

**Monthly Meeting of the
Prairie Meadows Board of Directors
April 25, 2018
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Rasmussen in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:00 p.m.

Mr. Rasmussen welcomed Dennis Albaugh to the Board and asked him to say a few words. Mr. Albaugh said he started working in the agriculture chemical business and then decided to start his own chemical business; he's also involved in real estate development and horse racing; racing is a lot of fun, he started racing at Prairie Meadows and currently has 68 horses; this will be his third Kentucky Derby, and Free Drop Billy will run, the activities start next Tuesday.

Roll Call.

Dennis Albaugh

Bob Chittenden – arrived after Roll Call

Mark Cooper

Michael Gartner

E. J. Giovannetti

Lisa Moody-Tunks

Gerry Neugent

Suku Radia

Kurt Rasmussen

Paul Rogness

Mary Simon

Karen Novak Swalwell – arrived after Roll Call

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 March 28, 2018 as written. The motion was seconded by Mr. Gartner and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner said the legislature is trying to wrap up the session as it is eight days past the per diem; they want to do the Tax Relief bill before working on any Appropriations bills; there was a special election for Bill Dix's seat and Annette Sweeney (R) was elected; there's not much to report on the gaming front – the legislators are reluctant to run a Sports Betting bill as they are waiting for the Supreme Court decision.

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

Ms. Castelline is pleased to discuss the 1st Quarter results – it is the best 1st Quarter ever:

Performance Goals March 2018 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+\$1.7 million
Total Revenue	+2.2 million
Net Revenue	+\$1.9 million
Operating Expenses	Under plan \$555,000

5 Year Casino Net Win Comparison. Mr. Rhines reviewed the graph, noting 2017 was the best year ever and the growth continues; this is a new slide requested by the Finance Committee; September – December 2017 were our best months and the trend continues to January and March 2018; February 2018 was challenging with 15 snow days, but it was still our second best month; the operating and management team are doing a great job.

Total Revenue YTD March 2018 pie chart. Ms. Castelline said revenue was \$2.2 million above plan and \$3.6 million above the prior YTD; 95¢ of every \$1.00 comes from gaming revenue; all areas exceeded the revenue budget to date. Mr. Rhines said \$51.2 million in casino revenue represents the second best quarter ever, and the non-gaming areas are also up; Slot Win is up 103.5% to the prior year and Table Games and Poker is up 129.2% to the prior year.

Hotel Revenue and Occupancy YTD. Ms. Castelline said revenue is \$1 million above plan and the hotel had a record occupancy with 11,230 total occupied rooms in one quarter..

Occupancy		
	1st Quarter 2018	Year over Year
Prairie Meadows	83.3%	74.3%
Des Moines set	55.2%	52%
Competitive set	59%	57.2%
Altoona	62%	57.8%

Competitive Set Comparison. Mr. Rhines reviewed the competitive sets – Iowa and regional:

Iowa	
Prairie Meadows (PM)	\$51.2 million
Horseshoe	\$41 million
All Iowa properties (average)	-.5%
All Iowa properties without PM (average)	-1.5%
PM	+6.3%
Regional	
PM	+6.3%
St. Louis	Flat
Kansas City	-1.8%
Omaha/Council Bluffs	-.4%
Quad Cities	-2.6%

Top March Performing Areas (most recent 4 years). Ms. Castelline said the following areas had the best March performance in history: Attendance, Coin-in, Casino Revenue, Table Games revenue, Poker Revenue, F&B outlets revenue, and Hotel Revenue. Average Win per Guest and Slot revenue were top March performing areas. Mr. Rhines said the way we're tracking, the goal is to have a \$200 million year.

Mr. Rasmussen said this is a wonderful report and the Board gave a round of applause to staff for making PM so successful. Mr. Cooper asked the number of days the hotel is sold out and Mr. Rhines said 8-10 days a month – it all depends on the business, and we back fill with players; the hotel had a good 1st quarter. Mr. Palmer noted there are five new hotels in the Altoona area in the last year.

Racing Update and Staff Report. Derron Heldt, Director of Racing reported on the departments that fall under Racing:

- Racing has 50 employees and 10 are IRGC required positions; it produces five Condition Books for Thoroughbred Racing and two Condition Books for Quarter Horse Racing; coordinates Stakes Races with the HBPA and Supplemental Payments with the ITBOA; assigns and allocates stalls; monitors horses coming in and going out; draws for post positions; sets the morning line; produces the overnight sheets; does the Racing program; has a list of non-performing horses; the veterinarians keep a list of injured horses; staff works in the mornings and then returns in the evening on race days.
- Mutuels has 40 employees; the department takes bets for Live Racing and Simulcast; executes over 100 export and import contracts; receives 20 signals a day from Greyhound, Harness, Thoroughbred, and Quarter Horse tracks; we have a new tote company (United Tote) and staff will oversee those duties; works with Marketing on promotions, contests, and the Rewards program.
- Racing Center sells Racing programs and the Daily Race forms; answers questions for guests on how to bet, etc.; signs up guests for the Reward program.
- TV has five full-time and 10 seasonal employees; does the live broadcast and concerts; is in charge of Photo Finish and Timing; all the digital signage on the North and South monument signs; worked with Human Resources on the recruiting campaign; produces commercials; records promotions on the floor; the department has requested a Drone to take footage of the property and has two trained and licensed employees to operate it.
- Track Maintenance ensures the Main Track and Training Track surfaces are safe for people and horses; employees start at 3:00 a.m. to work on the tracks so they are ready when the tracks open at 6:00 a.m.; in the Winter, staff makes repairs in the barns and stalls.
- Grounds Maintenance has eight full-time employees and takes care of 233 acres (140 acres of grass, 15 acres are irrigated, 80 acres of concrete and asphalt, 2 acres of sidewalks, and a 5 acre pond with three fountains) and the trees and shrubbery; in the Winter, staff does snow removal, puts up and takes down the holiday decorations, makes repairs and paints in the dorms.

