

**Monthly Meeting of the
Prairie Meadows Board of Directors
December 20, 2017
3:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Rasmussen in the Skinner C Conference Room at Prairie Meadows in Altoona, Iowa at 3:00 p.m.

Roll Call.

Dennis Albaugh

Mark Cooper

Michael Gartner

E. J. Giovannetti

Lisa Moody-Tunks – arrived during Public Comment

Gerry Neugent

Suku Radia

Kurt Rasmussen

Bob Chittenden

Paul Rogness

Mary Simon

Karen Novak Swalwell - absent

Martha Willits

John Irving

Gene Meyer - absent

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

Introduce New Board Members. Mr. Rasmussen welcomed Dennis Albaugh, the Horsemen's Representative and Mary Simon, an At-Large Representative. Mr. Albaugh said he's excited to be on the Board, he's frequented the facility and runs horses here, and he's look forward to being the representative of the horsemen. Ms. Simon thanked the Board for the opportunity to serve on the PM Board, she's a Vice President at Bankers Trust in Altoona, is an Altoona resident, and is married with two sons; it's a thrill and an honor to be on the Board; and she's looking forward to meeting everyone.

Welcome Returning Board Members. Mr. Rasmussen welcomed back Mark Cooper, who is the Labor appointee and Karen Novak Swalwell, who is a Polk County appointee.

Approval of the Minutes. A motion was made by Mr. Neugent to approve the Minutes of the Annual Meeting of the Prairie Meadows Board of Directors held on November 15, 2017 as written. The motion was seconded by Mr. Radia and passed on a voice vote.

Public Comment. Dean O'Connor introduced himself as the new Mayor of Altoona and said he's been on the City Council for six years; thanked the PM Board and said he appreciates the relationship that's helping Altoona grow; please call with needs, wants, or questions; he is co-owner of Larry's Window Services and has been an Altoona resident for 36 years.

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

Ms. Castelline:

Performance Goals November 2017 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+3.3%
Total Revenue	+3.0%
Net Revenue	+3.0%
Operating Expenses	-2.7%

Pie Chart: Ms. Castelline reported 90¢ of every \$1.00 comes from Casino Revenue (\$177.1 million), \$7.9 million from Food and Beverage; \$3.1 million from Pari-Mutuel; \$7.9 million from Hospitality, and \$3.4 million is other income; +\$5.9 million to budget YTD and +\$7.1 million to prior YTD.

Mr. Rhines:

Casino Operations Slots, Table Games, Poker	Change % Exceeds/below plan
Net Revenue	+3.3%
Expenses:	
Salaries/Wages/Benefits	-3.4%
Operating Expenses	-5.1%
Total Expenses	-3.7%
Net Income/(Loss)	+4%

Mr. Rhines said November YTD, Slot Win was up 102.3% over 2016 and Table Games and Poker were up 118.1% over 2016 - we have the right games and mix, and ten of the twelve months were the best months ever.

Ms. Castelline:

Racing	Change % Exceeds/below plan
Net Revenue	-3.4%
Expenses:	
Salaries/Wages/Benefits	-6.3%
Purse & Supplement	+0.9
Operating Expenses	-7.0%
Total Expenses	-0.9%
Net Income/(Loss)	-1.0%

Mr. Rhines:

Hospitality	Change % Exceeds/below plan
Net Revenue	-1.5%
Expenses:	
Salaries/Wages/Benefits	-6.7%
Operating Expenses	+8.1%
Total Expenses	-3.0%
Net Income/(Loss)	+5.8%

Hotel Revenue and Occupancy. Mr. Rhines said it was a tough first quarter on the hotel side, but it's evened out; to date, we've sold 1,885 room nights – 521 better than budget; Revenue was better than 2016; Occupancy – PM 71%, Des Moines Market 51%, Competitive Set 57%.

