

**Monthly Meeting of the  
Prairie Meadows Board of Directors  
February 5, 2020  
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Radia in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:05 p.m.

Roll Call.

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

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

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 December 18, 2019 as written. The motion was seconded by Mr. Cooper and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner reviewed the Legislative Update, February 2020, noting the legislature is in the fourth week of the session:

- Debt Offset Thresholds Bill. This is a casino industry bill that requires review of the debt database; the bill will make the February 22 funnel.
- Promo Play Tax Phase-out. This is double taxation; this will have a large fiscal impact; there will be a fiscal note when the bill comes out of committee.
- Sports Wagering Revenue Directed to EMS. The hope is to have \$3 million/year for EMS. Ms. Voss asked Mr. Skinner the definition of EMS, as last year, the Grants Committee received a lot of requests from fire departments. Mr. Skinner will check on this.

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

Ms. Castelline reported 2019 was the best year ever and December was the best December ever, and Casino Revenue hit a milestone at \$208 million:

<b>Performance Goals December 2019 Year-to-Date</b>	
	<b>Exceeds/Below Plan</b>
<b>Casino Revenue</b>	+0.8%
<b>Total Revenue</b>	+2.3%
<b>Net Revenue</b>	+2.3%
<b>Operating Expenses</b>	Above plan 3.7%
<b>Net Income before Community Benefit</b>	Below plan 1%

2019 Revenue Highlights. Mr. Rhines:

- Gaming Revenue has taken a monumental jump from 2015 (\$182.6 million) and 2019 surpassed a record year in 2018 and ended at \$208 million.
- Slot Operations have seen a 2.6% average growth from 2017, ending 2019 at \$183 million.
- Table Games and Poker has seen a 10.2% average growth from 2017, ending 2019 at \$25 million; some of the growth can be attributed to Poker moving to the casino floor, open 24 hours, addition of Electronic Table Games, and started taking side bets.
- Casino Revenue December 2019 YTD - State and surrounding Markets, year over year; we have a procedure process and strategy in place to drive business:

<b>Iowa Market</b>	
Prairie Meadows	+0.8%
State with Prairie Meadows	Flat
State without Prairie Meadows	-0.1%
Horseshoe	+0.3%
Ameristar II	-6.1%
Riverside	+6.5%
Isle – Waterloo	-1.2%
Harrah's	+0.65
Lakeside	+7.6%
Wild Rose Jefferson	-0.6%

- Horse Racing. Ms. Castelline said handle includes the Thoroughbred and Quarter Horse racing on track and the simulcast of Thoroughbred and Quarter horse racing and dog racing from other properties; handle ended at \$51.8 million, slightly lower than 2018.
- Sports Book. Mr. Rhines said 90% of the bets were made through mobile devices, after signing up at PM for an account; we have 4½ months of history; we took in \$75.6 million in wagers and won \$6 million before expenses, taxes, etc.; Sports Betting is a nice complement to our other amenities; Super Bowl handle was \$1.6 million.
- Hotel. Ms. Castelline said the hotel saw an 8.3% increase from 2018, and ended 2019 at \$5.2 million – an all-time record.

<b>Occupancy</b>	<b>December YTD</b>
Prairie Meadows	77.9%
Des Moines area	59.5%
Altoona/Ankeny Competitive set	65.5%

- Food and Beverage. Ms. Castelline said 2018 revenue was \$8.9 million and 2019 revenue was \$9.2 million.

- Expenses. Ms. Castelline said we’ve become more efficient through different processes, technology, and early-outs; revenue per full-time equivalent has grown from \$197,000 in 2017, \$209,000 in 2018 to \$221,000 in 2019.
- Top Performing areas in 2019. Ms. Castelline: Slot Coin-In, Slot Revenue, Table Game Revenue, Banquet Revenue, Gift Shop Revenue, Hotel Revenue, Casino Bars Revenue, AJ’s Steakhouse Revenue, Prairie Coffee Company Revenue, and Daily Double Deli Revenue.

