all casinos can do this and we're working on legislation that it has to go through a casino, this will be under the jurisdiction of the IRGC laws; he'll give a report later on a Drake Law School seminar. Mr. Rogness asked if Delaware adopted this and is PM involved and Mr. Skinner said Delaware joined Internet Poker and PM is not involved. Mr. Palmer asked if anything major is happening in the legislature and Mr. Skinner said no, but Ms. Peterson is passionate about a smoking ban – she's easy to work with and lives in Urbandale.

Staff Report. Clint Pursley, Vice President of Security, reviewed a PowerPoint Presentation of the Security and Traffic Departments:

- The Mission is to have a safe environment.
- Physical Areas of Responsibility – 233 acres and the Backside has 158 dorm rooms which equates to 360 people.
- Ease of Access – PM has three million visitors a year; 80% of the revenue is from age restricted activities; Security had ID'd 200,000 guests for far this year – we see a lot of fake id's.
- Have 4,000 Documented Cases that include Lost and Found, information requests, Public access, debt collection, and false identifications.
- Debt Offset and Trespass Forfeitures. Security screens taxable earnings, and through September, has collected \$1,018,323 in debt offset and \$93,163 in trespass forfeiture funds.
- Certified EMS Service – through September, we had 416 calls – 172 were employee related and 244 were guest related; we receive accolades from the medical community on our efforts.

- Dispatch. Through September, Dispatch had 226,000 calls for service; we have two Dispatchers per shift.
- Traffic and Valet. Through September, these employees have moved 179,148 vehicles, that's 658/day, 36/hour/, 1.6/minute – staff in this department are hustling.

Mr. Meyer asked about traffic back-up with the new Outlet Mall and Mr. Pursley said it hasn't affected us too much, the next thing is holiday shopping, Jolly Holiday Lights, and infrastructure changes; we're working with Altoona and the State Patrol on travel patterns and signage. Mr. Rasmussen asked if PM has an active shooter policy and Mr. Pursley said yes, we've been holding training drills for years – evolving drills with the tactical team. Ms. Moody-Tunks asked if PM uses dogs and Mr. Pursley said yes, we have contacts with DPS and the Canine Units. Mr. Pursley noted that Wynn in Las Vegas has a phenomenal program. Mr. Palmer said we have 8,500 visitors a day and we've seen a lot over the years and asked Mr. Pursley how long he's been at PM and he said it will be 23 years in February. Ms. Grandquist said this was a great report.

Action Item – By-Law Changes. Ms. Grandquist said the Executive Committee had a lengthy conversation about this today and Mr. Chittenden was the guest; Mr. Gartner had a few questions and suggestions which Mr. Flynn will address.

Mr. Flynn said he sent a memo to the Board answering Mr. Gartner's questions/suggestions:

- The Board is currently responsible for hiring/firing the CEO and the CEO is responsible for hiring/firing all other staff. Mr. Gartner believes that is too much power in the CEO; if Mr. Gartner's proposed language is adopted, it would require an officer to request his/her performance be discussed in closed session if he/she believes his/her reputation would suffer irreparable harm if discussed in open session. Mr. Flynn's response: other non-profits limit their review to just the CEO; it is not contrary to the Iowa Non-Profit Corporation Act if the Board hires only the CEO and delegates to the CEO the power to hire and terminate all other employees; the American Bar Association published a manual pertaining to the Model Non-Profit Corporation Act which law Iowa has adopted, that states the Board is responsible for the CEO. It is compliant and legal either way the Board wants to handle this.
- Non-Voting Consultants. Mr. Flynn gave a historical perspective of why the Board has two non-voting consultants: In 2004, two other companies wanted to place a casino in Polk County/Des Moines and made a public presentation before the Des Moines City Council. This was alarming to the Supervisors, PM, and the Partnership, so a Task Force of 12 was formed to determine what to do to prevent another casino in this community and to protect Des Moines; the result of the Task Force's work was an August 2004 agreement between the County, PM, and Des Moines where PM agreed to give DM and the Polk County schools a percentage of revenue in consideration for DM rejecting and opposing other casinos going forward; it was also agreed that the Partnership could have two additional non-voting representatives on the Board to bring more business acumen to the Board. The IRGC and Polk County agreed to one voting and two non-voting representatives from the Partnership. The By-Laws were amended December 2004 to add two non-voting consultants. Ms. Moody-Tunks asked the role of the non-voting consultants on a Board committee and Mr.

Flynn said the committees have historically allowed them to vote on matters in committees, but they are not allowed to vote at the formal Board Meeting. The Board can determine what the consultants can and cannot do as long as it does not violate the Code. The By-Laws are approved by the IRGC under the direction of the Attorney General's office.

