BEFORE THE MISSOURI GAMING COMMISSION

STATE OF MISSOURI

Meeting
February 28, 2018
10:00 a.m.
Central Office
3417 Knipp Drive
Jefferson City, Missouri

(Meeting start time: 10:00 a.m.)
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    Personnel and (14) Records Protected from
    Disclosure by Law
BEFORE THE MISSOURI GAMING COMMISSION

STATE OF MISSOURI

Meeting
February 28, 2018
10:00 a.m.
Central Office
3417 Knipp Drive
Jefferson City, Missouri

COMMISSIONERS PRESENT: Daniel P. Finney, III
Brian Jamison
Herbert M. Kohn
Thomas Neer
Richard F. Lombardo

REPORTED BY:
Sarah Pokorski
CCR No. 745
3432 West Truman Boulevard
Suite 207
Jefferson City, Missouri 65109
573-636-7551
* * * WEDNESDAY, FEBRUARY 28, 2018 * * *

(Start time of the meeting: 10:01 a.m.)

CHAIRMAN KOHN: Morning, everybody. We'll call the meeting of the February 28th Missouri Gaming Commission to order. Angie, please call the roll.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Present.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBardo: Present.

MS. FRANKS: Commission Neer.

COMMISSIONER NEER: Present.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Present.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Present. We have a quorum. So the first item of business to come before the meeting today is consideration of the minutes of the January 10 meeting. Is there a motion to approve?

COMMISSIONER NEER: Motion to approve.

COMMISSIONER LOMBardo: Second.

CHAIRMAN KOHN: Discussion on the motion? Angie.
MS. FRANKS: Commissioner Finney.
COMMISSIONER FINNEY: Approve.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: 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 January 10, 2018 meeting.
CHAIRMAN KOHN: Mr. Seibert.
MR. SEIBERT: First order of business,
Mr. Chairman, is consideration of relicensure of Class
A and B licensees. And I don't see Mr. -- is he
here? Mr. Samir Mowad will make the presentation.
CHAIRMAN KOHN: Mr. Mowad? Is that
correct?
MR. MOWAD: Yes, sir. I'm Samir Mowad.
I'm the vice president and general manager of Argosy
and Riverside. Honorable chairman and commissioners,
it's my privilege today to present the relicensing for
both Penn National Gaming and Argosy Riverside.
Penn National began as a single racetrack
outside of Harrisburg, Pennsylvania in 1972. The company went public in 1994 on the strength of its pari-mutuel business, and purchased a track in Charlestown in West Virginia that ultimately would become the company's first casino. From there, Penn National bought Hollywood in 2003, and Argosy in 2005. And they successfully opened Hollywood Casino at Penn National Racecourse in 2010. The company planted a flag in Las Vegas with the purchase of the M Resort in 2011; and in 2012, successfully opened three new casinos, along with purchasing what is now the Hollywood Casino in St. Louis, originally the Harrah's property there. In 2013, Penn successfully completed their first ever REIT in the gaming industry, where Gaming & Leisure Properties became the real estate owner of Penn National Properties. And along with GLPI, we further expanded our portfolio in 2015 with the purchase of Tropicana Las Vegas and the opening of the first gaming facility in Massachusetts, Plainridge Park Casino. Today, Penn operates 29 properties in 18 jurisdictions. And as you're well aware, hopefully pending regulatory approval later this year, we'll further expand our portfolio by purchasing Pinnacle Entertainment.

Ultimately, our company stands for some
core values of trying to provide an unparalleled guest experience, work happy -- there have been several
groups that poll businesses nationally that have named us an employer of first choice. We have a commitment
to diversity, and have been recognized in several areas in that as well. And as I speak to the
property's presentation, we'll talk how we're trying to improve there. And we also have a commitment to our community, where we attempt to work and reinvest back into the -- the communities that give us the privilege of operating there. And then, of course, our commitment to responsible gaming, where we ensure that the people who are visiting us are there truly to be entertained and to have fun.

From there, I'm going to speak specifically to the relicensing of Argosy Riverside. And it's my privilege to present today that relicensing. And truthfully, the success that Argosy Riverside has is due to the employees that work there. And representing Argosy Riverside today, I've brought some of -- I brought my executive team that -- they're the ones that manage our employees, who really make it happen for us on a daily basis. I have our vice president of gaming, Tim Kelly; our vice president of finance, John Ibarguen; our vice president of
marketing, Tyrone Myrick; and our vice president of
non-gaming, Greg Personelli; and our director of human
resources, Nadia Harris. In addition, the person that
works most closely with the Gaming Commission to
ensure that we're compliant and always possible, I
have our compliance manager, Karen Moore. And also
Todd George, my boss, is in the audience as well.

We're also privileged to operate and to
collaborate with the City of Riverside. And you'll
hear a little bit later from the honorable mayor,
Kathy Rose. And she's with our police chief, Chris
Skinrood. And he and his team do a great job. I'll
talk a little bit about our security plans, and how
they keep us safe, and how we work to keep our
employees and guests safe as well.

Our development agreement is pretty
standard. It's a sliding scale based on revenues.
We're current on all rents. We've been fortunate
even to grow those revenues for our home-dock
community of Riverside over the last four years. In
addition, we pay a tourism tax which we're current on.
That tourism tax is related to hotel room revenues --
in particular, cash revenues. The reason you see it
fluctuate is both a function of the competitive nature
of the Kansas City market, where a lot of the
convention business has become more competitive over
the years, and they've opened up a lot of new hotel
properties. In addition, our comping strategy affects
that number, and that's why you see the fluctuations
in the tourism tax. We've been fortunate enough over
the last four years of our current licensing to grow
our revenues.

CHAIRMAN KOHN: I'm sorry. Can I ask you
just a curiosity question.

MR. MOWAD: Yes, sir.

CHAIRMAN KOHN: When you comp a room, you
pay no tourism tax?

MR. MOWAD: The tourism tax that is paid
locally to Riverside -- correct -- that's based on
cash --

CHAIRMAN KOHN: It is?

MR. MOWAD: -- revenues. Yes, sir.

Our -- our -- in terms of our gross
revenues, we've been fortunate enough to grow them
over the course of the last four years. You'll notice
that from '13 to '14, there was a dip. But that dip
was really more in line with what happened from a
macro-economic perspective. The market overall in
Kansas City had a dip. And -- and we've been
fortunate enough to out-grow the market over the
course of the last three years. And -- and really,
again, that's a credit to the team that I introduced
behind me, and their hard work and efforts.

In addition to -- to running our
business, it's important to us that we maintain our
facility, and ensure that it's on the highest end of
competitiveness in the Kansas City market. And so we
invest every year in tandem with -- we work with our
parent company, Penn National Gaming, to identify
monies that we'll invest in terms of maintenance
capital. And we've completed quite a few projects
over the last few years. Some of the most notable
ones is we rebranded and added a restaurant back in
2016. We've also reinvested back in our employees by
redoing the back-of-house areas, both the break areas,
the restroom areas. And then most recently, at the
end of this past year, we renovated our high-limit
room to create more of a higher-end experience. And
you can see some of those pictures, the high-limit
rooms up on the top left, the restaurants, that's Hops
House -- 99 Hops House on the top right, and The Lucky
Taco on the bottom left. And then that's the -- the
outside employee break area that we redid in 2016.

Like any casino, like any business
operating in Missouri, we try to make sure that we
provide a safe environment for our guests. And we
work closely in tandem with -- with the Riverside
Police Department and the troopers who are stationed
on property to -- to make sure that safety is always
the first thing we think about. You can see some of
the offenses. We work hard to try to make sure that
we're showing improvement in those, and just in
general to make sure that it's -- it's a safe
environment. As part of that, we have security plans
that we're constantly looking at. Coming off of
the -- some of the national incidents highlighted by
our -- our team was actually in Las Vegas for meetings
during the incident out there, and so we came back top
of mind, and did some active-shooter training with
local Riverside police -- with the police department
that we also had the gaming troopers look at to make
sure they thought it was appropriate. And we did that
with our leadership team. And then we've pushed down
annual training to all of our team members. In
addition, we purchased a security vehicle for our
parking lot so we can patrol it, and just have more of
a visible presence to -- to act more as an active
deterrent, as opposed to just being reactive to
problems that we come upon. Our local troopers meet
quarterly with Riverside police to ensure that --
that, again, we're providing the safest environment, and if there is ever an issue, that they communicate well to coordinate any sorts of responses. And then we recently had the privilege of -- we had an internal promotion, and had to hire a new security director, and we were able to identify a retired detective from the Kansas City Police Department -- he was already an employee as a manager, and we were able to elevate him to director. And that's been a win for us as well, in terms of the experience that he brings to providing safety. And on top of that, he is one of the foremost customer service providers that we have on property.

We take responsible gaming very seriously. We check all IDs. We currently use a system called IDetect. And actually, this year we'll be using some capital money to upgrade to an even more robust system called Veridocs, which allows us to not only check for under-age, but to identify patrons for lots of different reasons, in terms of making sure the integrity of the floor and the integrity of the games are protected. We do annual ID training with all of our employees, on top of that. We -- with all of our employees that are in situations to check for IDs, along with quarterly employee interviews by our compliance manager to make sure folks are up-to-date.
on what they should be checking for.

And -- and then one of the privileges
of -- of working in Riverside is they're very
collaborative. And they created a city code that
actually can result in the arrest of someone under 21
if they're attempting to get under the -- onto the
floor. And they use it very judiciously, but in
instances where folks just keep trying to get on, and
keep trying to get on, it's -- it's really a great
deterrent, as opposed to just having to turn them away
and say you can't come on. And so -- so that's been a
nice win.

