

**Monthly Meeting of the
Prairie Meadows Board of Directors
October 28, 2020
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Neugent in the Skinner Ballroom Prairie Meadows in Altoona, Iowa at 2:05 p.m.

Roll Call.

Dennis Albaugh
Bob Chittenden
Mark Cooper
Michael Gartner - absent
Frank Marasco
Marty Martin - phone
Gerry Neugent
Bob O'Hollearn

Suku Radia
Kurt Rasmussen
Ken Sagar
Mary Simon
Susan Voss
Marta Codina - phone
John Irving

Also in attendance were:

Gary Palmer, President/CEO
Ann Atkin, Senior Vice President/COO
Brad Rhines, Executive Vice President

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. Radia to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on September 23, 2020 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, Executive Vice President, presented the September Year-to-Date financials.

Ms. Castelline. Performance Goals, Net Revenue \$111 million; Gaming/Wagering Taxes (casino and Sports Book) \$25.8 million; Payroll Expenses \$33.4 million; Operating Expenses \$46.6 million; Net Income before Community Betterment \$5.4 million; September was a very good month and \$4 million was added to Net Income before Community Betterment; Total Revenue of \$117 million – Casino \$1.1 million, Sports Book \$4.8 million, F&B \$4.2 million, Other \$2.4 million, Pari-Mutuel \$2.4 million, Hospitality (hotel and entertainment) \$2.1 million; 86¢ of every \$1.00 comes from the casino.

Mr. Rhines. Sports Book Handle. The state is split into three zones; PM's wagering Handle was \$19.8 million or 31.96% of the Market Share; PM made \$90.3 million on mobile wagering or 57% of the state wagers.

Mr. Rhines.

- September Slot Win and Average Win/Guest. Slot Win was \$15.5 million; 86¢ of every \$1.00 comes from the casino and 90¢ of every \$1.00 is from Slots; players are making less frequent visits, but are spending 51% more – players spent \$70 per visit in 2019 and \$106 per visit in 2020.
- September YTD Casino Revenue – Major Competitors. PM \$101 million, down 35% YOY; the Iowa Casino average YOY down 29% and the competitors' average YOY down 29.7%; PM opened two weeks later than other Iowa casinos and lost \$8 million for the two months it was closed – otherwise casino revenue would have been down approximately 29%; Iowa casinos revenue on average was \$190,000/day and PM's revenue on average was \$560,000/day.

Ms. Castelline. PM vs. Surrounding Markets September Casino Revenue YTD vs. 2019. PM down 35%, St. Louis down 37.7%, Kansas City down 32.5%, Omaha/Council Bluffs down 32.2%, Quad Cities down 32.7%.

Mr. Albaugh asked if PM is operating with one-third of its slots and Mr. Rhines said PM is operating with 67% of slots and is generating 99.4% - that's almost the same as 2019 with fewer slots. Ms. Voss asked if there are waiting lines to play slots and Mr. Rhines said 60% of the games are utilized – we have 1,100 slots. Ms. Voss noted guests are spending more and asked about their visits and Mr. Rhines said guests are coming out later in the afternoon and early evening.

Lobbyist Update. Troy Skinner handed out and reviewed the Legislative Update – October 2020. In March, the session was suspended due to COVID and resumed again in June. Some of the legislation that affects PM: HF2623 – Debt Offset Thresholds – PM is required to check a database when a W-2G is required, and an amendment was added to the bill to ban use of credit cards for sports wagering and internet fantasy sports. SF 2338 – COVID Liability Protection – protection for businesses for COVID claims and is retroactive back to January 1, 2020. Election Forecast – there's a fierce fight at the state level; the Senate has 32 Republicans and 18 Democrats and there are nine targeted seats - the Democrats may pick up a few seats, but the Republicans should remain the majority; the House has 53 Republicans and 47 Democrats and there are fifteen targeted seats – he expects this to be close. The Iowa Racing and Gaming Commission has two new members. HSB512/HF2380 – Promo Play Tax Phase-out bill will be back – it's a relief on taxation of promo play and will be phased out over five years.

