

**Monthly Meeting of the
Prairie Meadows Board of Directors
September 27, 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.

Bob Chittenden

Mark Cooper

Michael Gartner – arrived during Financials

E. J. Giovannetti

Linda Grandquist

Lisa Moody-Tunks

Gerry Neugent

Jack Peters

Suku Radia

Kurt Rasmussen

Paul Rogness

Karen Novak Swalwell - absent

Martha Willits

John Irving

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. Cooper to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on July 26, 2017 as written. The motion was seconded by Mr. Radia and passed on a voice vote.

Public Comment. None

Financials. Ms. Castelline, Vice President/CFO and Mr. Rhines, Senior Vice President/CSO reported on the August 2017 YTD Financials.

Ms. Castelline:

| Performance Goals August 2017 Year-to-Date | |
|---|---------------------------|
| | Exceeds/Below Plan |
| Casino Revenue | +1.3% |
| Total Revenue | +1.0% |
| Net Revenue | +1.0% |
| Operating Expenses | -2.4% |

Ms. Castelline:

| Casino Operations Slots, Table Games, Poker | Change % Exceeds/below plan |
|--|--|
| Net Revenue | +1.3% |
| Expenses: | |
| Salaries/Wages/Benefits | -1.9% |
| Operating Expenses | -6.1% |
| Total Expenses | -2.8% |
| Net Income/(Loss) | +1.6% |

Mr. Rhines:

| Racing | Change % Exceeds/below plan |
|-------------------------|--|
| Net Revenue | -4.8% |
| Expenses: | |
| Salaries/Wages/Benefits | -6.2% |
| Purse & Supplement | +0.5% |
| Operating Expenses | -3.1% |
| Total Expenses | -.07% |
| Net Income/(Loss) | -0% |

Ms. Castelline:

| Hospitality Hotel and Banquets | Change % Exceeds/below plan |
|--|--|
| Net Revenue | +2.5% |
| Expenses: | |
| Salaries/Wages/Benefits | -6.8% |
| Operating Expenses | +3% |
| Total Expenses | -4.4% |
| Net Income/(Loss) | +10.2% |

Mr. Rhines:

| Food and Beverage | Change % Exceeds/below plan |
|--------------------------|--|
| Net Revenue | -1.5% |
| Expenses: | |
| Salaries/Wages/Benefits | -2.0% |
| Operating Expenses | +7.8% |
| Total Expenses | -1.7% |
| Net Income/(Loss) | +1.0% |

Ms. Castelline:

| Hotel Occupancy | PM | DM Market | Competitive Set |
|------------------------|-----------|------------------|------------------------|
| August 2017 | 81% | 71.9% | 73.6% |
| August YTD | 74.3% | 62.6% | 67.3% |

Mr. Rhines noted 90¢ of every \$1.00 comes from the casino; to date, all 2017 months have been “color” months – first, second, or third in a 5 year Comparison; in a 5 Year Comparison, 2017 Attendance is slightly less than 2014 – 2014 had 70 Fridays and Saturdays and 2017 – 68 Fridays and Saturdays.

Ms. Castelline reviewed the Regional Market, YTD August 2017 Casino Revenue, noting Prairie Meadows is doing well:

| | |
|-----------------|-------|
| Prairie Meadows | +2.9% |
| St. Louis | -1.5% |
| Kansas City | -.1% |
| Omaha | -.2% |

Mr. Rhines said the Quad Cities area was down 9.86% in July and down 4.5% in August; Isle Waterloo, Rhythm City, and Riverside are in the Cedar Rapids area and business is down – he wonders the rationale for a new casino; YTD, the Iowa market is +0.6%, Iowa, without Prairie Meadows, is +0.2%, without Prairie Meadows, Isle Bettendorf, and Rhythm City, it is -1.3%. Mr. Peters asked the justification of a new casino and about cannibalization and Mr. Rhines said obligations to the community and they think there is an untapped market; Riverside projects a 30% decrease – a new casino would grow through compromising other casinos.

Ms. Grandquist attended the Finance Committee Meeting and congratulated all departments on their numbers.

