

**Monthly Meeting of the
Prairie Meadows Board of Directors
February 1, 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.

Roll Call.

Mark Cooper	Lisa Moody-Tunks	Paul Rogness
Rob Denson - absent	Gerry Neugent	Karen Novak Swalwell
Michael Gartner	Jack Peters	Martha Willits - absent
E. J. Giovannetti	Suku Radia	John Irving
Linda Grandquist	Kurt Rasmussen	Gene Meyer - absent

Also in attendance were:

Gary Palmer, President/CEO	Tom Flynn, Legal Counsel
Ann Atkin, Vice President/COO	Nancy Winget, Its Recording Secretary
Brian Wessels, Vice President/CFO	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 December 21, 2016 as written. The motion was seconded by Mr. Rasmussen and passed on a voice vote.

City of Des Moines Check Presentation to Mayor Frank Cownie and Scott Sanders. Mr. Palmer said there is a three-way profit-sharing contract between Prairie Meadows, Polk County, and the City of Des Moines; the check is usually presented at a City Council Meeting, but with all the construction downtown, he asked Mayor Cownie to come here; Des Moines is a great partner and there are signs on all projects thanking Prairie Meadows; it's a \$4 million check – two-thirds from Prairie Meadows and one-third from Polk County. Ms. Grandquist and Mr. Palmer presented the check to Mayor Cownie. Mayor Cownie said Prairie Meadows is a great partner that has helped a lot of people and the infrastructure of the City; the City has signs on all projects noting the project is being done with funds from Prairie Meadows, Polk County, and the City of Des Moines; the citizens appreciate the partnership; thank you. Mr. Sanders said the Grand Avenue bridge is being partially funded from the gaming dollars and the profit-sharing partnership takes the burden from the taxpayers. Mr. Palmer noted that in the same contract, .9% goes to the schools – that's approximately \$1 million.

Action Item – Polk County Food Project. John Mauro, Polk County Supervisor, congratulated the Board on the IRS decision to not revoke its non-profit status; Prairie Meadows did a tremendous job and he couldn't image the impact if the decision wasn't reversed and what would have happened with that kind of loss to the people of Polk County; Polk County is proud to be partners with PM; PM has done a tremendous job of keeping this place nice and giving money to the City of Des Moines and the schools. Mr. Mauro welcomed the new Board members and noted contract negotiations are coming up; the money received goes back to the

community and the community knows it's from PM. Mr. Mauro said he read an article about two years ago, that people were not eating and decided to do something; PM has given \$750,000 and Polk County has given \$500,000 to the Food Project; he requested another \$500,000 last July and the Board suggested he wait for the new Board members. Mr. Mauro handed out and reviewed an information sheet; he's been asked where he sees this project in five years – the first thing is to raise the minimum wage, United Way is helping by educating people, but if people make over \$11.20/hour, they are not eligible for food stamps; hunger is a problem all over the United States; the community needs to address this and give back; the food pantries are now open longer and on Saturdays; he's requesting another \$500,000 from PM - that would make a total of \$1,250,000 – we've come a long way, but there's a long way to go; he is driven to do this and make it work.

Mr. Palmer said PM gave the Polk County Hunger Project \$750,000 and then Mr. Mauro requested another \$500,000 on July 27, 2016; a straw poll was taken and the Board approved, but didn't want to vote as five members were leaving and they wanted the new Board members to learn about the project and make the decision. Mr. Neugent moved to approve the \$500,000 request. The motion was seconded by Mr. Cooper and unanimously passed on a voice vote. Ms. Grandquist thanked Mr. Mauro for his continued passion, noting PM is glad to be a partner and that no one in Iowa should go hungry. Mr. Rasmussen asked where the food comes from and Mr. Mauro said DMARC buys food in bulk and sometimes Hy-Vee donates a trailer of food, that's why a warehouse was needed; Sara Boese does a tremendous job of tracking this program; the money goes through the Community Foundation; the program has been a success. Mr. Giovannetti asked the number of people fed and the number of meals, and how does Mr. Mauro know the program is improving and Mr. Mauro said each food pantry site has a computer where people check-in; we saw 5,000 new people and they receive food for three days according to the number of people in the family; these are working people who need assistance; he'd like to start a having hot meals program and is working on how to do that – the seniors are really struggling. Mr. Mauro thanked the Board for its continuous support.

YMCA Update. Dave Schwartz, CEO, said he is humbled to be here and following Mayor Cownie and Mr. Mauro; the pool project is underway, thanks to your assistance and the Legacy Grant; we broke ground in December, it's a 12-14 month project, and the pool should be open the first quarter of 2018; there are no issues at this time and the project is on-time; the new downtown hotel should be completed around the same time; he's grateful to PM – thank you.

