

**Monthly Meeting of the  
Prairie Meadows Board of Directors  
June 28, 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.

Ms. Grandquist introduced and welcomed Bob Chittenden, the new At-Large member, to the Board. Mr. Chittenden said he is married and lives in Altoona; he is retired from banking and his son is taking over his position; he loves banking; thanked the Board for electing him to the Board – he has had horses so he is interested in that part of the business, as well as the finances, gifting, scholarships, etc.

Ms. Grandquist requested each member state what they do during Roll Call:

Roll Call.

Bob Chittenden  
Mark Cooper – President of the South Central Federation of Labor  
Michael Gartner – Part owner of the I-Cubs  
E. J. Giovannetti – Attorney and he represents the Taxpayers  
Linda Grandquist – Community Volunteer  
Lisa Moody-Tunks – Polk County Grants Manager  
Gerry Neugent - absent  
Jack Peters – Represents the Horse Industry  
Suku Radia – Bankers Trust  
Kurt Rasmussen – Rasmussen Group  
Paul Rogness – Retired after 30 years at the Lipton Company  
Karen Novak Swalwell – President of Francis and Associates  
Martha Willits – Retired, Community Volunteer  
John Irving – Baker Electric, represents the Greater DM Partnership  
Gene Meyer - President of the Greater DM Partnership

Also in attendance were:

Gary Palmer, President/CEO	Tom Flynn, Legal Counsel
Ann Atkin, Senior Vice President/COO	Nancy Winget, Its Recording Secretary
Brad Rhines, Senior Vice President/CSO	Members of the Press, Public, and Staff

Approval of the Minutes. A motion was made by Mr. Rasmussen to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on April 26, 2017 as written. The motion was seconded by Mr. Rogness and passed on a voice vote.

Public Comment. None

Financials. Elaine Castelline, Vice President of Finance and Brad Rhines, Senior Vice President/CSO reviewed the financials.

Ms. Castelline reported on the Performance Goals, May YTD: Casino Revenue above plan 1.5%; Total Expenses above plan 1.2%; Net Revenue above plan 1.3%; Operating Expenses better than plan 2.7%.

Mr. Gartner asked for an explanation of Net Revenue – it is a net of what and Ms. Castelline said it's Net Revenue (revenue coming in) minus Cost of Goods Sold. Mr. Gartner asked about the expenses to get the Net Revenue and Ms. Castelline said that's the Operating Expenses – the cost to earn revenue (wages, equipment, medical insurance, benefits).

Ms. Castelline said 89¢ of every \$1 comes from Slots, Table Games, and Poker; YTD, we're above plan \$1 million and we're \$2 million above 2016. Mr. Rhines noted in 2016, it was 84¢ out of every \$1. Mr. Meyer asked if there's an industry standard and Mr. Rhines said Las Vegas has shifted and 40% is entertainment and 60% is amenities – at PM, the casino is the center of the business. Mr. Gartner said with the Net Revenue and Expenses, we can't tell if F&B, Racing, and Hospitality are profit centers or not – can we see the same categories for expenses and Mr. Rhines said yes, we'll start adding that information to the packet.

Mr. Rhines discussed Total Revenue, year over year: Slots better than 2016 2.1% and Tables Games better than 2016 8.4%.

Mr. Rhines said the Five Year, May YTD, Table Games Win is \$73 million (\$71.3 in 2016) and YTD Table Games and Poker are above plan 8.4%. Mr. Rhines contributes this growth to the new Table Games Director, Eddie Llambias, who has a new philosophy, style, and is willing to take chances; dealer audits (give Supervisors an instant coaching opportunity); repriced Table Games (reduced limits to \$1,000 and shifted volatility – high bets are hard to overcome); we went to pre-shuffled cards (this saves approximately 10 minutes and there's instant play); reduced table seating from 7 to 5 (that gives dealers better customer interaction).

Mr. Rhines reviewed attendance: through May 2017, the average is 1.3 million, that's 262,000/month, and the year total will be 3.2 million – we're on pace for a record attendance year.

Ms. Castelline reported Hotel May Revenue increased \$54,000, with 455 more rooms occupied over the prior year.

<b>Hotel Occupancy</b>	<b>PM</b>	<b>DM Market</b>	<b>Competitive Set</b>
May 2017	77.2%	63.7%	69.9%
May YTD	68.5%	58%	63%

Mr. Meyer asked the impact of the new hotels coming to this area and Mr. Rhines said there will be more people coming to the market place – PM is established, we know the trends and patterns, and can identify who is the most profitable for PM.

