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BEFORE THE MISSOURI GAMING COMMISSION
STATE OF MISSOURI

MEETING
March 23, 2016
10:00 A.M.
3417 Knipp Drive
Jefferson City, Missouri

BEFORE:
Herbert M. Kohn, Chairman
Brian Jamison, Vice Chairman
Larry D. Hale, Commissioner
Thomas Neer, Commissioner
Richard F. Lombardo, Commissioner

Reported by:
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AGENDA

AGENDA CONTINUED

P R O C E E D I N G S

(Meeting started at 9:58 A.M.)

CHAIRMAN KOHN: We can all watch the hands of the clock move together. Angie, are you ready?

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Present.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Present.

MS. FRANKS: Commissioner Hale.

COMMISSIONER HALE: Present.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Present.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Here. Is there a motion to approve the -- well, the meeting is called to order and is there a motion to approve the minutes of the meeting of February 24?

COMMISSIONER HALE: So move.

COMMISSIONER LOMBARDO: Second.

CHAIRMAN KOHN: Any discussion? Angie.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale.

COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted the minutes of the February 24, 2016 meeting.

CHAIRMAN KOHN: So we have, as you can tell, a very full agenda today and some very important issues to consider. So what we'll do, so that you'll know, is we'll take up all the items under Roman numeral three, which are relicensure items, then we'll take a five-minute break and then we will continue without break for the rest of the agenda. So we're ready for Consideration of Relicensure of Certain Class A and B. Mr. Seibert.

EXECUTIVE DIRECTOR SEIBERT: Yes, sir. The first item of business is Consideration of Relicensure of Certain Class A and B Licensees, Tropicana Entertainment, and Mr. Brian Marsh will present. And make your introductions, too, please.

MR. CANTWELL: Thank you, Executive Director Seibert. I've got a handout that I'm going to pass out to the commissioners and a few staff members. Just take a moment.

CHAIRMAN KOHN: Would you please introduce yourself and anyone else that's going to be speaking with you?

MR. CANTWELL: Certainly, sir. Chairman Kohn, Commissioners, Executive Director Seibert and Staff, good morning. My name is Robert Cantwell and I am Missouri regulatory counsel for Tropicana Entertainment, Inc. and its affiliated companies. This includes Tropicana St. Louis, LLC, which operates Lumiere Place Casino & Hotels in St. Louis, Missouri on the riverfront.

I am here today with Brian Marsh, the General Manager of that facility, and also Don Perkins, who is the Corporate Director of Compliance for Tropicana Entertainment, Inc. at large, all of its operations. Don is a true veteran of the gaming industry and brings a tremendous amount of experience in the compliance function to all of Tropicana's operations throughout its system, including the operation in St. Louis, Missouri.

We are here today at the request of your staff to provide you an overview of our operations. It is our hope that this will assist you in your consideration of our request to renew the Class A license for Tropicana Entertainment, Inc. and the Class B license for Tropicana St. Louis, LLC, which operates Lumiere Place Casino & Hotels in St. Louis, Missouri. Tropicana St. Louis, LLC, d/b/a Lumiere Place Casino & Hotels is a bit of a mouthful, so for the rest of the presentation, we'd like to refer to that entity and operation at Lumiere Place.

I'd like to begin the presentation with a few details about Tropicana Entertainment, Inc. I'd also like to find the clicker here. Give it one click. Tropicana Entertainment, Inc. is the parent company, publicly traded, of Lumiere Place. Along with Lumiere Place, Tropicana Entertainment, Inc. has eight different casinos and resorts that it operates in seven different jurisdictions.

It operates in Indiana, Louisiana, Mississippi, Nevada, Missouri, New Jersey and Aruba and throughout its entire enterprise, it has approximately 5,500 hotel rooms, over 8,000 slots, nearly 300 table games and it employs nearly 7,200 individuals. It's quite a large operation and it just got -- or it's going to get, most likely, larger as the company recently signed a management agreement to run the Taj Mahal in Atlantic City.

Another note about the company, the executive team there, much like Don Perkins, who is a significant part of it, they're all veterans of the gaming industry. They have an incredible depth of experience and I think Brian Marsh will speak about that a little bit as well, but they bring that experience to all their operations, including our facility here in St. Louis.

Again, we're here to respectfully request renewal of the Class A license for Tropicana Entertainment, Inc. We'll begin the more substantive portion of the presentation with regard to the Lumiere Place operation with Brian Marsh in a moment, but I just wanted to take a moment to generally express my appreciation for all the commissioners taking the time to consider our request for today. With that, I'd like to introduce Brian Marsh, the General Manager of Lumiere Place.

MR. MARSH: Thank you, Rob. Good morning, Chairman Kohn, Commissioners and Executive Director Seibert and Staff. My name is Brian Marsh and I'm here to present on behalf of Lumiere Place Casino, and I know that we'll be referring to it as Lumiere Place in the presentation, and respectfully requesting consideration in the relicensing of our Class B licensure.

So a little bit of background on myself. I've been in the industry for 23 years now. Most recently spent ten years with French Lick Casino. I had the pleasure of actually designing and building the casino portion of the resort and subsequently was allowed to remain on and manage the property for the past ten years.

Prior to that, I spent time with Harrah's Entertainment, approximately ten years, as well as a year with an outside -- or a slot machine manufacturing company, WMS Gaming, which was an interesting year, and then I also spent time with the Trump organization, specifically in Trump, Indiana.

More personally, I have six daughters, I have two granddaughters and I have a third granddaughter on the way. I also have four dogs, so very lively household. Fortunately some of them are -- most of them are off the payroll at this point, but we're still working through a lot of that.

My wife is an attorney and one of my daughters is also an attorney and daughter number five is thinking about becoming an attorney. So I have to mind my Ps and Qs not only at home, but here as well and I assure you that --

CHAIRMAN KOHN: That's great because the world needs more attorneys.

MR. MARSH: Yeah. I have a house full of them, actually. So if you need an attorney -- anyways, that's a little bit on my home life there. And, you know, I -- so this is week ten at Lumiere Place and I have really enjoyed this first ten weeks.

One of the things that has been interesting is just watching the integration and the interaction between our troopers that are on the property and our security staff. And it really -- it helps me be very comfortable that operationally these two groups work extremely well together in addition to what we do with the City of St. Louis.

We are rebuilding the leadership team and I'd like to introduce two of the newer individuals that are on that team. Mike, if you don't mind standing up. So this is Mike Donovan. Mike Donovan has been with Tropicana Entertainment in various positions for the past nine years. More specifically, Mike was an executive director of marketing for the overall company so we convinced Mike that he needed to come to St. Louis. He was getting a little tired of the east coast and the west coast, maybe the ocean, and we are very, very happy to have him. Very keen on what we do on a direct marketing standpoint throughout the company and certainly going to be a valuable asset to the property. Thank you, Mike.

I'd also like to introduce an individual. Carla, would you please stand up? Carla Shelby was somebody that was a day one employee of Lumiere Place Casino and she held multiple positions throughout her tenure there in the HR function. Most recently she was the manager of HR. Carla is -- with Gaming Commission approval, obviously, will become our Director of HR.

Carla sees things very balanced between employee and the company. More importantly, she takes a very inclusive approach on how she deals with all issues. And we're very, very pleased that she's willing to step up to this new role and this new responsibility as we reenergize the leadership team at the property. Thank you, Carla.

At any point during this presentation -- again, I am very thankful that I'm getting an opportunity to speak on behalf of the property and the current state, so at any point during the presentation, please stop me and ask any questions. I do tend to talk too much sometimes.

