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BEFORE THE MISSOURI GAMING COMMISSION

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5

Meeting

6

May 31, 2017

8:00 a.m.

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3417 Knipp Drive

Jefferson City, Missouri

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9

10 BEFORE: Herbert M. Kohn, Chairman

Brian Jamison, Vice Chairman

11 Larry D. Hale, Commissioner

Thomas Neer, Commissioner

12 Richard F. Lombardo, Commissioner

13 (Chairman/Commissioners present via
telephonically)

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Reported by:

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AGENDA

page

I. Call to Order 3:4

II. Consideration of Minutes

A. April 26, 2017 4:6

III. Consideration of Renewal of Supplier's License

B. IGT

1. Resolution No. 17-032 5:18

C. JCM American Corporation

2. Resolution No. 17-033 5:18

IV. Consideration of Licensure of Certain Level I and Key Applicants

D. Resolution No. 17-034 14:2

VIII. Motion for Closed Meeting under Sections 313.847 and 313.945, RSMo., Investigatory, Proprietary and Application Records and 610.021(1), RSMo, Legal Actions, (3) & (13) Personnel and (14) Records Protected From Disclosure by Law

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1 (Start time: 8:00 a.m.)

2 P R O C E E D I N G S

3 CHAIRMAN KOHN: Good morning.

4 We'll call the meeting of the May 31, 2017 of
5 the Missouri Gaming Commission to order.

6 Angie, please take the roll.

7 MS. FRANKS: Commissioner Lombardo.

8 COMMISSIONER LOMBARDO: Present.

9 MS. FRANKS: Commissioner Neer.

10 COMMISSIONER NEER: Present.

11 MS. FRANKS: Commissioner Hale.

12 COMMISSIONER HALE: Present.

13 MS. FRANK: Commissioner Jamison.

14 COMMISSIONER JAMISON: Present.

15 MS. FRANK: Chairman Kohn.

16 CHAIRMAN KOHN: Present.

17 We have a quorum. We're ready to proceed.

18 I understand there are some people in the
19 hearing room. And, Angie, let me ask you, are we on
20 speaker phone there? Can they hear us?

21 MS. FRANKS: Yes, you're on speaker phone
22 and, yes, everyone can hear.

23 CHAIRMAN KOHN: Okay. Well, thank you all
24 for coming, and we're sorry we're not there with you but
25 some logistical issues cause us to do this on the phone,

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1 which we won't do very often.

2 And before I forget, the next month meeting
3 is in Kansas City, not in Jeff City. So if you're
4 planning to come, you should arrange to come to
5 Kansas City for that.

6 So the first item of business is the
7 Consideration of the Minutes from the April 26 meeting.

8 Is there a motion to approve those minutes?

9 COMMISSIONER HALE: So moved.

10 COMMISSIONER NEER: Second.

11 CHAIRMAN KOHN: Angie, please call the roll.

12 MS. FRANKS: Commissioner Lombardo.

13 COMMISSIONER LOMBARDO: Approve.

14 MS. FRANKS: Commissioner Neer.

15 COMMISSIONER NEER: Approve.

16 MS. FRANKS: Commissioner Hale.

17 COMMISSIONER HALE: Approve.

18 MS. FRANKS: Commissioner Jamison.

19 COMMISSIONER JAMISON: Approve.

20 MS. FRANKS: Chairman Kohn.

21 CHAIRMAN KOHN: Approve.

22 MS. FRANKS: By your vote you've adopted the
23 minutes of the April 26, 2017 meeting.

24 Before we turn this over to Deputy Director
25 McGrail, let me just tell those of you who don't know

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1 that our Executive Director Bill Seibert is getting
2 ready for surgery today or tomorrow.

3 Is it today, Angie?

4 MS. FRANKS: Yes. He actually went in at
5 7:15.

6 CHAIRMAN KOHN: So our wishes and prayers are
7 with him, and we're certain it will be successful and we
8 look forward to having him back as soon as he can be.

