MISSOURI GAMING COMMISSION

STATE OF MISSOURI

Commission Meeting

March 29, 2017
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Missouri Gaming Commission
3417 Knipp Drive
Jefferson City, Missouri
March 29, 2017

BEFORE: Herb Kohn, Chairman
Rick Lombardo, Commissioner
Thomas Neer, Commissioner
Larry Hale, Commissioner
Brian Jamison, Commissioner

REPORTED BY:
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(WHEREUPON, the meeting of the
Missouri Gaming Commission began at 10:01 a.m.)

CHAIRMAN KOHN: Good morning, everybody. Thank you for being here for the March 29 Gaming Commission meeting, and we'll call that meeting to order. Angie, please call the roll.

MS. FRANKS: Commissioner Lombardo?

COMMISSIONER LOMBARDO: Present.

MS. FRANKS: Commissioner Neer?

COMMISSIONER NEER: Present.

MS. FRANKS: Commissioner Hale?

COMMISSIONER HALE: Present.

MS. FRANKS: Commissioner Jamison?

COMMISSIONER JAMISON: Present.

MS. FRANKS: Chairman Kohn?

CHAIRMAN KOHN: Present. The first item of business will be the consideration of the minutes of our meeting of March 1. We had two meetings this month. Is there a motion to approve those minutes?

COMMISSIONER LOMBARDO: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Angie, please call
the roll.

MS. FRANKS: Commissioner Lombardo?
COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer?
COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale?
COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison?
COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn?
CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted the minutes of the March 1st, 2017 meeting.
CHAIRMAN KOHN: So before we get to business, we'll begin by doing what I think has become one of our most favorite things to do at these meetings, and that is to have an employee presentation. Mr. Seibert?

MR. SEIBERT: We have some recognition for Missouri Gaming Commission employees. Deputy Director Tim McGrail will make the presentations.

MR. McGRAIL: Again, as part of our strategic plan, what we do is we recognize employees, especially ones that have been here for
a long time. They've been dedicated. They like
the work for the fact that they do spend a lot of
time with us and that they stay with this agency.
So we recognize for five-year increments. So first
if we could have Kathy Cardenas come forward and
recognize her for five years of dedicated service
with the Missouri Gaming Commission.
(Applause.)
CHAIRMAN KOHN: Congratulations from
the Commission as well.
MR. McGRAIL: The second one is for
ten years of service, and that will be for Anthony
Linhardt.
(Applause.)
CHAIRMAN KOHN: Congratulations,
Anthony.
MR. McGRAIL: And she started right
out of high school, so if Tina Amick would come
forward for 15 years.
(Applause.)
CHAIRMAN KOHN: You got three
pictures.
MR. McGRAIL: The other is where
Executive Director Seibert had started when he came
into that position as far as recognizing employees
quarterly for taking that extra effort and going
above and beyond the call of duty as far as their
work and such.

So if Tabitha Perkins would come
forward, please. Again, we recognize quarterly.
Through this the executive director has a reserved
parking spot for you, and even though Tabitha is
out of the St. Louis area, she does have a reserved
spot when she comes to Jefferson City for the next
quarter. And I believe that the Executive Director
actually will come up sometime and take you out for
lunch if I'm correct on that. So he owes you a
lunch. Don't forget it.

Let me read just a little bit of
summary as far as why we're here today recognizing
Tabitha. This past year Ms. Tabitha Perkins
volunteered to assist in a complex regulatory
investigation. Without hesitation she began
conducting multiple interviews and scanned over and
reviewed nearly 13,000 e-mails. A lot of time.
She reviewed the entire documentation provided and
began identifying the root of the issue for the
regulatory investigation, and in the end resulted
in a successful conclusion.

Prior to this investigation, Tabitha
had been promoted from a senior office support
assistant to an EGD specialist, and as a new
employee to the department, she never deferred any
task related to this investigation. She did all of
this while still carrying out her day-to-day duties
and always with a smile on her face and a positive
attitude.

Because of Tabitha's self-initiative
surrounding this complex regulatory investigation
that spanned, again, multiple months and an
enormous amount of material, she was recognized by
her peers and supervisor for her willingness to go
the extra mile. This is the reason why her name
and performance was submitted for the employee of
the quarter and that we're pleased and proud for
her to achieve -- to recognize her for achievement
today. So congratulations.

(Applause.)

CHAIRMAN KOHN: So when the executive
director takes you to lunch, make sure he takes you
to Ted Drewes for ice cream afterwards.

MS. PERKINS: So is it a five-course
meal?