And, you know, Riverside is a -- a great
partner of ours. And locally not only in Riverside,
but in the greater Kansas City area, we also attempt
to -- to give back to the community that gives us the
privilege of operating there. And so we're involved
in a -- a variety of organizations that provide
services to the community. And -- and the thing
that's kind of neat about it is each member of our
executive team takes an active role, and partners
directly with these charitable organizations you see.
And not only do we -- it's not a matter of just
writing a check or giving money, it's a matter of
working directly with the organization, and serving on
the board, and helping steer it to make sure that it's providing the best it can for the community. And the picture you have there on the right is actually another way we raise money, which the commission recently allowed us to put a bin on the floor to collect if a guest wants to donate a TITO, or donate some money. And we use that to raise money for Relay for Life to fight cancer. So lots of good things that we're trying to do to -- to show our appreciation for the privilege to operate. And this is just some of the pictures -- there is the work, serving on the board, stuff like that. But here's the fun part where you get to make people happy and -- and give back to the community. And in every one of those pictures, the folks behind me are -- are representing us in a variety of ways.

From there, it's my privilege today to have with me from Riverside the honorable mayor Kathy Rose. And she's going to speak. And with her today is also our police chief, Chris Skinrood, who -- who really does a phenomenal job in terms of keeping us and the entire community of Riverside safe.

MAYOR ROSE: Thank you.

CHAIRMAN KOHN: Morning, Mayor Rose. We're delighted to have you here, although we're much more
accustomed to meeting in your facilities.

MAYOR ROSE: Well, you're -- you're welcome any time.

Good morning to all of you. And Mr. Chairman and honorable commissioners, I am Kathy Rose, and I am pleased to be here to speak in support of this relicensing for the Argosy Casino Hotel & Spa.

I have been the mayor for the City of Riverside for the last 12 years, and I've had the pleasure to present in front of your board on several occasions.

While our relationship with the Argosy has been a good relationship. It has grown stronger since Argosy was acquired by Penn National Gaming. We look forward to this continued partnership for everyone's benefit. This partnership has allowed our city to put in facilities, equipment, programming to benefit our residents and businesses. In addition, it allows the City to share its good fortune with our neighbors. One example is we provide fire protection to the communities of Houston Lake and Northmoor, which have not been able to afford fire protection in the past. We have always been appreciative of Argosy's support in helping Riverside grow for our future. For the last 20 years, the City has used our Argosy funds very wisely. We have invested in our
citizens, our businesses, our infrastructure, our
facilities, and our staff. We have been successful on
all fronts. In the last six years, our investment has
allowed us to develop a Class A business park that
contains 3.5 million square feet of buildings, with
over 25 companies that employ 3500 workers. So again,
a small town, six square miles, population of about
3400, but our daytime population rises to about
15,000. So I'm very proud of all of those things.

Last but not least, we have been faced
with some other regional initiatives that the Argosy
has been very helpful with the City on. And it is
challenges with us working towards getting the new KCI
airport, the new US-69 bridge that is -- that is an
important link between Riverside and Kansas. And
hopefully a new Buck O'Neil bridge, which is our link
to downtown Kansas City. These connective assets are
important not only to Riverside, but to the Kansas
City region. And Argosy has been lock-step with us
all the way on making sure that everybody is
successful. And I appreciate that. So thank you for
allowing me to be here this morning.

CHAIRMAN KOHN: Thank you, Mayor. Did you
want your chief to make any comments?

MAYOR ROSE: Would you like to come up?
CHAIRMAN KOHN: You didn't happen to bring your gavel; did you?

MAYOR ROSE: I didn't. I can tell you in 12 years I've only used it once, so --

CHIEF SKINROOD: Good morning. I want to just kind of reiterate what Samir said. Argosy has been one of the biggest companies in Riverside, that have been there the longest, and have one of the best partnerships -- not just on a business level, but as he clearly showed you on the -- the frames there, their contributions and their efforts within our community, and also the communities outside.

We work hard to maintain an expectation of safety and security down there. And they give that right back to us by their cooperation and willingness to work as a -- as a partner, and make sure that the community, the customers that are there, and the facility stays in a safe environment. So we're very appreciative of that, and have, as I said, an excellent business partner.

COMMISSIONER FINNEY: Chief, good morning.

CHAIRMAN KOHN: Good morning.

COMMISSIONER FINNEY: I have just one question. When the -- the crime stats were up there, I don't recall seeing -- can we go back to those real
quick. So I don't see anything on a UUW. Is that --

CHIEF SKINROOD: On what now? I'm sorry?

COMMISSIONER FINNEY: Unlawful use of a

weapon.

CHIEF SKINROOD: On the -- on the casino

itself, there have been no instances of that.

COMMISSIONER FINNEY: So you've never --
in -- in -- in four years, nobody's ever illegally
brought a weapon into the casino, as far as you know?

CHIEF SKINROOD: As far as I know, they

have not. No. And there's also -- also a distinction
there, is that we don't handle the crime that occurs
on the boat itself. The troopers are -- are what's
handling everything that's on the boat. We've

assisted them. But by statute, we're responsible for
everything that's on the land, and the highway patrol
covers everything that's on the boat. So -- so to my
knowledge, that has never happened.

COMMISSIONER FINNEY: Okay. The only

comment I guess is that, you know, in my experience,
generally when you have that many arrests for
narcotics, it usually is not unusual to have guns
associated with some of those arrests for narcotics.
So I find it kind of unusual that there hasn't been
any arrests at all for illegally possessing a firearm,
given the stats related to other arrests.

CHIEF SKINROOD: And you're absolutely correct. The two typically go hand-in-hand. But we have not had any firearms come off the casino.

COMMISSIONER FINNEY: Okay. Thank you.

CHIEF SKINROOD: A lot of our drug cases that are here are -- a majority of them are misdemeanor type. Where we sit, there's -- there's more low-level than big operation type stuff. So to my knowledge, as I said, we've recovered no weapons off of there, no firearms.

COMMISSIONER FINNEY: So I guess I'm only -- the only point I would make with that -- and I believe you're correct. I just want to make sure that we're, you know, aggressively enforcing the gun laws as they would apply, and making sure, you know, in light of everything that we've seen, that -- again, I find it a little bit suspect, with all these arrests, that nobody in four years has ever been arrested or found illegally to bring a weapon into the casino. So I would just encourage you to be very vigilant on that particular issue.

CHIEF SKINROOD: And I appreciate that.

And -- and again, like I said, there's -- we work very closely with both the troopers and with the gaming
staff down there, and the facility staff. But there are instances where the troopers will make arrests and work their own cases that we're not made aware of.

COMMISSIONER FINNEY: Okay.

CHIEF SKINROOD: So could that happen under those instances? It is possible. Absolutely. I will say this. Between our department, my officers, and the gaming staff, and then also the Platt County Prosecutor's Office and the sheriff's department, we all work as a collaborative effort, and we are very stringent upon staying vigilant on those kind of things.

COMMISSIONER FINNEY: Great. Thank you.

CHAIRMAN KOHN: Any other questions of the chief or the mayor? Does that conclude your presentation?

MR. MOWAD: I have just a couple more quick slides.

And Commissioner Finney just addressed -- the only other thing I can say is in my 17 months on property, the only situation I'm aware of where a weapon was discovered was -- it was actually found in a -- in a restroom, in a garbage can, and we weren't -- because there's no cameras, obviously, in the restrooms, we weren't able to identify who the --
the person that brought that weapon in was. So I've worked at a lot of other properties, and I agree with you it's odd that we haven't seen anything. I'll -- I'll knock on wood with that. And hope it continues.

COMMISSIONER FINNEY: All right. Thank you.

MR. MOWAD: Lastly, I want to speak to our MBE and WBE spend. When -- when I arrived on property, I think that what I found was -- is that we were fairly robust, in terms of our -- our women's business owned spend, but there was some room for improvement on the MBE side. And so we've worked hard at that over the last 17 months that certainly I've been on property. And even prior to that, we've -- we've recently teamed up with -- with Cheryl to -- to come up with a plan that will help improve that even more. And while the 2017 numbers, I can't present because they are unaudited at this point, I think what you'll find once they're audited is that we finished at about 5.2 percent, in that area. The plan that we came up with is we used to include either an MBE or a WBE company whenever we were doing bids. Now, we'll try to include both, and always include an MBE company to help get better in that area. In addition, I've been meeting, along with our purchasing manager, with
various departments to bring attention to where they can spend money with different businesses at maybe the same dollar amounts, and -- and -- and make sure that we're supporting those businesses more effectively.

We've -- we've joined lots of different groups in the community to help identify more vendors. And then the other thing is recently we attended the diversity fair that River City held on the east side of the state. And so we talked to -- to both Cheryl Bonner, along with Mike Winter with the MGA, and our partners on the west side of the state, and we're going to hold a diversity fair in June at the Argosy in order to help bring more of these vendors not only to us, but to -- to the Kansas City area casinos, much like the way River City did at their impressive fair on the east side of the state earlier. Lastly, I would add that our company recently is going through a little bit more centralization, and we have a new company-wide purchasing leader, and he's also helping us to identify more vendors that we can use. It's certainly not a matter of not wanting to do it as much as we haven't been as effective as we could be in identifying the best vendors. So that's -- that's our plan, and that's what's sort of happened over the first four years -- again, it's -- over the last four
years. Again, it's a privilege to present to you all today, and I'm open to any questions you might have.

CHAIRMAN KOHN: Questions of Mr. Mowad?

COMMISSIONER NEER: No, sir.

COMMISSIONER LOMBARDO: No.

CHAIRMAN KOHN: Will the merger impact you?

MR. MOWAD: No, sir. The current plan -- of course, pending regulatory approval -- is that when Pinnacle is acquired by Penn, the two Ameristar properties in Missouri will go to Boyd Gaming. And that way, Argosy on the Kansas -- on the Kansas City side, and then Hollywood on the St. Louis side, along with River City will stay -- stay with the merged company. That -- that meets both the regulatory requirements and also FTC concerns in terms of competition.

COMMISSIONER LOMBARDO: So will the merged Penn National have any other properties in Kansas City, other than the Argosy?

MR. MOWAD: In the greater Kansas City area, on the Kansas side, we'll have Hollywood Casino in Kansas. So that's why if you added Ameristar in Kansas City into that mix, I believe the issue is the -- the FTC concerns in terms of competition. That's why we're spinning off that property.
COMMISSIONER LOMBARDO: Sure. Thank you.