Mr. Palmer and Ms. Grandquist presented the check to Mr. Schwartz, noting our obligation to the Y was \$1,200,000.01 and we have one more payment in December and then our obligation is fulfilled; PM received naming rights to the pool.

Action Item – Greater DM Partnership Investment 2018-2022 (\$375,000 a year for 5 years). Mr. Palmer introduced Jay Byers, CEO, and said PM has been a partner for at least the last 10 years; he met with Gene Meyer, Jay Byers, and Dan Houston and they asked that PM continue with the partnership and consider going from \$300,000 to \$375,000; Mr. Byers is here to answer

questions. Mr. Gartner likes the Partnership, but will vote no on the request as he doesn't understand the process – it's a five-year commitment and he did not receive any advance information, there's competitive interest and others have needs, etc.; it's a huge increase; he had nothing to do with the process. Mr. Giovannetti asked for an explanation to justify the increase and Mr. Byers thanked the Board for its long-time partnership; the Partnership supports economic development through partnerships; the request was for \$300,000 for the last two campaigns (10 years) and the Partnership is going into a five year capital campaign and needs to the increase to continue to see results – there's been a population growth, they've grown from serving three counties to 20 counties, have 6,000 members, and they have an aggressive agenda. Mr. Giovannetti asked if the Partnership asked the same request of others and Mr. Byers said yes. Ms. Moody-Tunks asked where the money goes and is it operational and Mr. Byers said the money is not parceled out to A-B-C, it helps recruit companies to come here and helps the area Chambers. Mr. Gartner asked where PM stood (i.e. in the top 5) and Mr. Byers said definitely the top five, probably 3 or 4. Mr. Rasmussen said it's a good process and a good partnership – his concern is the jump and a five year commitment.

Mr. Rasmussen moved to approve \$330,000 a year for five years, that's a 10% increase. Mr. Neugent said he is on the capital campaign and, if it's appropriate, he seconded the motion.

Mr. Rogness's concern is he wasn't here when this started and he thought we weren't mortgaging funds out for years in advance – are we doing that again? Mr. Palmer said we've been partnering with the Partnership for ten years. Mr. Rogness asked if the money came from Grants and Mr. Palmer said no, it's a separate line item in the general fund. Mr. Rogness said he is not in a position to vote today, he's like Mr. Gartner, he needs further information. Mr. Peters asked Mr. Neugent about the structure of the Partnership, explain what it touches, and talk about community development. Mr. Neugent said the Partnership is an economic development and community organization for Central Iowa and Polk County; it facilitates economic development projects, helps companies get state funding, gets approvals for expansions; helped with self-sustaining projects like the insurance and ag business accelerators, the Farmers Market, and the Arts Festival – the economic development activities are incredible; PM's Mission is economic development and fits with the Partnership; the Partnership has information on how it's doing against its peer groups, job growth, etc.; he strongly believes in the Partnership, it's role, and PM's fit. Mr. Rogness supports the Partnership, but wonders about the mechanics.

Mr. Cooper noted there is some trepidation and he does appreciate Mr. Neugent's comments. Mr. Cooper moved to table this until the next meeting. The motion was seconded by Ms. Moody-Tunks. Mr. Rasmussen withdrew his motion and Mr. Neugent withdrew his second. Mr. Radia suggested the Partnership send information to the Board; Ms. Grandquist said this was a good discussion, we'll get the Board more information, and will table this until the March meeting. The motion to table the Partnership's request unanimously passed on a voice vote.

Public Comment. None.

Financials. Mr. Wessels said we had a great 2016 and the number are all preliminary until the audit is complete; the audit will be ready for the next Board meeting and has to be filed with the IRGC by the end of March. Mr. Wessels reviewed the December 2016 YTD financials: Net Revenue above plan 1.1%; Total Expenses below plan 1.5%; Net Income before Community Betterment above plan 14.5%.

Licensee Comparisons		
Property	Net Win 2015 vs. 2016	Slot Hold YTD
PMRC	+2.4%	8.04%
Council Bluffs Market (Horseshoe, Harrah’s and Ameristar)	-.8%	n/a
Horseshoe/Harrah’s	n/a	10.6% / 10.3%
Ameristar	n/a	9.6%
Lakeside	n/a	10.1%
Wild Rose	n/a	8.8%
State as a whole	+1.5%	n/a
State without Jefferson, Rhythm City, Isle of Capri Bettendorf	-0.6%	n/a
Kansas City market	+0.3%	n/a
St. Louis market	+.7%	n/a

Hotel Occupancy	PM vs. Market	DM Market	Competitive Set
YTD	74%	63%	67.9%

Performance Goals December 2016 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+0.9%
Total Revenue	+1.0 %
Net Revenue	+1.1%
Operating Expenses	-2.4%

Mr. Palmer requested Mr. Wessels explain “Hold” for the new members. Mr. Wessels said Hold is similar to pricing – the lower the Hold, the longer people can play; with a higher Hold, the play is quicker; PM likes to be on the low end so players can play longer - it helps create customer loyalty and they will come back. Mr. Radia asked if there are guidelines for Hold and Mr. Wessels said there’s nothing on the tax exempt side, but Iowa has a range of 1-20%. Mr. Palmer said, in the beginning, PM decided to keep the Hold the lowest in the state as it would be

a benefit – some casinos are at 12%; signs are posted in every casino with the Hold rate; PM has the lowest Hold in the state and is the largest revenue generator in the state; people can play longer here.