- The five At-Large Representatives appointing the Horse Representative – why doesn't the Board vote on this like it does with the At-Large members? Mr. Flynn said the By-Laws were amended in 2001 – since PM is subject to the Open Meeting Laws and if there are less than seven Board members in a meeting, they can meet without violating the law; the Board determined that the five At-Large members should meet and vet applicants to ensure they comply with the criteria and recommend someone to fill that position. Mr. Rogness asked the definition of Class 1-2-3; Mr. Gartner said it's the year someone is elected to the Board; Mr. Flynn said PM has staggered Board terms. Mr. Rogness asked when the Horse Representative would be selected and Mr. Flynn said in November - two names have been submitted, the At-Large members will meet and select the appointment to the Board. Mr. Rogness thought that in the past, the Horse Committee decided who to put forward; Mr. Palmer said it's always been the At-Large members; Mr. Flynn said the Horse Committee worked on such items as the race meet.
- Notice of Meetings. Mr. Gartner believes a sentence should be added noting that PM is subject to the Open Meeting Laws.
- Conflict of Interest. Mr. Gartner suggested PM Officers should be added to the Conflict provision and Board members should be allowed to vote on matters pertaining to the entities that appointed them. Mr. Flynn said PM has a Code of Ethics for Board and Staff and if there's a conflict, it's discussed pursuant to the Code of Ethics.
- Order to Show Cause (1997) and IRGC Approval of the By-Laws. Slots were installed in 1995, and by 1997, PM had paid off the \$90 million in bond debt to Polk County; there was then an Operating Agreement with the County where the County picked the CEO, approved the budget, approved the horse purses, received all PM's profits, and all capitals were approved by the County. In 1997, the IRGC said that since there is no longer any debt to the County, PM can't turn over the operation to another entity, so an Order to Show Cause was issued against PM to revoke its license and there were three days of evidentiary hearings where the IRGC heard testimonies from the County Supervisors and PM. After the hearing concluded, the IRGC Administrator called Tom Flynn, Jim Rasmussen and Eliza Ovrum and asked them to meet at the IRGC office in an effort to resolve the matter before the IRGC issued its ruling. The result of the meeting was PM would change its Board from 9 members to 13 members, County representation would go from 3 members to 4 members, and additional persons would be appointed from community associations. The Operating Agreement was replaced with the Polk County Lease. The IRGC had voiced its concern about one or two groups controlling PM to the detriment of the horse groups and charities and thought it best that no appointee vote on matters relating to the entity that appointed him or her. Historically, for example, Polk County appointees have not voted on County matters, etc. Ms. Moody-Tunks asked if PM has the history of the County appointees votes on the lease and Mr. Flynn said he will research the Minutes. Mr. Gartner asked if we could ask for a new ruling from the IRGC and the Attorney General and Mr. Flynn said he asked Mr. Palmer to talk to the IRGC Administrator – all licensees are required to submit their By-laws

to the IRGC and the IRGC is interested in all revisions – we haven't asked for a formal ruling, but he and Mr. Palmer would contact the IRGC Administrator and Attorney General and request a meeting to discuss this matter.

Mr. Gartner said he raised the issue because a high paid executive left and some Board members didn't know about it until after the fact – the executive received good raises, etc.; he believes the Board should have discussed this. Mr. Gartner said his concerns include, 1) the Board not having power except the CEO – that denudes the Board of management power; the Board doesn't review other executives and he believes this is not good practice; the Board is responsible to the people of the state; he suggests the officers be formally appointed by the Board; 2) Non-Voting Directors – the function of a Director is to manage the corporation – how can a non-voting member without a vote do that; 3) it would be nice for the Board to vote on the Horse Representative; 4) PM is subject to the Open Meeting Laws, but not the Open Records laws – he was just trying to strengthen the language; 5) when an appointee can vote and not vote is a huge issue; 6) a non-voting member is ok, but what is the purpose – PM's meetings are open and anyone can attend; 7) the other items are minor things.

Mr. Neugent asked what we'd do with the non-voting consultants and Mr. Gartner suggested eliminating the position when the term ends or, at a minimum, leaving them designated as “Non-Voting Consultants”. Mr. Flynn said he selected the term “Non-Voting Consultants” and recommends that it be left as is. Mr. Gartner said Mr. Palmer does a great job, and he knows John Irving and Gene Meyer – he just wanted to clean up some things.