COMMISSIONER JAMISON: I do have one question. The -- the separation of the real property into a separate LLC, and then a lease back, can you reference that, how that's affecting your operating expenses, and -- and has it been material, or has it been pretty --

MR. MOWAD: In terms of how we operate, it truly hasn't been. You know, we -- when we think of how we run our business, I mean, it's strictly as if we're paying rent to a landlord, and it's had -- I wasn't with Penn when we went through that. But everything I've heard, everything I've experienced, even what I experienced today, the only time it ever comes up is, for example, when we work with the levy district on -- there was some rezoning of property. And then you want to make sure that the REIT is informed, because they're the actual owner of the land. But in terms of what we do on a daily basis, it literally has no impact.

COMMISSIONER JAMISON: And your financial -- and your financial operation, budget has been positively impacted by the process? Or do you think --

MR. MOWAD: I think from a company-wide
perspective, we would say that. The way we look at it from a property view, our budgeting, and -- and our financial targets and all are largely unchanged. It's more just a -- after you look at how we run our business locally, there's -- there are rent payments and things like that.

COMMISSIONER JAMISON: And you feel that the -- the capital reinvestment into the property has been positive?

MR. MOWAD: Oh, yes, sir. And not only positive, but if you look at the history of it, I'd say consistent both pre and post-REIT, even -- I -- you know, just for competitive reasons, I wasn't going to put it on a slide. But this year, we'll be investing more than -- than any -- any year you saw up there, in the sense of we're going to completely renovate our hotel. And while I certainly wanted to do that, the -- in terms of how the capital works, even, it was a collaborative process where originally, my boss brought to me the idea, and -- because that's a much heavier lift than, you know --

COMMISSIONER JAMISON: Sure.

MR. MOWAD: -- some of these standard maintenance capital items you saw.

COMMISSIONER JAMISON: Thank you.
CHAIRMAN KOHN: Anybody else? Thank you very much.

MR. MOWAD: Thank you. Appreciate it, Commissioners.

CHAIRMAN KOHN: Are there any members of the public from the Riverside area that would like to comment? Mr. Seibert?

MR. SEIBERT: Next we'll have the investigative summary presented by Sergeant Gary Davidson.

CHAIRMAN KOHN: Sergeant Davidson.

SERGEANT DAVIDSON: Mr. Chairman, Commissioners. Missouri Gaming Company, LLC, doing business as Argosy Riverside Casino, and referred to as Argosy, submitted a relicensing application to the Missouri Gaming Commission on September 1st, 2017 for renewal of its Class A Riverboat Gaming License. Argosy's parent company, Penn National Gaming, incorporated -- referred to as Penn -- is also being considered for renewal of its associated Class A Riverboat Gaming License, and submitted a relicensing application to the Missouri Gaming Commission on July 24th, 2017. You'll find resolutions for both of these licenses under Tabs B and C in your book.

Argosy was initially granted a license by
the Commission on June 22nd, 1994. On December 21st, 2004, Penn submitted an application to the Commission for licensure in the State of Missouri for the purpose of purchasing Argosy Gaming Company. On July 29th, 2005, Penn was licensed as a key business entity, and the company completed the acquisition of Argosy Gaming Company on October 3rd, 2005. Penn, through its subsidiaries, own 100-percent ownership in Argosy. The Commission has since found Argosy and Penn suitable for licensure during each of the subsequent relicensing investigations. The current Class A and B licenses were approved by the Commission on February 26, 2014, and are scheduled to expire in February, 2018.

Missouri State Highway Patrol investigators, along with Missouri Gaming Commission financial investigators, conducted an investigation into the suitability of Argosy and Penn to continue to operate as a Class B and A license.

The investigations included, but were not limited to criminal, financial and general character inquiries of associated key and level one personnel, to include where they have lived, worked and frequented. The City of Riverside and Platte County, as well as the state and federal agencies having
regulatory authority over Argosy and Penn were also contacted. There were no issues, concerns or negative information disclosed.

The findings of these investigations were provided to the Commission staff and -- for their review, and you possess a detailed summary of that report. The investigating officers for this investigation are present at this hearing, and will be happy to entertain any questions you might have.

CHAIRMAN KOHN: Any questions of Sergeant Davidson?

COMMISSIONER NEER: No, sir.

CHAIRMAN KOHN: Thank you very much, Sergeant.

SERGEANT DAVIDSON: Thank you.

CHAIRMAN KOHN: Mr. Seibert?

MR. SEIBERT: Next, we have the MBE/WBE compliance review by Ms. Cheryl Bonner.

MS. BONNER: Good morning, Mr. Chairman, Commissioners.

On November 8th, 2017, the Missouri Gaming Commission staff conducted a 100-percent audit of the MBE/WBE records for the Class B licensee Argosy Riverside Casino. The -- the results of the audit and specific details related to those findings are
contained within the summary report in your
possession. I'll be happy to answer any questions.

CHAIRMAN KOHN: I have a question.

MS. BONNER: Sure.

CHAIRMAN KOHN: What is their MBE/WBE
status today versus when they last were before us?

MS. BONNER: Okay. And again, these are
unaudited numbers. However, for their MBE, currently
they're at a 5 -- they're at 5.2, versus 3 -- when
they first started in twenty -- for this period, 2013,
was 3.48.

CHAIRMAN KOHN: Okay. Let me see if I
understood that.

MS. BONNER: Okay.

CHAIRMAN KOHN: When they last applied,
they were at 3.48, now they're at five point --

MS. BONNER: -- one six for MBE.

CHAIRMAN KOHN: For MBE. Okay.

MS. BONNER: Uh-huh. And --

COMMISSIONER LOMBARDO: Excuse me. What
are those? Are those numbers percentages?

MS. BONNER: Percentages.

COMMISSIONER LOMBARDO: Okay.

MS. BONNER: And for WBE for '13, they were
at -- got it -- twelve -- 12.78, and right now they're
at -- these are unaudited as well -- 20.53. So that's a big difference on their --

COMMISSIONER JAMISON: But 20.53 would be less than what they had in 2016. Correct?

MS. BONNER: Correct. This -- this is -- that's -- yes -- '17.

COMMISSIONER JAMISON: So '17 would be twenty --

MS. BONNER: And sometimes they have one-time purchases that may impact that, and I always include that in the summary.

COMMISSIONER JAMISON: Because if you go back to '15, it was only 18 and a half percent.

MS. BONNER: Correct.

COMMISSIONER JAMISON: So it went up over 4 percent and back down. So, I mean, it's -- it may have been an anomaly on the 2016 number.

MS. BONNER: Correct.

CHAIRMAN KOHN: What is your target for MBE?

MS. BONNER: We don't have targets. It's best efforts. And usually, that -- what I -- what I consider best efforts is improvement year over year. And like I said, sometimes they have one-time purchases that may impact, where they -- they may do
some kind of construction that increases -- increases it for one year that they're not going to do the next year, and it may take that down. But I kind of look at that and make sure that -- that that is what is impacting that decrease.

CHAIRMAN KOHN: So going from 3-plus to 5-plus --

MS. BONNER: Not bad, but --

CHAIRMAN KOHN: -- in five years or so.

MS. BONNER: -- could be better. But I think they have some -- they have some new staff in place that I've worked closely with, and I -- I expect improvement. And I'll work closely with them.

CHAIRMAN KOHN: Any other questions?

COMMISSIONER NEER: No.

MS. BONNER: Thank you.

CHAIRMAN KOHN: Thank you very much.

Mr. Seibert?

MR. SEIBERT: Staff does recommend approval for the Class A and Class B.

CHAIRMAN KOHN: Is there a motion with respect to Resolution 18-006.

COMMISSIONER LOMBARTO: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Discussion on the motion?
Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-006.

CHAIRMAN KOHN: Let's look at Resolution Number 18-007. Is there a motion to approve?

COMMISSIONER JAMISON: Move for adoption.

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-007.

CHAIRMAN KOHN: Mr. Seibert?

MR. SEIBERT: Next item of business is consideration of licensure of fantasy sports operation DraftKings. The presentation will be done by Ms. Jen Aguiar.

CHAIRMAN KOHN: One of you can't be Ms. Aguiar.

MR. DUNN: She will join me. I'm just going to do the first part of it. So Honorable Chairman, Commissioners, thank you.

CHAIRMAN KOHN: Can you introduce yourself, please.

MR. DUNN: My name is Tim Dunn. I'm the chief financial officer and chief risk officer of DraftKings. We have a very short presentation. I'm here just to provide a little bit of an introduction of who DraftKings is and what we do. And Jen Aguiar will then go through some of the key controls in our compliance measures that are of particular concern to
So we are a -- a sports tech and entertainment platform, and we provide products that bring, you know, consumers to engage with their favorite sports teams, their favorite sports by bringing their -- you know, by bringing them closer to the game. We are headquartered in Boston, and we offer daily and weekly fantasy sports games across 10 professional sports in the United States, Canada, UK, Malta, Germany, Ireland and Austria, soon to be Australia.

We were founded in 2012 by three gentlemen who their primary backgrounds are -- are tech, and data analytics. I joined the company in late 2012, only shortly thereafter they launched. I am -- safe to say that I'm one of the older gentlemen that works at DraftKings. It is a young company, but it has a very seasoned executive team in addition to the three founders.

We are -- our primary shareholders are 21st Century Fox. We also have investments -- or some of our investors are the sports leagues, team owners, both in MBA and NFL. We're also -- the majority of the investors are venture-backed companies, venture capitalists, mostly out of California.
We have over seven million registered users. We have about 380 employees. I would say close to half of them are technology and product people. And we are regulated in 19 states -- or registered in 19 states, four of which are through additional gaming commissions. We're also licensed and regulated in the UK; in Malta, which covers continental Europe, and like I said, in Australia.

This is really just a quick overview of the product, if you're not familiar with daily fantasy sports. Most of our players -- 80 percent of them -- engage through the mobile product. We do have a desktop product, but most of them are just through our -- our iOS, our -- our Android app. And basically, you just log on, you create an account, you go through the KYC procedures to create your account.