Lobbyist Report. Troy Skinner handed out and reviewed the Legislative Update – January 2017; it's the fourth week of the session and the focus has been on the budget and cutting \$118 million; the Daily Fantasy Sports bill is not subject to the funnel; the IRGC will introduce a bill regarding proprietary information given to the competition; the IRGC and horsemen will introduce a bill on medications; the Touch Play bill was introduced today; there will be a bill that casinos don't have to pay 25% above the minimum wage – PM will not partner in this – PM pays above that.

Action Item – 2016 Bonus Disbursement. Mr. Wessels said this is just a formality as the plan was approved March 2016; it was presented to the Executive Committee; this is a request to pay the bonus. Mr. Cooper moved to approve the disbursement, the motion was seconded by Mr. Rasmussen, and unanimously passed on a voice vote.

President's Report. Mr. Palmer reported:

- Upcoming Entertainment: March 10 – Jack Hanna; April 14 – 38 Special; May 26-27 – King Explosion – Elvis Tribute.
- Valentine's Day – don't forget to make reservations, there are specials in AJ's and TCB.
- New Initiatives for 2017. Besides our daily operations, we have 60,000 visitors per week; in 2016, we had a total of 3,088,000 metered visitors; PM has been the largest Iowa tourist attraction for 20 years.
- Prairie Meadows University (PMU). Michele Wilkie, Director of Human Resources, said we're very excited about PMU; we've been working with the Robert D. and Billie Ray Center at Drake University; it is a nine month program and will help enhance our leadership through class room instruction, job shadowing, a Capstone project, and a mentoring program; 22 individuals are in the first class; we plan to offer PMU on an annual basis; there will be an Awards Ceremony in November. Ms. Moody-Tunks asked who is eligible and Ms. Wilkie said, for this first time, it was offered to Managers - we anticipate including Supervisors next year, and eventually open the program to the whole company; the first year will be a learning experience. Ms. Moody-Tunks asked how many spots were open and Ms. Wilkie said the goal was 20, but 22 were selected. Mr. Gartner asked the hours/work schedule and Ms. Wilkie said there will be six, two-hour classes with a lot of homework, 24 hours of job shadowing in three departments other than their own department, students will be assigned two mentors other than their own Director, and the Capstone project will be presented to the management team. Mr. Rogness asked if this is in conjunction with Drake University and if so, what is its role and Ms. Wilkie said the program is through the Robert D. and Billie Ray Center at Drake (formally known as Character Counts who worked with PM on the JACKPOT Guest Service program); the Center helped develop the structure of the program and will do the six formal classes (four classes will be held at Drake and two classes will be held at PM), and will present the formal mentoring class to the Directors.
- New horse racing promotions. Derron Heldt, Director of Racing, said PM will offer a horse ownership Racing Club; it will be a low cost, low risk program for 200 individuals with a fee

of \$300 which helps purchase a horse, its care, feed, and a trainer for the Thoroughbred Meet, April – August; other tracks have done this and it has been so successful that some have two-three Clubs; it will be a 501(c)(7), not-for-profit social club; a trainer has been chosen; the horse will race approximately 5-6 times at PM; the launch date is February 15, 2017. PM will again host the Quarter Horse Championship Challenge; we did this in 2012 and 2014; the races will be held on the last few days of the Quarter Horse Meet; people will come in from all over the country to watch the races and hold its convention; this is a great event. Ms. Grandquist said it sounds like a fun, new program. Mr. Rasmussen asked about the flu virus – are the tracks affected last year taking precautions and noted PM did a great job last year. Mr. Heldt said it was the EHV1 Equine Herpes Virus; this year, there's been an outbreak in Louisiana and Kentucky; our Condition Books will go out today; we are working with the State Veterinarians and are monitoring the situation closely; we were restricted, but not under quarantine last year.