CHAIRMAN KOHN: It is, and don't let
him skip even one course.
MS. PERKINS: Wonderful. I look forward to it.

CHAIRMAN KOHN: So we also have some serious business this morning. Mr. Seibert?

MR. SEIBERT: The first order of business, Mr. Chairman, is consideration of renewal of Class A licensure, and Sergeant Mike Finnegan will present. I might have that backwards. If you want to wait --

SERGEANT FINNEGAN: Do you want to have them do the presentation?

CHAIRMAN KOHN: Troy, I think you're going to be up.

MR. SEIBERT: Mr. Troy Stremming will make a presentation.

CHAIRMAN KOHN: I thought maybe you decided to skip Troy's part.

MR. STREMMING: Forgot I got paid by the word. Good morning, Mr. Chairman, Commissioners, Mr. Executive Director. My name is Troy Stremming. I'm Executive Vice President of Government Relations and Public Affairs for Pinnacle Entertainment. Glad to be here this morning for our renewal of our Class A license for Pinnacle.
I've got several of our team members and our leaders that are located here in the state with me today, and I'd like to take a moment to introduce them and ask them to stand when I recognize them. I'll start with Neil Walkoff, who's our Executive Vice President of Operations. Chris Plant is our Vice President and General Manager of our River City Casino. Ward Shaw is our Vice President and General Manager of Ameristar St. Charles.

I also have with me today Matt Block, who's our VP of Government Relations, who I work closely with on a daily basis. And then we have also our regulatory compliance team with us here today as well. So I just want to thank everybody for being here to be a part of this presentation.

I know you've previously been provided with our presentation, so I will try to be brief today and keep my comments short and leave time to answer any questions you may have of us at the conclusion of the presentation.

So this first slide just I thought would be nice to show you the growth of Pinnacle across the U.S. We now have 16,500 team members which work at our 16 properties in ten states, and
you can see that we have quite a geographic spread
now across the United States.

Slide 3, I know there's a lot of bars
and numbers on here, most of them too small to
read, but I would just say that it kind of has an
overview of our financial performance since 2008.
And over that period you can see we have
experienced approximately $1.4 billion or
155 percent net revenue growth, $484 million or
almost 300 percent of EBITDA growth, and operating
margins have increased over 11 points over that
period of time. So we're very pleased with the
financial performance of the property and of the
company.

And this slide touches on Pinnacle's
historic debt and cost of borrowing, which you all
know is critically important in our industry. And
post the GLPI transaction you'll see that Pinnacle
now has the lowest weighted average cost of debt in
our company's history at 4.4 percent.

You'll also see post transaction now
we have just about a fourth of the debt that we had
a year ago with the company, and we think that that
is primarily due to prudently paying down debt,
negotiating good borrowing terms and, again,
maintaining strong operating margins within the company.

This slide just speaks briefly to the evolution of Pinnacle over time, and it touches some of the milestones over about the last seven years. And you can see that Missouri has been a common thread in that growth with the opening of River City in 2010 and then in 2013 acquiring Ameristar Casinos and two additional Missouri properties.

It also touches on our latest acquisition, which we continue to grow, and that's the Meadows Racetrack in Washington, Pennsylvania, which is right outside of Pittsburgh, Pennsylvania. We've grown the company over this period of time from $1.1 billion in net revenue in 2010 to about $2.4 billion in 2016.

Slide 6. I'll be brief on this. It just reflects the growth of our share price over the last year and that growth that I talked about earlier. And since the Pinnacle spinoff and the GLPI transaction, our share price has increased by over 70 percent. In fact, we put this dec together back for you on 3/17 when we were trading at 18.53, and we closed yesterday at a near 52 week high of
$19.37. I was actually surprised to see Neil Walkoff here today, that he actually came with that share price where it is.

Slide 7. Again, I know a year ago when we went through the transition or the transaction with GLPI there were a lot of questions about that transaction and the impact that that might have on our business in Missouri, and a year later I'm just here to report that that relationship has been a very positive one, and we believe, and I think most would tell you, that it's really been seamless to both our guests and our team members. And for our shareholders it has created a lot of value, and as I showed you earlier, if they invested in the new Pinnacle, they've received even more value over time.

But most importantly, there's been no changes in the operations, and we continue to be focused on maintaining our high quality properties and reinvesting in those properties both through growth and maintenance capital. So I think, in summary, it really has had very little impact and very -- it's been seamless to our guests and our team members, which is most important to us.