Once you come in, you can then choose your sport. And then you can then choose the type of fantasy sport contest you would like to engage in, where you can do a salary cap, where we assign a detailed salary for each player that is playing that evening to build your fantasy team. Or you can do what's called a pick 'em, in which we categorize players by having high value, medium value, and low value, and you have to select evenly across those three groups. Once you've
selected the type of game you want to play, then you can see the contests that are available for that evening. And it's -- those contests that are available for that evening are based upon the games that are actually occurring that day or that evening. And you can select from -- go to the next one. You can select, you know, your -- your entry fee, how much you want to enter into, and what is the total prize pool, and what's the structure of the payout on that prize pool. Once you've selected, you know, your sport, once you've selected what type of contest and entry fee that you want to enter into, then you get to -- to the point where you then create your team. And you create your -- your -- your fantasy team by using the available, you know, fantasy salaries that you have as if you are a GM putting together a fantasy team for those -- for those contests or for those professional games that are occurring on that evening, or that day, or that week. Once the games start, you're locked. You can no longer make changes to your -- to your fantasy team. And then from there, you're then just watching the results of the contests, see how you are faring against other people who participate in the contests. And that's all based upon the statistical performance of the players that
you selected. And their statistical performance will
then generate points. And the person who has the most
points wins the contest. That's how daily fantasy
sports works at DraftKings.

With that, I'll hand it over to the --
unless there's any questions with regard to the game
or the company, I'll hand it over to Jen, and she can
go through some of the key controls at DraftKings with
regard to our --

COMMISSIONER NEER: I have a question on --
maybe later, you'll answer later who establishes the
pay-out on the games.

MR. DUNN: We establish them at the time
that we create the contest.

COMMISSIONER NEER: Is that based on how
much is put into that game by --

MR. DUNN: No. It's fixed.

COMMISSIONER NEER: -- contestants?

MR. DUNN: No. It is fixed. So for
example, if we -- if we post a game that is $1000, and
it requires, you know, 100 participants, if only 90
participants join, we are still paying out the --
the -- the $1000. So it's not a pari-mutuel. It is --
it is -- it -- the prize pool is fixed and
determinable at the time that we create the contest.
So the company has a risk of, you know, making sure that it can fill its contests.

COMMISSIONER NEER: So each contest can't have a different pay-out?

MR. DUNN: No. They cannot have a different pay-out. The pay schedules and the pay-out, you know, who gets first, who gets second, third, those are all -- those are all fixed and defined at the time the contest is started -- or is created.

COMMISSIONER NEER: Thank you.

COMMISSIONER JAMISON: Per contest. Different contests --

MR. DUNN: That is right.

COMMISSIONER JAMISON: -- can have a different amount.

MR. DUNN: That is right. That is right.

COMMISSIONER LOMBARDO: Which of you is going to address the protection for player funds, which -- it's no secret -- has been a concern of this Commission?

MR. DUNN: That is going to be Jen.

COMMISSIONER LOMBARDO: Thank you.

MR. DUNN: I can certainly answer questions.

MS. AGUIAR: Hi. Thank you. I'm Jen
Aguiar. I'm the VP of compliance and risk management, and I report in to Tim.

So I'm going to go through a couple of areas. First and foremost, the ID verification process. Essentially, we have several layers of protection as it comes to ID verification. And that's both from an age and location perspective.

Initially, the terms of use, because we are offering the products in different states, we have different age requirements based on -- on what the rules are in those states. So what -- the terms of use actually outline the age and the jurisdiction, and what the rules are there. And when the participant actually logs in, we use geolocation technology to identify where they're located. And that's based on either GPS signal, their cellular, and their IP address. So we're locating where they are, and then that will drive basically the age -- the minimum age requirement they're required to -- to -- to have in order to basically play on our site. At that point, when the individual enters in their information, if they put in a date of birth that is under the -- the required minimum, they are not allowed to play, and they would not be able to move forward on the application. Basically, if they successfully create
an account, they'll go through a more formal age and identify verification upon initial deposit, or when they actually set up the account. Basically, if they cannot be positively identified as being located in a jurisdiction that permits -- permits our product, they will not be able to move forward and participate in any paid games. And they're also prohibited from making deposits or entering paid contests at that point. So there's restrictions throughout the different components of the process that would then stop them if they don't meet the appropriate criteria. We use a third -- a leading third-party provider known as CAMS, which is an aggregate provider of a bunch of KYC providers, which are basically companies like IDology or a LexisNexis that actually have the technology to let us know that somebody is who they say that they are. We use the name, date of birth and address that are provided by the user, run it through the -- the CAMS product. And basically anyone that cannot be identified has to go through a secondary review process. They would not be able to move forward until they essentially provide documentation to our -- through our document upload process that would identify who they actually are, and go through a manual review.
CHAIRMAN KOHN: How long -- how long does that process take?

MS. AGUIAR: It depends. So that part -- the initial process, as far as running through the identity verification systems, is almost instantaneous. If there is a problem, like if they can't be verified at that point, we would then reach out to them. They would -- they would be aware that they're not allowed to move forward until they've then supplied the appropriate documentation. So it really depends at that point on when the -- the customer provides that documentation.

CHAIRMAN KOHN: So they might miss the game that they --

MS. AGUIAR: Exactly. They wouldn't be -- they -- at that point, they wouldn't even be able to enter into any games or anything. They're blocked until their identity is verified. Again, if -- if they go through that verification process, and we cannot validate that the -- the documents are legit to satisfy the age, we would not allow them to go through, and they would not be able to enter into any paid contests, make any deposits, or take any action on the site at that point.

In addition to -- to those account
verification measures, we have the -- we have additional measures that -- regarding parents, responsible gaming. Essentially, if a parent suspects that a minor is playing, they can contact us, and we will then ensure that they're restricted, and not allowed to play on the site any longer. We also have a fraud team that investigates any suspicion activities that -- that come through. And in the event that somebody is determined to be a minor, we'll close the account, refund any deposits that have been made on the account, and then notify the user of the -- the closure, and essentially blacklist the devices that they're on so they're not allowed to come through our process again.

Additionally, we have parental controls on our site that allows software to be downloaded for parents so that the user would not be -- the minor user would not be able to come to our site.

We also look at unusual deposit amounts in patterns. So if somebody has like a high -- high-dollar deposit amount, we'll do additional due diligence on them to make sure that they're -- they're basically able to kind of afford the -- the process, that they are who they say they are, and that they're essentially allowed to go through.
And then, again, we have a -- a multitude of additional alerts for other suspicious activity. So if somebody is, you know, trying to enter a game very quickly, you know, and -- or setting up an account and then withdrawing the funds very quickly, then we'll -- that will be alerted and we'll investigate and make a determination on if we have to close or restrict the account accordingly.

And we also have controls in place for multi-accounting so somebody can't come in and set up multiple accounts with the same name, the same payment method that -- that they've used. So we can see those in our system, and we'll block anybody that tries to create multiple accounts, which would then give them a potential leg-up.

So those are -- those are the kind of initial age and geolocation controls and verification. If there are any questions before I move on to the segregation of funds and how that actually works.

CHAIRMAN KOHN: I have a question, but I'm not sure if it falls in either category that you've --

MS. AGUIAR: Okay.

CHAIRMAN KOHN: -- that you've described. I'm just wondering about operationally. Last year, around the Superbowl, there was a tremendous amount of
advertising. And I can't remember if it was DraftKings, or FanDuel, or somebody else. But there was a lot of it. And this year, there wasn't. Has there been a basic change in the way you operate?

MR. DUNN: Yes. Back in 2015 and early 2016, both DraftKings and FanDuel were in a very -- kind of very competitive race to try to grab market share. And in that situation, both companies were spending a lot on marketing. Since then, both companies have -- have kind of more kind of adjusted their marketing spend, and it's more or less no longer -- you know, we -- we spent a lot of money in 2015. We were able to raise awareness. We were both able to grow our companies. But there's only so much money you spend on raising awareness, and we pretty much spent that in 2015. And so therefore, we've now kind of -- you know, since then, in 2016 and 2017, we've more kind of normalized our -- our marketing spend. And that is the reason why you're not seeing us as frequently as you did say, you know, 2015 or 2016.

CHAIRMAN KOHN: And the result of that on your revenues has been --

MR. DUNN: It's been very positive. Because, you know, we acquired a lot of players in
2015. And typically what we see is that, you know, a
certain percentage will drop off and not play again.
But then we'll see that there are -- you know, there's
a pretty big -- you know, 40 to 50 percent of the
players will continue to play. Right? And then if
you just keep layering on, then, players that you
acquired in 2016 and 2017, then you start having a
base of players that is now, you know, continuing to
play at DraftKings or at FanDuel, you know, for the
most part, you know, during specific sports seasons.
Most of our players don't play through, you know, the
entire year. They're -- they're really interested in
either baseball or football or basketball, but they're
not necessarily, you know, vested and playing at a --
at a high rate in all sports. And so, you know,
through the years of us investing in marketing, we've
been able to build a -- a player base that is now
frequently engaging in our -- in our products, and is
now driving sustainable revenues.

CHAIRMAN KOHN: Go ahead.

MS. AGUIAR: So the last section was
maintaining cash reserves and the segregation of
funds.

CHAIRMAN KOHN: Want to talk into the
microphone. I'm not sure --
MS. AGUIAR: Oh, sorry.

CHAIRMAN KOHN: -- the people in the back can hear you.

MS. AGUIAR: So DraftKings is currently complying with both Subsections A and B of 11 CSR 45 through 40. We have set up a special-purpose entity to segregate the operational funds, preventing the use of player funds for business purposes, and basically essentially protecting the player funds in the event of financial distress or bankruptcy. We've -- we have an independent directive that provides certain safeguards with regards to our funds held in SPE. Additionally, under the SPE, DraftKings has set up a custodial agreement with MVB Bank that essentially meets or exceeds the criteria which are set forth in the regulations. So we established an account held in trust for the benefit of the Missouri players. We essentially set it up so that no money can be released without the written -- the written instructions from you all. And essentially, to minimize the transactions requiring the approval -- the approval of you for us to do anything in the account, we're essentially intending to overfund the reserve account. And then it really can only be amended with prior -- prior permission from the commission. And
essentially, DraftKings has no interest in the -- in the title or the reserve related to the Missouri player funds or any of the funds under our SPE agreement. So we've done this for Missouri. We set up a specific account for Missouri purposes that's separate.