The first area that we'd like to talk about, based on the request of Staff, is our development agreement with the City of St. Louis and while the substantive obligations of the agreement have been met, I want to demonstrate our longer commitment in maintaining a strong partnership with the City of St. Louis.

Further, there has been exceptional development on the historic St. Louis riverfront that we're working very hard to ensure that our gaming operation actually synchronizes with it. Specifically, as you see on the slide there itself, is the CityArchRiver project and the Great Rivers Greenway Association. It's a beautiful view as you actually look out towards the Mississippi River.

The project itself was a $380 million project over the years primarily funded through the efforts through the CityArch Foundation. So these projects, along with what the future brings for the City of St. Louis, is where we're going to be and be in partnership with that going forward.

So specifically, our development agreement, we've spent over $11.5 million for specific downtown projects. 6 million of that was with the National Blues Museum. The museum itself is set to open on April 2. So if any of you enjoy blues and that whole -- the whole history of St. Louis, we've had a chance to actually see the museum and it's wonderful. You've got to take a few minutes to actually come down and check it out. It's going to be extremely nice and a great addition to the city.

The property has spent $5 million associated with the CityArchRiver project, an additional $500,000 to the City of St. Louis Police Department for the hot-spotting strategy. We actually donated riverfront land to the Great Rivers Greenway project. The land itself is between the hotel and the river. It's going to be actually green space and a park when it's all done.

We continue a million dollar payment to the City each year. And, more importantly, we spent $2 million to convert an old historic building into affordable housing, which is supported by the St. Patrick's Center, which is right around the corner from the property.

CHAIRMAN KOHN: What's the source of the million dollar payment to the City? How did that originate? How long does it go on for? Is it an agreement?

MR. MARSH: It's an agreement. It's embedded in the local development agreement for -- between us and the City.

CHAIRMAN KOHN: For how long?

MR. MARSH: I believe it's --

MR. WILLIAMS: It's continuous.

MR. MARSH: Yeah. I think it's continuous as long as there's an agreement between the two of us.

CHAIRMAN KOHN: Is it dedicated to a certain purpose?

MR. WILLIAMS: Yes. My name is Otis Williams and I'm with the St. Louis Development Corporation, the City of St. Louis and the agreement is one that was promulgated at the beginning of the project. And it provides for security, it also augments some of the issues that relate to the properties around it. So the City uses it to support efforts along the riverfront.

MR. MARSH: So from our standpoint, Lumiere Place is going to continue to have a very coordinated effort and do everything we possibly can to ensure that this development agreement between us and the City of St.

Louis continues and I'm personally committed to making sure that effort takes place.

As you can see, this is a quick snapshot of our capital investment. At the acquisition in April of '14, the acquisition amount was 261 million. Subsequently, there was another $13.6 million spent at the property, this was between 2014 and December of 2015. And more importantly, what I'm really excited about is what we're doing in 2016. We're going to put another $16 million into the property. I'll go into a little bit of detail here in just a second of what that's going to be.

The 13 million that was spent prior to 2015 -- or, excuse me, 2016, so it consisted of a complete enclosure around the casino with a glass partition, new carpeting, refinishing all the different hallways that our customers visit, and more specifically, this surrounding glass that has been put around the property, around the casino floor, has dramatically improved the air circulation. I think the stats alone, we went from like a ten -- or a nine or a ten changes per hour and now we're up around 16. So it's dramatically improved the environment on a Saturday night when it can be fairly smoky.

If you take a look at the picture on the left-hand side. I know in your handout you only see this picture, so we purchased that piece of land. And what it looks like is this at this point. And take notice of the little tower right there in the corner. I'll talk about that in a second. This -- so that old warehouse was now converted into outside parking.

In addition, we've added a Wet Willie's daiquiri bar to the facility. It's been very, very well received. We're managing it to the best possible outcome we can and, I'll tell you, it's begun to draw on maybe a younger demographic to the facility that is going to be accretive in the long run.

So this is the part that I'm very excited about. Starting in June, actually June 1, we are getting ready to completely renovate the Lumiere hotel portion of the facility. As you know, the hotel itself was an Embassy Suites. It was built in 1985. This is the first time it's actually going to be completely renovated on the inside.

That's a depiction of what the -- since they're all suites, all of our hotel rooms, this will be what the living room will look like when we're done. We'll be completely redoing the restroom in each one of the suites to a very modern, nice, contemporary look and feel. And then this is what the bedroom areas are going to eventually look like when we're complete with this renovation.

The renovation is going to start in June and should end no later than the first of October. Again, it's about 11 to $12 million of the $16 million that we're planning on spending this year on the property. You know, again, we are very, very committed to doing whatever we need to do to make sure that this property remains vibrant and modern and so forth. And that's what our commitment is moving forward.

So I want to talk a few minutes about our security enhancements. One of the things that we're doing right off the bat is we're putting our officers into an actual security officer uniform. When the Cardinals play and all of our fans come to the property, they're in red and our security officers are in red, so it's tough to actually distinguish them from fans sometimes. We feel that this will give an even stronger presence of security.

In addition to that, just recently I had our Corporate Vice President of Security for Tropicana Entertainment visit the property and do a complete evaluation from soup to nuts. We hit every room, every parking lot, every corner, surveillance, all the way through and he's got some initial recommendations for me in regards to how we can make the property even safer.

I showed you the security tower. That security tower in the parking lot is manned 24/7 now. It actually goes up 40 feet. Apparently it got hit by lightning and so we kind of have a very strong SOP that says if there's any bad weather, you're not allowed to be in the tower. So rest assured.

But where the tower is located, it actually gives us a very good view back up on the property itself. It's an area where I don't have cameras and so we actually have that person, that -- you know, that first-person view of what's going on.

That is an addition to we're adding -- in our security monitor room, we have our normal surveillance, but we also have an active security monitoring area with a lot of camera setups and so forth. We're going to be bringing in additional monitoring capability.

Here's an example. When we do the renovation on the hotel, we're going to add approximately 16 cameras that are dedicated to the eight floors of the atrium area. These 16 cameras will be on one very large display, constantly up in front of the person monitoring it. The idea is that we'll have the ability to actually see anything going on immediately and react to it. We don't have this presently. We do have good camera coverage in the hotel. This is just going to enhance that effort.

One of the things I'm really interested in and moving forward with is the -- I don't know if you're familiar with the City of St. Louis. There's a Real Time Crime Center that's essentially the surveillance setup for the City of St. Louis. So I've had a chance to actually visit the crime center, Real Time Crime Center, and I'm very impressed on how their -- have made an impact in the City of St. Louis.

Specifically, they use license plate reader cameras. When these reader cameras actually take a hit, depending on what -- what criminal activity the individual registered to the car did or whatever comes up on a screen.

So the idea is actually allowing the City of St. Louis to have the ability to utilize some of our camera equipment that's outside of the gaming area and specifically in the parking areas, not the parking garage, but everything on the outside. It's just one example of how we think it will continue to enhance what we're doing.

Secondarily, we're going to give the City, with Gaming approval, the ability to access our license plate reader cameras as well. So just it's one more defense mechanism that we feel that's needed.

The last bullet point speaks to our continued involvement in the community for improving a security standpoint. Susan Trotman, the director of the Great

Rivers Greenway project has asked me to be a part of a security task force for the near north area properties. And so I'll be -- I will be involved in that, as well as the annual contributions that the property has done in the past, we're going to continue those efforts for the additional police presence that I have on the property.

As you can see, this is a year-over-year trend for the crime rate, more specifically down in the lower right-hand corner, which is where we're located, we've actually seen an additional decrease in the crime rates, specific to where the property is located.