Racing Update. Derron Heldt, Director of Racing, reported on the Quarter Horse Meet:

- Last Sunday was the 17th day of the 26 day meet.
- Handle is up, both on-track and off-track due to more TVG coverage, Jackpot Pick 4, and ADW wagering.
- Field Size is slightly down, but will be better for this weekend.
- There are 578 horses on the Backside; the number is comparable to previous years; horses will be shipping in for the Championship Races.
- He believes the Regional Challenge Championship winners will run well in the Championship weekend; the American Quarter Horse Association (AQHA) said all participants need to be on property October 1 for the October 14 races for hair testing for illegal drugs – those horses still running at Lone Star will be hair tested there and will be allowed a few extra days.
- The AQHA has an Integrity Team made up of eight individuals from all around the US who will be here on Saturday, visiting the Backside and the front side, to ensure there’s a level playing field.

- Racing Club – the initial investment was \$300 and \$275 was returned - \$25 was held for taxes and to make a donation to a local charity; the Marketing team is working on 2018 enrollment.

Mr. Peters said that at the last Board Meeting, Mr. Palmer asked Mr. Rasmussen and himself to meet with the HBPA regarding questions on the Thoroughbred Meet and we did meet. Mr. Heldt said Dave McShane, the new HBPA President, Pat Pope, and Chad Keller also attended the meeting; we talked about the Thoroughbred Meet, their concerns, and things we can do for next year to attract more horses and ensure a level playing field. Mr. Heldt said there is also an IRGC Task Force comprised of members from the ITBOA, HBPA, Quarter Horse, State Vets, State Stewards, Brian Ohorilko (IRGC), and the Jockey's Guild and we've met three times since August 1 – rules were reviewed, thoughts were shared, and we have a decent plan going forward. Mr. Rasmussen asked the plan and Mr. Heldt said rule changes will be submitted at the October IRGC meeting and it will probably be next March before changes are ratified. Mr. Peters asked if 100% of the rule changes are approved by the IRGC and Mr. Heldt said yes.

Lobbyist Report. Troy Skinner said there is not a lot to report:

- Senator Bill Anderson (R) retired and there will be a special election for his seat.
- Secretary of Agriculture, Bill Northway, has been appointed to Washington, DC and the Governor will appoint his replacement – speculation is, it will be Pat Grassley (R), and if so, there will be another special election for his seat.
- Budget – There will be no special session and the State will borrow \$14.5 million – there will be a budget challenge next year.

Staff Report. Dustin VandeWeerd, Director of Facilities, reported;

- Facilities Department includes:
 - Maintenance includes the Carpenters, Plumbers, Electricians, Electronics Techs, HVAC Techs, Painters, Locksmith, and Upholsterer and they take care of 25,000 preventative and corrective maintenance work orders per year.
 - Dispatch processes work orders, takes outside calls, and does administrative tasks, they receive over 130,000 calls a year, and fill out over 4,000 purchase requests and invoices a year.
 - Housekeeping maintains all public and back of house areas, including the casino hotel and outbuildings, it is a diverse group with seven different languages, we receive consistent positive feedback on the cleanliness of the facility.
 - Receiving and Distribution receives and verifies all deliveries and distributes items to their final destination, has a storeroom with over 600 unique items, handles 30,000 pieces of outgoing mail per year.
 - Fleet Mechanics maintain 235 unique pieces of equipment and vehicles – from John Deere tractors to golf carts.
 - Projects takes care of contracts between the Design Team, Contractor, and PM and successfully completed over \$75 million in major renovations since 2012.

- 2017 – 2018 Events Center Remodel. This 50,000 sf area is the area from the hotel to the main entrance; the remodel will be done in three phases due to business (November – January and June – September); there will be cosmetic changes to match the hotel and casino floor design – modern, neutral colors and changing LED lighting, the Meadows Common will have darker tones, the restroom will have a contemporary, sleek design.
- 2018 Clubhouse Remodel. This 44,000 sf area hasn't been done in 17 years; the remodel will be done in two phases (East half prior to Racing and West half after Racing); the design isn't completely done, but it will be mostly cosmetic changes; the old Poker Room will be remodeled to make it a revenue generating space.