The next slide just touches on the
CHAIRMAN KOHN: Troy, can I stop you?
MR. STREMMING: Sure.
CHAIRMAN KOHN: So as a result of that transaction, there's been no surprises, no down side, nothing negative at all?
MR. STREMMING: There really hasn't.
I would equate it to moving from one apartment complex where you have a landlord, even though we didn't have one, to another complex where you have a landlord, and as long as you make your payments on time, you really never see nor hear from that landlord. And again, there's absolutely no involvement in operations, investments in the property or anything to that effect. And I think our guests and our team members probably feel that they're in the same or better position today than they were prior.
CHAIRMAN KOHN: And are you able or will you be able to reinvest more money as a result of your lower debt service cost?
MR. STREMMING: Yes. I mean, and I think that it's -- you know, that number, whatever that number will be, and I'll get to that later in the presentation to show you what we've done over
the last two years since the last time we were here, I guess it's been a year ago, for relicensing. But as you know, that depends on a lot of things, what the market looks like, how our businesses are working in every market, and where we might need more maintenance capital in another state versus this state at any given time.

I'll give you an example. Last year we had significant improvements in Kansas City that the guests and no one really saw because we had to put new EIFS on the facility. We had to put an entire new roof after 20 years. Those are millions of dollars that we reinvested in that property that no one really sees, but we pride ourselves on maintaining class operations in each of our markets.

So it really kind of depends on where you invested over time, but yes, it does free up capital for us to continue to invest in all of our properties.

CHAIRMAN KOHN: Okay.

MR. STREMMING: This slide speaks to just the combined economic impact in Missouri from our three properties over the last fiscal year.
River City Casino generated over $212 million in tax revenue and city lease payments to the state and to the home dock cities and $121 million in total employee compensation. So there's really the two numbers I think that are the most important in this slide.

And, you know, that also doesn't take into effect the trickle-down effect that you have in the local community when that money is spent on other items in the community. But very proud of the fact that those are some very significant numbers that we have an economic impact in the state and the local communities in which we operate.

The next two slides will talk a little bit about the reinvestment that you just touched on, Mr. Chairman. You know, as promised, we continue to reinvest in these properties, and we have invested approximately $69 million collectively in Missouri over the last three years. And this slide breaks down by city some of those -- or by location some of those specifics of where that money was spent. But you can see in St. Charles we've reinvested a little over $32 million, a little over $23 in million Kansas City and nearly
$14 million in River City over that time frame. And then you can see just a couple of -- on this page and the next one you'll see some of the larger projects that were completed over that time frame. The Cibare Italian restaurant at River City, if you have not seen it, is a really, really nice concept. We're actually exploring utilizing that same concept in some of our other casinos throughout the country.

And then also at River City we put an entire new Asian gaming and dining area in as well. And in St. Charles we have a new Asia restaurant and gaming area as well and revamped the high limit slot area in St. Charles. We also did the same thing in the high limit slot area in Kansas City, as well as reinvested in the high limit table area.

So those are just a few, and I think it gives you just a feel for the level of quality when we are continuing to reinvest in these properties.

Now, slide 11, I'd like to turn to our MBE and WBE participation efforts in Missouri. Pinnacle continues to focus on our MBE and WBE participation at all of our properties. This is not just a Missouri topic in our company but one
that we look at all of our properties. And I will say that I think what has become part of our culture at Pinnacle really started here in Missouri with the focus and the effort and the success that we have in this state.

You'll see that from 2012 to 2016 the Missouri properties have spent over $108 million with minority and women-owned businesses. And when you compare where we were in 2012 and '13 on average to 2014 through 2016, you'll see that that purchasing has grown from 24.2 percent of our entire spend to 29.6 percent of our spend, and that's a number that we're proud of, but at the same time we're constantly looking for ways to continue to grow those numbers.

CHAIRMAN KOHN: Do you have a goal?

MR. STREMMING: You know, we -- I would not be able to speak directly to the goal because I know that really is our purchasing department. I will tell you that, from a culture perspective, when we talk about this at the senior level of management, we don't include goals. Our philosophy is we should always be looking to grow these numbers and not just be happy by hitting any given number but doing the best that we can to make
sure that all these MBEs and WBEs have the
opportunity to grow with our company.

COMMISSIONER JAMISON: We may have
talked about this a year ago. What was the reason
for your spike in '14?

MR. STREMMING: I don't know if I can
tell you. Does anybody have a reason for the spike
in '14? I don't know that I was going to talk as
much about the spike in '14 as, you know, over '15
and '16 we did lose a couple of vendors that make
that look more like a spike, I think. Our cleaning
services that we use in the St. Louis market was
decertified, so we couldn't count them any longer.
And then we also cut back on some of our marketing
spend, and just by cutting back, we utilized an MBE
for that work, and it cut back on the number.

