

**Annual Meeting of the
Prairie Meadows Board of Directors
November 15, 2017
2:00 p.m.**

The Annual 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 – arrived during PMU

Martha Willits

John Irving - absent

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. Chittenden to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on October 25, 2017 as written. The motion was seconded by Mr. Gartner and passed on a voice vote.

Introduction of the Prairie Meadows University Students. Ms. Wilkie, Vice President of Human Resources, introduced the PMU Class of 2017, along with the number of years they've been at PM, and said this was the first year of the program, PM will host a graduation dinner next Tuesday, and we wanted to recognize the students as PMU took a lot of time, effort and hard work:

- Steve Anderson, Assistant Director of Hospitality, 2 years
- Alan Bowles, Gaming Revenue Manager, 16 years
- Dawn Brandt, Assistant Director of Casino Finance, 16 years
- Kevin Brannen, Surveillance Manager, 15 years
- Brian Coy, Human Resources Training Recruitment Manager, 21 years
- Trevor Crise, Assistant Slot Shift Manager, 22 years
- Chris DeJoode, Commissary Manager, 21 years
- Scott Doup, Assistant Director of Accounting, 11 years
- Sheri Hansen, Hospitality Operations Manager, 20 years
- Machel Jameson, IT Senior Network Administrator. 11 years
- Samantha Kane, Security Assistant Chief of Personnel, 17 years
- Eddie Llambias, Director of Casino Operations, 1 year

- Chantel Olsen, IT Help Desk/BI Support Manager, 21 years
- Theresa Pinkerton, Payroll Manager, 2 years
- Marty Pohlmeier, Simulcast/Pari-Mutuel Manager, 17 years
- Amber Saunders, Casino Marketing Manager, 1 year
- Jason Schimming, Table Games Shift Manager, 12 years
- Kendra Sickles, Security Training Manager, 13 years
- Gina Vitiritto, Human Resources Employee Benefits Manager, 28 years
- Steve Weiermann, Beverage and Concessions Manager, 11 years

Public Comment. Jon Moss, Executive Director of the IAHBPA, would like to recognize Jack Peters for the number of years of service on the Board and his support and representation of the horsemen – he’s looking forward to seeing and meeting with Mr. Peters in the future.

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

Ms. Castelline:

Performance Goals October 2017 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+2.9%
Total Revenue	+2.5%
Net Revenue	+2.5%
Operating Expenses	-2.6%

Mr. Rhines referred to the Total Revenue Pie Chart - \$160.8 million of the \$181.3 million comes from casino revenue, 90¢ of every \$1.00 comes from the casino, and we had the highest guest counts since 2014. Mr. Chittenden asked about attendance and Mr. Rhines said it is counted at every entrance except the Events Center meeting space.

Mr. Rhines:

Casino Operations	Change % Exceeds/below plan
Net Revenue	+2.8%
Expenses:	
Salaries/Wages/Benefits	-2.9%
Operating Expenses	-4.0%
Total Expenses	-3.1%
Net Income/(Loss)	+3.5%

Mr. Rhines said Slot Win is up 102.1% over 2016 and Table Games and Poker Win is up 117.3% over 2016; in Poker, eight of the ten months were the best months in the last five years. Mr. Chittenden asked the reason for that and Mr. Rhines said the location – it’s more visible since it

was moved to the 2nd floor, it's an overflow from Table Games, and we also added Electronic Table Games.

Ms. Castelline:

Racing	Change % Exceeds/below plan
Net Revenue	-3.7%
Expenses:	
Salaries/Wages/Benefits	-6.45
Purse & Supplement	+0.9%
Operating Expenses	-6.2%
Total Expenses	-0.8%
Net Income/(Loss)	flat

Mr. Rhines:

Hospitality	Change % Exceeds/below plan
Net Revenue	-2.1%
Expenses:	
Salaries/Wages/Benefits	-6.6%
Operating Expenses	+5.2%
Total Expenses	-3.6%
Net Income/(Loss)	+5.6%

Mr. Rhines said hotel occupancy is strong, but the rates are down a bit as 330 rooms were added to the area since Spring; the hotel has reduced its deficit in half and that trend looks to continue through the end of the year

Ms. Castelline:

Food and Beverage	Change % Exceeds/below plan
Net Revenue	-0.5%
Expenses:	
Salaries/Wages/Benefits	-2.1%
Operating Expenses	+3.7%
Total Expenses	-1.9%
Net Income/(Loss)	+19.0%

Ms. Castelline reviewed the Casino Revenue October YTD: PM - \$161 million and the closest competitor is Horseshoe - \$144.9 million; the Iowa Casino Average -1.04%, (excluding PM, Rhythm City, and Isle Bettendorf), Competitors' Average YOY -0.2%, PM +3.5%. Mr. Rhines said 6 of the 19 properties exceeded 2016 revenue and PM was one of the six; the October State average was \$6.2 million and PM was \$15.6 million - that equals the lowest six properties' revenue combined; October YTD Casino Revenue: PM +3.5%, St. Louis 1%, Kansas City flat, Omaha flat, Waterloo -1%, Quad Cities -6%.

Ms. Castelline reviewed the Top October Performing Areas in the Most Recent 4 Years: Casino Revenue, Table Games and Poker – best October in history, and Food and Beverage Revenue which includes Triple Crown Buffet, Paddock, AJ's Steakhouse, Banquets, and Casino Bars.

Ms. Grandquist complimented Ms. Castelline and Mr. Rhines for a great job, along with the whole PM team. Ms. Moody-Tunks asked if we've seen an increase with the impact of the mall and Mr. Rhines said we will, but it's too early for exact numbers – condos and apartments are coming to the area and we will see an increase in guest counts, we should have data mid-2018, right now, only half of the outlet is open.

Ms. Grandquist thanked Mr. Gartner for attending the Executive Committee Meeting today.

Lobbyist Report – Troy Skinner. Mr. Palmer reported Mr. Skinner was unable to be here today.

Action Item – Lobbyist Contract for 2018. Mr. Palmer said the current contract is \$81,955.00/year; traditionally it's been a 3% increase and that would be \$84,413.65 for 2018. Mr. Neugent moved to approve the contract with a 3% increase. The motion was seconded by Ms. Moody-Tunks and unanimously passed on a voice vote.

Action Item – By-Law Changes. Mr. Flynn said everyone received the updated version with Mr. Gartner's suggestions; the only thing he didn't change in full was the conflict and not voting on an entity's items; he and Mr. Palmer met with the IRGC (Brian Ohorilko - IRGC Administrator, Jeff Lamberti – IRGC Chair, and Jeff Peterzelic – Assistant Attorney General assigned to the IRGC) to discuss the conflict provision; Mr. Lamberti said if this was eliminated from the By-laws, he would vote against it – the provision avoids the appearance of impropriety and conflict; the Minutes from the last two lease votes were reviewed and the Polk County appointees did not vote, they abstained. Mr. Gartner asked the opinion of the Assistant Attorney General and Mr. Flynn said the Assistant AG agreed with Mr. Lamberti, but said he would not issue a formal opinion – PM's license is subject to the provision going back to the way it was. Mr. Flynn said he did “bolster up” some non-voting sections – those members would have the same term lengths as voting members and would be protected by indemnification (he'd move they be dismissed in any lawsuit); he also changed the provision that the Elected Directors selected the Horsemen's representative – now those Directors make a recommendation and the whole Board will vote. Ms. Willits thought non-voting members was changed to non-voting consultants and Mr. Flynn said that was the intent, but he may have missed some; Mr. Palmer referred the Board to the latest version sent out. Mr. Rasmussen moved to approve the By-Laws as revised. The motion was seconded by Mr. Chittenden and unanimously passed on a voice vote.

Action Item – Human Resources Charter. Mr. Palmer said all committee Charters (HR, Finance, Audit, Grants) are reviewed annually; the HR Committee removed some things that were no longer pertinent; there is one change due to the Finance Committee reviewing its charter – #2 of the old HR Charter, “Review compensation policies and procedures, including incentive compensation and annual incentive for the senior managers who report directly to the CEO. Coordinate with the Finance Committee and make recommendations to the Board or to PMRC's

Executive Committee” – the Finance Committee wants HR to do this and requested removing “coordinate with the Finance Committee”. Mr. Rasmussen moved to approve the HR Charter. The motion was seconded by Mr. Cooper and unanimously passed on a voice vote.