Racing Update:

Mr. Rasmussen asked the number of horses on the Backside and Mr. Heldt said 911 horses and 62 trainers – Live Racing starts Thursday night at 6:00 p.m. – we had a tough time with the weather for the horses from the south – they couldn't train due to the track freezing due to moisture; we had three days of entries; we'll have an average of 9 horses per race; we have 250-300 still to arrive from four feeder tracks; in three weeks, we'll be at 1,200; May 5 is the Kentucky Derby and Mr. Albaugh's horse will run.

Mr. Rasmussen asked if there are any trainer concerns with the barn allocations and the testing area and Mr. Heldt with the new regulations, testing can be done at any time and for a Class 2 or 1 drug, horses will be removed from the property – he's not sure about other sanctions; there was a horsemen's meeting today and the vets discussed testing and the number of horses that will be tested each week for the Thoroughbred Meet and the Quarter Horse meet.

Mr. Rasmussen asked if Advanced Deposit Wagering has taken off and Mr. Heldt said it's grown the last three months and TVG is offering some promotions.

Mr. Rasmussen asked if the trainers are utilizing the Training Track and Mr. Heldt said yes, the horsemen requested the Main Track open first to get official times - with the odd weather, we couldn't open it until the second week; we've focused on the Main Track the last two weeks and both tracks have been open since last Saturday.

Mr. Rogness asked for clarification regarding the Racing Secretary as he's heard he will be gone for three weeks at the end of the season – who will do that job? Mr. Heldt said the Racing Secretary may be gone for 2-3 weeks, but he's not leaving for the season; we have an Assistant Racing Secretary; if he is gone, we will be in contact with each other.

President's Report. Mr. Palmer reported:

- Ran a film clip recapping the 1st Quarter.
- May 5 – Kentucky Derby.
- May 6 – Family Day.
- May 13 – Mother's Day – we have a wonderful buffet.
- May 19 – Preakness.
- May 20 – Cergei Races – we have 150+ entries and 7,400 inquiries; we'll probably have 20,000 here that day.
- June 6-8 – We will be speaking at the North American Gaming Regional Conference in Texas on Non-Profit Racinos.
- July 7 – On a recommendation from Dennis Albaugh, PBS contacted us about filming a documentary at PM for its "Success Files" series narrated by Rob Lowe, this will be seen by 60 million homes.
- July 27 – Board Night at the Races – tour the Backside and have dinner.
- The 2017 Annual Report is in your packet of information and will be posted on the internet tomorrow.
- Board Retreat – this was discussed in the Executive Committee meeting and we plan on a 2-3 hour meeting to explain the Strategic Plan and the vision for the next 5-10 years; this is confidential information and is updated every February; Nancy will coordinate the day/time; the Executive Committee suggested a Friday with dinner and Racing.

Committee Reports.

Finance. Ms. Willits said the committee met on Monday and it was a pleasure and the committee was very appreciative to hear the 1st Quarter report; all this was due to efficiencies and the right decisions; the committee is confident PM will continue to beat itself. The committee also did its annual review of the Investment and made no changes, and did its annual review of the Banking Relationship which was extended for one year at this time.

Facilities. Mr. Giovannetti said the committee met yesterday and received an update on:

- Events Center: Phase 1 is done and we'll be remodeling the wall across from the Board Room; Phase 2 will be the Skinner Ballroom remodel – mid-June to late July; Phase 3 is the Bishop Ballroom remodel – late July – late September; the project is on schedule and on budget.
- Clubhouse: East Phase. The remodeling project started the first part of January in the tiers and Champions concourse; the area will be ready by Live Racing which is this Thursday; the project is on schedule and on budget. West Phase starts after Racing concludes.
- 2018 Capital Improvement program. Projects Underway: Replacing a chiller by June, a chiller overhaul, Guest Wi-Fi Upgrade, Parking Lot resurfacing. Upcoming Projects: Porte Cochere Skylight Replacement; Main Entrance landscaping, Lighting replacement to LED, Hotel Room Access System – the hotel was built 6+ years ago and there's new technology.
- Facilities Condition Assessment. We received a good report and there is a prioritized list of things to do.

Ms. Simon suggested everyone check out the 4th floor – kudos for a top notch facility and making these improvements. Mr. Giovannetti said Mr. VandeWeerd does a great job, and he provided the notes for today's report.

Audit. Mr. Radia said the committee did not meet and he'd like to make a minimal language change to the March 28, 2018 Board Meeting Minutes – page 7, Audit report, fifth line down, starting with new components – "there will be two new accounting pronouncements which will impact our financial reporting in the next two years and thereafter certain income statement items will be reclassified within the statement and leases will be capitalized."

Human Resources. Ms. Moody-Tunks said the committee met in March.

Grants. Mr. Cooper said the Legacy presentation concluded and the videos were sent to the Board; please start reviewing the Legacy applications. Mr. Rasmussen appreciates the Grants Committee – reviewing the grants is a lot of work.

Other.

Mr. Radia would like to discuss Mr. Palmer's car allowance at the next meeting and Mr. Rasmussen said this will be an Action Item.

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 2:55 p.m.

Respectfully submitted,

Martha Willits, Its Secretary