

**Monthly Meeting of the  
Prairie Meadows Board of Directors  
October 23, 2019  
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.

Roll Call.

Dennis Albaugh  
Bob Chittenden  
Mark Cooper  
Michael Gartner  
Marty Martin – arrived during Financials  
Lisa Moody-Tunks - absent  
Gerry Neugent  
Bob O’Hollearn

Suku Radia  
Kurt Rasmussen  
Mary Simon  
Susan Voss  
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

Approval of the Minutes. A motion was made by Ms. Voss to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on September 25, 2019 as written. The motion was seconded by Mr. Cooper and passed on a voice vote.

Public Comment. None

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

Ms. Castelline:

<b>Performance Goals September 2019 Year-to-Date</b>	
	<b>Exceeds/Below Plan</b>
Casino Revenue	-0.2%
Total Revenue	+0.1%
Net Revenue	-0.2%
Operating Expenses	Better than plan 1.6%
Net Income before Community Betterment	+\$1.2 million

Ms. Castelline: Total Revenue YTD September: Casino \$155.2 million; F&B \$7.0 million; Pari-Mutuel \$2.8 million; Hospitality \$7.3 million; Sports Book \$1.5 million; Other \$3.2 million; Revenue up \$0.1 million YTD to budget, and up \$2.3 million to prior YTD.

Mr. Rhines: September Slot Win revenue was flat to 2019 and Table Games and Poker +101.2% to 2019 – Electronic Table Games was up 25% and Poker was down 12% year over year.

Mr. Rhines reviewed the 3<sup>rd</sup> Quarter 2017 – 2019 chart, noting this was the best 3<sup>rd</sup> quarter ever at \$52 million; we had our best July ever, and August and September were our second best months ever.

Ms. Castelline: Hotel Occupancy. PM is exceeding its competitors, and revenue +\$12,000 to September budget:

	<b>September 2019</b>	<b>September YTD</b>
Prairie Meadows	76.6%	79.8%
Des Moines area	67.2%	67.6%
Altoona Competitive set	72.0%	72.4%

Mr. Rhines: Sportsbook Handle, YTD September - we have six weeks of data; 15 of the 19 Iowa casinos have some form of Sports Betting (Wild Rose and Marquette do not have); PM's Marketing share (of the state) was 81% of the central region and the best of all regions; of the bets taken at PM, 15% were taken over the counter and 85% were taken by mobile; PM won 21% of bets taken over the counter and won 9.4% of the bets taken by mobile; PM is holding 11% - we have a great Marketing plan and a great partner; of the bets taken statewide (without PM), 65% were over the counter and 35% were done on-line; of the bets taken statewide with PM, 46% were taken over the counter and 54% were done on-line.

Ms. Castelline: September 2019 YTD State Casino Revenue statistics:

<b>Iowa Market</b>	
Prairie Meadows	+0.2%
Horseshoe	-2.9%
Ameristar II	-7.6%
Riverside	+6.4%
Isle – Waterloo	-1.9%
Harrah's	flat
Lakeside	+6.1%
Wild Rose Jefferson	flat
State with Prairie Meadows	-1%
State without Prairie Meadows	-1%

<b>Surrounding Markets</b>	
St. Louis market	-2.8%
Kansas City market	-0.1%
Omaha and Council Bluffs market	-4.3%
Quad Cities	-1.5%

Ms. Castelline: Top September Revenue Performing Areas In the Most Recent Four Years – Table Games Win\*, Slot Coin-in, Average Win/Guest, F\*B Total Revenue\*, AJs Revenue\*, Paddock\*, Home stretch Revenue\*, Prairie Coffee Company Revenue\*, Casino Bars\*, Banquet Revenue, Hotel Revenue, Gift Shop Revenue, Daily Double Deli Revenue \* (\*all-time record September).

Mr. Chittenden asked the amount of the 11% Sport Book Net and Mr. Rhines said we deduct expenses to derive the Net, and then split with Wm. Hill. Mr. O'Hollearn asked the Sports Book budget going forward and Mr. Rhines said the 2019 budget was done before we had an agreement with Wm. Hill, for 2020, we took the forecasted numbers from years one and two and divided in half for the projections. Ms. Castelline noted the bottom line for 2020 is what we're running now. Mr. Chittenden noted we all thought it would be 3% and then split the income and Mr. Rhines said yes, and we're projecting \$1.8 million from the Sports Book. Mr. Cooper asked which casinos use Wm. Hill and Mr. Rhines said Lakeside, two Isle properties, and Prairie Meadows; Dubuque and Catfish Bend use other partners; Ameristar, Harrah's, and Horseshoe have their own Sports Book, but will probably go with Wm. Hill next year.

