

**Monthly Meeting of the  
Prairie Meadows Board of Directors  
July 26, 2017  
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Rasmussen 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 - absent

Lisa Moody-Tunks

Gerry Neugent

Jack Peters

Suku Radia

Kurt Rasmussen

Paul Rogness - absent

Karen Novak Swalwell

Martha Willits - absent

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 June 28, 2017 as written. The motion was seconded by Mr. Cooper and passed on a voice vote.

Public Comment. Jon Moss, Executive Director of the Iowa HBPA, said the group held an election and David McShane is the new President – Leroy Gessmann did not run; there’s only been two Presidents in 30 years; Mr. McShane has been a trainer at Prairie Meadows for several years and looks forward to working with PM and continuing the relationship.

Financials. Ms. Castelline, Vice President/CFO, reviewed:

| <b>Performance Goals<br/>June 2017 Year-to-Date</b> |                           |
|---|---------------------------|
|   | <b>Exceeds/Below Plan</b> |
| <b>Casino Revenue</b>                               | +1.8%                     |
| <b>Total Revenue</b>                                | +1.6%                     |
| <b>Net Revenue</b>                                  | +1.7%                     |
| <b>Operating Expenses</b>                           | -2.5%                     |

Mr. Rhines, Senior Vice President/CSO, noted June 30 ended the IRGC’s fiscal year; in revenue, PM was up \$7.7 million (4% increase) and all others were up \$8.1 million; including Rhythm City and Isle Bettendorf, the State was down \$10 million; taking Rhythm City, Isle Bettendorf, and PM out, the State was down \$18 million; information on Native American Casinos is private, but the NIG reported the St Paul District was up \$55 million or 1.1% - Meskwaki falls in that jurisdiction.

Ms. Castelline said there will be four new slides to the financial presentation, and she’ll review Casino Operations (Slots, Table Games, Poker):

| <b>Casino Operations</b> | <b>Change %<br/>Exceeds/below plan</b> |
|--------------------------|--|
| Net Revenue              | +1.8%                                  |
| Expenses:                |  |
| Salaries/Wages/Benefits  | -0.8%                                  |
| Operating Expenses       | -7.8%                                  |
| Total Expenses           | -2.3%                                  |
| Net Income/(Loss)        | +2.1%                                  |

Mr. Rhines reviewed Racing, noting this in private and confidential information, but we’re sharing it today due to the question from the last Board Meeting; Racing is a loss for PM, but the 2007 Thalheim Study reported it has a \$132 million impact on the State, and PM’s Mission is to create jobs, agriculture, tourism, and economic development; Racing is a tremendous amenity and it is a cost of doing business:

| <b>Racing</b>           | <b>Change %<br/>Exceeds/below plan</b> |
|-------------------------|--|
| Net Revenue             | (8.3%)                                 |
| Expenses:               |  |
| Salaries/Wages/Benefits | -7.1%                                  |
| Purse & Supplement      | -0.1%                                  |
| Operating Expenses      | -2.8%                                  |
| Total Expenses          | -1.4%                                  |
| Net Income/(Loss)       | +0.1%                                  |

Ms. Castelline reviewed Hospitality (Hotel and Banquets):

| <b>Hospitality</b>      | <b>Change %<br/>Exceeds/below plan</b> |
|-------------------------|--|
| Net Revenue             | +6.4%                                  |
| Expenses:               |  |
| Salaries/Wages/Benefits | -5.1%                                  |
| Operating Expenses      | -4.7%                                  |
| Total Expenses          | -5.0%                                  |
| Net Income/(Loss)       | +19.6%                                 |

Hotel Room Revenue Type – 52% group (convention/meeting) business, 19% discount (AARP, Triple A, etc.), 16% casino, 7% corporate, 6% other (individual/leisure traveler). June 2017 Hotel Revenue up 5.4% over 2016; June Hotel revenue was the second highest in its history and the best month since August 2016. June YTD Hotel Occupancy: PM 87.5%, DM Market 60.5%, Competitive Set 66.4%

Mr. Rhines reviewed F&B, noting the first quarter was soft, the second quarter picked up, and that trending continues:

| <b>Food and Beverage</b> | <b>Change %</b> |
|--------------------------|-----------------|
| Net Revenue              | (0.3)           |
| Expenses:                |                 |
| Salaries/Wages/Benefits  | -1.8%           |
| Operating Expenses       | +5.7%           |
| Total Expenses           | -1.6%           |
| Net Income/(Loss)        | +14.5%          |

Mr. Rhines said this presentation is a picture of how the individual departments are performing and we hold P&L meetings every month and review things line by line.