Racing Update. Mr. Heldt gave a recap of the 2020, 67 day Mixed Meet:

- On-track Handle: Thoroughbred was down \$1.4 million; Quarter Horse was down \$87,000; the Clubhouse was basically closed – no food or season tables, and the public watched races outside.
- Off-track Handle: Thoroughbred +\$5.2 million; Quarter Horse +\$1.9 million; we changed the Post Times and saw a huge increase in off-track Handle.
- Overall the Mixed Handle on-track was down \$1.5 million and off-track was +\$7.2 million.
- Average Field Size. Thoroughbreds 6.5 in 2019, 6.7 in 2020. Quarter horses 6.7 in 2019 and 7.2 in 2020.
- Highlights of the Meet:
 - Iowa Classic Day was September 26; 12 races - 4 Quarter Horses and 8 Thoroughbred (seven TB were stakes races)
 - Quarter Horses. Kirk Wessels and family have been here since the beginning and they won 2 of the 4 Quarter Horse Races. Tom Lepic, President of the IQHRA, won the Jim Bader Race.

- Thoroughbreds. A horse, “Flat Out Speed”, owned by Allen Poindexter, raced five times and won five times; she won an Iowa-bred filly race, and in July, she won an Open Race as an Iowa-bred. “Molly’s Rocket” was undefeated - won four of four races the past two years.
- October 8 was the ITBOA Annual Sales – 58 horses in 2019 and 75 in 2020; the gross was down, but sales all across the country are down double digits; the regional horses that meet all of the criteria are bringing top dollars; this was the first time for on-line bidding and \$95,000 was bid on-line; there are a couple of new owners that purchased horses for the first time.
- After the season is over, we started working on the racing surface – we added new surface and are working on the slope of the track for better water run-off, and filling the wash out spots. We’re also looking at the 40 drainage ditches under the track to ensure they’re draining properly.
- November 6-7 is the Breeders’ Cup in Lexington, Kentucky; Mr. Albaugh has a couple of horses that’ll probably run on Friday – they are two year-olds – “Girl Daddy” and “Sitting on Go” and these races are a prep for three year-olds for the Kentucky Oaks and Kentucky Derby.

Mr. Albaugh said we had several Board Meeting in March about opening or not opening the Backside – were there any major outbreaks? Mr. Heldt said we put protocols in place April-May, as did the National HBPA – we made a few changes to their protocols, and to his knowledge, there were no positive COVID tests on the Backside; everyday, we took temps and wristbands were issued.

President’s Report. Mr. Palmer reported:

- Congratulations to Mr. Albaugh for having horses run in the Breeders’ Cup – we’ll be routing for you.
- PM has been successful even with COVID – we were closed for three months, and the plan to re-open safely worked out well; we opened the Backside and we have a great relationship with the horsemen; opening the casino side has gone well and guests have communicated that they feel safe.
- COVID protocols taken:
 - The air system changes out air three times every hour, and can do it five-six times every hour; we don’t recirculate air, we bring in fresh air.
 - Clean and sanitize 24/7.
 - Masks are required for guests and employees.
 - Social distancing is observed.
 - We have dividers for Table Games and Slots.
 - The PA system announces masks are required except when eating or drinking, and social distancing is observed.
- The gaming/entertainment world is changing, and this may be the new normal.
- Our employees have done a wonderful job to keep employees and guests safe, and that helps make PM be successful.
- Last month, the Board approved giving \$1 million to United Way, \$500,000 to DMARC, and \$500,000 to the Food Bank; a photo of the Food Bank giveaway at the Fair Grounds was shown; thank you to the Board for the support; we’re glad to be able to help those that need help; read the thank you letter from DMARC; we’ll continue to give updates on what the money has done for the community.
- We’re in challenging times; he hopes there will be a vaccine soon; thank you to the Board for supporting us.

Mr. Neugent said seeing the September numbers is a testament to Mr. Palmer and the leadership team – people feel safe coming here; thank you.