9 Deputy Director McGrail, we're ready for you.

10 DEPUTY DIRECTOR MCGRAIL: Okay.

11 Mr. Chairman, Tab B is Consideration of
12 Renewal of Supplier's License. Sergeant Julie Scerine
13 will make the presentation.

14 CHAIRMAN KOHN: Sergeant Scerine, you're up.

15 SERGEANT SCERINE: Good morning, Mr. Chairman
16 and Commissioners.

17 CHAIRMAN/COMMISSIONERS: Good morning.

18 SERGEANT SCERINE: Missouri State Highway
19 Patrol investigators conducted the relicensing
20 investigation of two supplier companies currently
21 licensed in Missouri.

22 These investigations consisted of
23 jurisdictional inquiries, feedback from affected gaming
24 company clients, a review of disciplinary actions,
25 litigation and business credit profiles, as well as a

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1 review of the key persons associated with each company.

2 The results of these investigations were
3 provided to the Missouri Gaming Commission staff for
4 their review and you possess comprehensive summary
5 reports before you which outline our investigative
6 findings for each company.

7 The following supplier companies are being
8 presented for your consideration: IGT and JCM American
9 Corporation.

10 CHAIRMAN KOHN: Do you have any further
11 comments on IGT?

12 SERGEANT SCERINE: No, sir.

13 CHAIRMAN KOHN: Okay. Is Ed there?

14 MR. GREWACH: Yes, I am.

15 CHAIRMAN KOHN: Ed, there is an awful lot of
16 litigation listed under IGT, but I understand from a
17 previous conversation that it's not as bad as it looks.
18 Do you want to run through that for us?

19 MR. GREWACH: Absolutely.

20 First of all, when you look at the amount of
21 cases listed, in our evaluation it isn't unusual for a
22 company of that size. In addition, when you look at the
23 dates on the litigation, only the last four occurred
24 since the last time we renewed IGT's license.

25 and one of those they've been dismissed out

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1 of. That's the McGregor case. Two of them they're
2 actually not named parties. The named party is the
3 North Star Lottery Group, which they are co-owner with
4 another supplier company of North Star which runs
5 lotteries for states, specifically in this case for
6 Illinois, and there are some issues as to their
7 performance there in Illinois.

8 The only other case that occurred since their
9 last relicensure on the list is a suit in ejectment that
10 deals with the transfer of a note and deed of trust that
11 IGT made. So in other words, that Southern Forms case
12 listed on there is not a gaming-related case.

13 CHAIRMAN KOHN: Ed, are there -- I'm sorry.
14 Questions?

15 COMMISSIONER LOMBARDO: Yes.

16 Ed, this is Rick. What is the deal on this
17 Dollie Williams versus Macon County? It looks like it's
18 a class action. What's their involvement in that and
19 what's happened?

20 MR. GREWACH: Well, in that particular case,
21 that case was dismissed with prejudice on June 10, 2015.

22 COMMISSIONER LOMBARDO: Okay. I see that
23 now.

24 CHAIRMAN KOHN: Any other questions of Ed or
25 Sergeant Scerine?

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1 COMMISSIONER HALE: Yes. This is Larry Hale.
2 I just wanted to ask, Ed, if you had any
3 thoughts relative to the number of disciplinary actions
4 directed against this company? Is that also
5 attributable to its size?

6 MR. GREWACH: It is.

7 When you look at a company this size and the
8 volume of products that they ship. And IGT, I don't
9 have the exact number in front of me, but a supplier
10 this size is typically licensed in 2 to 300 different
11 jurisdictions, and given those number of jurisdictions
12 and the volume that they do, when we look internally at
13 the number of disciplines, we did not think it was any
14 cause -- any kind of alarm or concern for us.

15 CHAIRMAN KOHN: All right. Did I hear
16 somebody else start to ask a question?

17 COMMISSIONER NEER: This is Tom Neer. I had
18 one issue. Well, I guess it's kind of a question.

19 But I noticed that we have issued five
20 letters, basically letters of reprimand, but, Ed, have
21 we had any monetary disciplinary actions against them?