But the other thing I wanted to point
to is, if you actually look at the overall number
in '16, we're up to $25 million, but because we're
spending more money in other areas, our percentage
is down to 25 percent, but we actually are spending
more than we've ever spent.

COMMISSIONER JAMISON: I saw that the
dollars were closer to where they were in '14 but
your percentage was down by 6, 7 percent.
MR. STREMMING: Yeah. Moving on to slide 12. I'll shift gears here just a bit and touch on what we view as our most valuable asset, and that's our team members, and touch just a bit on the culture in which they work in every day.

We currently have approximately 3,770 team members in Missouri. And like our customer base, our team member base is a diverse one. Almost 44 percent of our team members are minorities, and that number has continued to grow over time, as you can see there in that bullet point at the top. This chart just sets forth each of those minorities by race.

But, you know, one thing that we constantly look for, we're happy with where these numbers are, but we're constantly looking for ways to continue to promote within the management level of our employees, and that's an area where we think we can do a little better and there's been more of a focus on that within our company.

So I think one thing that we look at as a company is, when you have great employees, what do you do to hold on to those great team members, and you do that by providing great wages and excellent benefits. And this slide speaks to a
policy that was put in place in our company in 2016, and we implemented a company-wide minimum wage of $10.15 per hour for all non-tipped positions, and we did that without any encouragement from any government entity or any requirement by any government entity.

We also looked at incremental increases and provided them where -- there were certain positions where people were already making beyond $10.15 an hour, so we also incrementally raised those wages. And you can see on this slide that 942 team members in Missouri received increases, and the average increase for those team members in Missouri was approximately 8 and a half percent.

Lastly, I just wanted to speak a moment about the culture of Pinnacle, and one of our core values is care, you see represented there, and that core value care, we bring it to life through three giving focus areas, and you can see where they are: Veterans, caring for senior citizens in the community as well as supporting efforts in finding cure for cancer and then food, spreading food throughout our communities.

You would imagine we feed a lot of
people at our properties, and there's a lot of food
that's left at the end of the day, and if you can
find a way to utilize that food through food
pantries or having great relationships with not for
profits like Harvesters and other companies, it's
another way that we can give back and something
that we're very focused on.

This is just a page to show you a few
of our team members out in the community, and it's
exciting to be a part of such a committed group of
team members who are so actively involved in our
communities and show such compassion and concern
for those that they help. These are just a few
examples of each of our teams out in the community
giving back and something that I know that all of
our GMs here are very, very proud of.

And this last slide, it just speaks a
moment actually to dollars in giving back, and not
only do our team members give of their time, but
they also give with their hard-earned wages. And
you'll see that in 2016 through our giving campaign
all of our team members company-wide pledged over
$800,000 to not for profits in local communities.
And when you add to that the over $400,000 they
raised for our Baton Rouge team members which were
impacted by the recent floods, they raised more than $1.2 million to help others last year. And I think that says a lot about our team members and why we certainly think that they are our best asset in our company.

And that concludes my presentation, and I'd be more than happy to answer any questions you may have.

CHAIRMAN KOHN: Are you going to have any other member of your team present?

MR. STREMMING: No, I was not.

COMMISSIONER LOMBARDO: I had a question. I was looking at the financial information that was provided, in particular the balance sheet and the income statement. It looks like from 2015 -- 2015 you had shareholders equity of $363 million, and as of 2016 you had negative shareholders equity in the amount of $372 million. That's what I'm seeing on the balance sheet. I was wondering if I'm reading that right, No. 1, and No. 2, if there's a particular explanation for that, an event or a property.

MR. STREMMING: No. And I'd almost question if that's accurate because how we have negative shareholder value with the company
trade -- with a one and a half billion dollar market cap company and the shares trading at an all-time high, I don't know how there would be a negative shareholder value. And I haven't reviewed that or seen it.

COMMISSIONER LOMBARDO: It's on the balance sheet, and I understand the stock price and, you know, I understand everything you've said and I believe it's accurate.

MR. STREMMING: Sure. Sure.

COMMISSIONER LOMBARDO: I was just curious.

MR. STREMMING: I'd be more than happy to look into what you were provided and get you an answer.

COMMISSIONER LOMBARDO: Well, then the other thing, which goes right along with this, is it looks like in 2016 on the income statement, it shows an operating loss of $457 million. Previous years there was a gain. So, once again, I was just wondering if there's some particular event or explanation or maybe that information is incorrect.

