

**Monthly Meeting of the
Prairie Meadows Board of Directors
March 22, 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
Rob Denson - absent
Michael Gartner
E. J. Giovannetti
Linda Grandquist
Lisa Moody-Tunks
Gerry Neugent
Jack Peters

Suku Radia
Kurt Rasmussen
Paul Rogness
Karen Novak Swalwell
Martha Willits
John Irving
Gene Meyer

Also in attendance were:

Gary Palmer, President/CEO
Ann Atkin, Vice President/COO
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. Gartner to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on February 1, 2017 as written. The motion was seconded by Mr. Neugent and passed on a voice vote.

Public Comment. None

Action Item – Greater DM Partnership Investment 2018-2022 (\$375,000 a year for 5 years). Jay Byers, CEO of the Partnership, thanked the Board for the opportunity to speak today and introduced Tiffany Tauschek; it was clear from the last meeting that the Board wanted to know more about the Partnership, and an information packet was sent out – the packet included historical information, the Five Year Capitals Campaign, and a list of investors; Prairie Meadows’ Mission is similar to the Partnerships – economic development, jobs, tourism; Des Moines has outperformed other large Midwest cities; there are 300 investors; the Partnership has a Five Year Capitals Campaign every year. Mr. Byers ran two videos on the success of the Partnership and where it is going – the first video can be found on the Partnership’s website. Mr. Byers again thanked the Board for its consideration of the investment in the Partnership.

Mr. Gartner noted this is a five year commitment, it is a non-project commitment, and he will vote no.

Ms. Novak Swalwell moved the \$375,000 investment for five years. Mr. Giovannetti noted the Executive Committee discussed the amount and its recommendation is \$330,000 and Mr. Rasmussen said that was correct. Mr. Peters asked if the Finance Committee has a recommendation and Ms. Willits said this wasn't discussed. Ms. Novak Swalwell amended her motion to a \$330,000 investment for five years, the motion was seconded by Mr. Rasmussen, and passed on a voice vote with Mr. Gartner and Mr. Cooper voting no, and Mr. Neugent and Mr. Radia abstaining.

Lobbyist Report. Troy Skinner handed out and reviewed the Legislative Update dated March 2017: HF542 – Unemployment Qualifications passed the House and is now in the Senate; HS462 – Confidential Records (regarding promotions, customer and employee records) passed both houses and was sent to the Governor; SF442 – Five Year Self-Exclusion offers different exclusion options other than a life-time ban and the ban is limited to the gaming floor only, it passed the Senate and is awaiting consideration by the House State Government Committee; HF568 – Horse Drug Standards deeming ice is not a numbing substance, setting dosage amounts of phenylbutazone, and that furosemide be administered by an IRGC licensed veterinarian passed the House and is awaiting consideration by the Senate State Government Committee; HSB52/SSB1183 – Daily Fantasy Sports authorizes the IRGC to regulate Fantasy Sports, both study bills are awaiting consideration in the House and Senate Ways and Means Committees.

Mr. Rogness asked if non-profits can opt-out of “Stand Your Ground”; Mr. Skinner will look into this and noted it was not the intent to have casinos included in this bill; Mr. Gartner said the ball park can no longer stop people from carrying weapons. Mr. Gartner asked about the minimum wage bill and Mr. Skinner said casinos are not part of this bill, it takes authority away from counties; PM's minimum wage will remain at \$9.06

Annual Audit Report from Audit Committee. Mr. Peters said the committee met with Deloitte earlier today to review the financials and recommends release of the audit by the Board. Mr. Peters moved the recommendation, the motion was seconded by Mr. Cooper, and unanimously passed on a voice vote.

Annual Audit Report from Deloitte. Ms. Grandquist introduced Thad Erickson and Mitch Van Clive from Deloitte. Mr. Erickson said Deloitte issued an unmodified opinion and letter; Deloitte did not identify any weaknesses; Deloitte appreciates the cooperation from staff and the Board.

Action Item – Acceptance of the Audit Report. Mr. Peters moved acceptance of the Audit Report, the motion was seconded by Ms. Moody-Tunks, and unanimously passed on a voice vote.

Financials. Mr. Wessels reviewed the February 2017 YTD financials: Net Revenue better than plan 1.6%; Total Expenses better than plan 1.6%; Net Income before Community Betterment better than plan 11.6%; it's a great start.

