

**Monthly Meeting of the
Prairie Meadows Board of Directors
June 23, 2021
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 2:00 p.m. Mr. Radia noted he is filling in for Mr. Neugent who is out of town, but will attend via Conference Call.

Roll Call.

Dennis Albaugh
Bob Chittenden
Linda Grandquist
Danny Homan
Frank Marasco
Marty Martin - phone
Gerry Neugent - phone
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
Michele Wilkie, Senior 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. Chittenden to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on April 28, 2021 and the Minutes of the Special Board Meeting held on June 8, 2021, as written. The motion was seconded by Mr. O'Hollearn and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner reviewed the Legislative Update, June 2021:

- The session ended on May 9, 2021.
- There were several bills of interest to the gaming industry:
 - HF 513 – Simulcast Foreign Jurisdictions. The IRGC reinterpreted the current law, and we weren't able to receive races from foreign jurisdictions; the bill fixed that, and allows pari-mutuel races from foreign jurisdictions to be simulcast.
 - HF 861 – Justice System Appropriations. The bill reduces the number of DCI agents at the seven smallest casinos from three to two; casinos reimburse the state for DCI agents; PM didn't participate, in either way.
 - SF 615 – Standing Appropriations/Minimum Wage. Casinos pay 25% above the Federal Minimum wage; this bill changed that requirement; this doesn't affect Prairie Meadows, and Prairie Meadows didn't participate, in either way.

- The main bill of interest was SF 619 – Tax Omnibus Promo Play Tax Phase-Out. We have been working on this bill for a long time; the bill phases out Promo Play taxes over a five year period (i.e. a \$100 voucher is sent to a player, and Prairie Meadows has to pay a 24% tax); we wanted a three year phase-out; Jack Whitver and Tony Bisignano were very helpful; Prairie Meadows does \$10 million in Promo Play. Ms. Voss asked why the final bill was a five year phase-out and Mr. Skinner said it affects the RIF budget. Mr. Albaugh asked about the Sports Book TV ads – does this put us on an equal basis with Wm. Hill and Mr. Skinner said with the Sports Book, players had to come to a casino to sign up, but as of January 1, 2021, players could sign up by phone – this puts everyone on the same footing.
- Leadership Change – Jennifer Konfrst (D – Windsor Heights) was elected as the Minority Leader in the House.

Financials. Elaine Castelline, Vice President of Finance/CFO, said the Annual Conflict of Interest Form has been included in the Board packet, along with a Vendor list; this is a questionnaire based on IRS regulations for the tax return; she’d like it returned by mid-July.

Ms. Castelline reviewed May 2021 YTD to May 2019 YTD:

Performance Goals		
	May 2021	May 2019
Net Revenue	\$101.4 million \$6.2 million was Sports wagering	\$90.8 million Sports wagering didn’t start until August
Gaming/Wagering Taxes	\$23.9 million This includes Sports wagering	\$21.6 million Sports wagering didn’t start until August
Payroll Expenses	\$18.7 million Not all business was open early in the year and we had positive insurance results.	\$25.5 million
Operating Expenses	\$21.8 million Sports wagering (50-50 split)	\$20.2 million
Net Income before Community Benefit	\$37.1 million Our community partners are enjoying \$750,000 more.	\$23.5 million

Total Revenue YTD May: Casino \$93.5 million; Sportsbook \$6.2 million; F&B \$2.3 million; Pari-Mutuel (includes Live Racing and Simulcast) \$1.1 million; Other \$2.0 million; Hotel and Conference Center \$1.2 million. Most departments exceeded plan; F&B and Hospitality business has not returned yet; there’s a pent-up demand to do something and there has been no other competition for the entertainment dollar; Sports Book was higher than anticipated. Three F&B outlets had their best month ever – Prairie Coffee Company, the Paddock, and Winner’s Circle Bar.

Iowa Market Comparison – Revenue YTD May	
Prairie Meadows	\$93.6 million
Horseshoe	\$83.2 million
Ameristar II	\$75.4 million
Riverside	\$52.9 million
Isle – Waterloo	\$41.9 million
Harrah’s	\$29.4 million
Lakeside	\$21.6 million
Wild Rose Jefferson	\$15.1 million

Iowa Casinos average vs. 2019 = 20.6%; Competitors average vs. 2019 = \$18.2%; nationwide, casinos are doing well; 2019 was our best year, and we’re on target with 2019.