Lobbyist Update. Troy Skinner said there's not a lot to report at this time. Linda Upmeyer stepped down as House Speaker to spend time with family; an election was held and Pat Grassley will be the House Speaker, the Majority Leader is Matt Windschitl, and the Speaker Pro-Tem is John Wills; he doesn't believe the new leadership will cause us concerns. The Revenue Estimate Committee met in August, and YTD 2020, revenue is up \$120 million, and 2019 shows a surplus of \$290 million – this is positive news going into the session.

Racing Update. Ann Atkin, Senior VP/COO, gave the report as Derron Heldt was unable to attend the meeting.

- Quarter Horse Meet Recap:
  - The Meeting ended October 12.
  - Handle on-track was down 1.4% and Handle off-track was up .5%; Handle started off strong, but ended down at the end due to the weather.
  - Field size – 6.79 vs 6.7 in 2018.
  - October 12 – Championship Day; the Leading Owner of the Quarter Horse Meet was Kirk Wessels with seven winners; second place was Lisa Baumeister. One Iowa-bred Quarter Horse, Apolitical Queen, had a perfect record with four starts and four wins.
- Bank of American Championship. They're drawing today for the races at the Downs at Albuquerque, and we're expecting that some of our qualifiers will be representing us in the races on Saturday.
- The Breeders' Cup is November 1-2 at Santa Anita and Dennis Albaugh's horse, Dennis' Moment, will run; there's a lot of buzz about this horse – he won his maiden race by 19.25 lengths and then won a Grade III race at Churchill Downs, he'll run in the \$2 million Breeders' Cup Juvenile Race on November 1.
- The Grounds Department is doing a lot of outside work on fencing, concrete and asphalt of the parking lots and sidewalks, and getting ready to decorate for Christmas.

Action Item – Code of Ethics and Business Conduct Policy. Mr. Palmer said the Finance and Audit Committee and the Executive Committee reviewed and approved the change to Page. 1 – Purpose of the Code - the following verbiage was added: “Vice Presidents, Assistant Directors, as well as Managers, Supervisors, and Administrative Assistants who are involved in negotiations for goods and services”. Mr. Radia moved to approve the change, the motion was seconded by Mr. Neugent, and unanimously passed on a voice vote.

Action Item – Front-Line Employee Bonus. Mr. Radia said this has been done for several years; the amount was \$500 last year and the recommendation for this year is \$450 due to the budget; this is a bonus for the front-line employees, the amount varies from year to year and it is discretionary. Mr. Radia moved approval of \$450 and the motion was seconded by Mr. Neugent. Mr. Cooper why it can't be \$500 again, and Mr. Radia said it has to be a different amount every year as it's discretionary. Mr. O'Hollearn asked the number of years PM has done this and Mr. Palmer said around 25 years - this is a wonderful thing to do, it's outside the union contract, the employees do a wonderful job, and they deserve it. Ms. Voss asked when the bonus is given out and Mr. Palmer said early December. Mr. Cooper understands the budget concerns, but likes \$500; Mr. Palmer said it has to be a different amount, it could be \$505. Mr. Cooper moved to amend the motion from \$450 to \$505 and Mr. Radia accepted the amendment; the amended motion was seconded by Mr. Neugent and unanimously passed on a voice vote.

Action Item – Clarifying Amendment to Gary Palmer's Employment Contract. Mr. Flynn said Mr. Palmer is operating under an employment contract signed in December 2011; it's a year to year contract and Mr. Palmer has to send a letter on or before every December 1<sup>st</sup> notifying the Board whether or not he wishes to continue his employment. The Board then has 30 days to accept or reject his request for continued employment.