Licensee Comparisons		
Property	Net Win 2016 vs. 2017	Slot Hold YTD
PMRC	+1.2%	7.87%
Council Bluffs Market (Horseshoe, Harrah's and Ameristar)	-3.2%	n/a
Horseshoe/Harrah's	n/a	10.80% / 10.31%
Ameristar	n/a	9.93%
Lakeside	n/a	11.01%
Wild Rose Jefferson	n/a	9.36%
State as a whole	-1.8%	n/a
State without Jefferson, Rhythm City, Isle of Capri Bettendorf	-3.6%	n/a
Kansas City	-5.8%	n/a
St. Louis	-2.5%	n/a
State of Mississippi	-10%	n/a

Hotel Occupancy	PM vs. Market	DM Market	Competitive Set
YTD	64%	52.4%	59.3%

Performance Goals February 2017 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+1.1%
Total Revenue	+1.1%
Net Revenue	+1.6%
Operating Expenses	-2.9%

Racing Update. Derron Heldt, Director of Racing, reported on the upcoming Thoroughbred Meet:

- Stall applications were due March 15, we've received 1,715 applications, we have space for 1,350; staff will be calling trainers to confirm that the horses are race ready and ready to go.
- Barn area opens March 31 at 8:00 a.m.; approximately 200 local horses will come in; about 100 Houston horses will ship in soon.
- Training Track opens April 2.
- Main Track opens April 9.
- We will have seven new trainers and three new jockeys coming this year;
- Live Racing is five weeks away; the top 10 owners and trainers will be back; a lot of tracks are open the same time as PM, so it's very competitive.

Mr. Palmer said there will be 1,000 people, not on PM's payroll, on the Backside and that will be an economic boost to the community. Mr. Heldt said there will be approximately 50 new barn workers and they're looking for places to stay and ordering supplies – it's a big commitment from them.

Mr. Heldt said PM will have a Racing Club this year; there are 66 participants as of today; Racing is working closely with Marketing on this program. Mr. Rhines, Director of Marketing, said the goal is to have 100 participants at \$300 each, and if we can sell 9-10 more, we can go forward and purchase a horse; the Racing Club is a 501c7 Social Club; it gives participants an opportunity to mingle with other racing fans and bring new people to the track; we'd like to continue this program and hope to grow to 3-4 clubs; the goal is to hype horse racing. Ms. Grandquist asked what happens to the horse after racing and Mr. Rhines said it will be sold. Mr. Palmer said there is a five-member Board that was set up with Tom Flynn's guidance; if there is money left, it will go to charity; it's amazing to have 66 participants so far. Mr. Rhines said PM will build events around the Racing Club, Kelly Von Hemel will be the trainer, and we're about ready to claim a horse.

Mr. Rasmussen noted PM is in a unique situation with so many horses and Mr. Heldt said 3-4 trainers and about 60 horses are coming that haven't been here for five years.

Staff Report. Eddie Llambias, Director of Table Games, said he's been here since October 2016 and it's been a fantastic experience; he has 33 years of gaming experience and has worked at numerous casinos.

- Table Games has 219 employees and offers the following games: Black Jack, Craps, Roulette, Carnival, Mini Bac, and Poker.
- Poker moved from the 4th floor to the 2nd floor in November 2016, the move encourages slots and table games player to cross play, we've seen a 6.62% Poker Increase to Table Win – it's a more open and visible area. Some players thought there would be smoking issues so we designed the Table Game area to be 40% smoke-free and the players like that.
- The Sports Pit is on the 3rd floor and we offer low pricing options (\$1 Black Jack, 50¢ Roulette, \$2 Craps) to beginners and for Corporate Events (a private casino tailored to that specific group).
- 2017 Initiatives: Surveillance Pace Audits set the standards for procedures, dealing pace, and shuffle and gives us the opportunity to take immediate action on coaching and training; we also work on table configuration, game types, game locations, shufflers, and bringing in games the customers want.
- January and February 2017 – we're doing well compared to 2014-2016, and those two months are record months for Table Games; this is due to fantastic Marketing efforts.
- Performance 2017 – Table Games. Horseshoe is usually the leader – PM beat Horseshoe in February (excludes Poker).
- Gaming School. We have 24 hour training and train on the shift employees will work; all dealers have gone through refresher training in Mini Bac, Black Jack, Roulette, Craps; we will have a Dealing Competition this Summer.