CHAIRMAN KOHN: Is that the company's statement or the Commission's?
COMMISSIONER LOMBARDO: It's the company's statement.

CHAIRMAN KOHN: Prepared by the company?

COMMISSIONER LOMBARDO: Shows that it's audited.

COMMISSIONER HALE: It's contained in the report, right?

MR. STREMMING: I'll be more than happy to look into it and let you know. I mean, I --

COMMISSIONER LOMBARDO: Well, I would just feel remiss if I didn't ask the question since it's --

MR. STREMMING: Absolutely. I totally agree. I will definitely look into it.

CHAIRMAN KOHN: You'll look into it and communicate with commission staff?

MR. STREMMING: Absolutely.

CHAIRMAN KOHN: Other questions? Is there a motion with respect --

MR. SEIBERT: We need to have Sergeant Finnegan.

CHAIRMAN KOHN: I'm sorry. We reversed it, didn't we?
MR. STREMMING: Thank you all very much.

CHAIRMAN KOHN: Sergeant.

SERGEANT FINNEGAN: Good morning, Mr. Chairman, Commissioners. The Missouri State Highway Patrol investigators conducted the relicensing investigation of one Class A licensee currently licensed in Missouri. This investigation consisted of jurisdictional inquiries, feedback from affected gaming company clients, a review of disciplinary actions, litigation and business credit profiles, as well as a review of the key persons associated with the company.

The results of this investigation were provided to the MGC staff for their review, and you possess a comprehensive summary report before you which outline our investigative findings. The following Class A licensee is being presented for your consideration: Pinnacle Entertainment, Incorporated.

MR. SEIBERT: Staff does recommend approval.

CHAIRMAN KOHN: Any questions of the sergeant?

COMMISSIONER JAMISON: No, sir.
COMMISSIONER LOMBARDO: No.

CHAIRMAN KOHN: If not, is there a motion with respect to the resolution?

COMMISSIONER LOMBARDO: Before we do that, I'm wondering, Mr. Stremming, is there somebody else here who could perhaps answer those questions?

MR. STREMMING: I just asked the group here and I don't know that we have the answer. The only thing I can think of is it has something to do with the GLPI transaction and the sale of that Pinnacle stock because you had to flip and create a new company. But without actually looking at them, I hate to speculate and just guess.

CHAIRMAN KOHN: Well, I started looking at this just since Commissioner Lombardo asked the question. Your total liabilities are about the same. So I -- I don't know.

COMMISSIONER LOMBARDO: If you look at page 8, which is the second page of the balance sheet -- excuse me, the balance sheet, that's the numbers I looked at.

MR. SEIBERT: Mr. Chairman, if you would, Maggie White, who's over the financial
investigators, can explain.

COMMISSIONER LOMBARDO: That would be great.

CHAIRMAN KOHN: Good. Do we have an answer?

MS. WHITE: Yes. Maggie White, Chief Financial Analyst. These are the audited statements, and really this does, as he mentioned, relate to the transaction. If you'll notice on the statement of operations, we have like in the 2016 we have impairment of good will.

COMMISSIONER LOMBARDO: What page are we on of our presentation, or do we know?

MS. WHITE: I don't know if it corresponds to what I have. Page 9.

CHAIRMAN KOHN: You're looking at revenues?

MS. WHITE: Yes. If you'll look at 2016, the column for 2016, if you'll notice down there, impairment of good will and intangible assets, that really drives the negative amount there. So if you really back that out, it really makes the result very similar to before. So it's -- it's really driven by accounting entries.

COMMISSIONER LOMBARDO: Impairment of
good will 322 million, impairment of other intangibles 146 million?

MS. WHITE: Right. Right.

COMMISSIONER LOMBARDO: If you back those numbers out, then you're going to come up with a positive number?

MS. WHITE: Correct.

COMMISSIONER LOMBARDO: Okay. I was just trying to correlate it with all of the information that Troy provided in terms of the shareholder price and the other --

MS. WHITE: Sure.

COMMISSIONER LOMBARDO: -- things, and I just was having a hard time correlating the two.

MS. WHITE: Okay. Any other questions?

CHAIRMAN KOHN: Any other questions?

COMMISSIONER NEER: No.

MR. SEIBERT: We recommend approval.

CHAIRMAN KOHN: Is there a motion regarding Resolution 17-018?

COMMISSIONER JAMISON: I move for approval.

COMMISSIONER NEER: Second.
CHAIRMAN KOHN: Discussion on the motion? Angie?

MS. FRANKS: Commissioner Lombardo?