Mr. Peters said with the Horse Representative, when the term is close to ending, PM sends a letter to the IHBPA and IAQHA (horse groups) to let them know the term is ending and that people can apply – applicants have to go through some disclosure; the five At-Large members interview applicants, select one to present to the Board. Mr. Gartner would like the Board to vote on the Horse Representative selected by the At-Large members.

Ms. Moody-Tunks requested that any policy changes in the future be sent in a “red-line” version and Mr. Flynn said he will, but he couldn't this time as he didn't have the previous By-Laws on his system because they were drafted when he was at another law firm. Ms. Moody-Tunks would like an opinion on whether the Polk County appointees can vote on the Lease.

Mr. Flynn said we can ask the Commission and the Attorney General for an Opinion on the conflicts issue as there is an Assistant Attorney General assigned to the IRGC for advice. Mr. Palmer said that this has not been an issue in past years – the County appointees didn't vote on the Lease and it passed anyway. Mr. Gartner said the Lease is important and he suggests the Board put off the vote on the revised By-Laws until next month until the issues are clarified. Mr. Neugent said the non-profit boards he's on only deal with the CEO, unless the CFO reports to the Board, and to review employee performances in an open meeting is unrealistic. The Board was informed of the termination and there are ways to address these situations – Executive Session after the fact – under the By-Laws, it's under the CEO's province; the Board should give its expectations to Mr. Palmer of what it wants – the recourse is his review. Mr. Rasmussen said the

Board is not here to manage the business; Mr. Gartner said the function of the Board is to manage the corporation and that includes the CEO and hiring and firing; Mr. Neugent said the Board sets policies, goals, and expectations of the performance of staff. Mr. Gartner said the Board doesn't do performance reviews, but does do the bonus; Mr. Palmer said the Board sets the goals and budget – these items are vetted through the Finance Committee and that committee makes a recommendation and the Board votes. Mr. Gartner said these things should be added to the By-laws and Mr. Flynn said the Board can make the By-Laws as specific as it wants – the By-Laws can be expanded. Mr. Gartner would like to get an informal ruling on the conflict issues and vote on the By-Laws in November – he's especially interested in the County appointees voting on County issues. Mr. Peters said PM has criteria – it has a Conflict of Interest form the Board signs and it includes disclosures and the Board abstains from voting on those conflicts; Mr. Flynn said we have the Conflict of Interest Policy and that's why members don't vote on the appointing entity's items. Mr. Gartner said once someone is on the Board, he/she doesn't represent anyone – they represent the people of the State of Iowa – all members are equal. Mr. Flynn said Board members have the duty of care, loyalty and good faith to the non-profit; the Attorney General oversees all non-profits, and if one isn't abiding by the laws, the Attorney General could enforce.

Mr. Cooper moved to table voting on the By-Law changes until all questions have been answered. The motion was seconded by Ms. Moody-Tunks and unanimously passed on a voice vote.

Ms. Willits said we need to add language on: Open Meetings, the horse issue, appointees' right to vote, Non-Voting Director title – change it back to Non-Voting Consultant; the non-profit should not manage beyond the CEO level. Mr. Flynn asked about Mr. Gartner's point when a Non-Voting Consultant's term ends, he/she is off the Board; Ms. Willits said she'd like to leave it as it is; Mr. Radia said consultant means non-voting.

Mr. Gartner thanked Mr. Flynn for all the work he's done on the By-Laws and for the walk down memory lane. Mr. Giovannetti said the Horse Representative should be approved by the Board.

Ms. Grandquist thanked Mr. Flynn and Mr. Gartner for the suggested changes and the discussion.

Action Item – Front-Line Employee Bonus. Mr. Palmer said we've done this every year for 20 years – we give the bargaining unit a bonus, outside the contract; it's discretionary and the amount varies; 2016 = \$450 and the recommendation for 2017 is \$475; the Human Resources and Finance Committees have approved that amount; we have a SOP with qualifications to be eligible for a bonus. Mr. Chittenden moved to approve the Front-Line Bonus of \$475 for 2017. The motion was seconded by Ms. Moody-Tunks and unanimously passed on a voice vote.