CHAIRMAN KOHN: And we very much appreciate you taking that extra step for the protection of our residents.

MS. AGUIAR: Thank you.

COMMISSIONER FINNEY: Can I ask one question on that point real quick.

MS. AGUIAR: Certainly.

COMMISSIONER FINNEY: So as far as that account goes --

MS. AGUIAR: Yep.

COMMISSIONER FINNEY: -- is there interest that's generated from that reserve?

MS. AGUIAR: There is interest that's generated from the reserve.

COMMISSIONER FINNEY: Okay. And where does -- where does that interest go?

MS. AGUIAR: At this point, it's -- it's staying in the --

COMMISSIONER FINNEY: Okay.
MS. AGUIAR: -- in the account. So that wouldn't be transferred or moved --

COMMISSIONER FINNEY: Okay.

MS. AGUIAR: -- without the permission.

COMMISSIONER FINNEY: Okay. Thanks.

MS. AGUIAR: Is there any other questions?

CHAIRMAN KOHN: No. And I know we're going to have an investigative report on our side. Any other questions for the company?

COMMISSIONER JAMISON: No, sir.

COMMISSIONER NEER: Not at this time.

COMMISSIONER LOMBARDO: No.

CHAIRMAN KOHN: Thank you very much, both of you, for the report. Ed, don't leave. I have a question for our counsel.

MR. GREWACH: Yes.

CHAIRMAN KOHN: The agreement that was just referenced between DraftKings and -- or the DraftKing separate entity and the bank -- MVB Bank -- have you read that agreement?

MR. GREWACH: I have. I've reviewed it. I was involved with the -- negotiating the terms of that agreement to make sure they complied with the regulation and all the Commission's requirements.

CHAIRMAN KOHN: And you're satisfied that
it does?

MR. GREWACH: I am. The written agreement provides the -- the items that Ms. Aguiar pointed out, and the key being that none of the funds can be withdraw without express written permission from the Commission.

CHAIRMAN KOHN: Any other questions of Ed? Mr. Seibert?

COMMISSIONER FINNEY: I'm sorry.

CHAIRMAN KOHN: Go ahead.

COMMISSIONER FINNEY: So let me tell you what -- what my concern with this is. As far as the interest goes, my concern is who actually has the right to that interest. Because the question would be whatever entity has right to that interest, if they would declare bankruptcy say in a Chapter 11 to become a debtor in possession, or if should go to a trustee, then that debtor in possession or trustee would have a fiduciary obligation to both creditors and potentially equity holders to make sure that all the assets remained within the estate or within the possession of the debtor in possession. So the concern I guess would be if the court would determine that that was an asset of DraftKings -- in other words, they would determine that that interest that was generated does
not belong -- does not belong to the State of Missouri, but was actually property of the entity that was declaring bankruptcy, could freeze the assets until the confirmation of any bankruptcy plan, or until they were dismissed in Chapter 7. So I guess the concern would be not necessarily that DraftKings -- the creditors would seize the assets -- the money that belongs to us -- but that everything would get frozen during the pendency of any potential bankruptcy because of fiduciary obligation that the debtor in possession would have. It would have to, until it was determined who that interest belonged to. So, you know, that's my hesitation with it. I mean, I'm still a little unclear as to where this interest goes, and who has a right to that interest.

MR. GREWACH: Well, to -- to kind of walk through that process, that's why we have the trust account held in the special purpose entity's name. And if the bankruptcy was -- if the operating company filed bankruptcy, the special purpose entity would not be a debtor in possession. That's -- the special purpose entity is the holder of that trust account. Now, that being said, you know, the bankruptcy courts, as you probably know, have very broad equity powers. But essentially at that point in time, absent the
substantive consolidation of the two companies, which
I'll get into in a second, the debtor in possession --
the operating company -- may have a claim to certain
receivables, could be receivable from a credit card
company, it could be receivable from PayPal, it could
be receivable from this account.

COMMISSIONER FINNEY: Right.

MR. GREWACH: Could be money -- because
really, all we're entitled to under the rule is the
amount of deposits made by Missouri residents. And so
the excess that's held over and above that really
would be a receivable of the operating company. So
the debtor in possession of the bankruptcy could then
say I want -- you know, just like any -- like they
make any other claim on any receivable from any other
entity.

COMMISSIONER FINNEY: Yeah.

MR. GREWACH: Now, the rule requires, and
the -- and the operating agreement of the special
purpose entity states that the special purpose entity
itself cannot file bankruptcy without unanimous
agreement of all its directors, including its
independent director, and it can't file bankruptcy
without our express written consent. So the special
purpose entity filing bankruptcy would be outside its
authority under the articles of organization. And then, you know, on top of that, you have that extra protection that it's in a trust account and -- and then the trust account is set up in such a way that with the agreement between the -- with the -- with the special purpose entity and the bank, we have the right to demand the withdrawal of those funds. And then in that process, then, we would interplead them into Cole County, we would identify through the interpleader the Missouri residents and pay them. And it's certainly possible after that process there might still be money going over to the operating company after all that stuff's done. But -- but that's how --

COMMISSIONER FINNEY: So those funds that our clients -- I'm sorry -- our constituents' funds and the interest that's generated, we agree that doesn't belong to the players. Those are commingled? Those funds would be commingled in the same trust account?

MR. GREWACH: They would. They would. Because that account would be earning interest, and -- and it would have player fund deposits and some interest included. Now, whatever that amount is -- and how it would work also, technically, going forward is once they're licensed, on the 15th of each month,
DraftKings would have to send us a -- a documentation of the amount of Missouri player funds they hold and the amount in their account. And they wouldn't be able to withdraw any money out of this account unless they had more money in the account than they had owed to Missouri players. And then if it's short then in that report, then we'd make a demand on them to bring -- to -- to add additional funding to that account. But on a monthly basis, we're going to be checking this, checking the documentation to make sure there is an adequate amount in that account to -- to cover the Missouri players. As Ms. Aguiar said, they're going -- and they have over-funded that. I don't know what the percentage is. I don't recall. But a certain percent to give a little cushion. And we were more comfortable with that than trying to hit an exact number, because the amount of Missouri player funds they hold changes minute to minute. You know?

CHAIRMAN KOHN: I think it was about 110 percent, as I recall.

MR. GREWACH: Yeah. I think that sounds right. Yes. That's right.

CHAIRMAN KOHN: Any other questions of our counsel?

COMMISSIONER FINNEY: Yes. I have one more
question. Sorry to belabor this point. But I guess
the concern, again, would be -- let's just say, you
know, the entity DraftKings declares bankruptcy,
becomes a debtor in possession. And they call upon
this trust, as you said, as an account receivable.
And so they then request that all of the interest
that's drawn off this principal is now part of the
bankruptcy estate. And then our people come in and
say well, DraftKings is no longer in existence, I've
got a thousand bucks in that account, I want my money
back. And so then we seek to get that money back. At
the same time, then, the -- the fiduciary, the debtor
in possession or the -- the bankruptcy trustee says
no, we need to keep that revenue generating, because
that accounts receivable is not a one-time payment.
It's an ongoing -- changes minute to minute. So we --
we need to keep that revenue continuing in order to
fund the bankruptcy estate. That's I think where the
conflict is. You know, and for me, I think that
that's an issue that I still don't have an answer to
is, you know, why is it not a breach of fiduciary duty
for the debtor in possession to say okay, State of
Missouri, go ahead and take all that money out? I
mean, I think it would be. And I think that they're
going to make a strong push with the bankruptcy judge
to say that money has to stay there until we have
comfirmation of a plan. Because as soon as you take
that out, our equity and our creditors now no longer
have account receivable based upon that principal.
And that's the problem I have with this interest being
generated as an asset belonging to the potential
debtor in possession.

MR. GREWACH: And again, given the broad
equity powers of the bankruptcy court, I would never
discount or say that wouldn't occur. Obviously at
that point our argument is that that account is not
property of the debtor in possession, that's property
of the SPE. So that -- that would be our response at
that point.

CHAIRMAN KOHN: Let me have you hold off
for five minutes, because we may be talking about that
again. But let's finish up here. Mr. Seibert?

MR. SEIBERT: The investigative summary
will be presented by Lieutenant Ed Aylward.

CHAIRMAN KOHN: Lieutenant Aylward,
welcome.

LIEUTENANT AYLWARD: Good morning,
Commissioners, Mr. Chairman. I remembered this time.

Missouri Gaming Commission staff,
financial investigators with the Missouri Gaming
Commission, and Missouri State Highway Patrol investigators completed application reviews and verification of statutory compliance for the following fantasy sports operators who have applied for licensure with State of Missouri: FanDuel, Incorporated; Sports Hub Technologies, doing business as CDMSports; and DraftKings, Incorporated.

The results of these reviews and statutory verification were provided to the MGC staff, and you have all related summaries before you. Thank you.

CHAIRMAN KOHN: Any questions of Lieutenant Aylward? All right. Mr. Seibert, do you want to give us a staff recommendation?

MR. SEIBERT: Staff does recommend approval.