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer?

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale?

COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison?

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn?

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution 17-018.

CHAIRMAN KOHN: Mr. Seibert?

MR. SEIBERT: Next order of business, Mr. Chairman, is consideration of disciplinary actions. Mr. Ed Grewach will present.

MR. GREWACH: Thank you, Director Seibert, Mr. Chairman, Commissioners.

Under Tab C we have a preliminary order of discipline arising from a follow-up audit finding for Missouri Gaming Commission compliance audit against Harrah's North Kansas City which was completed on April the 1st, 2016. This audit
covered the time period from January 1st, 2014 through November 30th, 2015.

As we routinely do during the course of an audit, our auditors meet with casino management and notify them of any potential violations that have been found during the audit process. Then once the audit is finished, our staff then compiles a written audit report and sends it to management.

And after management has received and reviewed that, then our staff sets up an exit audit, exit conference to go over the findings, answer any questions that the property may have, and obtain from the property’s management their plan to correct the violations that were found in the audit.

Now, the violations in this audit, there was a follow-up after the -- after the exit conference that began in January -- July 25th, 2016. During the follow-up two significant findings were found not to have been corrected. The first one dealt with the failure to set progressive electronic gaming devices to lock up at the top progressive award amount.

Now, just as a little background,
under the rules there are two different circumstances where we require an electronic gaming device to lock up and to be hand paid so that there is documentation. The first deals with the IRS requirement that a W-2G form be filled out for any award of $1,200 or more. So all machines are set up that way.

The rule that's in play here is Rule 5.200, subparagraph 3, which requires for a progressive jackpot that it also lock up at the top progressive jackpot award amount.

Now, the same rule requires that there be a weekly reconciliation of the progressive amount, and what a progressive amount is, that at the electronic gaming device there's a display which shows how much the progressive amount is, and it starts at a specific number, let's say at $800. And then as play is done on that machine, then that meter increments. So, for example, I might -- for every dollar played on that machine, the progressive amount might increase a penny or a half a cent or whatever the progressive progression rate is for that machine.

So to ensure that the machines are incrementing correctly, we require that weekly
reconciliation, and in that process they look at
the meter at the beginning of the week and they
look at the meter at the end of the week. Then
they do a calculation in which they take the amount
of money that went into the machine, multiply that
by the progression rate, subtract out jackpots that
have been won and add back in the reset amount.

But the key here that was missing was
the machines were not set to lock up at that top
progressive rate. So because of that, if a
progressive jackpot hit that was less than $1,200,
there was no record of it. So that number wasn't
available for it to be put into the formula to
reconcile, because when you do the formula, it
should equal. The amount at the beginning of the
week and the amount at the end of the week after
the formula's been conducted should match up. And
if there's a variance, then that tells us there's
something wrong with the way the meters are
progressing.

So in the original audit, they found
machines that were not locking up as required.
Management's response was to -- that they would fix
that. In the follow-up we found two machines that
still were not locking up at the top progressive
award amount.

CHAIRMAN KOHN: I'm sorry to interrupt, but for those of us that aren't slot experts, I don't know what locking up means. Is that something that is programmed in? Is that something that an employee has to do physically? How does that work?

MR. GREWACH: Yes, it has to be programmed in to the machine.

CHAIRMAN KOHN: One time forever or every time that it hits a jackpot?

MR. GREWACH: It's programmed in one time, and then for an amount less than -- and let's make the example for the $1,200 requirement. So the machine can be set up if you win a jackpot of $900, it just gives you the credits. You can print the ticket and take it to the kiosk or the cage window to cash it in.

But if it hits over the $1,200 or hits over the top progressive amount, then the machine has to lock up, and I believe there's a signal or something on top of the machine that signals the EGD attendant, the casino employee to come by. Then they have to actually physically hand pay the patron that money as opposed to the
machine just kicking a ticket out. That way the
proper documentation gets done, whether it's a W-2G
because it's over $1,200 or the form to note,
record the jackpot on the progressive amount so it
can be plugged into the formula for that
reconciliation.

CHAIRMAN KOHN: Okay.

MR. GREWACH: The second violation
involved the violation of minimum internal control
standards F3.03. Now, this is a process for
reconciling the assets in the poker room bank at
the end of a shift.

When the employee that's in charge of
the poker room bank's shift ends, in this case, in
this particular property, for example, the title of
that job was a poker brush. Then the outgoing
employee and the incoming employee do a
reconciliation of the assets, and if there is a
variance, then they have to note that on the -- on
the form, the cashier count sheet that they
conduct.