President's Report. Mr. Palmer reported:

- Entertainment - November 11 – Paul Anka and December 21 – The Blenders
- Thanksgiving
 - Triple Crown Buffet – Brunch 7:00 a.m. – 9:00 a.m.
 - Triple Crown Buffet – Lunch and Dinner – 9:00 a.m. – 10:00 p.m.
 - AJ's – 11:00 a.m. – 9:00 –p.m.
- The Board viewed a film clip of what PM has done the last quarter – thank you to Mary Erickson, Polly Loneman, Derron Heldt, and the TV Department for putting this together.
- He and Tom Flynn spoke at the DM Committee Luncheon this week about PM's history and the tax issue.
- We held the GIVE Golf Tournament on September 29 – this was our first attempt and we raised \$59,000; Riverside and Grand Falls have held a tournament for about ten years and asked PM to host one – we plan to continue.
- IRGC will decide on November 16 in Dubuque if there is to be a new gaming license granted.
- Vets for Valor – Friday, November 10, 6:00 a.m. – 6:00 p.m.; partners are KIOA, American Legion, First Class Credit Union, and PMRC; 2014 - \$20,000; 2015 - \$60,000; - \$105,000.
- The Bank of America Challenge Championship Races were held on October 13-14. Visitors from all over the country attended; the Governor attended a Meet and Greet, as well as a Breakfast Awards Banquet – everyone was impressed how hospitable Iowa is and that the Governor took the time to come out.
- Mr. Giovannetti set up a meeting with Dean Anderson and Professor Keith Miller and PM will partner with Drake University Law School to put on a state-wide seminar highlighting Sports Betting; Professor Miller teaches a class at UNLV on gaming laws; attorneys and Iowa Gaming Association members will be invited; there's no date yet, but we're working on early Spring after the New Jersey ruling.
- PM received an award from DM Convention and Visitors Bureau – 2016-2017 Corporate Champion – celebrating our partnership with them.
- PM was honored as a Donor of Distinction by Unity Point for being a \$1 million donor.

Mr. Cooper referred to Mr. Skinner's comments on no smoking – has PM given any thought on being pro-active? Mr. Palmer noted smoking is down to 11%; the casino floor used to be 80% smoking and now 47% of the floor is non-smoking – we're finding success by putting popular machines in both areas; no smoking will happen sometime – the question is when; we're slowly working toward no smoking, but we won't go completely non-smoking until it's the law. Mr. Gartner said the ballpark went non-smoking several years ago and they thought they'd take a hit, but business increased and the cleaning bill went down. Mr. Palmer said the casinos that went non-smoking lost 25-30% of their business; we've had few complaints and we have a great air filtering system; Meskwaki is only 30 minutes away and smokers will drive there. Mr. Flynn noted Meskwaki doesn't pay gaming taxes. Ms. Grandquist said if we go non-smoking, will people be able to go outside to smoke; Mr. Palmer said some states allow this and others don't. Mr. Peters said if we go non-smoking and Meskwaki didn't, and if there's a new casino in Cedar Rapids, the loss could be 30%; Mr. Palmer said it would hit us hard. Mr. Rasmussen said it's nice to hear that smoking is getting less floor space and non-smoking is getting more floor space.

Committee Reports

- Finance. Ms. Willits said the committee met on Monday and reviewed the Front-Line Bonus and the financials; the committee also met last week on the Budget and CapEx – this information will be sent to the Board shortly and the Board will vote at the November 15 meeting – Board members are encouraged to call with questions or staff will set aside a time to come out to get questions answered – it’s an aggressive budget, but it’s sound. Ms. Willits said the committee also reviewed the Form 990 and it was sent to the Board; it will be filed mid-November; please call Mr. Palmer with questions. Mr. Gartner asked about the escalator repairs listed on the 990 and Mr. Palmer said we’ll need to repair several more in the next few years – we replaced steps on the original escalators from 1989 and we need to replace the main escalator in the next few years.
- Facilities. Mr. Giovannetti said the committee did not meet. Mr. Palmer reported remodeling will begin next month and Polk County approved the Clubhouse remodel – the remodel of the East side starts in mid-November, and the West side will be done after Racing next year.
- Audit. Mr. Peters said the committee will meet at the conclusion of the Board meeting.
- Human Resources. Mr. Rasmussen said the committee met on Monday and received an update on PM University – it was a successful program and 20 students will graduate; Union negotiations went well and are done – it is a three year contract; there was nothing to report on the IRS; updated the HR Charter – it will be sent to the Board for approval in November.
- Grants. Mr. Cooper said the committee did not meet.

Other Business

Mr. Cooper commended the Executive Committee for inviting a Board member to its meeting and moved that this be an on-going policy. The motion was seconded by Ms. Moody-Tunks and unanimously passed on a voice vote.

Mr. Palmer wished Mr. Gartner a Happy Birthday.

Adjournment. Mr. Cooper moved to adjourn the meeting and the motion was seconded by Mr. Rogness. There being no further business, the meeting adjourned at 4:05 p.m.

Respectfully submitted,

Martha Willits, Its Secretary