CHAIRMAN KOHN: Okay. So here's where we are. And this is why I said to wait just a minute. We have three applications that we're considering and voting on this morning. Two of them we discussed in closed session in our last meeting. We have not discussed DraftKings in closed session at this point. So if any of the commissioners would like to go into closed session at this point to have a further discussion on these applications, we will do so. If
not, we'll move ahead and vote on the applications.
So my question is of the Commission is there a desire
to go into closed session at this time?
COMMISSIONER FINNEY: I have a desire to do
so, Chairman.
CHAIRMAN KOHN: Sorry?
COMMISSIONER FINNEY: I do. I guess I
would make a motion, then.
CHAIRMAN KOHN: Well, you can't. Only
Brian can.
COMMISSIONER JAMISON: I move to close the
meeting under Sections --
COMMISSIONER LOMBARDO: Whoa, whoa, whoa,
whoa, whoa. I know you want to do that, but --
COMMISSIONER NEER: Doesn't he have to have
a second?
COMMISSIONER LOMBARDO: I was just going to
say the issue that has been raised I think's common to
all of these applications. Do we want to -- does
DraftKings have a -- or is there anybody else, I
should say, that has something that they want to
present before we go into closed session on that
issue? Does that -- does that make sense?
CHAIRMAN KOHN: Anybody on the --
commissioners?
COMMISSIONER LOMBARDO: No. Any -- any of the other applicants.

CHAIRMAN KOhN: Okay.

MR. GREWACH: There is a representative of FanDuel here. Now, they did present at the prior meeting. I asked Corey Fox from FanDuel to come. And I -- basically I asked him to come here to be able to answer any questions that the Commission had. I don't know that he has a presentation ready.

COMMISSIONER LOMBARDO: Okay. Then we don't need to do that. We don't need to do that. I apologize, Brian.

COMMISSIONER JAMISON: No problem.

CHAIRMAN Kohn: All right. Go ahead and make your motion.

COMMISSIONER JAMISON: I move to close the meeting under Sections 313.945, Revised Missouri Statutes, investigatory, proprietary and application records; and 610.021 Subparagraph 14, Revised Missouri Statutes, records protected from disclosure by law.

CHAIRMAN Kohn: Is there a second to the motion?

COMMISSIONER FINNEY: Second.

CHAIRMAN Kohn: Discussion on the motion?

Angie.
MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve. Okay. So here's where we are. As I think most of you know, we have a lot more material to cover in our meeting, and which will involve some of you sitting out here. We'll try and make this as brief as possible, and come back out and conclude the business that we have remaining on the agenda. So -- and then we'll have another closed session at the end which will be our regular closed session. This one will be specifically to talk about this one issue. So I hope we'll be back out shortly.

(OFF THE RECORD.)

CHAIRMAN KOHN: Okay. Going back to staff recommendation, why don't you repeat that, Mr. Seibert.

MR. SEIBERT: Staff does recommended approval for FanDuel. Staff recommends approval for
SportsHub and Fan -- or excuse me. Staff recommends approval for DraftKings.

CHAIRMAN KOHN: Okay. Is there a motion with respect to Resolution 18-008 which is FanDuel?

COMMISSIONER LOMBARDO: Motion to approve.

COMMISSIONER JAMISON: Seconded.

CHAIRMAN KOHN: Discussion on the motion? Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-008.

CHAIRMAN KOHN: Is there a motion with respect to 18-009 for Sports Hub Technologies?

COMMISSIONER JAMISON: So moved.

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Discussion on the motion?
Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote you've adopted Resolution Number 18-009.

CHAIRMAN KOHN: Is there a motion with respect to Resolution 18-010 for DraftKings?

COMMISSIONER LOMBARDO: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

CHAIRMAN KOHN: Sorry, did you want to discuss, Dan?

COMMISSIONER FINNEY: I think we did.

CHAIRMAN KOHN: Okay. All right. Go ahead.
MS. FRANKS: Okay. Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-010.

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 E we have a preliminary order of discipline directed to Lumiere Place Casino for supplying alcohol to a minor, allowing alcoholic drinks to be taken off the premises, and failing to report a violation for incidents that occurred on June 30th, 2017 at the Wet Willy's bar at the casino property.
Now, Wet Willy's bar opened on December 22nd, 2015. Under the statute, the Commission has exclusive licensing jurisdiction over any liquor outlet that's on the casino floor or on property adjacent to it owned and operated by the casino. In the Wet Willy's -- particular outlet's license, it is limited to consumption on the casino premises. The physical setup of the bar is that it's a walk-up counter off the gaming floor in -- it's not enclosed in any area. It's open to the general public, including access to areas accessible by minors.

In this particular case, a 16-year-old and an adult relative walked up to the counter and ordered drinks. The bartender did take the 16-year-old's identification and ran it through the Veridocs, but did not wait for the result of the Veridocs to come back. She put the drinks on the counter, the 16-year-old took the drink and began to walk away from the counter. At that point in time, the bartender did look at the Veridocs and saw that it was -- that he was a minor, and retrieved the drink from the 16-year-old. The 16-year-old and his adult relative then walked a few feet away from the bar, spoke to another acquaintance named Huddleston. They gave Huddleston the money. Huddleston walked back up
to the counter and bought the same drink that had been
prepared for the 16-year-old. The three of them then
walked out of the entrance of the casino, where
Huddleston handed the drink to the 16-year-old, and
the 16-year-old and the adult relative got into a car
and drove off of the casino property.

Background I think is important in this
case, in that from the opening, the Commission has
expressed concern about the physical layout and the
business model of that -- of that outlet increasing
the risk of violations for these types of
violations -- minors obtaining drinks, people leaving
the premises with the drinks. As a matter of fact, as
you see in your materials, in the 18 months from the
opening until this particular incident, there were 19
separate incidents in which a notice of investigation
for violations were -- were issued to this specific
outlet. They range from supplying alcohol to minors,
allowing patrons to buy alcohol, and leaving the
premises. And in six of those incidents, the MGC sent
letters to the casino directing them to take steps to
prevent a future violation.

The recommendation in this case is a
$5000 fine. I will also note that we did have a
meeting at Lumiere Place with both representatives of
Lumiere and of Wet Willy's last Thursday to discuss alternatives with which to address -- to address this issue.

CHAIRMAN KOHN: What are alternatives?

MR. GREWACH: Well --

CHAIRMAN KOHN: What should they be doing?

MR. GREWACH: You know, we had -- you know, we gave our input at that meeting, but we really basically left it up to them, and indicated to them that we're -- you know, we have to react to the results. You know, whatever steps they take, whether it's, you know, putting signs up, or putting something on a lid of the container indicating that you can't take the drink off the premises, you know, we're really interested in the violations stopping. So while we did give some input and thoughts, we really left it up to the property to -- to address those issues.

COMMISSIONER NEER: Is this on a gaming floor, or off -- off the gaming floor?

MR. GREWACH: It's off the gaming floor, which I think adds to the risks and the types of violations that you've seen.

CHAIRMAN KOHN: But -- but a lot of these prior ones are under-age. Correct? So that comes
into an identification process as opposed to walking off the premises.

MR. GREWACH: Correct. I think you can separate those as you read them. Some are maybe training issues, as far as identifying a false ID, or -- or even how -- even checking an ID. You know, someone maybe didn't check an ID when they should have. The physical layout, though, is the one that lends itself to those two. The -- what we referred to in our meeting as the hand-off problem. You know, buy -- walk up to the counter, buy a drink, and walk, in this case, just a few feet away and hand it to a -- to a minor; and the -- and the property -- and the drinks leaving the premises.

COMMISSIONER LOMBARDO: And how does this compare -- you had mentioned I think 19 violations in 18 months. How does this compare to the rate of violations at other properties? Is this a real outlier?

MR. GREWACH: You know, I really don't have the numbers to back that up. But just anecdotally, I can -- I don't know that I've seen this many violations in that time span for one liquor outlet since I've been.

COMMISSIONER LOMBARDO: And have they been
fined on any of the previous ones?

MR. GREWACH: I don't believe so. This is the first fine that we're recommending.

COMMISSIONER LOMBARDO: Okay. I was having -- some of the abbreviations as to what happened were a little inscrutable to me. I was having a hard time figuring out what the result was.

MR. GREWACH: We do have a lot of acronyms. NPL is a non-punitive letter. That's the letter that we send to them that I was discussing earlier saying you violated, we're not going to take action now, but you need to fix this. And to my count, there's been six of those sent during this time period.

COMMISSIONER LOMBARDO: Looked like there were some suspensions. Were those for employees, or was that to shut the -- the bar down for a day?

MR. GREWACH: Those were for the employees. Now, we -- under the rule, we -- we do have the authority, although we -- it's not included in this recommendation, to suspend a liquor license, similar to what liquor control would have for a specific time period.

CHAIRMAN KOHN: Any other questions of Ed?

COMMISSIONER JAMISON: Well, you brought up liquor control. Have they weighed in on this?
MR. GREWACH: They have not. No. No.

This is outside their jurisdiction, so --

CHAIRMAN KOHN: Any other questions? Is there a motion with respect to DC-18-006?

COMMISSIONER JAMISON: So moved.

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Discussion on the motion?

Ed, I don't know -- I don't think you mentioned what the fine is.

MR. GREWACH: $5000.


MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted DC-18-006.
CHAIRMAN KOHN: Ed, you're on for the foreseeable future.

MR. GREWACH: Under Tab F, we have a preliminary order of discipline also directed to Lumiere Place Casino for using unapproved table games layouts in violation of minimum internal control standards D-12.01. That rule requires that the MGC approve any table game layout prior to it being placed into play.

On June 20th, 2017 the Commission received a shipping approval request for a table game layout from a supplier. Now, the shipping approval request isn't required. It was sent to us in error. But that caused the employee that received it to look at that layout and compare it to the approved layout. And she found that it did not match the approved layout. That, in turn, caused her to do an additional investigation to look at the layouts on the floor, compare them to the layouts that she had in the records as approved layouts. And in the course of that, she found that there were 11 layouts which impacted 42 of the 62 table games that were -- had not been approved by the Commission. Now, the majority of those did involve design changes or color changes, although there were two other significant ones. One
table layout contained a side bet on the layout which was not approved in the rules of the game. As background, for every table game, we require that the -- the casino submit the rules of the game to us so that if there is any patron dispute or problem or issue, we can then check the rules of the game. And in this case, the layout had a bet that was not authorized in the rules of the game. In another table layout, there was a payout that was not authorized, and didn't match up the rules of the game that we had on file from the casino.