So moving into an area that is a very personal area for me and having been at the property now for ten weeks, I have to tell you that I'm very impressed with what has been taking place prior to me getting there with our security staff. The efforts with the security team at the entrance into the casino are really good and I am very, very proud to say that I don't have concerns with what has taken place in the past.

So what we're going to do is we're actually going to enhance that ability. Our current turnstile setup is one where you actually have an ingress and then a separate egress. What I want to do is actually go in and have bidirectional. What this allows us to do is actually narrow down the entrance and exit. It will give the security officer a better opportunity to actually make sure that nobody gets into the casino floor under 21.

Again, it's a very important principle to understand why we're doing this. We truly believe that keeping somebody out of the gaming area that is under 21 and keeping them from any alcohol consumption is important. And I'm extremely proud that the team is -- these are just enhancements that we're going to do with the team.

So along with what the team currently does with the Gaming Commission to continually stay sharp on fake IDs, some past experience. In French Lick, Indiana University, similar to what happens in St. Louis with the universities there, the individuals at each school are getting really good at making fake IDs. And so this whole -- it's kind of a game that you have to play and you have to be sharp with. So we're going to continue to actually make sure that we're prepared to deal with this.

I think everybody is familiar with what a Veridocs scanner does. One of the things is it actually produces a red light, green light or yellow light. So what we've done is change that procedure specifically that if a yellow light happens to come up when a person's ID is scanned, in the past, the security officer was able to make that decision on their own, whether or not a person can go in or not. So in the future, now they actually have to have a supervisor and/or a gaming agent with them in order to allow that person to go through. So that's just one of the improvements that we've done.

We've also installed our Veridocs scanning equipment at Wet Willie's. That's an area that because it's a younger demographic, we want to make sure that we're doing everything there to make sure we keep underage from drinking. So we also have black lights and all of the right tools at the turnstile.

What I'm most proud of is that in 2015, nearly 2 million people entered the casino and we actually scanned 334,000 of them through the Veridocs. That's about 18 percent. And with that, only seven instances of somebody underage actually gained access.

The next page is a letter from Captain Renee Kriesmann of board seven, which is the captain that I deal with specifically and directly. It's a letter speaking to our relationship in the past and how we're going to continue this relationship between the City, myself, the team at the property, as well as the Gaming Commission.

So I just want to speak a little bit to what the property has accomplished in the past from a charitable contribution standpoint. Obviously, by the pictures, the team at Lumiere Place is very, very dedicated to giving back. We spend a lot of time outside of the property with our teams in different functions and in different projects.

We're getting ready to do another Habitat for Humanity build in three weeks, I believe, or four weeks, as well as we just recently were at the St. Patrick's Center serving lunch to 200, 250 individuals that are participating in that project there. Our commitment going forward is to continue this. We believe, and I believe personally, that giving back is a very vital and very important thing that we need to continue to do.

Moving into our hiring practices, we are tapping into every resource we possibly can to make sure that we make the connection with as many individuals that need a job. I think one of the most important things that you can do is actually give somebody a job and so what we're doing is, as you can see, we're tied into the Urban League of St. Louis. We're tied into the St. Louis Diversity Awareness Partnership and all the way through, specifically working very closely with the St. Patrick's Center to make that connection with individuals that actually are willing to make the leap that they need to make and, you know, we're there and we're taking them in as employees when we can.

The next slide depicts the current demographics and the current makeup of our current workforce. 62 percent of our workforce is minority and 45 percent of that workforce is female. I'd like to speak a little bit about where we're at from a minority and women-owned business utilization.

So in 2015, the property did very well in both areas. We finished at 16 percent on the minority side and finished close to 19 percent on the women-owned business side. Our overall spend was 19.4 million and 7 million of that -- close to 7 million of that or 34.5 percent was with a minority or women-owned business.

So some of the things that are really important with this project -- and, again, this is an area that we take extremely serious. I think that any time that you can help a small business, either on a startup or continued or expanding in either the minority-owned business category or women-owned business category is important and it's an area that we're going to continue to work very closely with.

We participate in the diversity fairs. In fact, I think there's one coming up at Hollywood in three weeks. We network with other businesses to find new minority and women-owned business opportunities. We have an existing resource and database within Tropicana that we're tapping into. We're utilizing multiple online database and sources to make sure that we're doing everything we can to find these businesses and more specifically in 2015, we added ten minority-owned businesses as well as 14 women-owned businesses. So, again, it just kind of depicts and shows where our efforts are. I'm personally committed to this project. I think it's extremely important. It's the right thing to do.

So I'd like to take just a second to close. That actually went a little bit faster than I expected. I usually talk a little bit too much. But, you know, in closing, I just -- I've been there for ten weeks and I'm extremely happy that I made this decision to leave French Lick. I didn't have to leave French Lick. French Lick was a great property, we did a lot of great things there. The reason why I left is because of Tropicana Entertainment and the veterans that are with Tropicana from the top down.

And secondary to that, outside of maybe going to the Aruba property, which you guys didn't offer that one, I really wanted to come to St. Louis. I felt that Lumiere Place has -- it's a great property to begin with. It's doing very well. And I just think there's opportunities there that I'd like to have an opportunity to get involved with and see if we can move the needle. So I'm extremely happy to be a part of this team.

I want to thank you for allowing me to present the current state of affairs at Lumiere Place. It's -- again, I'm extremely excited to be here. People ask me that -- you know, why are you so excited? It's just the property has so many things that we can do that are great moving forward. I'm happy to answer any questions that you might have at this point.

CHAIRMAN KOHN: Any questions? I'm just curious, can you give us a couple of examples of the MBE and WBE vendors that you added last year?

MR. CANTWELL: He might be able to help.

MR. PETTIBONE: I'm sorry, you're looking for a couple of vendors that we had in 2015.

CHAIRMAN KOHN: Especially the MBE.

MR. PETTIBONE: 2015 for MBE.

EXECUTIVE DIRECTOR SEIBERT: Can you state your name, please?

MR. PETTIBONE: I want to know --

MR. MARSH: Why don't you come to the mike?

EXECUTIVE DIRECTOR SEIBERT: Can you have him state his name?

MR. MARSH: I assure you, by week 15, I'll actually know a lot of this detail off the top. It's been a whirlwind. State your name, first.

MR. PETTIBONE: Sure. Nick Pettibone,

Purchasing Manager for Lumiere Place. I brought some numbers. I know I come off babbling here, but again C&B Lift Truck was one particular vendor we added that was discovered at the Minority Business Council. I believe that was downtown last year.

On the entertainment side, women-owned business, we had The Lalas, which is a women-owned production that we brought in for entertainment last year. Gosh. Oh, a printing company, Cross Rhodes Reprographics was another one that we actually discovered through an online database, the Missouri Office of Equal Opportunity site that actually led us to a connection there, and they are now printing quite a few things for us. I think we had a spend in possibly second, third and fourth quarter from them.

CHAIRMAN KOHN: Okay. I was curious as to not only who they were, but how you went about getting them and you've answered that question well.

MR. PETTIBONE: Okay.

CHAIRMAN KOHN: You attend fairs and things of that nature?

MR. PETTIBONE: Correct. Networking and one was actually kind of a cross between the two. The connection I made at a fair, later couldn't recall and then reconnected with a former employee who is also on the diversity side, development side and he was able to kind of reconnect me with that vendor.

CHAIRMAN KOHN: Any other questions?

COMMISSIONER JAMISON: No.

COMMISSIONER LOMBARDO: Yeah, I think so.

CHAIRMAN KOHN: Oh, I'm sorry.

MR. MARSH: Yes, sir.

COMMISSIONER LOMBARDO: Mr. Marsh, kind of on the same subject. I was looking at the demographic statistics. Is there any impetus at Lumiere Place to increase the participation in management of minorities or women?