Action Item – Senior Vice President Bonus Goals. Mr. Palmer said this is the first year we’ve had Senior Vice Presidents; the criteria has different levels for a qualified bonus; the HR Committee approved the Senior Vice President bonus goals – the target goal is 25% with stretch points up to 29.5%, and for Vice President bonus goals – the target goal is 22.5% with stretch points up to 26.5%; the Bonus Plan for 2018 will be discussed in February 2018. Mr. Neugent moved to approve the Senior Vice President Bonus Goals. The motion was seconded by Ms. Willits and unanimously passed on a voice vote.

President’s Report. Mr. Palmer reported:

- The Paul Anka concert on November 11 was a tremendous show and it was sold out; Mr. Anka said this was the nicest casino he’s been in; he stayed at the hotel and went to the second floor. Mr. Rogness asked about seating and Mr. Rhines said it’s usually 1,200, but we added 150 seats for this concert. Mr. Gartner asked the price of tickets and Mr. Rhines said \$59-\$79.
- 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.
 - Mr. Willey, Vice President of Hospitality, said we have 1,500 reservations as of this morning.
- Employment Contract. His contract states that he must submit a letter to the Board every year by December 1 to let them know he wants to work another year, and he has submitted the letter to Ms. Grandquist; the letter reads, “In accordance with my Employment Agreement with Prairie Meadows dated August 16, 2006, and amended December 14, 2011, I am requesting a one year extension to my employment. I am currently in good health and have a lot of energy and desire to continue working for Prairie Meadows. Thank you so much for your consideration”.
- Board Holiday Dinner is December 20, 4th floor – Prairie Gold Room (old Poker Room); 5:00 p.m. Social; 6:00 p.m. Dinner; there’s a flyer in the Board packets.
- Ms. Willits asked if the Board Meeting time will be adjusted and Mr. Palmer said yes, the Board Meeting will start at 3:00 p.m. in the Skinner Ballroom – Room C.
- IRS Update. We talked to the IRS and Marcus Owens last week; Mr. Owens suggested we do an Executive Summary and send it to the IRS Officer; we’re working on the Summary right now, incorporating suggestions from Mr. Owens; we sent the Summary to Mr. Owens for review and haven’t heard back from him; the IRS Officer said she may get to it by the end of December since we’re sending a Summary and she won’t have to go through boxes of information.

- Mr. Giovannetti coordinated a meeting with Drake Law School, Mr. Flynn, and himself to discuss a Gaming Law Conference; PM is a co-sponsor and the conference has been scheduled for March 5 with national speakers; March 5 coincides with the IGA and IRGC meetings, so casino people will be in town; we'll invite the IRGC, the Board, legal/gaming lawyers.

Committee Reports

- Finance. Ms. Willits said the committee met on Monday and heard the great financial results reported today; thanked PM for such a great performance – it was not an accident, it was strategic; this was the third meeting on the budget and the committee will be recommending it be approved later in today's meeting; reviewed the Charter and are making changes; received an update on the IRS.
- Facilities. Mr. Giovannetti said the committee did not meet, but Mr. VandeWeerd, Director of Facilities, gave him an update: the construction trailer is on-site; remodeling of the Board Room, Polk County and Altoona Rooms, and the corridor to the main entrance starts November 27 and will be done by late January; we'll take a five month break and then Skinner Ballroom will be done in June and Bishop Ballroom will be done in July – everything will be done by September. Clubhouse – staff is working with the design team and it will go out to bid in the 4th Quarter; the East half will be done before Racing and the West half will be done after Racing.
- Audit. Mr. Peters said the committee met on October 25, following the Board meeting; Mr. Flynn reported on issues; Mr. Shirley worked hard to provide information on slot inventory tracking and tagging; the committee is satisfied with all reports.
- Human Resources. Mr. Rasmussen said the committee did not meet.
- Grants. Mr. Cooper said the committee did not meet.

Action Item - Closed Session – Iowa Code 21.5(1)j - Marketing and Advertising Strategy and Budget. Mr. Palmer said this is on the Agenda in case the Board wanted to discuss Marketing Strategies, and he requested we move to the next item.

Action Item – 2018 Budget. Ms. Willits said the Finance Committee recommends and she moves approval of the 2018 budget as proposed. The motion was seconded by Mr. Neugent and unanimously passed on a voice vote.

Announce Appointments to the Board (Polk County and Labor). Ms. Grandquist reported that Polk County has reappointed Ms. Novak Swalwell and Labor has reappointed Mr. Cooper.