The staff recommendation was a $5000 fine. We sent that to the casino. In response, the casino pointed out that most of the violations were design issues, that they had had a change in the table game department leadership, and that they had fixed or were working to fix the problem. Staff, in looking at that response, felt that because of the scope of the problem, the number of layouts involved, and the fact that those two specific problems could very well have affected a patron and the payout of the game, to continue to pursue the recommendation of the $5000 fine.

CHAIRMAN KOHN: Any questions of Ed? Is there a motion with respect to DC-18-007?
COMMISSIONER NEER: Motion to approve.

COMMISSIONER LOMBARDO: Second.

CHAIRMAN KOHN: Discussion on the motion? Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted DC-18-007.

CHAIRMAN KOHN: Ed.

MR. GREWACH: Tab G, we have a preliminary order of discipline directed to River City Casino for a repeat audit finding for failing to count an imprest bank, in this case a slot wallet, at least once every seven days as required by minimum internal control standards H-3.10.

Staff conducted its routine regulatory compliance audit for -- and in the process of that
audit, as you probably know from prior cases, the
issues are discussed while the audit's going on.
There's a formal exit conference, which in this case
took place on June 15th, 2016. A report that was
issued on August 8th, 2016. And then in -- and in it,
one of those findings was that there was a slot wallet
which had not been counted for 340 days. We received
a management response indicating that the audit --
wallets would be audited daily. In the follow-up to
that audit, it was found that a -- another slot
wallet -- a different one -- had not been counted for
118 days. And the recommended fine for this follow-up
repeat audit finding is $2500.

CHAIRMAN KOHN: Questions of Ed? Is there
a motion with respect to 18-008?

COMMISSIONER FINNEY: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted DC-18-008.

CHAIRMAN KOHN: Harrah's?

MR. GREWACH: Yes. Tab H, we have a preliminary order of discipline directed at Harrah's North Kansas City for repeat audit findings. A compliance audit that had been done on December 1st, 2015 through April 30th, 2017, there were two findings in that audit that had also been findings in the prior audit, which covered a time period from January of 2014 through November of 2015.

The first involved a violation of minimum internal control standards H-3.11 in which cashier variance slips with variances in excess of $20 did not include the results of an investigation. The -- that finding was -- as I indicated in the prior audit and also in the follow-up to the prior audit.

The second violation was a violation of minimum internal control standards F-3.03 for failing to properly document variances from the poker bank. Again, this had been a finding not only in the prior
audit but in the follow-up to the prior audit.
And the recommended fine in this case is $5000.

CHAIRMAN KOHN: Questions of Ed? Is there a motion with respect to 18-009?

COMMISSIONER FINNEY: Motion to approve.
COMMISSIONER NEER: Second.
CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.
COMMISSIONER FINNEY: Approve.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Jamison.
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote, you've adopted DC-18-009.

CHAIRMAN KOHN: Mr. Seibert.
MR. SEIBERT: The next order of business is consideration of rules and regulations. Mr. Ed Grewach will present.
CHAIRMAN KOHN: Oh, Ed's presenting.

MR. GREWACH: Surprise.

COMMISSIONER LOMBARDO: You're on a roll, Ed.

MR. GREWACH: You'll see under Tabs I, J and K proposed amendments for partial rescission of rules. Now, these proposed amendments are continuing -- a product of continuing our work under the direction given by the Governor's Executive Order 17-03 and the requirements under the State Statute 536.175 that we review our rules in a -- on a regular basis.

For organization and convenience, I've grouped these into categories. And if you -- if these preliminary orders are approved, then we will have a written comment period that will begin on April the 2nd, 2018, and which would end on May the 2nd, 2018. We'll also conduct a public hearing on May the 1st, 2018. The -- any comments received during those written or public hearing, and any proposed changes to the rules will be presented back to the Commission at the June 27th meeting for a final order of rulemaking. And as you may recall, under the governor's executive order, we're required to send all amendments to the governor's office. We did in this case, and did
receive written approval to proceed with these.

Under Tab I, then, we have a rescission of rules and regulations which overlap, duplicate or conflict with a statute or another rule.

CHAIRMAN KOHN: Okay. So we're looking at a motion for Tab I, which includes 14 items. Right?

MR. GREWACH: Yes. And they could all be included in one motion.

CHAIRMAN KOHN: Yeah. That's -- that's what we're doing. So is there a motion with respect to those rules and regulations listed under Tab I, all 14 of them?

COMMISSIONER LOMBARDO: Motion to approve the resolution to the -- I guess what? Repeal them?

MR. GREWACH: Rescind.

CHAIRMAN KOHN: Rescind.

COMMISSIONER LOMBARDO: Rescind.

COMMISSIONER FINNEY: Second.

CHAIRMAN KOHN: Is there discussion on the motion? Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

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

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted the rules under Tab I.

CHAIRMAN KOHN: Okay. J.

MR. GREWACH: Tab J, we have rescission of rules that are unnecessary, or not essential to the health, safety or welfare of Missouri residents. I might add that the title to these categories correspond with the title to either the governor's executive order or the statute for categories that we need to consider for rescission or amendment -- amendment of the rules.

CHAIRMAN KOHN: Okay. So there are nine in this category under -- under Tab J. Is there a motion to approve the rescission of the rules listed under Tab J?

COMMISSIONER FINNEY: So moved.

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Discussion on the motion? Angie.

MS. FRANKS: Commissioner Finney.
COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted the rules under Tab J.

CHAIRMAN KOHN: You don't have to list those. Right?

MS. FRANKS: Yeah. No.

CHAIRMAN KOHN: Okay. K.

MR. GREWACH: Tab K, we have rescission of rules that are obsolete.

CHAIRMAN KOHN: So we have three of those. Is there a motion to approve rescission of the rules listed under Tab K?

COMMISSIONER JAMISON: So moved.

COMMISSIONER FINNEY: Second.

CHAIRMAN KOHN: Discussion on the motion? Angie.

MS. FRANKS: Commissioner Finney.
COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted the rules Under Tab K.

CHAIRMAN KOHN: Thank you. Mr. Seibert.

MR. SEIBERT: Next order of business is consideration of placement on list of excluded persons.

CHAIRMAN KOHN: And who's making that presentation?

MR. SEIBERT: Mr. Ed Grewach.

MR. GREWACH: It was convenient. I'm already here, so --

This is a resolution to place Patrick Ahlering on the involuntary exclusion list.

Mr. Ahlering pled guilty on December the 1st, 2016 for the felonies of identity theft, stealing, and receiving stolen property. He received a seven-year
sentence with a suspended execution of that sentence. Then subsequently on October 3rd, 2017, he pled guilty to the felony of stealing. He again received a seven-year sentence concurrent with the prior conviction, but he was ordered to serve 120-day shock incarceration, which he has served, and been released from at this point in time. All these crimes involve him stealing from his parents, and fraudulent use of their credit cards. In statements he made to the police after he was arrested, he indicated that these thefts and the proceeds from the thefts were used to support his gambling addiction.

In addition, the -- on May 24th, 2010, which was eight months after his 21st birthday, Mr. Ahlering had placed himself on the voluntary disassociated person list. The rule provides that you can be then removed from the list on your request after five years. He did file that request, and was removed from the list on August the 2nd, 2016. During the time he was on the list, however, he was encountered four times on the gaming floor by gaming agents, one of which resulted in him pleading guilty in the St. Louis City Circuit Court to trespass for an event that occurred on April the 5th, 2016.

CHAIRMAN KOHN: Ed, the four visits to the
casino, was that the same casino, or four different
casinos?

MR. GREWACH: I have to check. Just a
second.

CHAIRMAN KOHN: I'm just wondering why --
so they noticed it four times.

MR. GREWACH: They were at two different
casinos: Lumiere Place and Hollywood.

CHAIRMAN KOHN: Okay.

MR. GREWACH: But what happens is when we
encountered someone on the -- on the property, they're
arrested, and then the report and -- and request to
file charges is sent to the county prosecutors. Or
city -- city prosecutors, depending on which casino
he's at. And then it's really up to the prosecutor
whether or not they file -- file the charges.

CHAIRMAN KOHN: When we had our tours, we
were introduced to the new, high-tech method of
checking IDs and checking people out. But I guess
it's not foolproof.

MR. GREWACH: Well --

CHAIRMAN KOHN: He got past that and went
on the floor.

MR. GREWACH: Yes. The --

COMMISSIONER JAMISON: A lot of times they
don't check people that are above age. And if they
don't know them as being on the disassociated-person
list, then they wouldn't necessarily connect those
two.

MR. GREWACH: As a matter of fact, the
statute prohibits them from checking ID for any
purpose other than to check for age. So unless
they're checking for age when -- at the point in time
that -- that the statute was passed -- and that
really -- before that statute was passed, you know,
you had to go get a card to get onto the casino floor,
and it was a fairly failsafe method to keep
disassociated persons off the floor. After that, the
disassociated person is typically encountered if they
win a taxable jackpot, you know, if they try to make a
cash transaction at a cage, if for some reason some
employee recognizes them, having a previous encounter
with them as a disassociated person. But there's
nothing -- unless they check because they look young,
and check their ID, they would not -- they would not
notice that.

COMMISSIONER LOMBARDO: Ed, it looks like
he was originally convicted for identify theft and
receiving stolen property in 2016. And then it looks
like he was again convicted of theft in late 2017.
I'm wondering why it took this long to get to this point. Maybe you can explain the process by which if somebody gets a conviction that that leads to them being excluded.

MR. GREWACH: At this point in time, the -- if a case comes to the attention of one of our troopers, or perhaps Director Seibert, or -- or Deputy Director McGrail notice a case that they think would be eligible for the exclusion list, they send it to us. We then investigate, gather all the court documents, make sure they fit the criteria for exclusion. Now, when you read the rule, it's very broad, in that really any conviction of a felony involving moral turpitude would qualify you for the exclusion list. But we really look for felony convictions that have a nexus to gaming, as this one did, and the statements he made to the police that the thefts were -- well, on two fronts: The thefts were for the purpose of funding his gambling addiction; and the fact that he had identified himself as being a problem gambler, and in spite of that been on the floor -- caught on the floor four times. Probably been on the floor much more than that.