MR. MARSH: Yes, there is. You know, they -- the current demographics are the 2015 statistics. You're speaking of our actual employee demographics?

COMMISSIONER LOMBARDO: Yeah, you show employees, then you also show management --

MR. MARSH: Yes; that's correct.

COMMISSIONER LOMBARDO: -- on the same page.

MR. MARSH: That's correct. So just recently, I will be adding to our director staff an African American individual, as well as we have recently promoted from within as well. Very, very committed to making sure that the diversity matters and it's a big part of what is going forward. I'm personally committed to that.

COMMISSIONER LOMBARDO: Thank you.

MR. MARSH: You're welcome.

COMMISSIONER HALE: May I, Mr. Chairman?

CHAIRMAN KOHN: Sure.

COMMISSIONER HALE: Brian, is it? Your first name is Brian?

MR. MARSH: Yes, sir.

COMMISSIONER HALE: Brian, as long as I've been here, which is, I guess, a bit over a year, I've looked at the MBE/WBE numbers because that's an issue that's of significance to me and I know, obviously, others on this commission.

MR. MARSH: Yes, sir.

COMMISSIONER HALE: Since you've been here eight weeks, I just want to say to you that my understanding is that since approximately 2011 and continuing through to 2015, which are the numbers that I've seen from the commission staff, your facility has certainly been one of the leading facilities in WBE and MBE compliance.

Since you're new to that facility, I'm sure that you, based upon what you've said, will continue to take seriously the commitment that you made mention of and certainly the commitment to MBE and WBE participation as well as minority participation at your facility. Thus far, what I've seen, I have to tell you, I think it is a good thing and I know that we'll continue to see that same thing. Thank you, sir.

MR. MARSH: Thank you very much. And you're right. My -- I appreciate that comment. I certainly do, sir. And it's a personal commitment as well as the property commitment that -- to continue down those paths. You know, a lot of times what happens is you make a connection with a minority or a women-owned business and because they're a bit smaller of an organization, they're not caught up in infrastructure, they're not caught up in the things that can slow them down and we actually have seen situations where they actually get product to us quicker, so our service from them is actually better.

So it's truly -- it's finding those -- finding those companies and making sure that they work right for -- work with us. We're going to continue to support the ones that want help as well. You know, we've got a distributor of all of our EBS supplies and we actually help them with some bookkeeping and some recordkeeping situations.

So those are the things that the team -- you know, again, it's week ten, but the team -- I didn't mean to bring Nick up and do that, but -- I do apologize I wasn't able to answer the question specifically, but that's the commitment that the team has demonstrated to me and, you know, through the leadership team and myself, we're going to continue that. So thank you very much.

COMMISSIONER HALE: Well, thank you.

CHAIRMAN KOHN: Thank you. Are we moving ahead now with the City presentation?

MR. MARSH: Yes, sir. If I may, so I -- what I'd like to do and I failed to introduce Otis when he already came up to speak. I met Otis Williams, our Director of the St. Louis Development Corporation, I met him on day three and I found him to be an incredibly impressive individual. The project that he is personally committed to and his overall commitment to the City of St. Louis is great and I am very happy to be a partner with him. So with that -- and I'll remain up here, too, if there's any additional questions -- I'd like to introduce Otis Williams, please.

MR. WILLIAMS: Thank you, Mr. Chairman and the commissioners. Again, I'm Otis Williams and I'm Executive Director for the St. Louis Development Corporation, which is a City of St. Louis economic development arm and I report directly to Mayor Slay, the mayor of St. Louis. He's been the mayor for the last 16 years, four terms. So -- and actually was the mayor when this property was brought online. We have worked as a team with Lumiere, both previously with Pinnacle and now with Tropicana.

It's been a great experience.

To speak to some of the things that's happening along there, Brian mentioned a few things with the development of the CityArchRiver project, a $380 million project that he spoke about. In addition to that, we're taking that further north through Laclede's Landing, through the Lumiere property, and then toward the new Stan Musial Veterans Bridge.

So many of you probably read about our efforts to retain the Rams, which was going to be a part of the larger project. But we always had a project that was there for the taking without a sports team and so we're furthering that with our partnership with the Great Rivers Greenway, which is the entity that Brian mentioned, but we're also working with our stakeholders and Brian and the folks at Tropicana are part of that team.

We are in the midst of beginning the implementation of this development plan. We hope that the next few years, as you are reviewing this, that you will be -- that you will be able to see some of the fruits of our labor.

Let me speak to the issue at hand, which is essentially that the St. Louis Development Corporation and the City of St. Louis strongly support the efforts here of approving the continuation of the -- or renewing the license for the Tropicana. I'd like to express the support of the City in this whole process and be happy to answer any questions that you might have as to our commitment to supporting this property and the commitment they have in supporting us. So it has been a great relationship over the years and we look forward to the continued relationship.

CHAIRMAN KOHN: Any questions?

COMMISSIONER HALE: I have none.

COMMISSIONER LOMBARDO: No.

COMMISSIONER NEER: No, sir.

CHAIRMAN KOHN: Thank you very much.

MR. WILLIAMS: Thank you.

EXECUTIVE DIRECTOR SEIBERT: At this time the Chair will take any public comments.

CHAIRMAN KOHN: Is anybody registered to -- from the public to make a comment? Anybody not registered who would like to make a comment? Okay. We got through that. Mr. Seibert.

EXECUTIVE DIRECTOR SEIBERT: The next order is the MBE/WBE compliance review by Miss Cheryl Bonner.

MS. BONNER: Good morning, Mr. Chairman, Commissioners. On January 2, 2015, the Missouri Gaming Commission Staff conducted a hundred percent audit of MBE/WBE records for the Class B Licensee Lumiere Casino --

Lumiere Place Casino. The results of our audit and specific details related to those findings are contained within the summary report in your possession. I would be happy to answer any questions.

COMMISSIONER LOMBARDO: No questions.

MS. BONNER: Thank you.

COMMISSIONER NEER: No.

CHAIRMAN KOHN: Thank you very much. Mr. Seibert.

EXECUTIVE DIRECTOR SEIBERT: Next order is the investigative summary that will be presented by Sergeant Sammy Seaton.

SERGEANT SEATON: Mr. Chairman, Commissioners, good morning.

CHAIRMAN KOHN: Good morning.

SERGEANT SEATON: Under Tab B, you'll find a resolution for relicensure of Class A and Class B licensees, Tropicana Entertainment, Incorporated, hereinafter referred to as Tropicana, and Tropicana St. Louis, LLC doing business as Lumiere Place Casino & Hotels, hereinafter referred to as Lumiere.

Tropicana and Lumiere were originally granted Missouri Gaming Commission Class A and Class B licenses in April 2014 and their current licenses are set to expire on March 31, 2016.

On December 20, 2015, Tropicana and Lumiere submitted applications for the renewal of their Class A and Class B Riverboat Gaming Licenses. Upon receipt of those applications, investigators from the Missouri Highway Patrol and the Missouri Gaming Commission conducted an investigation of Tropicana and Lumiere to aid the Commission in determining their continued suitability for licensure. This investigation consisted of jurisdictional inquiries, feedback from affected local governmental agencies, a financial analysis and a review of the key persons associated with the companies.

At this time, Tropicana and Lumiere are being presented for your consideration and approval of their respective Class A and Class B applications for relicensure. A comprehensive summary report was submitted to the Missouri Gaming Commission Staff and you possess a copy of that summary before you. I can answer any questions you may have at this time.

CHAIRMAN KOHN: Any questions?

COMMISSIONER NEER: No, sir.

COMMISSIONER JAMISON: No, sir.

