

Message from the Chairman

Looking back over FY 2008, the Missouri Gaming Commission (MGC) has been faced with change and uncertainty as we monitored the casino industry during an economic downturn. Once considered to be recession-proof, the industry fell on hard times when the banks went into a financial crunch and started calling in some of the casinos' rolling debt. Almost a year ago, Harrah's was sold to two private equity firms for billions of dollars. Penn National was in negotiations with two private equity firms, but the proposed sale and agreement have now been scrapped. This economic uncertainty created unusual challenges for MGC in dealing with new applications. In February we decided to process Sugar Creek's application while delaying an ultimate decision, to afford time to analyze the stability of the casino industry and its impact on the State of Missouri. Shortly thereafter, an initiative petition proposing to repeal loss limits, increase gross receipts tax and cap the number of casinos was filed with the Secretary of State, causing the Commission to put a moratorium on applications pending a vote of the people. At the same time, competition was increasing as new casinos were opening in Kansas and there were discussions of expansion in Illinois. MGC opted to go into a holding pattern until after the election which will put us in a position at the end of the year to make the right decisions in the best interest of the State of Missouri at that time. If the initiative petition passes, we will move quickly to put procedures in place to prevent money laundering and exclude unsavory characters. In addition, we intend to secure an accurate admissions count through two turnstiles in lieu of the buy-in card.

During the year, Lumière opened in downtown St. Louis. Early results have far exceeded our projections for revenues. Instead of a projected two percent increase in revenues in St. Louis, the increase has been ten percent; and Lumière has been an important economic impetus in the City of St. Louis' overall downtown redevelopment. A second casino is under construction in South St. Louis County, and is scheduled to open in Calendar Year 2010, increasing the number of Missouri casinos to thirteen.

The Commissioners have visited most of Missouri's casinos. We are establishing a program whereby we will meet seven times during the year at the headquarters in Jefferson City, once in St. Louis and Kansas City and at two of the three outlying casinos in LaGrange, Caruthersville, and St. Joseph. This will provide a schedule for visiting St. Louis and Kansas City casinos every year and the outlying casinos every two years. We believe on-site inspections give us a better understanding of casino operations which enable us to understand their presentations when they appear before us.

We are proud of our progress in facilitating the inclusion of minority and women businesses in the casino industry. The industry now contracts with thousands of small businesses, providing opportunities for these entrepreneurs.

With the appointment by Governor Blunt of two new Commissioners, the Horse Racing Commission is no longer dormant. The Commission is advisory to the Missouri Gaming Commission and provides expertise to assess the economic value of harness racing at state and county fairs and whether there are prospective investors for a Missouri track. The Horse Racing Commission had an organizational meeting and we look forward to their recommendations in the months ahead.

Our compulsive gambler program continues to be available to those persons and families who are subject to the problems of a gambling addiction. This effort has been expanded to include an involuntary program to exclude those with gambling convictions.

We can anticipate new complexities in FY 2009. MGC staff is composed of experienced professionals who will meet the challenges and act in the best interests of the State of Missouri.