2019 Expense Highlights – All Departments. Mr. Rhines said revenue has grown from \$218 million in 2017, \$232 million in 2018, to \$239 million in 2019 and the operating expenses are between 24%-26% of the revenue.

2019 Mission Highlights. Ms. Castelline:

- Community Betterment Grants (requests of less than \$100,000) – we received 389 grant applications totaling \$9.9 million, awarded 205 grants totaling \$2.5 million, and fully funded 97 projects.
- Legacy Grants (requests of \$100,000 or more) – awarded grants to 18 organizations totaling \$3.5 million.

The Board congratulated staff on a great year.

Staff Report. Brad Rhines, Senior Vice President/CSO:

- Reviewed the Organizational Chart, noting this is the leadership team that is responsible for 233 acres, 1 million sq. ft., open 24/7, 366 days a year, and 1,200+ employees; Accounting, Information Technology, Facilities, and Marketing report directly to him and are important to the company – Accounting counts the money, IT is the link and assists with efficiencies and technology, Facilities ensures the cleanliness of the property, and Marketing is the engineer.
- Net Revenue less COGS. We have a diversified revenue stream that has grown 17% from 2015 – from \$205 million to \$239 million. \$239 million revenue breakdown: 86.9% casino, 4% F&B, 4% Racing and Sportsbook, 4% Hospitality, 1% G&A, and 0% other (ATMs, check cashing).
- Casino Revenue has grown \$25.4 million since 2015, from \$182.6 million to \$208 million; PM is a 30 year old industry in a small metropolitan area; our expectations are that we’ll have a record 2020 and beyond.
- Slot and Table Revenue. Slots are our number one revenue source and have grown 10.5% since 2015. Table Games and Poker are our second revenue source and have grown 46.9% since 2015.
- Iowa Gaming Revenues (fiscal year). PM continues to make an impact in the Iowa industry, and it’s our people that make the difference:

	2014	2015	2016	2017	2018	2019
State Less PM	1,205,027,497	1,229,467,631	1,254,620,478	1,263,035,423	1,262,621,225	1,250,470,733
Prairie Meadows	183,171,485	186,060,525	182,515,752	190,172,316	201,187,146	206,540,896
<b>Total</b>	<b>1,388,198,982</b>	<b>1,415,528,156</b>	<b>1,437,136,230</b>	<b>1,453,207,739</b>	<b>1,463,808,371</b>	<b>1,457,011,629</b>

- Gaming Revenue Highlights. We have a great story to tell; we have had eight consecutive months with \$50 million+ quarters; Quarter 4 2019 was the best quarter ever at \$52.8 million; our benchmark for 2020 is \$53 million; 2019 was our best year ever.
- F&B brought 65.0% to the bottom line.
- Hospitality brought 75.7% to the bottom line.

- Hotel brought 22.9% to the bottom line.
- Gift Shop brought \$387,104 to the bottom line, that a 270% increase since 2015.
- Stakeholder include: employees, guests, labor unions, William Hill and other vendors, horsemen, Polk County, City of Des Moines, City of Altoona, school districts, charities, IRGC, Board of Directors; all benefit from the results we drive here and success means every stakeholder benefits.
- Community Betterment. This is more than the \$6 million for Grants, it includes the stakeholders just discussed; it's gone from \$31.1 million in 2015 to \$37.9 million in 2019; the results are generated by our employees and the leadership team; this is a story we want to get out.

Ms. Simon asked about the Altoona Economic Impact – there are no figures for 2018 and 2019. Ms. Castelline said this money was for the development of the Bass Pro area – we had a commitment to the City of Altoona, and this has been completed; Mr. Palmer said it was a total of \$8 million. Ms. Castelline noted that the \$1 million to the City of DM was for the naming rights for the YMCA pool – this has also been completed.

The Board complimented Mr. Rhines on the report and on a great year.