Surrounding Markets	
	2021 vs. 2019
Prairie Meadows	+8.3%
St. Louis	-1.9%
Kansas City	+8.3%
Omaha/Council Bluffs	+13.7%
Quad Cities	+16.0%

Sportsbook, May YTD: Prairie Meadows’ Market Share is 13.1%; Wagering = \$85,378 and PM kept \$6,063. When we started the Sportsbook, we were told the Hold would be 6% - the Iowa Hold is 6.5% and PM’s Hold is 7.1%. Mr. Palmer requested Ms. Castelline explain the Sportsbook – the Gross to Net is a misconception – what will Prairie Meadows keep at the end of the year after paying taxes and paying our partners? Ms. Castelline said the Net Wagering Receipts will be approximately \$6 million; after paying 4% for purses for next year, 6.75% Iowa wagering taxes, .25% federal tax on gross wagering, and part of wages for Wm. Hill employees and some Marketing, PM will make \$500,000 - \$1 million. Mr. Palmer noted there is a lot of Sports Betting competition, and people switch companies, depending on the offers that weekend; the gross numbers are big, but not to the bottom line.

Action Item - Re-forecasted Budget. Mr. Radia referred to the financial report, noting performance is exceptional coming out of the pandemic – congratulations to Mr. Palmer and the team; Mr. Palmer will discuss a revised forecast. Mr. Palmer said we didn’t know where how things would turn out during budget season last year, so we presented three scenarios: Downside, Upside, and Most Likely, and the Board chose the Most Likely; as of today, we’re \$25 million over revenue estimates; all casinos are breaking records due to people being able to get out and the government money; PM went from an average week of \$4 million to \$5.5 million (which compares to the best year ever), that is why staff wanted to reforecast, plus we need true numbers for budgeting purposes, not numbers we can’t do again; we’ll know the results in December; he’d hate to be +\$40 million as the Board would expect that and more; we need an achievable goal - be realistic for budget purposes, and get back to the 2019 numbers – we can’t duplicate the Spring 2021 numbers; we’re having a great year, but need to look for normal numbers for future years; we will have a great year, but we need to get back to the perspective.

Mr. O’Hollearn asked about new employees and the minimum wage increase – were they factored in the reforecast? Mr. Palmer said with the starting wage, the Upside is higher than the Most Likely; we still need approximately 100 employees; we’re waiting for the convention business to come back, and we’re ready – we know salaries and wages will go up, and that is part of business today. Mr. Radia would like to clarify that this will not be an Action Item, it is just a report. Mr. Palmer noted that, so far so good; it’ll be hard to get the numbers again as the government money is gone; Prairie Meadows is doing very well.

Racing Update. Ms. Atkin said she is filling in for Mr. Heldt today:

- Racing started April 30 with Thoroughbreds only; Quarter Horse racing started June 18, so the Mixed Meeting is in full force until September 25.
- Horses. There are 859 Thoroughbreds for 940 stalls, and 365 Quarter Horses for 420 stall; the Quarter Horses continue to move in as the Oklahoma tracks finish.
- July 2 – 3 is the Festival of Racing with Stakes Races.
- July 2 is the Hall of Fame. Inductees: Tom Lopic, Quarter Horse President; Deb Leech, ITBOA (Thoroughbreds); and a horse, My Woman from Tokyo, owned by Crimson Farms.
- Staff met with the Thoroughbred and Quarter Horse presidents, and all agreed to extend the contract through next June; there is a calendar change, but we don’t anticipate any issues.
- The Quarter Horse breeding program is really growing.
- The Thoroughbred breeding program is starting to improve.

Ms. Simon asked how the Wiener Dog Races went and Ms. Atkin said pictures are on Facebook and there are a lot of comments; we had a large crowd.

Mr. Palmer requested Ms. Atkin discuss the partnership with Polk County and COVID vaccines. Ms. Atkin said Ms. Stewart and Community Relations worked with Polk County on a vaccination clinic; the clinic was held on June 20 (Wiener Dog Race Day), and we’ll hold another clinic on July 18 (Camel, Zebra, and Ostrich Race Day).