CHAIRMAN KOHN: Mr. Seibert.

EXECUTIVE DIRECTOR SEIBERT: Staff does recommend approval.

CHAIRMAN KOHN: Okay. Is there a motion to --

we need to adopt both resolutions, right? Is there a motion to approve -- to adopt Resolution No. 16-008?
COMMISSIONER HALE: So move.
COMMISSIONER LOMBARDO: Second.
CHAIRMAN KOHN: Any discussion on the motion? Angie.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Hale.
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison.
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote, you've adopted Resolution No. 16-008.
CHAIRMAN KOHN: Is there a motion to approve Resolution 16-009?
COMMISSIONER JAMISON: So move.
CHAIRMAN KOHN: Second?
COMMISSIONER NEER: Second.
CHAIRMAN KOHN: Discussion on the motion. Angie.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale.

COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

MS. FRANKS: By your vote, you've adopted Resolution No. 16-009.

CHAIRMAN KOHN: Okay. So as I said at the beginning, we'll take a five-minute break and then we'll continue on for the rest of the session on the next item before us.

(Break in proceedings.)

CHAIRMAN KOHN: Okay. If you'll all take your seat, we'll begin. Ready for item Roman numeral four, which is about two thirds of a page, so shouldn't take us more than ten, 15 minutes. Go ahead.

MR. SANFILIPPO: Good morning. My name is Anthony Sanfilippo, I'm the CEO of Pinnacle Entertainment and we appreciate the Chairman and members of the Commission and Executive Director Seibert to allow us to be here with you and talk with you for your approval on a transaction that, once approved, will continue to be the license holder, Pinnacle Entertainment, of three terrific facilities that we are the license holder of today in the state of Missouri.

There are a number of people who have traveled here to be with us and if I may introduce them and also ask them to stand. They're members from our Pinnacle Entertainment team. Our President and Chief Financial Officer, who will also speak, is Carlos Ruisanchez. Jack Godfrey, who is our General Counsel and Secretary.

And then here in Missouri we have a number of individuals that live and operate here. The next individual lives in St. Louis, oversees seven properties for us, including the three that are here in Missouri. Neil Walkhoff, who is our Executive Vice President of Operations. Troy Stremming, who lives in the Kansas City area, and for our company he oversees government relations and public affairs.

Donna Negrotto, who is based in Las Vegas with the three of us who is in our legal department as a vice president. And then operating our properties, Ward Shaw, who is our General Manager of our Ameristar property in St. Charles. Chris Plant, who is our General Manager of our River City property.

Gary Stella, who is our Assistant General Manager of our Kansas City property and then two directors of regulatory compliance are here with us, Shaun Ledbetter and also Rayna Stover who are with us. These are the team members of Ameristar, River City, Pinnacle Entertainment.

And then there's some individuals who have traveled here who are community public elected officials or leaders in their communities. Mayor Sally Faith from St. Charles, Missouri. Great to have her with us. Frank McHugh, who is the Chairman of the St. Louis County Port Authority, along with Ed James, who is the Vice Chairman of the Port Authority.

Sheila Sweeney, who is the Executive Director of the St. Louis County Port Authority and CEO of St. Louis Economic Development Partnership, and Andrea Young, who is the Associate Counsel for the Kansas City Port Authority. All these individuals, thank you for coming here to Jefferson City to support us in our effort to have this transaction approved.

What I'd like to do, I'm going to take a few minutes to take you through Pinnacle Entertainment and our company and our presence here in Missouri and then Carlos Ruisanchez, who is our President, will take you through the transaction.

Now, you have a copy of the presentation in front of you and I'm going to also display it as we're doing right now through this PowerPoint. Our company is a gaming entertainment company and we have right at 15,000 team members with approximately 3,800 of our team members here in Missouri.

We have a portfolio of properties in 15 different gaming jurisdictions, Indiana, Mississippi, Missouri, Iowa, Nevada, all which have approved this transaction prior to today, Colorado who will approve it post the transaction, they don't require an approval prior to, and then the state of Louisiana where we have four properties and we're on their agenda for approval in April. We also operate in Ohio, but the property there is not impacted by this transaction, as well as Texas where we have a racetrack in both locations and neither one of those properties are part of this transaction.

When we think about who makes up Pinnacle Entertainment and the 15,000 team members, a little bit more than -- well, almost half of our properties are of a diverse nature. You can see from the PowerPoint, the slide that's up in front of you right now, that we have 30 percent of our team members are African American and I won't read the rest for you, but we're a very, very diverse company. And here in Missouri, from a minority employment as part of our total employment, almost

42 percent of our team members are minority employees and then 45 percent are female.

Our profile, we are a company with well over $2 billion in gaming revenue and 83 percent of that comes from -- $2 billion in revenue and 83 percent comes in gaming revenue, and then you can see how it's broken down on the graph that's in front of you with food and beverage being quite a large part of it, 266 million, and then you can see how much we get from hotel revenue, which is over a hundred million, and then retail revenue and other revenue, which would also include revenue we get from entertainment.

In 2015 we had net revenue of almost $2.3 billion and EBITDA of $617 million. Next line you'll see that Missouri is very important to us with almost 30 percent of our total revenue coming from the state of Missouri and our three properties. I know Mayor Faith's favorite property is our property in St. Charles. It's 12 percent of the revenue that we have of the three properties, and then 8 and 9 percent respectively from Kansas City and our River City property.

We are very involved in our communities and we -- we have -- our company has a program that for every dollar that our team members commit to charities, that we'll match 25 percent of that. And in 2015, $800,000 was committed by Pinnacle Entertainment team members and we matched our company to the same charity 25 percent of that.

Our three Missouri properties have had over 1500 team members pledge a total of $189,000 and then with the Pinnacle Entertainment match, that brought it over $236,000. And then you can see at the bottom of this page, a number of examples of where those contributions go.

When I mentioned we have three terrific properties, we truly have three terrific properties here, properties that we're very proud of and properties that all in their own right are destination properties. You can see from the page that we're on right now where they're located, two that are in the greater St. Louis area, one that is in Kansas City and all three are outstanding properties.

Our Kansas City property is the largest casino with the most games in the Kansas City area. Over 140,000 square feet of casino space. We're very proud that we received a Three Diamond Award at that property and we have 184 guest rooms that's there. This property also has a theater and 15,000 square feet of meeting space and you can see the number of awards and recognitions that we received at our Kansas City property. And then the next page just shows you some photographs of that property and tries to give you a flavor for the quality of the property that we have there.

Our Ameristar St. Charles property is 130,000 square feet of gaming space with 2,400 slots, 58 table games. I'll mention that in all three of our properties right now, we are going through refurbishments of those properties.

So we're improving our gaming floor, we're adding amenities at this property that will include an Asian restaurant, as well as specifically an Asian gaming area, as well as relocating our poker room. And this whole floor is being redone at our Ameristar St. Charles property. And then at our other two properties, we also have fairly significant work that we are at the beginning of to improve those properties.

This property has received AAA Four Diamond Award and both our property in St. Charles, as well as our River City property, have received for a number of years an award that is the top workplace in the St. Louis greater area. And then you'll see photos on the next couple of pages of our property in St. Charles.

And River City, which is the newest of the Pinnacle Entertainment properties in Missouri, you can see that that property has 90,000 square feet of gaming space, 200 guest rooms. We opened up that hotel in 2013. It was part of a $82 million expansion where we put in place a hotel, a convention area, as well as a parking garage and we received the AAA Four Diamond Award there at this property.