Ms. Castelline:

Food and Beverage	Change % Exceeds/below plan
Net Revenue	+0.8%
Expenses:	
Salaries/Wages/Benefits	-2.2%
Operating Expenses	+8.1%
Total Expenses	-1.9%
Net Income/(Loss)	+49.2%

Mr. Rhines said Casino Revenue, year over year, is up 3.8%; Caesar's business model has changed; Harrah's and Horseshow are up and Ameristar is flat; Penn bought Pinnacle and will get more aggressive – we'll watch the dynamics. Mr. Rhines said PM +3.8%; the State without PM is flat; the State as a whole +0.9%; for the Iowa Market, November was great and the rest of the rest of the year was flat. Ms. Castelline said the State and the Region were flat; PM +3.8%; St. Louis +1.1%; Kansas City +.6%; Omaha/Council Bluffs +1.0%.

Mr. Rhines noted Casino Revenue, Slot Revenue, and Table Games Revenue had the best November in history; all areas are improving, but we will continue to grow; congratulations to all who work here for doing such a great job.

Mr. Rasmussen said it's an amazing and wonderful report – everyone performed well – commendations to all.

Lobbyist Report. Troy Skinner thanked the Board for renewing the Lobbyist Contract for another year and said he and Kellie Paschke work together for all their clients. Mr. Skinner reviewed the December 2017 Legislative Update: The Revenue Estimating Conference met on December 11 and did not change the FY2018 estimate of General Fund receipts – money is tight; it will probably be a short session and they'll focus on the budget and a few bills; it is an election year; it is the second year of the biennium – all bills from last year are still live. Mr. Skinner reported

that the Supreme Court heard the Sports Betting case and will probably have a decision in early Summer; a lot of states are passing laws and the Iowa Gaming Association is working on the issue; he and Ms. Paschke discussed this and they believe it'll be difficult for the legislature to take up Sports Betting this year – we'll see many bills related to Sports Betting and how the revenue will be taxed – it is an interface with Fantasy Sports. Mr. Skinner said we'll also see Fantasy Sports, smoking, and other bills. Mr. Gartner asked, if it's determined Sports Betting is constitutional, can Iowa still ban it; Mr. Flynn said probably yes – each state can determine if the state wants it; Mr. Skinner said gaming is considered a vice in Iowa

Action Item – End-of-the-Year 401k Distribution of 2.5% for Bargaining and Non-Bargaining Employees (Resolution #1). Mr. Rasmussen said all union employees, per the contract, receive an additional 2.5% and the Resolution is requesting the non-bargaining employees also receive 2.5%. Ms. Willits said the Finance Committee met yesterday; PM has had a great year, and we've consistently done this every year; the Finance Committee recommends, and she moves a 2.5% distribution for the non-bargaining employees to match what the bargaining employees receive. The motion was seconded by Mr. Neugent and unanimously passed on a voice vote.

Action Item – End-of-the-Year 401k Discretionary Distribution for Bargaining and Non-Bargaining Employees (Resolution #2). Ms. Willits said the Finance Committee had a great appreciation for the wonderful work done by employees and believes an additional 2.5% is reasonable – that is 1% higher than last year; the Finance Committee recommends, and she moves, an additional 2.5% discretionary distribution to all eligible employees. The motion was seconded by Ms. Moody-Tunks and unanimously passed on a voice vote.

Action Item – Bonus Resolution. Mr. Rhines reviewed the history: in November 2016, the Board approved the 2017 budget; in February 2017, the Board approved the bonus structure and the Senior Vice Presidents' Bonus structure was recently approved by the Board; the 2017 bonus will be paid in March 2018 and we need the Resolution approved for tax purposes; staff respectfully requests approval of the Bonus Resolution. Mr. Neugent moved to approve the Bonus Resolution, the motion was seconded by Mr. Radia, and unanimously passed on a voice vote.

Action Item – Three Officers' Compensation – is the compensation in compliance with IRS 4958 for 2018 – reference the external report to determine fair and reasonable salaries. Mr. Palmer said the Board always reviews this in December; Deloitte does the study every five years and they did it last year – in the between years, staff updates it; the IRS had no issues with the procedure as long as an independent study is done periodically; we need a comparison study with for-profit and non-profit executives and a common set is used – companies with a similar number of employees and revenue; PM Officers are in the 50th-60th percentile and that meets the IRS regulations. Ms. Willits moved to approve the Compensation Study, the motion was seconded by Mr. Radia, and unanimously passed on a voice vote.