Action Item – 2017 Bonus Criteria. Mr. Rasmussen said the Human Resources Committee met on March 7 to discuss the Annual Incentive Program for 2017; all members were present; the committee was impressed with the quantitative method used to determine the bonus program of all levels of management; Supervisors/Specialists and Managers/Assistant Managers are evaluated on financial goals and Guest Service; Directors/Assistant Directors are evaluated on financial goals, Guest Service, and individual goals; the Vice Presidents are evaluated the same as the Directors/Assistant Directors; at every level of management, there is a sliding scale, up or down, that determines the amount of bonus an employee can receive or not receive; the financial goals are set to the budget and the CEO's goals are set by the Board. Mr. Rasmussen requested Ms. Wilkie, Director of Human Resources, further explain the bonus program.

Ms. Wilkie noted information was sent to the Board and reviewed a PowerPoint presentation:

- Target Bonus Percentage – different levels of responsibility within PM have different target bonus percentages (as the level of responsibility and accountability increases, so does the percentage of bonus that could potentially be earned); a bonus is the norm for the gaming industry and varies in timing and percentage – some offer stock options or equity, but PM doesn't have those options.
- Weighted Structure – Supervisors/Specialists and Managers/Assistant Managers – 90% is based on the financial goals and 10% is based on the Guest Service goals. Assistant Directors/Directors and the Vice Presidents – 70% is based on financial goals, 20% on individual goals, and 10% on Guest Service goals.
- Financial Goals – the 2017 goal is \$50,901,000; budgeted profit goals need to be met on a net basis to achieve a bonus; there's a graduated percentage payout for financial performance with stretch points (up or down) – if employees don't meet or exceed the minimum, there is no bonus.
- Guest Service – we are visited by a "Secret Shopper" on a quarterly basis; the evaluation criteria is – friendly and professional employees, prompt service, clean facility, the experience with specific departments, the overall atmosphere; we also host monthly dinners with the VIPS to get their feedback.
- Individual Goals for Assistant Directors, Directors, and Vice Presidents – they must have 2-3 goals that coincide with the Vice Presidents' goals.
- Good Standing. Employees' job performance must meet or exceed expectations, employees cannot have disciplinary action beyond a written warning and must have satisfactory attendance.
- HR Perspective – HR helps in attracting and retaining quality employees and most all casinos have a bonus plan; with a bonus, employees take on the stockholder mentality; there's a continuous focus on individual goals and contributions; weekly meetings and monthly P&L meetings are held; all this fosters a team environment – it's win or fail together.

Mr. Gartner asked if the bonus is at 90% and Mr. Palmer said yes. Mr. Gartner asked why employees are rewarded when it's not 100% - it's really a two bonus system – budget goals and bonus goals. Mr. Palmer said our bonus has never been below 100% of the budget and was set-up in case of a catastrophe beyond our control (if employees work hard and meet our obligations, they are rewarded even if they don't hit the budget). Mr. Rasmussen and Mr. Radia said most

companies use this method; Mr. Rasmussen said his company uses 100-120 with the downside at 80; Mr. Peters said a bonus also helps maintain employees.

Mr. Rasmussen moved to approve the 2017 Bonus Criteria Plan, the motion was seconded, and passed on a voice vote with Mr. Cooper voting no.

Action Items – Additional Grant Allocation and Reserve Accounts. Mr. Palmer said we had a great year – last year was the biggest Grant distribution ever and this year was better than last year; we've given \$37 million back to the community; the Finance Committee met and reviewed the allocations and have recommendations for the Board. Ms. Willits said the Finance Committee met and reviewed the financials; the recommendation is the one shown on the worksheet and on the PowerPoint presentation - \$5 million to Grants (\$3 million to Legacy and \$2 million to Community Betterment) which is higher than last year. Ms. Willits moved the recommendation and Mr. Neugent seconded it. Ms. Willits said the Altoona Economic Development discretionary amount of \$500,000 was also discussed – this is the last year of the eight year agreement and PM has paid the discretionary payment every year except one (when Jefferson opened and the road was closed). Ms. Willits said the Events Center will be remodeled with no business interruption, it's a \$6 million project, \$2 million has been set aside and the committee recommends adding \$4 million to this account. Ms. Willits noted the capital reserve policy was established by the Board in 2009, it has a cap of \$10 million, the Board approved \$1 million last year and the recommendation is \$1.7 million this year for a total of \$3 million in the reserve account.