Mr. Gartner asked about Net Revenue in the Performance Goals slide – Net Revenue was \$102,365,000 and Expenses were \$58,146,000 – it shows a profit of \$44 million, but if you look at the four slides just presented, profit doesn't come up to that amount – there's a \$36 million difference. Ms. Castelline said the Gaming Tax is 24% and it was not highlighted in the first slide. Mr. Gartner asked if Net Income is before taxes, interest, capitals and depreciation and Ms. Castelline said the slide is Net Revenue. Mr. Gartner said the Performance Goals slide shows Net Income of \$44 million; Ms. Castelline said that's Gaming Revenue; Mr. Radia said Gaming Taxes are \$24 million and Community Betterment is \$113.8 million and that equals \$6.5 million. Ms. Castelline said the slides do not include everything and the Performance Goals are the majority of our goals and referred the Board to page 1 of the red finance packet. Mr. Rhines said other revenue includes retail, credit card fee, etc.

Ms. Castelline reviewed the 5 Year June YTD Attendance: 2017 – 1.6 million; 2016 – 1.5 million.

Mr. Rhines reviewed the 5 Year June YTD Table Games Win: Table Games started in 2004 and the first full year was 2005; June 2017 had the best start in history at \$8.7 million and the growth trend continues.

Ms. Castelline reviewed the YTD June 2017 Total Revenue:

Slot Win was \$87 million vs. the plan of \$84.5 million, 2.8% increase over 2016.

Table Games was \$8.7 million, an \$800,000 increase over 2016.

Poker was flat to 2016.

Mr. Rhines said the following are the Top YTD Performing Areas in the Most Recent Four Years: Coin-in, Casino Revenue, Slot Revenue, Table Games Revenue, F&B Total Revenue,

AJ’s Revenue, Paddock Revenue, Home Stretch Revenue, and Casino Bars Revenue – we’re seeing good momentum and we will continue to push for more.

Ms. Castelline reviewed the Total Revenue YTD June 2017 Chart: Casino \$96.5 million; F&B \$4.3 million; Pari-Mutuel \$1.7 million; Hospitality \$4.4 million; Other \$1.9 million; that’s \$1.7 million better than plan and \$3.2 million better than 2016.

Ms. Castelline reviewed the State calendar year numbers:

| <b>Property</b> | <b>2017 vs. 2016</b>                   |
|-----------------|--|
| Prairie Meadows | \$96.6 million – 3.4% better than 2016 |
| Ameristar       | \$87.1 million – 1.6% better than 2016 |
| Horseshoe       | \$84.8 million – down 4% from 2016     |

Mr. Rhines said for the first six months of 2017, the State of Iowa is up \$7.6 million; taking out Prairie Meadows, Rhythm City, and Isle Bettendorf, the State is down \$9.7 million; PM is growing at a higher rate than its competitors; staff is working on a Strategic Business Plan for 2018 and looking for efficiencies.

Mr. Gartner noted the cash flow for the first six months is \$17 million and Community Betterment is \$13 million vs. a plan of \$7 million – is that a timing thing and Ms. Castelline said it’s \$6.5 million and that’s because we had a change in philosophy on how we budget charitables – charitables are determined after the books are closed - after the 2016 books were closed, we had \$6 million to give and that’s why there’s a difference.

Lobbyist Report. Troy Skinner reported:

- State Budget – the books have not yet been closed and Governor Reynolds can transfer \$50 million; if she does that, they’ll avoid a special session, if she doesn’t do that, there will be a special session in October.
- US Supreme Court, Christie vs. NCAA (sports betting) – this is allowed in four states; four of the nine Justices have shown an interest in taking this up; the Iowa Gaming Association is looking at framework to put this on the casino platform.
- We received word today that Dick Thornton, a long-time lobbyist, passed away.