President's Report. Mr. Palmer reported:

- Upcoming Entertainment: November 11 – Paul Anka and December 21 – The Blenders.
- Public Hearing in Cedar Rapids. Mr. Palmer handed out a copy of “PM's Position on Casino Expansion in Iowa”; there were 41 speakers and PM was #12; the tempo from all presenters was – gaming is down in Iowa except for Rhythm City, Isle of Capri Bettendorf, and PM, there's no room for more, it would cannibalize other properties; the crowd was about a fourth the size of the Public Hearing a few years ago; our philosophy was that we were opposed to any new additional gaming; a “boutique” casino violates the regulations – it would be a \$40 million project with no amenities and no debt service; the surveys and feasibility studies will be back soon; the vote will happen at the November IRGC meeting; thank you for allowing us to participate in the Public hearing.
- Prairie Meadows partnered with Polk County and Hy-Vee on:
 - Honor Flight on September 11 for the Korean and Vietnam Veterans. Mr. Rasmussen said he went with an 83 year old retired employee and they had a wonderful time; bands and people were on hand at the dinner, airports, and hotel, and staff was spot on; it took two 737s to fly all the attendees. Mr. Palmer has gone on three Honor Flights and they were well worth the effort; this was the 13th Honor Flight organized by Jeff Ballanger – 280 veterans and staff went.
 - Flood/hurricane relief for Texas and we're now working on something for Florida. Mr. Rasmussen has seen the “Hunger Free Polk County” commercials and Prairie Meadows was mentioned.
- United Way Campaign. We doubled our giving this year - \$69,000 in 2016 and \$150,000 - \$160,000 in 2017; we held a pancake breakfast, several auctions, etc. to raise funds, and Clint Pursley and Clay Willey participated in a contest – the winner had to shave his head (Mr. Willey) or his beard (Mr. Pursley) and Mr. Willey was the winner – it was a fun event; United Way representatives came out and explained the program and Mr. Radia lead the charge this year.
- Asked Mr. Flynn to give an update on the IRS. Mr. Flynn said we received an e-mail from Marcus Owens, the Washington attorney, saying he hasn't heard anything and that violates all the IRS rules and regulations, and requesting approval to contact the IRS to ask the status and how it was moving along, which was given; he contracted the Tax Appeals Officer and hasn't had a response; this is the appeal on the small issues - \$350,000 in novelties.

Ms. Grandquist thanked Gary Palmer and staff – Prairie Meadows stands heads tall in the community.

Committee Reports.

- Finance. Ms. Willits said the committee met on Monday and reviewed the financials in detail and were pleased with the results; they also appreciated the new slides provided by Ms. Castelline and Mr. Rhines; the committee will review the budget in October and it will then be sent to the Board for Action at the November Meeting.
- Facilities. Mr. Giovannetti said the committee did not meet.
- Audit. Mr. Peters said the committee did not meet.
- Human Resources. Mr. Rasmussen said the committee will meet on October 23 at 4:00 p.m.
- Grants. Mr. Cooper said the committee did not meet.

Other Business.

- Racing Club. Mr. Peters encouraged everyone on the Board to participate next year – he believes everyone would enjoy it and get a better understanding of Racing. Mr. Palmer said everyone had fun and we hosted several parties for the Racing Club; participants lost \$25; the horse won 3 of 4 races; he encouraged everyone to participate.
- By-Law Changes. Mr. Flynn said there have been no changes in six years; the Executive Committee authorized him to update the By-Laws which he did and the committee approved; the By-Laws (current and revised) will be sent to all Board members, along with his comments; please review and be prepared to vote at the October meeting; changes can be made. One change is, we always held the election of Officers in November and about six years ago, the Board moved the election to December – there are new Board members in December and they don't know people, it will be good to go back to November so the current Board can vote; if you have questions, please call him.

Adjournment. Mr. Cooper moved to adjourn the meeting and the motion was seconded by Mr. Neugent. There being no further business, the meeting adjourned at 3:04 p.m.

Respectfully submitted,

Martha Willits, Its Secretary