Ms. Willits moved to bundle all the action items (Grant Allocation to Legacy and Community Betterment Grants and Reserve Accounts) in one motion, the motion was seconded by Ms. Moody-Tunks, and unanimously passed on a voice vote.

Mr. Gartner requested an explanation on the two Altoona Economic Development \$500,000 items and Mr. Palmer said we have an eight year agreement with Altoona Economic Development - \$500,000 is the contracted amount and Altoona may request a discretionary \$500,000; the development happened during the start of the recession and Altoona needed assistance; if the development had hit the \$10 million evaluation mark, the agreement would have been void; the economy stopped, but PM was able to help; PM didn't give the discretionary \$500,000 one year due to the opening of the casino in Jefferson and the road closure; the development will produce a lot of traffic to PM; we negotiated the hotel tax with Altoona and we will receive a credit of \$200,000/year for 10 years – the credit started last year. Mr. Gartner asked if that means there will be an extra \$1 million next year and Mr. Palmer said yes. Mr. Rogness asked if this is the last year for the payment and Mr. Palmer said yes.

President's Report. Mr. Palmer reported:

- Upcoming Entertainment
 - April 14 – 38 Special
 - April 22 – Prom Night Rewind – 80s Dance Party
 - May 12 – Rodney Carrington

- May 26-27 – Elvis Explosion –Elvis Tribute
- Buffets
 - April 16 – Easter Buffet
 - May 14 – Mother’s Day Buffet
- IRS. Mr. Flynn received an e-mail from Marcus Owen, our Washington, DC attorney – Mr. Owen contacted the IRS agent to find out where they were with our appeal and the IRS agent said several employees are leaving the IRS and the IRS is 2-3 months behind; the appeal will be assigned to a tax appeal officer.
- April 6. Mr. Palmer said he and Mr. Rhines, Director of Marketing, will speak at the Iowa Employment Conference – it will be held at PM and attendees receive continuing education credits; it will be a 1.5 hour presentation – we’ll have a PowerPoint presentation and a video that will tell the history of PM.
- Rob Denson. Mr. Palmer reported that Mr. Denson has resigned from the Board due to his work schedule; the notice has been posted around the property and will appear in the paper; the four At-Large representatives will interview the applicants and make a recommendation to the Board at the April meeting. Mr. Cooper asked if it is the same process – send the letter to Mr. Palmer and Mr. Palmer said yes.

Committee Reports

- Finance. Ms. Willits said everything has been discussed.
- Facilities. Mr. Giovannetti said the committee met on Monday and reviewed the 10 Year Capital Improvement Plan, with the concentration on 2017-2018 when the Events Center, Gift Shop, and Surveillance will be remodeled; a Request for Quotes for the Events Center was sent to four union contractors. In 2019, the hotel will be remodeled, escalators will be replaced, and the parking lot will be resurfaced
- Audit. Mr. Peters said everything has been discussed.
- Human Resources. Mr. Rasmussen said everything has been discussed.
- Grants. Mr. Cooper thanked Julie Stewart, Director of Community Relations, for making the process pleasant; the committee met on March 13; there are 335 Community Betterment applications in the amount of \$7.6 million and 20 Legacy applications in the amount of \$8.6 million; the handbooks are on the table and Community Relations will send an e-mail on how to access the evaluation; Legacy presentations will be held on March 24 and March 27 – please RSVP Julie Stewart if you plan to attend; please fill out and return the Conflict of Interest form to Julie Stewart; the Board will vote on grants at the June 28 Board Meeting.

Other Business.

- Prairie Meadows University (PMU). Mr. Palmer said there are 22 (employee) students in the first class; they will attend classes at Drake University and at PM; they have been assigned to mentors and will do job shadowing on all three shifts; he’s met with the students several times - they are very attentive and he’s impressed with the class; these employees will help PM move forward; Michele Wilkie, Director of HR, and her staff have done a wonderful job with this program.
- Mr. Gartner said the first home game for the I-Cubs will be April 11.

Adjournment. Mr. Cooper moved to adjourn the meeting, the motion was seconded by Ms. Moody-Tunks, and passed on a voice vote. There being no further business, the meeting adjourned at 3:25 p.m.

Respectfully submitted,

Linda Grandquist, Its Secretary