During the original audit, it was
found that they were -- there were variances that
were occurring, but they were not documented on
that cashier count sheet. During the follow-up, we
found two count sheets where there were variances and still had not been documented.

At that point in time, staff issued a compliance directive to Zachary Mays, who's the Director of Casino Operations, on October the 6th, 2016. Now, a compliance directive is a written warning. It's a step short of any formal disciplinary proceeding.

We followed up on the compliance directive on October 26th, 2016, and found there were still variances at that point in time that were not being documented on the count sheet.

We then did a second follow-up on the compliance directive on November the 16th, 2016, and found that there were still variances that were occurring that were not documented on the count sheet. And as a matter of fact, on that date the commission auditor went with Mr. Mays and stayed with him until the problem was corrected and the paperwork was straightened out.

The staff is recommending a fine of $5,000.

CHAIRMAN KOHN: Questions? I'm curious about, is the $5,000 a composite of two separate fines or is it one number that the staff
thinks covers both? How is that arrived at?

MR. GREWACH: It's one number the staff believes covers both. There's really -- we don't really look at a mathematical formula or split up the two violations. We just look overall at the result of the follow-up and compare it to prior disciplinary cases and make our recommendation based on that.

CHAIRMAN KOHN: Other questions? Is there a motion with respect to Resolution DC-17-046?

COMMISSIONER NEER: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Discussion on the motion? Angie?

MS. FRANKS: Commissioner Lombardo?

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer?

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale?

COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison?

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn?
CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution DC-17-046.

CHAIRMAN KOHN: Mr. Seibert.

MR. SEIBERT: Next order of business is consideration of settlement agreement. Mr. Ed Grewach will present.

MR. GREWACH: Under Tab D we have a resolution seeking approval of the settlement of a preliminary order of discipline directed to a Level 2 employee, Anter Soufi. Mr. Soufi was employed as a dealer at Lumiere Place Casino on October 30th, 2007, and worked there until his resignation on December 21st, 2016.

In the interim, on September 23rd, 2014, Mr. Soufi signed on to the disassociated person list. He executed that application to be signed on to the list at the River City Casino. On April 26, 2016, Mr. Soufi was arrested at the Hollywood St. Louis Casino while playing a slot machine.

The original preliminary order of discipline recommended revocation. During negotiations between the staff and Mr. Soufi's attorney, the staff agreed to recommending a
five-year suspension of Mr. Soufi's license,
subject to the Commission's approval.

CHAIRMAN KOHN: And that was agreed
to by Mr. Soufi?

MR. GREWACH: Yes. Yes. Mr. Soufi
and his attorney both executed that.

CHAIRMAN KOHN: Is Mr. Soufi here or
an attorney for him? Go ahead.

COMMISSIONER JAMISON: Ed, I just
want to make sure that I understand in this
agreement that the suspension is required to be
acknowledged by Mr. Soufi if he ever applies for a
license again or anyplace else? Is that part of
the agreement that I read? Because would this
appear as a discipline of a suspension, like any
other suspension or --

MR. GREWACH: Yes.

COMMISSIONER JAMISON: I thought I
read in there that he's -- you know, this is not
like a suspended imposition of sentence or what
we've dealt with in the past, that this is
something he has to acknowledge on any further
applications?

MR. GREWACH: Correct. If you look
at paragraph 19, I think it addresses that. You
know, and it's typical on any gaming application
that that questions comes up, have you ever been
disciplined, suspended, revoked in any other
jurisdiction. He is required under this agreement
to report that.

COMMISSIONER JAMISON: So this is no
different than a regular suspension, he's just
agreed to it in the discipline portion of it?

MR. GREWACH: Correct, because the
bargain between the parties is that we agreed to
change our recommendation from revocation to five
years. He agrees to accept the five years
suspension that would start on the date of the
Commission's approval and agrees not to have any
right to appeal or contest that suspension. So if
you agree to it today, he'll be suspended for five
years starting today.

CHAIRMAN KOHN: Other questions? Is
there a motion with respect to Resolution
No. 17-019?

COMMISSIONER LOMBARDO: Motion to
approve.

COMMISSIONER HALE: Second.