Committee Reports

- Finance and Audit - Action Item – Finance/Audit Committee Charter. Mr. Radia noted the Charter was in the Board packet; periodically, we're required to review the Charter; we combined the two committee Charters into one Charter; the Committee thoroughly vetted. Mr. Radia moved to approve the Finance/Audit Committee Charter, the motion was seconded by Mr. Cooper, and unanimously passed on a voice vote. Mr. Radia said the committee met last week and discussed the 2021 budget; we will not have a formal budget until the first quarter 2021 as it's in a state of flux; there will be three scenarios to consider; before the November Board meeting, Ms. Castelline and Mr. Rhines will set aside a time to answer questions about the budget.
- Facilities. Mr. Cooper said the committee met last Friday, and thanked everyone who attended; there topics were reviewed: Current Projects, Grab and Go in the Café and Hotel remodel. The derecho took down 42 trees, and 35 new ones have been planted, and staff is working on the Backside. The Grab and Go concept will come in under \$100,000 and will be a benefit for hotel guests – food will be closer than going to the casino. Hotel remodel will be done in Q4 2021, and improvements are being done in the hotel lobby now.
- Human Resources – Mr. O'Hollearn said the committee met last Friday and there are two Action Items:
 - Front-Line Employee Bonus. This is a Secret Santa that has been done for 25+ years for the bargaining employees; the amount was \$505 last year, and due to finances, the recommendation for this year is \$300; 534 employees, if eligible – 300 full time and 150 part time. Mr. O'Hollearn moved to approve the \$300 Secret Santa for the bargaining unit and the motion was seconded by Mr. Albaugh. Mr. Cooper noted he's been on the Board for six years, and we've been hearing about the great job the employees have done during COVID and making PM successful; he would like to submit a revision to the motion – a reward of a substantial bonus of \$1,000 per member. Mr. O'Hollearn said the Finance/Audit Committee reviewed the finances; he does agree with Mr. Cooper – this is an extraordinary situation, and employees will be surprised that they'll get anything. Mr. Neugent noted that while PM was closed, employees were paid their full wages and benefits, and we are at 60% of the budget; a symmetry of \$300 was well thought out. Ms. Voss asked the fiscal implication of \$300 and Mr. Neugent said \$140,000. Ms. Voss asked if this would be paid in December and Mr. Neugent said yes. Mr. Rasmussen moved \$300 for full time and \$150 for part time bargaining employees; Mr. Neugent noted there is already a motion on the floor – this is the discussion to Mr. Cooper's revision. Mr. Radia said the Finance/Audit Committee discussed this, and during the time PM was closed, employees received full benefits and pay; \$300 is a fiscal starting point for the bonus and it's hard to do a bonus of \$1,000; the Mission is economic development and philanthropy after the books are closed; he agrees with \$300 and \$150. Mr. Neugent asked if there are any changes to the motion and Mr. Cooper said he's learned at the bargaining table to ask for more and settle for less; he shot the moon at \$1,000 and asked if the bonus could be bumped up to \$500? Mr. Neugent said the amount of the Secret Santa changes every year – it was \$505 last year. Mr. Cooper requested the Board consider bumping up as PM is doing well and we should award employees for showing up and putting their lives on the line. Mr. Neugent said procedurally, we need to ask about the motion to amend the first motion. Mr. Chittenden said we'd all like to do more, but can we afford it; \$500 is almost double to

\$300 and that's approximately \$250,000; employees don't expect to receive what they did last year; \$300 is fine, \$500 is too much – maybe \$400 if we can afford it. Mr. Neugent said we won't make budget this year and the question is, is there an additional \$100,000? Mr. Cooper said we have less employees than we did last year – we have 900 now and it's typically 1,100. Mr. O'Hollearn asked if the Finance/Audit Committee should review this and Mr. Radia said it's hard to see where we'll end the year. Ms. Voss said if it's to be paid in December, we can wait until November to decide. Mr. Palmer said, if you're asking if we can do \$400 without having to borrow – the answer is yes; he agrees that we have the best staff in the world, and we're coming off the two best years, and then COVID hit; if the Board wants to go to \$400, we can do that. Mr. O'Hollearn moved to give a Secret Santa of \$400 for full-time and \$200 for part-time bargaining employees. The motion was seconded by Mr. Chittenden, and unanimously passed on a voice vote. Mr. Cooper thanked the Board for raising the amount.

- Amendment to Gary Palmer's contract. Mr. O'Hollearn said this is an amendment to Mr. Palmer's deferred compensation; presently it's a three year average for his salary and bonus; because of Mr. Palmer's leadership during COVID, the Human Resources Committee would like to amend the contract to be the three highest of the last five years; the Executive and Finance/Audit Committees have reviewed this and believe it's an appropriate amendment. Mr. O'Hollearn moved to approve the amendment, the motion was seconded by Mr. Radia, and unanimously passed on a voice vote.
- Grants. Ms. Simon said the committee hasn't met since early in the year due to the suspension of Grants; the committee plans to meet in December.

Other Business.

Mr. Neugent noted the next Board Meeting is November 18.

Adjournment. Mr. Cooper moved to adjourn the meeting. There being no further business, the meeting adjourned at 2:55 p.m.

Respectfully submitted,

Michael Gartner, Its Secretary