22 I know if they've got over a quarter million
23 dollars through 14 other jurisdictions, but we've issued
24 five letters. Have we ever had -- I don't recall us
25 having any monetary disciplinary issues with them. Do

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1 you?

2 MR. GREWACH: I don't believe so since their
3 last relicensure, but we have had in the past monetary
4 fines assessed against IGT. I don't have that list in
5 front of me, but we have.

6 COMMISSIONER NEER: Okay. Thanks.

7 CHAIRMAN KOHN: Any other questions or
8 comments? Any discussion?

9 Is there a motion with respect to
10 Resolution 17-032?

11 COMMISSIONER LOMBARDO: Motion to approve.

12 COMMISSIONER JAMISON: Second.

13 CHAIRMAN KOHN: Discussion on the motion?
14 Angie.

15 MS. FRANKS: Commissioner Lombardo.

16 COMMISSIONER LOMBARDO: Approve.

17 MS. FRANKS: Commissioner Neer.

18 COMMISSIONER NEER: Approve.

19 MS. FRANKS: Commissioner Hale.

20 COMMISSIONER HALE: Approve.

21 MS. FRANKS: Commissioner Jamison.

22 COMMISSIONER JAMISON: Approve.

23 MS. FRANKS: Chairman Kohn.

24 CHAIRMAN KOHN: Approve.

25 MS. FRANKS: By your vote you've adopted

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1 Resolution No. 17-032.

2 CHAIRMAN KOHN: Sergeant Scerine.

3 DEPUTY DIRECTOR MCGRAIL: She had covered --

4 CHAIRMAN KOHN: Did you have anything further
5 on JCM?

6 SERGEANT SCERINE: No, sir.

7 DEPUTY DIRECTOR MCGRAIL: No, she didn't.

8 CHAIRMAN KOHN: Okay. Any questions of
9 Sergeant Scerine?

10 COMMISSIONER JAMISON: Well, I have a
11 question on JCM with reference to the late application
12 twice now, and I'm assuming we're considering some sort
13 of discipline on that. Is the recommendation to approve
14 this relicensure even though that discipline is being
15 reviewed?

16 DEPUTY DIRECTOR MCGRAIL: I believe so.
17 Normally we handle a different process if they submit a
18 late application. We may initiate a notice of
19 investigation and actually do a GR on it. So it hasn't
20 gone through that process at this time yet.

21 CHAIRMAN KOHN: Is our -- I had the same
22 question that Brian did. Is our sequencing proper?
23 Should we be doing this resolution before we take up the
24 disciplinary action?

25 DEPUTY DIRECTOR MCGRAIL: And we have had

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1 similar instances I believe in the past that we would
2 still go ahead with the process of licensure and then
3 let any type of investigation discipline run its course.

4 CHAIRMAN KOHN: Okay. Any other questions or
5 comments?

6 Is there a motion with respect to
7 Resolution 17-033?

8 COMMISSIONER JAMISON: Well, I'll move for
9 adoption just based on the fact that that allows them to
10 continue, but I don't really like the fact that they're
11 late in their application more than once.

12 CHAIRMAN KOHN: Ed, what's the -- or, Tim,
13 what's the ramification of our holding this until we
14 deal with the late application?

15 MR. GREWACH: We really would not be able to.
16 Their license is set to expire. The only extension we
17 could give would be through the Chairman for 60 days.
18 The investigation will take longer than that. We have
19 in the past renewed even in light of these types of
20 violations.

21 And typically when we look at a late filing
22 it involves the payment of a fine as a penalty as
23 opposed to the loss of their license, and that's our
24 reasoning in recommending renewal of their license and
25 then dealing separately for the disciplinary action and

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1 the potential of assessing a fine against them for their
2 late filing.

3 COMMISSIONER LOMBARDO: Ed, this is Rick.
4 What is the status of any disciplinary action against
5 them? Where is it in the system?