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

- Thoroughbred Meet – As of Sunday, we’ve raced 55 days of the 67 day meet; field size average is 7.1 horses (similar to 2016); we have 1,043 horses on the Backside vs. 1,037 in 2016; handle is up both on and off track, partially due to the Pick 4 and Jackpot Pick 5 – the Pick 5 pot has \$72,000 in it.
- Festival of Racing was held three weeks ago; it included six major stakes races; horses came in from all over the country and several local horses participated; Dreamin, an Iowa-bred, won the \$100,000 Sprint Race on Thursday, then sold for \$125,000 on Monday at a Kentucky horse sale; Chanel’s Legacy took fourth place in a \$200,000 stakes race; several national jockeys rode, including Mike Smith, he rode in four Festival Races and also rode in Nebraska.
- August 12 – Iowa Classic Night with seven all Iowa-bred stakes races; this concludes the Thoroughbred Meet.

- Quarter Horse Meeting – stall applications were due July 12; we had 832 applications from 46 trainers; we expect to have 600 horses on the Backside so we'll be able to have three race days a week.
- Hot weather and racing – it's been hot the last few weeks and the health and safety of the horses is paramount; the policy to determine if we'll race is the Heat Stress Index – if the temperature and humidity are less than 180°, we'll race; if the temperature hits 100°, the trainers can scratch their horse; we have several water and ice stations and hoses all around the property.

Mr. Rasmussen said the Iowa-breds are becoming more competitive and that's a remarkable feat. Mr. Heldt said open trainers are purchasing Iowa-breds.

G.I.V.E. Foundation. Brad Rhines, Senior Vice President/CSO, Polly Loneman, Director of Marketing, and Julie Stewart, Director of Community Relations. Mr. Rhines said the acronym stands for Golf for Injured Veterans Everyday; the idea was founded by Dan Kehl from Eastern Iowa; if a veteran attends five golf classes, they get a discounted golf rate at several courses in Iowa; Mr. Kehl and the owner of Warrior Run in Waukee asked PM to participate and our golf tournament will be held at Terrace Hills; Terrace Hills will also offer discounted rates to veterans; Julie Stewart and Polly Loneman have worked diligently to raise funds. Ms. Stewart thanked the Board for the great support from their companies; a hole sponsorship is \$1,000 and a team sponsorship is \$2,500 – we've raised \$39,400 to far; the tournament is September 29; our Directors have been very helpful by asking their vendors to support this event. Ms. Loneman said we want to make this an unforgettable and fun tournament; there will be activities at every hole; the community has really jumped on board; it will be an amazing event. Mr. Rhines said we've raised almost \$40,000 and we're trying for another \$10,000 – Riverside has raised \$42,000; we're looking forward to continuing this event every September. Mr. Palmer noted this is the tenth year Riverside has hosted this event and a few staff will go to Riverside tonight for the banquet and their tournament on Thursday – the event will get bigger and bigger.

Action Item – Partnership for a Hunger-Free Polk County. Mr. Palmer said a few weeks ago, he and Mr. Rasmussen met with John Mauro and Tom Hockensmith, and the information has been sent to the Board; money has been raised, but the project wasn't communicated too well; there are 23,000 families not taking advantage of this program as they weren't aware of it; the County asked if the PM Board would give another \$100,000 to market the program to get the community informed, along with recruiting new investors; he, Ms. Grandquist, and Mr. Rasmussen have discussed this project with every Board member.

Mr. Cooper said the request is for another \$100,000 and the letter said the investment would be \$77,000; if he was one of the 23,000 needing help, he would have found a way to get it; we have a Grants process which has been circumvented twice; we've given \$750,000 and then another \$500,000 to this project; the Food Bank submitted a \$1 million grant application and received \$100,000; he's wondering if this project has anything to do with the election in 2018; his position is, he's against \$100,000 – giving \$25,000 would be ok; why are the organizers not getting other partners; we could buy food for the \$100,000. Mr. Palmer said the request is for \$86,000 for marketing, and there will be other costs – billboards have been donated, but there will be graphic art costs. Mr. Gartner spoke in defense of Mr. Mauro and said he doesn't believe this project is politically driven; he's watched this from day one and he has personally

