

**Monthly Meeting of the
Prairie Meadows Board of Directors
October 26, 2016
2:00 p.m.**

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

Roll Call.

Mark Cooper

Diana Ewing

E. J. Giovannetti - absent

Linda Grandquist - absent

Mark Hedberg

Michael Knapp

Bob Myers

Jack Peters

Kurt Rasmussen

Paul Rogness

Karen Novak Swalwell

Lisa Moody-Tunks

Martha Willits

Gene Meyer

Michael Helak

Also in attendance were:

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. Cooper to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on September 21, 2016 as written. The motion was seconded by Ms. Moody-Tunks and passed on a voice vote.

Public Comment. None

Financials. Mr. Wessels reviewed the September 2016 YTD financials: Net Revenue below plan 0.2%; Total Expenses better than plan 1.8%; and Net Income before Community Betterment above plan 9.1%.

Licensee Comparisons		
Property	Net Win 2015 vs. 2016	Slot Hold YTD
PMRC	+1.3%	8.02%
Council Bluffs Market (Horseshoe, Harrah's and Ameristar)	-1.6%	n/a
Horseshoe/Harrah's	n/a	10.59% / 10.35%
Ameristar	n/a	9.6%
Lakeside	n/a	9.9%
Wild Rose Jefferson	n/a	8.8%
State as a whole	+1.7%	n/a
State without Jefferson, Rhythm City and Isle of Capri Bettendorf	-0.6%	n/a
Kansas City Market	+.7%	n/a
St. Louis Market	+1.1%	n/a

Hotel Occupancy	PM vs. Market	DM Market	Competitive Set
September YTD	75.3%	65.6%	71.0%

Performance Goals September 2016 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	-0.5%
Total Revenue	-0.2%
Net Revenue	-0.2%
Operating Expenses	_2.3%

Mr. Myers requested Mr. Wessels explain the Operating Expenses decrease and Mr. Wessels said it is labor and benefits (health insurance and direct labor) and utilities and the Cyber Security Audit costs were less than projected.

2017 Budget. Mr. Wessels said this will be an Action Item at the November meeting; the budget, budget notes, and goals will be sent to the Board by the end of the week; he will be available on November 14 at 4:00 p.m. in the James Rasmussen Board Room if Board members would like to review the budget and ask questions – he’s also available by phone.

2015 990 Tax Return. Mr. Wessels said the return is due November 15; the Finance and Executive Committees have reviewed the return; Board members may request a copy; it becomes public information when filed.

Director of Table Games. Mr. Wessels announced that Eddie Llambias has been hired as the Director of Table Games. Mr. Llambias said he was born in London and has been in the casino business for 33 years; he’s worked at casinos in the Bahamas and the Rock of Gibraltar, Las Vegas, Atlantic City, Louisiana, Mississippi, and North Carolina; he’s very excited to be here and working with this team.

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

- Quarter Horse Meet Recap – the meet ended October 15; on-track handle was down 9% due to the earlier post time on Saturdays; off-track handle was down 29% due to Los Alamitos not carrying matinee races; the field size was 7.7 in 2016 compared to 7.9 in 2015; we had two injuries in 2016 and one in 2015; we had a very uniform track and horses won from all post positions; one highlight from the meet is Tom Scheckel from Bellevue, Iowa – he was the second leading owner in 2015, first leading owner in 2016, and he plans to purchase more horses – this is a good thing for Iowa; the Challenge Championship will be held at Los Alamitos and four of the Regional Challenge winners will participate this weekend.
- Thoroughbred Meet. The ITBOA held its sale on October 16, the numbers were down, the top sale was \$35,000.

- Breeders' Cup. This is the Thoroughbred Championship and will be held at Santa Anita on November 4 and 5; Denny Albaugh has a two-year old, Not This Time, that will participate - he's won two of three stakes races and is the leading contender for the \$2 million Juvenile Race; those running in first, second, and third are considered favorites for the 2017 Kentucky Derby.
- Racing Projects. We're putting in a new inside safety rail and a new awning on the Apron.

Mr. Rasmussen asked if the 2017 dates have been set and Mr. Heldt said we presented the proposed dates to the IRGC in the 2017 License Renewal and will submit the 45-day Season Approval to the IRGC in November – this will include Racing Officials, dates, times, etc.; 2017 Post Time for Thursdays and Fridays for both meets will be 6:00 p.m. (the Post Time was 5:30 p.m. in 2016 and 6:30 p.m. in 2015) and we'll continue Saturday and Sunday matinees for at least another year.

Lobbyist Report. Troy Skinner reported:

- The State Budget Committee met on October 13 – revenue is coming in slower and projections are expected to be reduced \$72 million – some of this is due to the slump in agriculture.
- Fantasy Sports – we'll continue to monitor this closely and look at who's winning the prize money - this is not going away and we will want to craft the best legislation we can.
- Election – the election is two weeks away; the Republicans will probably remain in control of the House; it's questionable on which party will control the Senate.

Staff Report. Clay Willey, Director of Hospitality, reported:

- He started in April 2008.
- The department includes the hotel, Photo Finish Lounge, Café, Special Events, Banquets, bars, Triple Crown Buffet, AJ's, Backside Kitchen, Hop's, and all the concessions.
- We completed two major renovations in AJ's and Triple Crown Buffet and neither outlet was closed.
- Late in 2017, we'll begin the remodel of the Events Center – this will run through 2018.
- Projected Sales: Hotel - \$4.9 million; Special Events - \$4.9 million; Food and Beverage \$12.5 million (this includes all food outlets and bars).
- Hospitality Staff: 9 Managers; 2 Assistant Managers, 21 Supervisors, 11 Specialists, and 289 front-line staff.