6 MR. GREWACH: I don't have that information.

7 SERGEANT SCERINE: It's been sent to DRB.

8 MS. HUTCHISON: It should be going to DRB
9 probably next week.

10 MR. GREWACH: We are still -- you know, the
11 investigation is complete. We are going to review it as
12 a staff, probably make a recommendation on the case
13 within the next week or two. The process then is, as we
14 typically do, we'd send a 14-day letter to the supplier,
15 get their response, review their response. So it's
16 close to the end of our internal staff process.

17 CHAIRMAN KOHN: Can we look for this in the
18 July meeting or it will be after that?

19 MR. GREWACH: We won't have a July meeting.

20 CHAIRMAN KOHN: I'm sorry. The June meeting.

21 MR. GREWACH: It would be a little quick for
22 the June meeting because by the time we decide and we
23 have to send them a letter, give them 14 days to respond
24 and we have to review their response, so a more likely
25 target would be the August meeting.

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1 CHAIRMAN KOHN: Okay. I have lost track of
2 who made the motion to approve this resolution.

3 COMMISSIONER JAMISON: I made the motion to
4 approve it.

5 CHAIRMAN KOHN: Okay. Is there a second?

6 COMMISSIONER HALE: I'll second it, Larry.

7 CHAIRMAN KOHN: Any further discussion?
8 Angie.

9 MS. FRANKS: Commissioner Lombardo.

10 COMMISSIONER LOMBARDO: Approve.

11 MS. FRANKS: Commissioner Neer.

12 COMMISSIONER NEER: Approve.

13 MS. FRANKS: Commissioner Hale.

14 COMMISSIONER HALE: Approve.

15 MS. FRANKS: Commissioner Jamison.

16 COMMISSIONER JAMISON: Approve.

17 MS. FRANKS: Chairman Kohn.

18 CHAIRMAN KOHN: Approve.

19 MS. FRANKS: By your vote you've adopted
20 Resolution No. 17-033.

21 CHAIRMAN KOHN: Deputy Director McGrail.

22 DEPUTY DIRECTOR MCGRAIL: Next on the agenda
23 is Tab D, which is Consideration of Licensure of Certain
24 Level I and Key Applicants, and Sergeant Mike Finnegan
25 will make the presentation.

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1 CHAIRMAN KOHN: Sergeant Finnegan.

2 SERGEANT FINNEGAN: Good morning,
3 Commissioners.

4 CHAIRMAN/COMMISSIONERS: Good morning.

5 SERGEANT FINNEGAN: Missouri State Highway
6 Patrol investigators, along with Missouri Gaming
7 Commission financial investigators, conducted
8 comprehensive background investigations on multiple key
9 and Level I applicants.

10 The investigations included but were not
11 limited to criminal, financial and general character
12 inquiries which were made in the jurisdictions where the
13 applicants lived, worked and frequented.

14 The following individuals are being presented
15 for your consideration: Marcie Arai, Group Manager for
16 BMM North America; Jason Elison, Director of Technical
17 Compliance and Strategic Development, BMM North America;
18 Osamu Kakano, Director, Konami Holdings Corporation;
19 Anuj Nayyar, Group Manager, BMM North America; Donna
20 Negrotto, Executive Vice President, Secretary and
21 General Counsel, Pinnacle Entertainment; Fumiake Tanaka,
22 Director, Konami Holdings Corporation; Kaori Yamaguchi,
23 Outside Director, Konami Holdings Corporation; Jeremy
24 Nixon, Director of Slot Operations, Lumiere Place Casino
25 and Hotel; Leslie Ottolenghi, Executive Vice President

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1 and Chief Information Officer, Caesars Entertainment
2 Corporation; and last, James Simms, Vice President and
3 General Manager of St. Jo Frontier Casino.

4 The results of these investigations were
5 provided to the Gaming Commission staff and the
6 investigators are present at this meeting to answer any
7 questions you might have.