- **Players Club Rebirth.** Brad Rhines, Director of Marketing, said he joined the team about a year ago; an area he saw an opportunity to grow was on the casino side - something to uplift performance quickly; we introduced a new Prairie Gold Rewards program and the Prairie Gold Booth was relocated to the 2nd floor; we wanted to get players engaged in the program and see the value to being a member; the Prairie Gold Club has four tiers, one is by invitation only; we saw a 20% increase in players moving to a higher tier; we saw growth of 3½% in player frequency (players shifted play from another property); the average spending increased an average of \$100; we wanted to get the right offer to players at the right time and it's been successful. Mr. Cooper asked the effect of moving Poker to the 2nd floor and Mr. Rhines said the revenue is flat from last year, but we're seeing improvement – many players didn't know we had a Poker Room on the 4th floor – we've increased exposure moving to the 2nd floor. Mr. Cooper asked about complaints due to smoke and Mr. Rhines said we haven't received one formal complaint.
- **Capital improvements for 2017.** Dustin VandeWeerd, Director of Facilities, noted the following:
 - Count Room remodel - this is the area where cash is processed, it's a 3,200 sq. ft. area, the project should be completed by March.
 - Gift Shop remodel – we'll give the area a new look consistent with the casino floor, one employee will be able to cover the Gift Shop and Coat Check, Marketing will have an area to display promotional items, it's a 900 sq. ft. area, it's a six week project.
 - Meadows Convention Center remodel – we'll give the area a facelift with a more modern look, this will include the Ballroom, the project will be done in three phases, it's a 55,000 sq. ft. area, we'll start the design work the 1st quarter 2017 and work will start in the 4th quarter 2017. Ms. Grandquist asked if the Bishop Ballroom was the largest area to do and Mr. VandeWeerd said yes, and it is the last phase.
- **Union contract negotiations (Machinists, AFSCME/Operating Engineers).** Mr. Palmer noted the contract expires October 2017, we have three Unions – Machinists (Security), AFSCME, and the Operating Engineers, we have a great relationship with the Unions, it's usually a three-year contract.
- **Polk County Lease.** Mr. Palmer said this contract expires December 31, 2018.

- Conventions and Bookings. Mr. Willey, Director of Hospitality, noted this area will be under construction at the end of 2017 and through 2018; Special Events 2017 forecast: food sales \$2.7 million, beverage sales \$315,082, Room Rental \$109,171, Miscellaneous \$71,997, Total Projected - \$3.2 million, 2017 budget - \$4.9 million, hotel rooms tied to Special Events – 3,550 room nights, total rooms projected in 2017 hotel – 23,536, budget - \$4,961,425.
- The next Board Meeting is March 22 at 2:00 p.m.

Other.

Committee Assignments. Ms. Moody-Tunks asked about Committee assignments and Ms. Grandquist said she'll pass the lists out later.

IRS Update. Mr. Palmer said there are two phases to the IRS audit – the major one was retaining the tax exempt status and that one is done and the second part is retaining the tax deductions for the unrelated business areas (Gift Shop, ATMs, restaurants, hotel, Convention Center) – PM's response was due to the IRS on January 15, 2017 and the IRS is to send its response back by February 15, 2017; PM's response is available if anyone would like a copy; Mr. Owens, our legal counsel in Washington, DC, is confident we'll prevail with the second part. Mr. Gartner asked the cost if we don't prevail and Mr. Flynn said \$1 million - \$350,000 for 2012-2014 and then that amount going forward.

Closed Session – Performance Evaluation (Bonus and Salary), Iowa Code 21.5(1)(i) for Gary Palmer. Mr. Rasmussen moved to go into a Closed Session, pursuant to Iowa Code 21.5(1)(i), to evaluate the 2016 performance and bonus for Mr. Palmer. The motion was seconded by Mr. Rogness and unanimously passed on a voice vote. Mr. Flynn asked if Mr. Palmer desired a Closed Session and he said yes.

The Board took a short break at 3:20 p.m. and then went into Closed Session.

Open Session. Ms. Novak Swalwell moved to go back into Open Session at 4:10 p.m., the motion was seconded by Mr. Peters, and unanimously passed on a voice vote.

Action Item – Performance Evaluation (Bonus and Salary) for Gary Palmer.

- Mr. Rasmussen noted Mr. Palmer is at the 105% level for a bonus and moved a 39.67% bonus for 2016 for Mr. Palmer. The motion was seconded by Mr. Neugent and passed on a voice vote with Mr. Cooper voting no.
- Mr. Rasmussen moved a 3½% merit increase for Mr. Palmer for 2017. The motion was seconded by Mr. Gartner and unanimously passed on a voice vote.

Adjournment. Mr. Cooper moved to adjourn the meeting, the motion was seconded by Ms. Moody-Tunks, and unanimously passed on a voice vote. There being no further business, the meeting adjourned at 4:15 p.m.

PM Board Meeting – February 1, 2017

Ms. Grandquist handed out the Committee Assignments for 2017.

Respectfully submitted,

Martha Willits, Its Secretary