CHAIRMAN KOHN: Discussion on the
motion? Angie.
MS. FRANKS: Commissioner Lombardo?
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer?
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Hale?
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison?
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn?
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote, you've adopted Resolution 17-019.
CHAIRMAN KOHN: Mr. Seibert.
MR. SEIBERT: Next order of business is consideration of placement on list of excluded persons. Mr. Ed Grewach will present.
MR. GREWACH: Under Tab E we have a resolution to place Anthony Calandro on the involuntary exclusion list. Mr. Calandro was a chiropractor who practiced in St. Louis County. For his practice he established a self-administered pension plan for his employees. He then took money out of the pension plan and bought stock worth approximately $60,000 in his name. He also purchased two condominiums in his name and made the
$40,000 down payment on each out of funds from the pension plan. On January 23rd, 2013 he pled guilty in federal court for mail fraud and was sentenced to six years in the Federal Bureau of Prisons.

In a separate matter, he also stole approximately $50,000 from his subdivision association. He was charged and pled guilty in state court in the St. Louis County Circuit Court, and he pled guilty there on August 1st, 2014. He received a three-year prison sentence to run concurrent with the six-year federal sentence.

Examination of his play history showed he had extensive gambling history and with losses from 2006 to 2011, the time period when this activity was taking place, of approximately $60,000.

CHAIRMAN KOHN: So he has truly earned his place for permanent placement on the exclusion list.

MR. GREWACH: That is certainly our position, yes. Just to kind of give a little background of how this process works, this is a little bit like a preliminary order of discipline. So if the Commission passes this resolution to place him on the list, he is sent a copy of that
resolution. He then has 30 days to request a
hearing. If he wants a hearing, then he could come
in and argue why he should not be placed on the
list. If the 30 days expire without him requesting
a hearing, then he's placed on the list.

COMMISSIONER LOMBARDO: It doesn't
seem very likely, does it?

MR. GREWACH: I would doubt --

COMMISSIONER JAMISON: Unless he
wants a trip out of prison.

CHAIRMAN KOHN: Any other questions
or amusing comments?

COMMISSIONER JAMISON: I move for
adoption of Resolution 17-020.

COMMISSIONER LOMBARDO: Second.

CHAIRMAN KOHN: Discussion on the
motion? Angie.

MS. FRANKS: Commissioner Lombardo?

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer?

COMMISSIONER NEER: Approved.

MS. FRANKS: Commissioner Hale?

COMMISSIONER HALE: Approved.

MS. FRANKS: Commissioner Jamison?

COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn?

CHAIRMAN KOHN: Approved.

MS. FRANKS: By your vote you've adopted Resolution 17-020.

MR. GREWACH: Thank you.

CHAIRMAN KOHN: Mr. Seibert, I see this memo regarding waiver of licensure. Do we need to ratify that?

MR. SEIBERT: No.

CHAIRMAN KOHN: You're just informing us?

MR. SEIBERT: Yes.

CHAIRMAN KOHN: I believe we have set a record, at least a modern day record. Is there a -- we will adjourn the open session and go into closed session, and if there's action requiring us to come back into open, we will. Is there a motion for a closed session, Mr. Jamison?

COMMISSIONER JAMISON: I move for a closed meeting under Sections 313.847 and 313.945, Revised Missouri Statutes, investigatory, proprietary and application records, and 610.021, subparagraph 1, Revised Missouri Statutes, legal actions, subparagraph 3, and subparagraph 13, personnel, and subparagraph 14, records protected
from disclosure by law.

    CHAIRMAN Kohn: Is there a second?
    COMMISSIONER HALE: Second.
    CHAIRMAN Kohn: Angie.
    MS. FRANKS: Commissioner Lombardo?
    COMMISSIONER LOMBARDO: Approve.
    MS. FRANKS: Commissioner Neer?
    COMMISSIONER NEER: Approve.
    MS. FRANKS: Commissioner Hale?
    COMMISSIONER HALE: Approve.
    MS. FRANKS: Commissioner Jamison?
    COMMISSIONER JAMISON: Approve.
    MS. FRANKS: Chairman Kohn?
    CHAIRMAN Kohn: Approve.
    CHAIRMAN Kohn: So we will adjourn
    into closed session.

    (WHEREUPON, the open session of the
    Missouri Gaming Commission meeting concluded at
    10:49 a.m.)
CERTIFICATE

STATE OF MISSOURI)

) ss.

COUNTY OF COLE )

I, Kellene K. Feddersen, Certified Shorthand Reporter with the firm of Midwest Litigation Services, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Given at my office in the City of Jefferson, County of Cole, State of Missouri.

______________________________
Kellene K. Feddersen, RPR, CSR, CCR
The Missouri Gaming Commission (the “Commission”) went back into open session at approximately 11 a.m. on March 29, 2017, at the Missouri Gaming Commission’s Jefferson City office.

Commissioner Jamison moved to adjourn the open session. Commissioner Lombardo 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 11:02 a.m.