- **Deferred Compensation.** A conversation with Willis Watson and Powers during the Compensation Study triggered a question on the Deferred Compensation section – does it happen when Mr. Palmer retires – “yes” was the intent of the 2011 Board, but not if Mr. Palmer voluntarily quits or is terminated. However, the retirement language versus the voluntary quitting needs to be clarified – if the contract is not renewed or if he retires, he gets the deferred compensation package, but not if he quits and goes to work for a competitor. Mr. Flynn talked to Lynette Rasmussen, who was the Board Chair in 2011, and she confirmed that what Mr. Flynn stated was the intent of the 2011 Board.
- The contract also provides that after the Deferred Compensation Date is triggered, Mr. Palmer is to receive certain employee benefits up to age 70, but since Mr. Palmer has already obtained the age of 70 and the Deferred Compensation has not kicked in, this provision needs to be updated so that when the Deferred Compensation does kick in, PM would reimburse Mr. Palmer and his wife for their Medicare Part B and Part D premiums (and/or one other Medicare Supplement premium), for a period thirty-six (36) months, which premiums should be similar in amount to what PM is now paying for Mr. Palmer and his wife.

Mr. Flynn noted that the Executive Committee had reviewed and approved the contract amendments. Mr. Cooper moved to approve the contract amendments. The motion was seconded by Mr. Radia, and unanimously passed on a voice vote.

Action Item – Horse Contract. Mr. Rhines said we started meeting in May and up to last week with the ITBOA and Quarter Horse representatives and Brian Ohorilko from the IRGC; the group discussed where we are, the metrics, what the performance has been using data from 30 years of history, and coming up with a goal for the new contract; it has been a wonderful partnership, everyone was cordial and friendly, and compromises were made by everyone; we hoped to have a contract for the Board to vote on today, but it's not quite there – the Quarter Horse group has approved the contract and the ITBOA has a few minor things to work through; we'll probably hold a Special Conference Call Meeting to vote on the contract; the contract is a condition of getting the license; one of the goals was a Mixed Meet to help the industry, foals, and field size; the objective is to flatten and then enhance the downward trend; Minutes were taken and filed; Mr. Rasmussen attended the last meeting.

Mr. Palmer said staff met with Dennis Albaugh, the horse men's representative on the Board, and Mr. Rasmussen and reviewed the whole platform and contract. Mr. Albaugh said this is not a day and night thing – it took all sides working together to come to an agreement and Mr. Rasmussen agreed.

Mr. Chittenden asked the Mixed Meet split – is it 6/4 and Mr. Rhines said it's change during the Mixed Meet – we'll start with Thoroughbreds only and they'll have six races a day (more if there's inventory to do so); then June 12, we'll start the Mixed Meet with 3 Quarter Horse races and 8 Thoroughbred races a day; in mid-August, it'll be 4 Quarter Horses races and 6 Thoroughbred races a day; field size is important for betting and the expectation is 7.2/day. Mr. Rasmussen said Mr. Rhines did a great job putting the data together and presenting it to the group.

President's Report. Mr. Palmer reported:

- November 1-2 is the Breeders' Cup; it will be a big day here; Mr. Albaugh's horse will run on November 1.
- Las Vegas – it was a great trip; thanked the Board who attended and were able to see the industry and technology; we had good weather and good conversations.
- PM wants to be pro-active on public safety, and today, all area Law Enforcement agencies and Fire Departments are holding an Emergency Awareness Exercise on the 3<sup>rd</sup> floor; Clint Pursley, Vice President of Security, coordinated the exercise with all agencies - it was a great initiative and he's proud of Mr. Pursley for helping all involved get prepared for an active shooter situation, fire, etc.
- Congratulated staff for a great United Way Campaign, noting Mr. Neugent is the Chair of the Central Iowa Campaign this year and Mr. Radia was the Chair last year.

Committee Reports

- Finance and Audit. Mr. Radia said the committee met on Monday and the primary purpose was to review the 2020 Budget and CapEx; Mr. Rhines and Ms. Castelline did a wonderful presentation – it is a stretch budget; when the budget is finalized, it will be sent to the Board within the next few days to review and then vote on at the November meeting; Mr. Rhines and Ms. Castelline will set aside a time for the Board to come out and get questions answered. The committee also received an update on the reasonableness of the Executive Compensation; Willis Watson and Powers did the Compensation Study and we'll receive a

letter stating the compensation is fair and reasonable and is in compliance with the IRS Code 4958; Ms. Wilkie, Vice President of Human Resources, and staff did a great job.

- Facilities. Mr. Cooper said the committee did not meet.
- Human Resources. Mr. Rasmussen said the committee did not meet.
- Grants. Mr. Chittenden said the committee did not meet.

Other Business. None

Adjournment. Mr. Cooper moved to adjourn the meeting, the motion was seconded by Ms. Simon, and unanimously passed on a voice vote. There being no further business, the meeting adjourned at 2:40 p.m.

Respectfully submitted,

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Suku Radia, Its Secretary