Next couple of pages you're going to see photos of that property and you'll see the expansion that I just talked about that we completed in September of 2013. One of the things unique to this property that, you know, we find our guests like quite a bit, you can tell in the photo at the bottom right-hand corner, we actually have rooms on the first level that each have their own terrace or garden area where guests can walk out and sit in an area that is outdoor area.

And when we built this, we said, look, we really want to try to make this property -- and our other properties are the same way. While the center of the business is casino operations, we really focus on it being a full entertainment destination for our guests.

In River City, we're very involved from a community involvement standpoint. You can see with the Lemay Community & Aquatic Center, we had quite a bit of funding through the Port Authority that helped build that center and we've also participated with the Civil War Museum there.

And then you'll see photos of that property with all three properties and all the properties that we have throughout our portfolio. We are very much focused on maintaining and improving the facilities we have. In fact, we just did at our River City property, improved a capital project that we're going to take a restaurant that when -- we opened up six years ago and redo it. It was more of a coffee shop that we're redoing to an Italian restaurant. Along with there we're putting in an Asian restaurant.

So part of how we do business and what's important to do is to continue to refresh the properties that we have. And you'll hear as we go through the presentation for this transaction that nothing that we're doing will get in the way of us continuing to improve the properties that we have like we've done historically.

And then this page has a lot of numbers on it, but the intent is to give you by line item the economic impact of the Missouri properties that we have and you can see it by line item. In 2015, so this is -- this shows you for 2015 the amount of gaming tax that we paid $142 million, the admission fees 36 million.

I won't take you down this page, but it does give you a very good idea of the impact that our company has in the state, including charitable donations, overall capital improvements, the total capital investment in the state of well over a billion and a half dollars, etcetera. So hopefully you find this helpful in taking a look at metrics for '15 that reflect our presence here in the state.

And then this page just shows you a direct annual impact of us in Missouri. The 2015 supplier spend by all of our properties, $72 million, and when you then look at our total team member compensation for '15, over $100 million. The taxes and fees paid by our three Missouri properties, over $200 million, with an annual reincurring spend -- this is just in those three categories -- of over $400 million, state of Missouri.

Carlos is going to come up and take you through the transaction. We look forward to any questions that you may have for us. Thank you.

CHAIRMAN KOHN: I should have asked and I'll ask now. I hope you don't object to our asking questions while you're presenting. Is that okay?

MR. SANFILIPPO: We would be happy to field questions, any question you may have at any time.

CHAIRMAN KOHN: Thank you.

MR. RUISANCHEZ: Good morning, Chairman, Commissioners, Executive Director, members of the Staff. Again, thank you for the opportunity to present here our transaction. I think, as Anthony took you through, we have been, I think, a contributor to the state of Missouri and we take great pride in both our culture and our approach to the businesses that we have here, including the communities that we're in, as well as all our team members that are part of our company. And that will not change going forward as part of this transaction.

This transaction is about taking advantage of a situation that we think will position us better going forward from where we are today. And I'll take a few minutes to take you through some of the specifics.

Essentially, back in 2014, we had made a determination, our board made a determination that it would make sense to actually separate real estate from our operations, not the use of that real estate, but that there would be operationally no difference between owning the real estate or leasing it.

And as a matter of fact, in River City, we don't own the land. That's been leased since the beginning of our involvement there. We also -- that's the same case in some of our other properties in other jurisdictions, in Indiana as well as out in Louisiana, we do not own the land. It is leased under a long-term lease.

As part of this transaction, when we have made the determination to go and at least go and pursue the separation of our real estate from our -- the rest of our company --

CHAIRMAN KOHN: I'm sorry. Is the River City strictly a land lease or does the owner of the --

MR. RUISANCHEZ: It is a land lease today.

CHAIRMAN KOHN: It does not own the building.

MR. RUISANCHEZ: We own the building today. We do not own the land. The land is leased under a 99-year lease or something to that effect.

CHAIRMAN KOHN: Okay.

MR. RUISANCHEZ: The -- as part of the pursuing our transaction to try to split the real estate from our company, we have gone and pursued an IRS ruling in regards to trying to do a tax-free transaction on that separation. And along that process, we were approached by Gaming & Leisure Properties saying you do not need to go and create your own real estate investment trust. We'll be happy to buy your assets and enter into a long-term lease.

Through the negotiations, we came up with this transaction. There were two big focuses on it. One, we have studied this now for over two years and in great detail and we were focused on making sure that we had a lease that we could work with long term where our view and approach to our properties would not be any different than it is today.

This is a triple-net lease, therefore, we're responsible for taxes, maintenance, obviously, as well as the rent and insurance. And long-term lease licenses, which we will own and continue to operate under, are specific to these sites. So our approach had been we're going to be in these places forever, so this will become basically about setting up this company financially to a better position than we had been prior to the transaction.

And that leads to the second part of the -- at least our analysis as we went through is how do we make sure that we have a healthy, strong company on the other side of this, to be able to take advantage of the things that we have as a company going forward and continue to grow and improve our businesses the way that we have, certainly over the last six years that Anthony, and I have been with the company about seven years, have gone through.

The transaction we think would accomplish both of those, both of those goals. We ended up with a transaction where we would enter into effectively a merger. We would spin off the rest of our company, leaving back the operations that -- leaving back the real estate that is subject to this. GLPI would then purchase that and, as part of that purchase, they will address $2.7 billion of debt that we have within our company today and they will provide our shareholders .85 shares for every share of Pinnacle that our current shareholders own. So .85 shares of GLPI that they're free to do whatever they want to do following the transaction.

As part of the lease, we would have a lease payment of $377 million that will be practically like a lot of real estate transactions, will have a land-based component, will have a building-based component and then they will have a small revenue component that will move as we go on.

The transaction would be under a 35-year lease. Largely that was driven by accounting. Practically speaking, we will be here for as long as we have the privilege of doing business in this state under these licenses.

And lastly, that the transaction, which we expect will be able to close next month, subject to, obviously, approvals in two remaining jurisdictions, this one and Louisiana. The transaction will lead Pinnacle in a very, very strong footing financially as our debt will actually be down from what it is today, about $3.6 billion, to under 900 million on our borrowed debt, debt that we would have to go back and repay and refinance as we go along.

The transaction rationale is pretty

straightforward. We are unlocking value in the real estate and using that to bring down our conventional leverage of borrowed money. And if you take as a given, which recognize that that is an assumption, that we would look to split -- we look to do this on our own and doing this with GLPI allowed us to not have to deal with the IRS and the pursuit of that private letter ruling, close this transaction sooner and, as importantly, the -- being part of a larger REIT would establish a more stable, bigger REIT that would help us as a company going forward and certainly for the State as you have a landlord in these facilities that has a stronger credit rating by virtue of being larger and more diversified than we would have been on our own.

And as importantly, as I mentioned, getting us to be well established to take advantage of what we have going forward was a key focus for us as, obviously, we're staying with the company. The management, every person, every process, all the licenses, all the assets, except the real estate associated with the facilities that are part of this transaction, will be exactly the same post this as they have been before.

Structurally, the -- what we would be doing, this is one lease, over 14 properties that would act as one. It's not an individual lease for every single asset.

The licensees would remain the same, at least the B licensees would remain the same.

There are things that we are -- that are not part of this transaction that do include real estate. Among them, there is excess land in Louisiana near our Baton Rouge facility as well as our Lake Charles facility that would remain with the company and they're not part of the operations today.

So, you know, looking to monetize things that don't produce cash flow today didn't make economic sense, so, therefore, they were no part of it. Belterra Park, similar reason, the real estate associated with Belterra Park, which is right outside of Cincinnati, Ohio is not part of that transaction. That property opened up a little more than a year ago and it is still ramping up, but it is not contributing great cash flow at the moment, and, therefore, we did not include it.