8 Thank you.

9 CHAIRMAN KOHN: Any questions of Sergeant
10 Finnegan?

11 Is there a motion with respect to
12 Resolution 17-034?

13 COMMISSIONER HALE: Mr. Chairman, move to
14 adopt Resolution No. 17-034.

15 COMMISSIONER NEER: Second.

16 CHAIRMAN KOHN: Further discussion on the
17 motion?

18 Angie.

19 MS. FRANKS: Commissioner Lombardo.

20 COMMISSIONER LOMBARDO: Approve.

21 MS. FRANKS: Commissioner Neer.

22 COMMISSIONER NEER: Approve.

23 MS. FRANKS: Commissioner Hale.

24 COMMISSIONER HALE: Approve.

25 MS. FRANKS: Commissioner Jamison.

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1 COMMISSIONER JAMISON: Approve.

2 MS. FRANKS: Chairman Kohn.

3 CHAIRMAN KOHN: Approve.

4 MS. FRANKS: By your vote you've adopted
5 Resolution No. 17-034.

6 CHAIRMAN KOHN: Angie, did we just set a
7 modern day record?

8 MS. FRANKS: I think so.

9 CHAIRMAN KOHN: I believe that concludes our
10 open session meeting. I hope Brian is still on because
11 we need a motion to go into closed.

12 Brian, do you have your script?

13 MR. JAMISON: Hello. I'm here.

14 CHAIRMAN KOHN: Oh, okay. We need a motion
15 to go into closed.

16 COMMISSIONER JAMISON: I move that we go into
17 a closed meeting under Sections 313.847 and 313.945,
18 Revised Missouri Statutes, investigatory, proprietary
19 and application records, and 610.021, Subparagraph 1,
20 Revised Missouri Statutes, legal actions, Subparagraph 3
21 and Subparagraph 13, personnel, and Subparagraph 14,
22 records protected from disclosure by law.

23 CHAIRMAN KOHN: Brian, do you have that
24 tattooed on your arm?

25 Is there a second?

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1 COMMISSIONER LOMBARDO: Second.

2 CHAIRMAN KOHN: Okay. We have a motion, a
3 second.

4 Angie, please call the roll.

5 MS. FRANKS: Commissioner Lombardo.

6 COMMISSIONER LOMBARDO: Approve.

7 MS. FRANKS: Commissioner Neer.

8 COMMISSIONER NEER: Approve.

9 MS. FRANKS: Commissioner Hale.

10 COMMISSIONER HALE: Approve.

11 MS. FRANKS: Commissioner Jamison.

12 COMMISSIONER JAMISON: Approve.

13 MS. FRANKS: Chairman Kohn.

14 CHAIRMAN KOHN: Approve.

15 We are going to go into closed session, and
16 again logistically with us on the phone and people there
17 in the hearing room, somebody explain to me how we're
18 going to do this.

19 DEPUTY DIRECTOR MCGRAIL: We'll excuse anyone
20 except those from the Commission and the Commissioners
21 themselves and then we'll shut all of the doors and then
22 we'll just have the closed session here.

23 CHAIRMAN KOHN: Okay. So you're going to
24 stay on the line?

25 DEPUTY EXECUTOR MCGRAIL: Yes, we'll stay on

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1 the line.

2 CHAIRMAN KOHN: All right. We'll now go into
3 closed session.

4 Thank you all for attending and for
5 understanding our need to be on the phone instead of
6 there with you.

7 WHEREIN, the meeting concluded at 8:40 a.m.

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I, Patricia A. Stewart, CCR, a Certified Court Reporter in the State of Missouri, do hereby certify that the testimony taken in the foregoing transcript was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this transcript was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Patricia A. Stewart
CCR 401

MISSOURI GAMING COMMISSION
Second Open Session Minutes
May 31, 2017

The Missouri Gaming Commission (the “Commission”) went back into open session at approximately 8:37 a.m. on May 31, 2017, at the Missouri Gaming Commission’s Jefferson City office.

Commissioner Neer moved to adjourn the open session. Commissioner Jamison seconded the motion. After a roll call vote was taken, Lombardo – yes, Neer – yes, Hale – yes, Jamison – yes, and Kohn – yes, the motion was unanimously approved.

The meeting ended at 8:38 a.m.