contributed to the project; this is Mr. Mauro's passion and cause for life; Mr. Mauro has made a hefty, personal commitment to the project and he goes around to each site to make sure things are ok. Ms. Moody-Tunks echoed Mr. Gartner's remarks; she has been doing grants for Polk County for several years; she knows Mr. Mauro does not promote himself for personal recognition; this all began when Mr. Mauro saw an article in the *DM Register* about North High School basketball players (and other students) not having food between school and practice – Polk County representatives met with the North High principal and coaches and that's how the movement started. Mr. Neugent said Mr. Mauro found a lot of partners; PM's contribution is significant, but it's not the majority of the funds raised; he's speaking for the Finance Committee – there are funds to do this. Mr. Peters has no issue with Mr. Mauro as he has done a lot of good; his concern is some projects get long tails (i.e. YMCA and now food); he's all for this and will vote for it, but the system is getting clunky and at some point, we need to get back to the grants process; Polk County gets revenue from PM and can use it as it sees fit. Mr. Rasmussen said there's concerns that Mr. Mauro calls and gets what he requests and there's no process; maybe we should look into this and work on a recommendation on how we can do this in the future. Ms. Novak Swalwell's concern is, we have a process in place and she's raised this point before; Grants takes a lot of time to review and grade and we should either honor the grants process or get rid of grants; she'll probably vote no – she is struggling with this as she hates to see people go hungry. Mr. Rasmussen noted that Tom Hockensmith is part of this process. Mr. Cooper doesn't have an ax to grind with Mr. Mauro and he supported the amendment to raise the past request from \$500,000 to \$750,000; he could support a lesser amount. Mr. Irving said the Food Bank was appreciative of the \$100,000, but were disappointed it wasn't more – it has a \$16 million capital project and supports 55 counties.

Mr. Neugent moved to approve the \$100,000 request, the motion was seconded by Ms. Moody-Tunks and passed on a Roll Call Vote (8 yes, 3 absent, 2 no – Cooper and Swalwell).

Staff Report. Ann Atkin, Senior Vice President/COO, reported:

- Casino History:
  - She started in the Slot Department in Tahoe (a Harrah's property) in 1985 and then went to Tables Games – she was there for 8 years.
  - Helped open the river boat in Shreveport (a Harrah's property) and was there for four years.
  - Helped open Player's Island in St. Louis and was there for four years. Harrah's bought Player's Island and the only opening was in New Orleans, and that city was contemplating voting out gaming.
  - That brought her to PM and she's been here for 17 years. She started in Slots and when PM added Table Games in 2004, she was in charge of both departments.
- Four departments report to her and she'd like to discuss upcoming things in those departments:
  - Slot Department. It's been a practice to have as many machines on the floor as possible and this makes the floor very crowded; we want to clean up and have more uniform rows with more navigable aisles; we'll also evaluate the machines to see which are working for us; we'll add signage and tv monitors on the walls; we're looking at a car or motorcycle sitting on top of a bank of machines; Angie Vandehaar is doing a good job monitoring our lease games – 5% of the floor is lease machines as they're not available for purchase; we just installed Harley Davidson games; those

- going to G2E in October will have the opportunity to see the new games – it sometimes takes 8-9 months before the vendors release new games. Staff looked at skill based gaming in Las Vegas – it’s a central computer game; states are pulling out of this market; it was never approved in Iowa. Staff investigated E-Gaming in Las Vegas in May; millennials like to play video game tournaments and don’t like slots and are semi-interested in Table Games and Racing; we want to be on the cutting edge and have things millennials like; after investigating, weren’t not too enthusiastic about having it here.
- Table Games. The new thing is electronic Table Games and we just installed our first two – the six Roulette and six Craps games have been well received; several properties have this; technology is the thing in Table Games. A vendor has come up with a new concept for the Black Jack Bonus, a spin with a side bet and we are looking at this. We moved the high limit Table Games to the main floor and they’re doing well; we are also bringing in a three-spot Mini-Bac game. While in Las Vegas for G2E, we’ll investigate Black Jack or Poker variation games, the Roulette tables that have a button that allows the guest to deal his/her own game, and at community Black Jack betting – 10-12 machines playing for a car/prize.
  - Racing. The Pick 5 bet will continue next year; Mr. Heldt will recruit at places he hasn’t been to in a while (i.e. Remington Park); Wayne Smith, GM from Oaklawn, attended the Festival of Racing and is interested in partnering with us to make the racing circuit better; before Racing, the inside rails were replaced – this helps jockeys avoid being injured when thrown from a horse; we’re looking at replacing the outside rail – this helps horses avoid serious injuries; we’ve talked to the Facilities Committee about remodeling the Clubhouse – this will also include replacement of the old equipment; this will be our third time to host the National Quarter Horse Championship Challenge – it will be held on October 14.
  - Food and Beverage. We’ve had great success with specialty days on the Track Apron, and we’re looking at adding additional food stations and signage; we’re installing hand-held units to take cocktail orders – the order goes directly to the bar and is then delivered to the guest – this will greatly improve guest service on the floor; we want to try something new, so AJ’s will have a new menu item – Chef’s Choice – whatever the chef wants to cook that day. There have been several staff changes in F&B and the best part is, some participate in Prairie Meadows University: Steve Weiermann was promoted to Beverage and Concession Manager; Zach Hitchcock was promoted to AJ’s Manager; Ryan Secrest promoted to Banquet Manager.