Retama Park and the rest of the other boxes that you see here, they are not good real estate assets by virtue of us not owning all of them. They do have some real estate included in them, but since we do not own all of them, they do not qualify under REIT rules.

CHAIRMAN KOHN: Can I get you to back up for a second?

MR. RUISANCHEZ: Sure.

CHAIRMAN KOHN: In your materials, you said there was an exchange ratio of .85, but you mentioned the 25 for one exchange. What is that?

MR. SANFILIPPO: It's .85.

MR. RUISANCHEZ: It's .85.

MR. SANFILIPPO: For every share.

CHAIRMAN KOHN: I misunderstood.

MR. RUISANCHEZ: For every share of Pinnacle, they will receive .85 shares of GLPI.

CHAIRMAN KOHN: All right. My second question is I understand that you're going to be out from under significant debt by this transaction and you will also have some cash coming in. Did you mention what that was?

MR. RUISANCHEZ: There is actually -- technically, there is no cash coming into the company. What's happening is we are separating -- we would separate everything except the real estate and we would leave behind $2.7 billion of debt that we currently have today and that will get addressed by Gaming & Leisure Properties.

CHAIRMAN KOHN: So you're picking up the debt service on that debt that you would not have to pay?

MR. RUISANCHEZ: Yeah. That 2.7 billion, they will address at closing through funds that they're raising.

CHAIRMAN KOHN: Right. So you will not have debt service on that debt which you currently have?
MR. RUISANCHEZ: Correct.
CHAIRMAN KOHN: But you'll also have a lease payment of 700 and some?
MR. RUISANCHEZ: 377 million.
CHAIRMAN KOHN: 377 million. So how do those numbers compare to each other?
MR. RUISANCHEZ: Last year, we spent about $569 million between debt service and interest and -- which are roughly about split. And this going forward, it would be under 420 between the lease payment and interest associated with under 900 million that we would have on our company going forward.
CHAIRMAN KOHN: So you pick up free cash of what?
MR. RUISANCHEZ: We would have -- our free cash will be in excess of $100 million.
CHAIRMAN KOHN: A year.
MR. RUISANCHEZ: A year. After interest, after capital expenditures, that would be in the same manner we've always took care of our business and not only in Missouri, but in every jurisdiction that we work in.
CHAIRMAN KOHN: And have you proposed somewhere in your plans a use of those funds?

MR. RUISANCHEZ: We have not specifically done that. We continue to be focused on running the best businesses that we can and looking to grow the company as we move forward. We, to start off, had a very significant transaction in the acquisition of Ameristar back in 2013 where we grew -- pretty much doubled overnight.

And as part of that transaction, we built a number of capabilities, which I'll spend a minute talking about, and our intent is to continue to leverage those to improve the existing businesses that we have, as well as to acquire other businesses to increase that diversity and the stability that we have within the company.

CHAIRMAN KOHN: What would those other businesses be? Can you give us an example?

MR. RUISANCHEZ: Buying other properties.

CHAIRMAN KOHN: Other casinos?

MR. RUISANCHEZ: Buying other businesses, other gaming, entertainment properties in either jurisdictions where we can or new places, new jurisdictions.

CHAIRMAN KOHN: Would that include Missouri?

MR. RUISANCHEZ: Well, it -- certainly if they are available, absolutely, if they make economic sense to pursue. Obviously, on the Ameristar transaction, the Federal Trade Commission had a point of view as it relates to St. Louis, so practically speaking, that probably will speak for at least that market. But certainly Missouri has some great markets. We have some great businesses here and to the extent that it makes economic sense, we'll certainly pursue things that would become available.

MR. SANFILIPPO: Let me -- if I may add. To go back a little bit, so post -- post our payment of rent to them, because I know it's a subject that says we get -- we relieve -- we're relieved from a large amount of debt, which was important to us.

When we made this deal with the Gaming & Leisure Properties, we ended up announcing it last July, we said we want to have a very viable company going forward. We want to have a very healthy company going forward. So part of our negotiation was that Gaming & Leisure Properties would take $2.7 billion in debt. And so I want to go back a little bit to your question and then our available cash after that.

We earmark about $100 million a year for capital improvements companywide. We're doing a lot of capital improvements at our Missouri properties right now. When Carlos said that after maintenance capital, he's taking into account that $100 million that we say we're going to continue to reinvest in all of our properties post this transaction which gives us about a hundred million dollars in available cash for us to pay more debt down, for us to expand properties or whatever we want to do.

So the point for us was we want to have a very healthy company post this transaction so that we can continue to, first, invest in the properties that we operate, which is part of the agreement, because we know if we're not investing in these properties, they're not going to be viable properties.

And Gaming & Leisure Properties will tell you they want us to invest in these properties because they'd like to see us succeed and for us to be a healthy company because the only way these properties have any value to them is that the person who has the skill to operate them and hold the license, has the privilege to hold the license, can do a good job with it.

CHAIRMAN KOHN: When you say these properties, you're talking about 14 properties or just the Missouri properties?

MR. SANFILIPPO: I'm talking -- when I say these properties, it's the properties that's part of the transaction that we just talked with you about and the transaction we're making with Gaming & Leisure Properties is a one set of properties transaction.

So going forward, when we look to expand the company, there is no further tie with Gaming & Leisure Properties. If we elect for them to buy an asset and for us to buy the operation, we can do that. If we elect for us to go out and buy the property completely, we can do that.

There's other REITs that are starting in this space if we elect to go with another REIT. MGM just announced that they're going to be starting a REIT. We could go to MGM and we could -- they could own the asset and we could -- if they have approval by the jurisdiction, they can own the physical asset and we can own the operation.

So it's important to know that this transaction is a one-time transaction with Gaming & Leisure Properties. We are two separately traded public companies. We have two board of directors. We have two CEOs and what we're asking you to approve is just a one-time transaction that we believe is not only in the best interests of our company, but we believe it's in also the best interests of the jurisdictions that we operate in.

We'll get to that in a second, but we appreciate the questions because I think it's important to understand that we are going to be a -- continue to be a very healthy company with a lot of cash to continue to grow our company and that what we have been able to negotiate as part of this transaction with Gaming & Leisure Properties is that both the rent and the debt payment is such that it ends up being a good transaction for them and ends up being a good transaction for us.

It allows us to continue to grow our company and we feel like there just are no restrictions or burdens on us. In fact, we think it's for a healthier company and you're going to hear -- I would think when Gaming & Leisure Properties comes up, that this industry is moving to more of a REIT model, that we're seeing different companies, Caesars Entertainment is trying to do it, MGM is doing it, trying to separate their assets from their operations and more monetize that value.

A REIT is a company that at least is in the business of paying back 90 percent of everything it takes in. So we very much appreciate the question and we want to make sure that we've articulated clearly what's happening here and any questions that you continue to have, we welcome them.

CHAIRMAN KOHN: Let us just go back, again, to make sure that at least I understand because you've mentioned other jurisdictions and you've mentioned the REIT and your company. Of course, our interest is in the state of Missouri. So let me get back to the numbers for a minute. It frees up, if I understood what Carlos said, $100 million, but that $100 million of free cash after the transaction is not -- you are not required to spend that in the state of Missouri; am I correct?

MR. RUISANCHEZ: Let me clarify.

CHAIRMAN KOHN: Let me get the second part of the question out.

MR. RUISANCHEZ: Sure.

CHAIRMAN KOHN: The hundred million, which is the bottom line, if you want to call it that, of this transaction, as far as free cash going to the company, results from the Missouri transaction, but if I'm also correct, that money could be spent in any other jurisdiction that you operate in; is that correct?