Mr. Radia said the next two items are Action Items – Authorize the Executive Committee to engage a Search Firm for the CEO Position, and Extend Mr. Palmer’s contract to December 31, 2023. Mr. Marasco asked if it’s premature to authorize for a search firm due to the contract extension and Mr. Radia said the timeline is TBD. Mr. Albaugh said the request is for the Board to authorize the Executive Committee to look for a search firm. Mr. Flynn said the items should be done separately – the first is a concept and the second is more specific. Ms. Voss asked if there’s a budget number for the search firm and Mr. Radia said we’ll know more as we start the process, and fees are negotiable. Mr. Flynn said the Action Item is to give the Executive Committee the authority to start interviews and then come back to the Board and recommend a firm.

Action Item – Authorize the Executive Committee to engage a Search Firm for the CEO Position. Mr. Albaugh moved to approve authorizing the Executive Committee to start looking for a search firm, the motion was seconded by Mr. Rasmussen, and unanimously passed on a voice vote.

Action Item - Extend Mr. Palmer's contract to December 31, 2023. Mr. Albaugh moved to approve extending Mr. Palmer's contract to December 31, 2023, the motion was seconded by Ms. Voss, and unanimously passed on a voice vote.

Committee Reports

- Finance/Audit. Mr. Radia said the committee met on Monday and Ms. Castelline reviewed the Financials, Mr. Palmer discussed the Re-forecasted Budget, Mr. Flynn reported there are no legal matters of concern, and Kent Shirley gave an update on the Audit Department; it was a straight forward meeting.
- Facilities. Mr. Chittenden said the committee did not meet. Mr. Palmer said there was no chance to call a Committee Meeting, but we'll do so before the July Board Meeting – we want to discuss the hotel remodel as there issues with supply and demand and questions on the timeline; staff met with Weitz and Shive and discovered there was a lot of misinformation, and it was decided it would be best to postpone the remodel until March 1, 2022 – prices may come down, labor is unpredictable right now, etc.; staff believes we'll have good business in November and December, and we should have things open and not start the remodel; staff will ask approval to change the November 1, 2021 start date to March 1, 2022. Ms. Voss asked if some rooms have been done and Mr. Palmer said we have two mock-up rooms, and Weitz and Shive will duplicate what's been done; \$8 million has been set aside for the remodel, but it will probably cost more; we need better numbers and a timeline; everyone was relieved to delay the project. Mr. O'Hollearn asked the number of rooms shut down at a time for the remodel and Mr. Palmer said we'll do one floor at a time – we have 168 rooms. Mr. Albaugh moved to delay the hotel remodel until March 1, 2022, the motion was seconded by Ms. Voss, and unanimously passed on a voice vote.
- Human Resources. Mr. O'Hollearn said the committee did not meet.
- Grants. Ms. Simon said the committee is wrapping up Legacy Grants; a big thank you to Ms. Stewart – this took a lot of time and work, and it was a very smooth process; we heard great presentations; thank you to the committee; thank you to the Board members who attended the presentations – it was the best turnout she's seen since she's been on the committee. This is an Action Item to approve the \$2.5 million in Legacy Grants Disbursement, and the information is in the Board packet. Mr. Neugent moved to approve the Legacy Grants Disbursement, the motion was seconded by Mr. Rasmussen, and unanimously passed on a voice vote. Mr. Radia thanked Ms. Stewart for doing such a great job, and noted Legacy Grants of \$2.5 million were just approved and there's \$1.5 million for Community Betterment Grants – that's a total of \$4 million, plus the Board made an unusual Grant last year - \$1 million to United Way, \$500,000 to the Food Bank of Iowa, and \$500,000 to DM Area Religious Council; that's \$6 million in a pandemic year; PM's Mission is community support and that's being done; thank you to Mr. Palmer and the team for helping the community, and ensuring PM retains its tax exempt status by helping the community and economic development – Congratulations. Mr. Palmer asked the Community Betterment timeline and Ms. Simon said the committee will meet next week and start the review process, which will go through mid-August; Ms. Stewart is getting a booklet ready for the committee – we have 330 applications to review. Ms. Stewart noted there is \$1,250,000 for Community Betterment Grants and \$250,000 for Sports and Recreation Grants; the disbursement recommendation will be sent to the Board for approval at the September meeting.

Other Business. None

Adjournment. There being no further business, the meeting adjourned at 2:50 p.m.

Respectfully submitted,

Mary Simon, Its Secretary