Mr. Helak noted food service is a big challenge – it's a 24/7 operation and it's hard to retain employees. Mr. Willey said it's hard to find good, qualified help, and if we do find help, they are hard to retain; we pay above minimum wage; our business is unique - we're a 24/7 operation and the business keeps growing; we have streamlined the operation. Mr. Rasmussen asked if we've thought about a retention bonus and Mr. Willey said yes, and we continue to look at all options and be creative to retain employees.

Mr. Knapp asked about the Meadows remodel as it will impact selling the space - has staff looked at staffing and economics? Mr. Willey said the remodel will be done in two phases

during slow times; starting in late 2017, remodeling will start in the Polk County Room, Altoona Room, and the James Rasmussen Board Room, and in mid to late Fall 2018, the rest of the area will be remodeled.

Mr. Myers said he's seen a significant Food and Beverage increase across the line since he's been on the Board, the department doesn't get enough credit, the meals are outstanding. Mr. Willey said that is due to the help of the Board and the employees – we have great people working here.

Action Item – Front-Line Employee Bonus. Mr. Wessels said we call this “Secret Santa” and it's paid in early December; it's a bonus for hourly and union employees (for those not defined in the bonus plan); the total is \$350,000 and it is in the budget; the amount varies every year, between \$400 - \$430 for full-time employees and half the amount for part-time employees.

Mr. Helak said the Finance Committee reviewed this in detail and, consistent with past practices, supports and recommends doing Secret Santa this year. Ms. Willits moved to accept the recommendation, with great appreciation to all the employees. The motion was seconded by Ms. Moody-Tunks and passed unanimously on a voice vote.

Action Item – Three Officers' Compensation – is the compensation in compliance with IRS 4958 for 2017 – reference, the external report to determine fair and reasonable salaries. Mr. Wessels said this is an IRS requirement – determine if the salaries and wages are not unreasonable; every five years a professional group does the study; we bid out to Mercer, Hay, Deloitte, and a local company and the Human Resources Committee selected Deloitte to do the study due to quality and good pricing; two peer groups were used – casinos and non-profits (we expanded to include entertainment facilities); in the non-profit group, PM is slightly above the 50th percentile and in the for-profit group, PM is closer to the 25th percentile; the recommendation is to accept Deloitte's study.

Mr. Cooper asked how the study will be used and Mr. Wessels said PM has the study done by an outside company every five years and staff updates it in between times - all the information is from public information, using the same companies and methodology. Mr. Hedberg said this was discussed at the last meeting and the study was made available to the Board; using Deloitte is not a problem – two separate entities within Deloitte work on the audit and the study; the Human Resources Committee reviewed the study with the Deloitte representative and she answered all the questions; he moves to accept the report. The motions was seconded by Mr. Knapp. Mr. Cooper asked the gist of the study and Mr. Hedberg said to look at various employees and compare us to them – for salaries and benefits, our Officers are below the 50th percentile; we have a lot of lines of business and most companies only have one; we also looked at benefits this time (health insurance, long-term disability, etc.); a couple of Board members did request a copy of the study; the Human Resources Committee voted to use Deloitte, after reviewing four other bids; a separate group within Deloitte did the study; we'll look at different companies to do the study in five years. Mr. Cooper asked if the motion is acceptance of the

study or the recommendations within the report; Mr. Flynn said the study; Mr. Myers noted the Board determines compensation. The motion unanimously passed on a voice vote.

Committee Reports.

Finance. Mr. Helak said the committee met on Monday; reviewed the September financials in detail – revenue is on plan, projections show we’ll hit plan, operating income exceeds plan; met the new Deloitte audit partner – Thad Erickson; reviewed the 2017 Proposed budget and recommended the plan; reviewed the Five Year Projects and CAPEX history; discussed Secret Santa; reviewed the IRS 990 Form which will become public information on November 15; received an update on the IRS – there’s nothing to report, it’s business as usual.

Facilities. Mr. Knapp said the committee did not meet and noted that over the last few years, Prairie Meadows has gone through significant upgrades and we have a reputation for finishing projects on time and under budget with little disruption to guests – hats off to staff and the contractors.

Audit. Ms. Willits said the committee met on Monday; one responsibility is the yearly audit and the letters of engagement; met the new Deloitte Service Manager – Thad Erickson; the next Audit Committee meeting is in March; the committee received the financials, an IRS Audit update, the IRGC rules changes, and made some minor changes to the Charter; the committee is meeting all its duties.

Human Resources. Mr. Hedberg said the committee did not meet.

Grants. Mr. Peters said the committee did not meet.

Executive. Mr. Myers said the committee met prior to the Board meeting and covered the items on the agenda; the committee had met via conference call with Marcus Owens and requested he send a letter to the IRS for and update on the audit – nothing to report at this time.

Other.

Mr. Rogness asked Mr. Cooper to give a summary of his Backside Tour. Mr. Cooper said he and Ms. Moody-Tunks toured the Backside; it was very interesting; thanked Deb Leech for taking the time for the tour; the kitchen was reopened; next year, he’d like to see the living quarters before Racing starts; they talked to trainers and workers; he encourages everyone to take time for a tour – it is very educational. Ms. Moody-Tunks agreed with Mr. Coopers’ remarks – she appreciates Deb Leech taking time to do the tour – it was very interesting and educational.

Adjournment. Mr. Cooper moved to adjourn the meeting, the motion was seconded by Ms. Novak Swalwell and passed on a voice vote. There being no further business, the meeting adjourned at 2:45 p.m.

Respectfully submitted,

R. Michael Knapp, Its Secretary