Ms. Castelline reviewed the YTD May 2017 Casino Revenue:

PM	\$81 million 2.8% better than 2016
Ameristar	\$73 million 1.4% better than 2016
Horseshoe	-4.5% from 2016

Mr. Rhines reviewed the Iowa Casinos through May: the State as a whole is up 0.7%; the State without PM, Rhythm City, and Bettendorf is down 2.3%; the State without PM is up .03%; PM is up 2.8%.

Mr. Rhines said the top performing areas over the last four years, May 2017, are: Casino, Slots, AJ's, Paddock, Home Stretch, Photo Finish. The top performing areas over the last four years, YTD through May 2017 are: Attendance, Coin-in, Casino Revenue, Slot Revenue, Table Games Revenue, AJ's Revenue, Paddock Revenue, and the Casino Bars Revenue have the highest numbers.

Ms. Grandquist said this report was given to the Executive Committee and they learned a lot – this is a wonderful report. Mr. Peters asked if the growth of the top three casinos in Iowa is the same as PM's and Mr. Rhines said Ameristar and Horseshoe in Council Bluffs are comparable to PM – Council Bluffs has a 1.1 million population base and PM has a 600,000-700,000 population base – the Council Bluffs market is down 1.2%.

Lobbyist Report. Troy Skinner said the legislature has adjourned; Kim Reynolds is the Governor; Jay Kessner is the Chief of Staff and he knows the gaming issues; we lost two legislators since the session ended – a Republican was elected for the seat of Greg Forest (near the Council Bluffs area) and the election will be held in August for the seat of Kurt Hansen (D) from Fairfield; the state revenue is coming in slower than anticipated – there's a \$97 million shortfall, and a special session may be held.

Racing Update. Derron Heldt, Director of Racing, reported on the Thoroughbred Meet:

- We're halfway through this meet.
- There are 1,134 horses on the Backside – 30 shy of 2016.
- Field size is 7.1 vs. 6.7 in 2016.
- Handle is up double digits, on and off track, due to moving the post time on Thursday and Friday from 5:30 p.m. to 6:00 p.m. and a new Pick 4 bet on Thursdays, emphasized on the TVG network. Mr. Peters asked about the Pick 5 – is most of this from simulcast or live or both and Mr. Heldt said both – it's a 50¢ bet to pick the five winners of the last five races;

there's one unique ticket to win. Kentucky Derby handle down a bit, Belmont and Preakness handle up.

- The next 10 days are busy ones:
  - July 3 – fireworks at approximately 9:30 p.m.; 4:00 p.m. Post Time; entertainment until the fireworks.
  - July 6, 7, 8 – Festival of Racing with two special stakes races each day.
  - July 8 – Post Time is 4:00 p.m.
- PM Racing Club has 98 members; “How About Him” was claimed on May 12 for \$5,000; the trainer is Kelly Von Hemel; the horse ran in two races and won both; he'll run again in a week or two; it's been a very successful and exciting program.

Mr. Rasmussen asked if handle was up on Wiener Dog Races day and Mr. Heldt said on track, handle was up \$12,000-\$13,000; we had four heats with 12 dogs each, and the top three winners of the heats ran again.

Prairie Meadows University – Review and Update. Michele Wilkie, Vice President of Human Resources, said the participants have been very busy; they've attended three classes to date and reviewed the current leadership style and how they want to develop, communication, and the history and culture of PM; they had a break in May and June; classes resume in July and they'll review goal accomplishments, problem solving, and leadership philosophy; the May-June break was used to meet with their mentors, job shadow in three department other than their own (24 hours per department), and work on their Capstone Project; the Capstone Projects are done in a group and will be presented to the Executive Team and the Directors at the end of October; the class wraps up in November and a recognition dinner will be held on November 21; we're all very excited about this program. Mr. Rogness asked the number of participants and Ms. Wilkie said 20. Mr. Palmer said staff has dinner with the top players once a month and we've incorporated participants from PMU to interact with the players – everyone seems to enjoy this interaction and the program is exceeding all expectations.