President's Report. Mr. Palmer reported:

- PM is having a great year – thank you to the employees and the supportive Board.
- Entertainment – The Blenders will be here on December 21 – tickets are available.
- Triple Crown Buffet and AJ's are open for Christmas Eve, Christmas Day, New Year's Eve, and New Year's Day.
- Our employees are involved in the community: Brad Rhines has joined the Polk County Taxpayers Association; Eddie Llambias in on the ALS Board – he replaces Clint Purlsey whose term expired; Gary is on the State GIVE Board (Golf for Injured Veterans Everywhere).
- Racing Symposium in Tucson. PM was recognized as the most successful horse ownership program in the US (PM Racing Club – our club had 93 members who paid a \$100 fee; the horse won three times; 83 members have re-signed for 2018 without any promotion) and Ralph D'Amico, former State Steward, received a national award; the Iowa Racing and Gaming Commission attended the Symposium and were proud to see the awards.
- March 5 is the PM/Drake University Sports Betting Conference to be held at PM; we'll invite the Board, casinos, legal counsels, etc.; Mr. Giovannetti got this started; the Drake Law professor teaches a casino law class in Las Vegas, is a well-known expert, and will be one of the speakers. What will Sports Betting do for PM? Las Vegas gets about 2% of AGR – it's not a lot and we won't make a lot, but we would like to have another venue for our guests. The Iowa Gaming Association wants the IRGC to regulate Sports Betting; Ann Atkin is on the statewide committee – the casinos are debating whether to draft a bill before the Supreme Court makes a decision and PM would like to wait as the legislature has a lot of things to do this year; we don't want the Lottery to oversee Sports Betting; Pari-Mutuel betting is similar to Sports Betting, but the lines are different; Sports Betting would not generate a lot of revenue for the State.
- PM donated \$10,000 to Toys for Tots.
- PM partnered with Casey's in Wreaths Across America for the Veterans Cemetery in Van Meter; we've done this for seven years; the total is \$50,000; we need more sponsors as more veterans are passing away; PM is proud to be a part of this program.
- YMCA Pool Project. We've making the last payment this month – the total was \$1,200,001; Mr. Neugent called and said there were naming rights questions and staff met with David Swartz, YMCA CEO last week; the project was short of funds and Wellmark and MidAmerican each paid in excess of \$3 million each – the facility will be called the Wellmark YMCA and the MidAmerican Aquatic Center; the pool was going to be named the PM Natatorium, but they would like to change it to the PM Pool; the pool will be open in February; they offered to put Prairie Meadows Pool on a wall in that area; the alternative is to give another \$3 million to name it the PM Aquatic Center; he'd like to recommend to the Board to approve the name change to PM Pool. Ms. Willits moved to approve the name change, the motion was seconded by Mr. Gartner, and unanimously passed on a voice vote.
- IRS Update. Marcus Owens drafted a letter encapsulating the items and we signed off on it; we submitted the cover letter to the Tax Appeals Officer in San Jose and we hoped it would be reviewed in December – she thanked us for the information, but won't be able to review it until next year.

Committee Reports.

- Finance and Human Resources. Mr. Rasmussen said the committees met yesterday and reviewed the previously discussed items.
- Facilities. Mr. Giovannetti said the committee did not meet, but he has an update from Mr. VandeWeerd, Director of Facilities:
 - Phase 1 stated November 27 (Board, Polk County, and Altoona Rooms, and hallways); it's on schedule to be completed on January 21, 2018.
 - Five month break.
 - Skinner Ballroom will be done in June; Bishop Ballroom will be done in July; the project will be completed in September.
 - Clubhouse – the documents will go out this week; the East half will be done by Live Racing and the West half will be done after Live Racing.
- Audit did not meet.
- Grants. Mr. Cooper said the committee did not meet.

Other Business

- 2018 Committee Assignments. Mr. Rasmussen passed out the Committee assignments.
- January 2018 – Mr. Rasmussen said there is no meeting in January.
- February 7, 2018 – Mr. Rasmussen said this is the first Board Meeting of the year.
- Holiday Dinner. Mr. Palmer said the Social starts at 5:00 p.m. and dinner starts at 6:00 p.m. on the 4th floor in the old Poker room.

Adjournment. Mr. Cooper moved to adjourn the meeting. There being no further business, the meeting adjourned at 3:50 p.m.

Respectfully submitted,

Martha Willits, Its Secretary