President’s Report. Mr. Palmer reported:

- There’s a “challenge” coin in your Board packet given to PM from Chief Wingert and Assistant Chief Tunks as a thank you for the grant to purchase body cameras.
- August 11 – Hall of Fame
- August 12 – Iowa Classic and last day of Thoroughbred Racing – Post Time 4:00 p.m.
- August 19 – first day of Quarter Horse Racing. Post Times: Friday – 6:00 p.m. and Saturday and Sunday – 1:00 p.m.
- August 19-20 – Silks and Squares – a racing promotion
- August 20 – Family Day
- August 26 – Corn on the Cob Eating Contest – 5:00 p.m. on the Track Apron

- No Board Meeting in August.
- Ran a video clip that shows a quick look at some of the events from the second quarter.

Ms. Atkin said there are coffee cups from St. Vincent de Paul for every Board member – it's a thank you for the grant they received.

#### Committee Reports

- Finance. Mr. Neugent said he is reporting for Ms. Willits - the committee met on Monday and reviewed the finances and the new reports.
- Facilities. Mr. Giovannetti said the committee met on Monday and thanked Dustin VandeWeerd, Director of Facilities, for the following information on projects:
  - 2017 – the Gift Shop and Surveillance Rooms were remodeled and the metal roof is being repainted
  - 2018 – Events Center will be remodeled, money has been set aside, it will be done in three phases, November 2017 – September 2018
  - 2018 - the Clubhouse will be remodeled, it was last redone in 1999, the committee toured the area and agreed it does need to be remodeled, it's 44,000 sf, there's no hard numbers yet, but it will be approximately \$3 million, this will be a two phase project – before and after racing season.
  - The MEPs study was last done in 2010; PM is in good shape; the committee agreed to have Shive-Hattery do the study again for \$76,500; we chose not to go out to bid – in 2010, Shive's bid was \$54,000 and the second bid was \$130,000; Shive has been here since the beginning and knows the property.
  - 2019 – Remodel the hotel and escalators.
  - 2020 – possible hotel expansion.
  - We need approximately \$8 million/year for the next few years to do our capital projects.
- 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; the HR Charter was last updated in May 2009 and the committee will meet on October 23 to discuss changes to the charter; Prairie Meadows University is going well; the first set of union negotiations went well; there's nothing to report on the IRS. Mr. Palmer said we have a contract with the Operating Engineers and AFSCME and meetings with the Machinists will be held soon. Mr. Gartner asked the rate and Mr. Palmer said it's a three year contract – year 1 – 3%, year 2 – 3.25%, and year 3 – 3.5%.
- Grants. Mr. Cooper said the committee did not meet.

Mr. Palmer said the Facilities Committee agreed to do the MEPs Study and the 4<sup>th</sup> floor Clubhouse remodel and he believes a motion is in order. Mr. Neugent moved the Facilities Committee's recommendations, the motion was seconded by Ms. Moody-Tunks, and passed on a voice vote.

Other Business. Mr. Palmer noted there is no meeting in August and that the Audit Committee will meet following the Board Meeting.

Adjournment. Mr. Cooper moved to adjourn the meeting. There being no further business, the meeting adjourned at 3:40 p.m.

Respectfully submitted,

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Martha Willits, Its Secretary