Staff Report. Tony Guzman, Director of IT, reported on the upgrades and enhancements the last 12 months:

- Updated the hotel PCs with new Lenova ThinkCenter and Veridocs
- Agilysys Implementation
- EMV Chip technology for Micros (credit card security)
- Installed a second enrollment Kiosk
- HALO Implementation
- Data card printers to help the HALO System
- Table ID Upgrade
- Oasis Upgrade
- Replaced all MediaPads to update the older technology and reduce security exposure
- Kronos
- Veridocs
- Security Field Training application
- Cyber Security Training

- Varonis Implementation
- Replace main core router
- Upgraded and replaced Cisco router
- Upgraded Sophos device
- Installed EMC back-up solution
- Installed new hardware and software for the Oasis system
- Replaced the extreme switches which were 12 years old
- Updated Micros equipment which was 16 years old
- Installed 14 new Racing PCs

Ms. Grandquist said this is a busy department and asked the number of employees. Mr. Guzman said 16 IT employees and four Print Center employees. Mr. Rogness asked about Cyber attacks and Mr. Guzman said we get notices every day and information on how to stop them.

President's Report. Mr. Palmer reported:

- July 1 – Dylan Scott with Smithfield concert – 7:00 p.m., concert moved inside.
- July 3 – fireworks at dusk.
- July 6-8 – Festival of Racing – people and horses from all over the country will attend and it will be an exciting time.
- July 16 – Camel, Zebra, Ostrich Races – this will be a busy day, everyone will have a good time, there will be a crowd, this is a community relations day and there's no charge.
- Wiener Dog Races – that was an exciting day; we had a large crowd cheering on the dogs; Facilities built the starting gate; there were teams with team shirts; it was a fun day for everyone, but a lot of work for staff.
- We'll show a film clip at the next Board Meeting of things that have happened the last three months.
- IRS Update. We talked to Marcus Owens, our Washington, DC attorney and he said there's a lot of chaos at the IRS; he speculates the matter will go before the Hearing Officer soon.
- Mr. Rhines handed out a packet that included the Organization Structure, Community Impact information, and the 2016 Annual Report and Mr. Palmer reviewed the handouts:
  - The organization structure is for your information book; we've split the responsibilities and the new structure is working well; we have a solid team and he's optimistic about the future; Brad Rhines is the Senior Vice President/CSO, Ann Atkin is the Senior Vice President/COO, Elaine Castelline is the Vice President of Finance/CFO, Clint Pursley is the Vice President of Security, Clay Willey is the Vice President of Hospitality, and Michele Wilkie is the Vice President of Human Resources; we have a great Board, facility, and we give back to the community. Ms. Novak Swalwell said Mr. Rhines and Ms. Castelline had a great presentation and it's unusual for Ms. Castelline to report to Mr. Rhines and Mr. Palmer said Mr. Rhines has a lot of experience, was Senior Vice President at the Nugget, and has financial and business experience, and Ms. Castelline and Mr. Rhines have the best financial and strategic thought process combination – they are a perfect couple for the team; under Iowa law, the Auditor and Surveillance have to report to him, and Ms.

Castelline also reports to him. Ms. Moody-Tunks thought restructuring went through the Human Resources Committee; Mr. Flynn said we've never done that, but we can – this is the third or fourth organization chart change.

- Community Impact information – this is a quick reference for the Board.
- 2016 Annual Report. This is the first ever Annual Report and we want to continue to do one; the Board is the first to see the report; we have 500 copies of the report which will be distributed through the *Business Record* and the report will also be available on-line; it's great information; feedback is welcome and the Finance Committee had some great ideas for next year; we used to publish *Impact* magazine years ago – it was expensive and hard to distribute. Mr. Gartner asked who pays the property taxes – Polk County or PM and Mr. Palmer said both – PM pays anything over \$4 million.

#### Committee Reports

- Finance. Ms. Willits said the committee met on Monday and received information on the Annual Report, May and YTD finances, and set the budget calendar – the committee will receive the budget in October and the budget will be an action item on the November Board Meeting Agenda.
- Facilities. Mr. Giovannetti said the committee did not meet, but has scheduled a meeting in July.
- Audit. Mr. Peters said the committee did not meet, but has scheduled a meeting in July; Mr. Shirley is responsive to any questions.
- Human Resources. Mr. Rasmussen said the committee did not meet.
- Grants. Mr. Cooper reminded the Board about the Grants Luncheon on July 14 and to RSVP to Julie Stewart.

#### Other Business

- Mr. Rogness asked if the Executive Committee has discontinued inviting non-committee members to attend a meeting; Ms. Grandquist thought that was a one-year thing that we tried last year; Mr. Giovannetti believes it's a good idea.
- Mr. Rogness said Mr. Giovannetti is on the cover of the *Urbandale Living* magazine.

Adjournment. Mr. Cooper moved to adjourn the meeting. There being no further business, the meeting adjourned at 3:16 p.m.

Respectfully submitted,

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Martha Willits, Its Secretary