Action Item – Recommendations from the At-Large Committee for 1 At-Large Position and 1 Horsemen's Representative Position. Ms. Grandquist said the At-Large Committee interviewed four applicants and unanimously voted for Mary Simon – she works at Bankers Trust and is very active in the community.

Ms. Willits moved to approve Ms. Simon for the At-Large position. The motion was seconded by Mr. Neugent and unanimously passed on a voice vote, with Mr. Radia abstaining.

Ms. Grandquist said the At-Large members recommend Dennis Albaugh as the Horsemen's Representative. Mr. Chittenden moved to approve Mr. Albaugh and the motion unanimously passed on a voice vote.

Action Item – Election of Executive Committee (Chair, Vice Chair, Secretary) and two other members. Mr. Flynn said six people have expressed interest in serving on the Executive Committee: Kurt Rasmussen, Gerry Neugent, Martha Willits, E. J. Giovannetti, Suku Radia, and Michael Gartner; we need a motion to nominate the Chair – if there is more than one, the Board will vote by ballot, it's the same process for the Vice Chair and the Secretary; for the other two positions, the Board will vote by ballot.

Chair. Mr. Gartner nominated Mr. Rasmussen for Chair and Mr. Neugent seconded the motion. Mr. Flynn asked for other nominations three times. Mr. Neugent moved that nominations close and Ms. Willits seconded the motion. Mr. Cooper cast a white matter and Ms. Moody-Tunks seconded the motion. The nomination for Mr. Rasmussen unanimously passed on a voice vote.

Vice Chair. Mr. Rasmussen moved to nominate Mr. Neugent for Vice Chair and Mr. Radia seconded the motion. Mr. Flynn asked for other nominations three times. Mr. Peters moved that nominations close and the motion was seconded by Mr. Chittenden. The nomination for Mr. Neugent unanimously passed on a voice vote.

Secretary. Mr. Chittenden moved to nominate Ms. Willits for Secretary and Mr. Rasmussen seconded the motion. Mr. Flynn asked for other nominations three times. Mr. Chittenden moved that nominations close and the motion was seconded by Mr. Neugent. The nomination for Ms. Willits unanimously passed on a voice vote.

Two At-Large Members. Mr. Flynn said Mr. Giovannetti, Mr. Gartner, and Mr. Radia expressed interest in serving on the Executive Committee and asked if there were others interested in serving on the committee - no one else submitted their name. Mr. Cooper moved that nominations close and the motion was seconded by Ms. Willits. Mr. Flynn passed out ballots to the voting members and requested the Board write down two names (if desired), he then picked up and counted the ballots; Mr. Giovannetti – 11, Mr. Radia – 7, Mr. Gartner – 5. The two At-Large members will be Mr. Giovannetti and Mr. Radia.

Recognition of Retiring Board Members – Linda Grandquist and Jack Peters. Mr. Palmer presented a token of appreciation to Ms. Grandquist and Mr. Peters and said they are two outstanding Board members, and thanked them for volunteering their time to serve on the Board, for their passion for Prairie Meadows, and for a job well done.

Recognition of Retiring Chair – Linda Grandquist. Mr. Palmer presented Ms. Grandquist with a token of appreciation, stating she's done an excellent job, and he thanked her for her time and

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service. Ms. Grandquist thanked everyone for their wisdom, time and experience which allowed her to be a better person; being here has brought her joy and happiness; she's been here since the conception of PM; it's been an honor to serve in Ken's memory; thanks to staff – they are more than staff, they're friends.

Other Business. Ms. Grandquist reported:

- December 20 – Executive Committee Meeting starts at 1:30 p.m. in Skinner Ballroom – Room C
- Board Meeting starts at 3:00 p.m. – Skinner Ballroom – Room C
- December 20 – Board Dinner in the Prairie Gold Room – 4th floor.

Mr. Neugent would like to make a motion that the Board formally acknowledge its gratitude to Mr. Peters and Ms. Grandquist for their service on the Board and dedication to Prairie Meadows. The motion was seconded by several Board members and unanimously passed on a voice vote.

Adjournment. Mr. Cooper moved to adjourn the meeting and the motion was seconded by Mr. Rasmussen. There being no further business, the meeting adjourned at 3:08 p.m.

Respectfully submitted,

Martha Willits, Its Secretary