President's Report. Mr. Palmer reported:

- Valentine's Day is coming up and we'll have specials in TCB and AJ's. Mr. Willey, Vice President of Hospitality, said we have over eight pages of reservations – we had ten pages last year; to date, we have 350 reservations for AJ's.
- Reminder of April 22 meetings: 12:30 p.m. Executive Committee, 2:00 p.m. Board Meeting, followed by the Strategic Plan Meeting and dinner.

Committee Reports

- Finance/Audit. Mr. Radia said the committee met on Monday and reviewed the Internal Audit Plan for 2020; all 2019 Internal Audits have been completed; there are no legal matters, and reviewed the financials.
- Facilities. Mr. Cooper reported the committee did not meet.
- Human Resources. Mr. O'Hollearn said the committee did not meet.
- Grants. Ms. Simon said the committee did not meet, but she's met with Ms. Stewart, Director of Community Relations, to get ready for the process; information is in the Board packets; there are three Grants this year; we've moved the Legacy presentation timeline up – the presentations are February 14 from 2 p.m. – 4 p.m., March 26, and March 27; all Board members are welcome to attend; Ms. Stewart will send out information on how to access the portal.

Action Item – 2019 Bonus Disbursement. Mr. Radia noted the Board approved \$2,220,000 at the last meeting, and he'd like to take formal action today. Mr. Gartner approved the bonus total of \$2,220,000, the motion was seconded by Mr. Martin, and unanimously passed on a voice vote.

Other Business.

Mr. Palmer said Prairie Meadows University is part of the Succession Plan; he's discussed this with the Executive Committee, and as part of the plan, he'd like to announce that Brad Rhines has been promoted to Executive Vice President effective today, and it retro back to January 1, 2020; we're continually working on the Succession Plan in all departments. The Board and audience acknowledged Mr. Rhine's promotion.

Closed Session – Performance Evaluation (Bonus and Salary), Iowa Code 21.5(1)j for Gary Palmer. Mr. Radia said the Board will not go into a Closed Session.

Action Item – Performance Evaluation (Bonus and Salary) for Gary Palmer. Mr. Radia said the Executive Committee discussed this and it now goes to the Board to approve; PM had an exceptional year; the comments on the evaluation are all positive. Mr. Flynn passed out the results of Mr. Palmer’s evaluation.

Mr. Neugent said PM had a great year as reported by Ms. Castelline and Mr. Rhines; the Executive Committee recommends, and he moves, a salary increase of 5% of the 2019 compensation to \$568,250 and a bonus of 46% of the 2019 compensation of \$252,000. The motion was seconded by Mr. Gartner. Mr. Cooper asked if the motion could be separated into two issues and Mr. Neugent said he believes we need to do together – it’s total compensation, and one might not stand the other – his motion is both items together. The motion passed on a voice vote, with Mr. Cooper voting no. Mr. Gartner requested Mr. Cooper be allowed to explain his vote and Mr. Cooper said he is in favor of the 5% wage increase, and Mr. Palmer does an excellent job, but he can’t get his arms around a bonus of that magnitude.

Mr. Radia said he and Mr. Gartner were on the Compensation Study Committee to research and benchmark compensation; there are only two non-profit casinos; Michele Wilkie, Vice President of Human Resources, was also part of the process; Willis Towers Watson (WTW), assisted us in the process; WTW took a blend of non-profit and for-profit casinos and like sized operations, and PM falls at the 25<sup>th</sup> percentile or below – the 46% bonus is considerably lower than the benchmark; we need a reasonableness letter for IRS purposes, and we had no difficulty getting outside validation. Mr. Gartner noted compensation is salary and benefits and Dubuque is the other non-profit casino.

Adjournment. Mr. Cooper moved to adjourn the meeting. There being no further business, the meeting adjourned at 3:00 p.m.

Respectfully submitted,

---

Michael Gartner, Its Secretary