CHAIRMAN KOHN: Any other questions? Is there a motion with respect to Resolution 18-011?
COMMISSIONER LOMBARDO: Motion to approve.

COMMISSIONER FINNEY: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

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

Resolution Number 18-011.

MR. GREWACH: Thank you.

CHAIRMAN KOHN: Thank you, Ed.

Mr. Seibert?

MR. SEIBERT: Next order of business is

consideration of Bingo settlement agreement.

Ms. Carolyn Kerr will present.

CHAIRMAN KOHN: Hi.

MS. KERR: Good afternoon.

MS. KERR: Thank you. The -- should I start with the first one?

CHAIRMAN KOHN: Yes. Go.

MS. KERR: Wasn't sure.

The first one is regarding a settlement with New Madrid Eagles Lodge 4206. They had a Bingo license, and we received a complaint on September 5th of 2017 that they were playing poker on their premises. We inspected the premises later that month, found that they were in fact conducting poker games on their premises. And that is -- as we've had in some other cases before the Commission, that is not allowed under our statutes or rules. So we proposed a discipline, and after some discussions, we ended up with the settlement that's in front of you. The fine against the lodge is $1000, and the forfeiture of two Bingo occasions. They did sign the settlement agreement and submitted it to us. Again, this is consistent with other disciplines that we've had against Bingo establishments or Bingo licensees that have run a poker game. We just ask that the settlement agreement be --

CHAIRMAN KOHN: This isn't the same one that we had before?

MS. KERR: No. No. Different -- different
entity, but still --

COMMISSIONER NEER: Are those currently relinquished?

MS. KERR: Yes.

COMMISSIONER NEER: The Bingo license.

MS. KERR: Yes. After -- after this, they decided not to renew their license.

CHAIRMAN KOHN: And I notice that the settlement provided for payment for -- from funds other than those collected in Bingo.

MS. KERR: Correct.

CHAIRMAN KOHN: What funds do they have?

MS. KERR: Whatever funds the -- like the VFW or the Eagles would have.

CHAIRMAN KOHN: I mean, is this a -- this a dues-paying organization?

COMMISSIONER NEER: Eagles Lodge, it's like the Elks.

COMMISSIONER JAMISON: I think they have a bar.

MS. KERR: Any money they get from doing --

CHAIRMAN KOHN: So they get these things from other than Bingo --

MS. KERR: Right.

CHAIRMAN KOHN: -- proceeds.
MS. KERR: Right.

CHAIRMAN KOHN: Is there a motion with respect to 18-001-B?

COMMISSIONER NEER: Motion to approve.

COMMISSIONER LOMBARDO: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-001-B.

CHAIRMAN KOHN: Now you want to tell us what you're doing to Little Guys.

MS. KERR: Sure. The next settlement agreement is regarding Little Guys Baseball Club. They are also a Bingo licensee. We received two complaints that they were -- there were workers that
were not on their list of approved workers working at Bingo. You're -- the -- the statute and the rules require that only certain individuals that are approved on their worker list can actually work that Bingo occasion. And there were two -- two dates the complaints were that they did not. So we went and inspected the -- the Bingo games on two occasions, once in November of 2016 and once in September of 2017. The inspection corroborated the complaints that were made. There were workers that were not on the list that were either conducting, participating, or -- conducting or participating in Bingo on those occasions, and they were not on the list. So we proposed this discipline, which is a $500 fine for having unapproved workers working on their Bingo occasions, and they accepted the terms of the discipline, signed the settlement agreement, and submitted it.

CHAIRMAN KOHN: So the people that -- that are on the list as approved Bingo callers, whatever you call them, how do they get on that list? Do they get training from -- from us, or -- what's the difference between those that are on the list and those that aren't on the list?

MS. KERR: I think you have to be -- might
ask Barb Whittle to answer that.

MS. WHITTLE: I'm Barbara Whittle, and I'm the charitable games manager. In order to be on the approved list, you have to have been a member of the licensed organization for two years; and you have to be free of felony convictions; and you have to meet the age requirement. So what happens is we ask each organization, either upon application or renewal, to submit their list of members with the start date, so when they submit people who would like to work their Bingo, we can verify that they have been a member of the organization for two years. They also have to submit name, date of birth, Social Security number, and a photocopy of either a driver's license or a state-issued ID. When we get that, we submit that to the highway patrol, they run a background check on them to make sure that they meet all those qualifications. And once that is returned, then we add those people, if they qualify, to the list of workers.

CHAIRMAN KOHN: That's a very complete answer.

MS. WHITTLE: Thank you.

MS. KERR: Much better than I could.

COMMISSIONER JAMISON: I do have a
question. So can you tell me the reason that people were not on the list. Did they have felony convictions? Had they not been there long enough?

MS. KERR: I think they were not on --

COMMISSIONER JAMISON: Were they just short of people and they needed people? I mean, I --

MS. KERR: Let me -- let me double check. I think they had not been members long enough.

COMMISSIONER NEER: They may have felt they didn't really have to bother, either.

MS. WHITTLE: I can do that one, too.

Sorry.

MS. KERR: Okay.

MS. WHITTLE: There's a lot of different reasons. Sometimes they'll be short people, so they'll just grab people and throw them in there. The two people on this occasion have not been members long enough to have been on the list. So I think that they -- I mean, they have to have known that. They're aware of the rule. And so they had not been members long enough. Once they meet the membership requirement -- the two-year membership requirement -- it won't be held against them, and if they resubmit them to add, we will add them as long as they pass the background check.
COMMISSIONER JAMISON: So in this particular case, they just shouldn't have had Bingo that night?

MS. WHITTLE: They shouldn't have had those people working their Bingo that night.

COMMISSIONER JAMISON: But if you don't have enough people to work it, then you just don't have Bingo.

MS. WHITTLE: That's up to the organization. I mean, it depends on the size of the Bingo and how many people they need.

COMMISSIONER JAMISON: Okay.

COMMISSIONER NEER: Isn't there a push to change that membership rule now?

MS. WHITTLE: There is. There is. But that's Constitutional, so we're tracking that, I believe.

MS. KERR: Yes.

CHAIRMAN KOHN: Any other questions about the Little Guys?

COMMISSIONER LOMBardo: I understand they were short a few people. I'm sorry. I apologize.

COMMISSIONER JAMISON: That was -- that was Rick.

CHAIRMAN KOHN: Okay. Is there a motion
with respect to Resolution 18-002-B?

COMMISSIONER FINNEY: Motion to approve.

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-002-B.

CHAIRMAN KOHN: Mr. Seibert?

MR. SEIBERT: Next order of business is consideration of licensure of Level I and key applicants. Sergeant Julie Scerine will present.

CHAIRMAN KOHN: Sergeant Scerine.

MS. SCERINE: Mr. Chairman and Commissioners, the Missouri State Highway Patrol investigators, along with the Gaming Commission
financial investigators, conducted comprehensive
background investigations on multiple key and Level I
applicants. The investigations included, but were not
limited to criminal, financial and general character
inquiries which were made in the jurisdictions where
the applicants lived, worked, and frequented.

The following individuals are being
presented for your consideration: George Barrios,
Argosy Casino Director of Security. Albert Britton,
Penn National Gaming Senior VP of Regional Operations.
Thomas Graf, Novomatic AG/Novo Invest Chief Technology
Officer/Managing Director. Ronald McKito, Ameristar
Casino Kansas City Surveillance Manager. Jonathon
Morten, IOC Caruthersville -- Lady Luck Casino
Surveillance Manager. Ryszard Presch, Novomatic
AG/Novo Invest Chief Operations Officer Managing
Director. Peter Stein, Novomatic AG Chief Financial
Officer. Christian Widhalm, Novomatic AG Chief
Investment Officer and Vice Chairman of the Management
Board. Bernard Zuroff, Caesars Entertainment
Operating Independent Director.

The results of these investigations were
provided to the Gaming Commission staff for their
review, and you have all related summary reports
before you. Thank you.
CHAIRMAN KOHN: Any questions of Sergeant Scerine or about the materials that she provided us? Is there a motion?

COMMISSIONER NEER: No. No.

CHAIRMAN KOHN: Is there a motion with respect to Resolution 18-012?

COMMISSIONER LOMBARDO: Motion to approve.

COMMISSIONER JAMISON: Second.

CHAIRMAN KOHN: Discussion on the motion?

Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution Number 18-012.

CHAIRMAN KOHN: I believe, Mr. Seibert, that concludes our --

MR. SEIBERT: It does.
CHAIRMAN KOHN: -- agenda for the open session. Is there a motion, Vice Chairman Jamison, to go into closed session?

COMMISSIONER JAMISON: There is. I move for a closed meeting under Section 313.847 and 313.945, revised Missouri Statutes, investigatory, proprietary and application records; and 610.021 Subparagraph 1, Revised Missouri Statutes, legal action; Subparagraph 3 and Subparagraph 13, personnel; and Subparagraph 14, records protected from disclosure by law.

CHAIRMAN KOHN: Is there a second to the motion?

COMMISSIONER LOMBARDO: Second.

CHAIRMAN KOHN: Angie.

MS. FRANKS: Commissioner Finney.

COMMISSIONER FINNEY: Approve.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve. We are going into
closed session now. And we will come out and -- and
close the open session afterwards. But we certainly
don't expect anybody to stay for that. So thank you
all for attending. We got through a lot of material
in two hours, including our closed session, so that
may be a modern-day record. I'm not sure. But we'll
see you next month. Thanks.

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(Ending time of the hearing: 12:00 p.m.)
CERTIFICATE OF REPORTER

I, Sarah J. Pokorski, CCR, a Certified Court Reporter in the State of Missouri, do hereby certify that the testimony that appears in the foregoing transcript was taken by me to the best of my ability and thereafter reduced to typewriting by me; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing 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.

Sarah J. Pokorski
CCR No. 745
The Missouri Gaming Commission (the “Commission”) went into open session at approximately 12:27 p.m. on February 28, 2018, at the Jefferson City office of the Missouri Gaming Commission.

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

The meeting ended at 12:28 p.m.