MR. RUISANCHEZ: Technically, the -- we actually approach every one of our properties in the exact same way. In order for us to be competitive and relevant and continue to grow the way we've been growing, that we have to reinvest in them. And as part of that, our commitments to all of our existing properties remains steadfast, that this is things that we need to do in order to make sure -- it's in our best interests to do in order to make sure that our business is healthy and goes forward.

Put that aside for a second, Missouri is a big state for us. As you saw earlier, this is about 30 percent of our revenue and cash flow of our company. We have every intention to operate in the exact same way that we have and reinvest in our properties in the exact same way that you've seen us do and really try to -- for self-interest in one regard, but more importantly, to continue to make sure that we have a viable, healthy company going forward.

As it relates to the hundred million, that's a hundred million dollars every year and that is after we've spent all the money reinvesting in our properties. So we will have cash flow after interest, after taxes in excess of $200 million every year and we'll spend about half of that or so in reinvesting, doing things like what we're doing at River City and what we're doing in St. Charles and in Kansas City where we're doing refurbishments in all of those three casinos. That is part of that pool of capital to continue to do that.

COMMISSIONER JAMISON: Let me ask a question, though, and I think I'm a little confused. The hundred million that we're referencing, the 200 million that then after capital improvements gets down to a hundred million, that isn't recovered from just the Missouri properties, that's recovered from all 14 properties --

MR. RUISANCHEZ: In the company.

COMMISSIONER JAMISON: -- that are involved in this transaction?

MR. RUISANCHEZ: That's correct.

COMMISSIONER JAMISON: And so the three Missouri properties would be a portion of that hundred million dollars in savings and so the hundred million dollars isn't generated just by the Missouri transaction, it's represented by whatever percentage of the overall costs are. And so it doesn't necessarily mean that Missouri is going to save you a million dollars in free cash flow, the whole transaction is, and then proportionally, it would be --

MR. SANFILIPPO: What we're talking about, what we were trying to explain to you is that -- how healthy our company will be --

COMMISSIONER JAMISON: On a whole?

MR. SANFILIPPO: -- with this deal. Right. That after we pay rent, after we pay all our team members, after we pay our taxes, marketing, we'll have in excess of $200 million today, if the business stayed as it is. We expect to continue to grow the business.

So we have a healthy amount of money to then say, look, we want to maintain our properties. And what we've been spending on our properties has been -- a year, all of our properties, about $80 million. What we have earmarked is a hundred million. And so in reference to available cash flow, we're saying once we've paid everything we need to pay to everybody, including the rent on this, including the interest that we have, we expect to have over $200 million.

We earmark, as a team we say, look, we're going to put a hundred million back in because we want to redo rooms, restaurants, things like that, replace carpet, new slot machines, which gives us, then, about a hundred million dollars -- we were using that just as big buckets for you -- a hundred million dollars, then, to decide do we pay debt down further or what should we do with that.

The point we were trying to illustrate is that we remain a very healthy company with a materially reduced debt burden. That was the point we were trying to illustrate with that.

COMMISSIONER LOMBARDO: Okay. So Brian's explanation, essentially you agree with it, that it's 14 properties and the money gets spread over all 14 properties, correct?

MR. SANFILIPPO: Well, not equally, though.

COMMISSIONER LOMBARDO: I didn't say that.

MR. SANFILIPPO: But it is used for us -- when we look at maintenance projects, we do want to make sure we have carpet in good repair, we want to make sure that -- if you went to any of our facilities, you would see that our facilities are in very good repair, which is part of our competitive advantage.

COMMISSIONER LOMBARDO: Sure.

MR. SANFILIPPO: Our ability to allow our guests to come in and experience a property that's in good repair is part of who Pinnacle Entertainment is.

COMMISSIONER LOMBARDO: On the subject of how the -- well, to aspects of how the money is split up, do you have some internal analysis -- if I understand correctly, you've got $377 million on the master lease that's being paid by a total of 14 operating entities, correct? Is that right?

MR. RUISANCHEZ: That is correct.

COMMISSIONER LOMBARDO: Okay. Have you done some internal division as to what portion of that 377 million is being paid by each property?

MR. RUISANCHEZ: No, we have not and, in part, because it is one lease across all 14 collectively.

COMMISSIONER LOMBARDO: So it would be impossible for you to answer me if I was to ask you what's the difference between what River City's paying on their current ground lease and what their portion of this master lease payment would be?

MR. RUISANCHEZ: Well, we can have some allocation mechanism, but if for some reason River City were not there, the lease -- the master lease still stands.

COMMISSIONER LOMBARDO: I understand.

MR. RUISANCHEZ: So it's not really allocatable to each one. You can do it in a number of ways, but it would just be a mathematical exercise because it's one lease for all 14 properties.

COMMISSIONER LOMBARDO: But you haven't done that particular exercise.

MR. SANFILIPPO: Here's what -- I don't want to speak for Gaming & Leisure Properties. What they cared about was what was the total bucket of rent that they're going to receive and then -- so the transaction was here's the rent we're going to receive as a real estate investment trust, here is what we're paying to you, which is the $2.7 billion of debt, as well as to your shareholders, which is .85 shares for every share of Pinnacle stock.

So the transaction was just looking at a combination of the rent payment for the assets that we've described to you. It wasn't a asset by asset let's figure it out. It was a bucket of assets that is part of this transaction. We are still responsible -- using River City, we are still responsible to pay the lease -- the lease payments to the port, that's still our responsibility. We're still responsible for insurance, we're still responsible for the real estate taxes.

In a triple-net lease, we act as if we own it, we just don't own the asset. It's just like someone that may be in an office building. They have the use of that building, but somebody else, typically a REIT, owns that asset. And so we have the ability to continue to use that asset, in this case for 35 years, with -- we are very careful in how we negotiated this to make sure that we would be able to continue to operate that asset as a gaming entertainment facility.

COMMISSIONER LOMBARDO: In the case of River City, this is the last question here for me for a while, then the flow of money, does the REIT pay the Port Authority and then River City in turn pays the REIT? I know this is kind of an unusual piece of the thing.

MR. RUISANCHEZ: Technically, there will be -- we would be subleasing that land underneath, so we would make payments to the REIT and the REIT will make payment to the port.

COMMISSIONER LOMBARDO: Okay. Thanks.

COMMISSIONER JAMISON: Yes. You reference the 35 years and I just want to make sure I understand. That's a ten-year and five five-year renewals. Are those automatic renewals that you cannot be, I guess, booted out of or eliminated from? Is that your decision on the renewal of the five-year renewals or is that a joint renewal or how -- can you give me a little insight on that?

MR. RUISANCHEZ: Sure. It is our decision to go ahead and renew and at the end of the 35 years, we'll just negotiate a new lease term.

COMMISSIONER JAMISON: But it's an automatic -- each renewal is automatic determined by you as opposed to an agreement between?

MR. RUISANCHEZ: It is our call to give -- we have to give notice. So we have to say we are renewing for the extension.

COMMISSIONER JAMISON: Okay.

MR. RUISANCHEZ: And it is our option under the same terms of the lease and at the end --

CHAIRMAN KOHN: As I understand it, there are escalators in those renewals; is that right?

MR. RUISANCHEZ: It's the same terms that we have under the lease. There was escalators every year and this is totally normal in lease transactions. There is actually protections in here to protect us as a company on those escalators where the escalators do not come in unless we have at least 1.8 times coverage of rent.

That is unusual in REIT transactions. Usually it's a CPI or a set rate and it happens every year no matter what. In this instance, in order to make sure that we're protected, those escalators come in only to the extent you can afford them.

COMMISSIONER LOMBARDO: And the escalators, two percent annually.

MR. RUISANCHEZ: It's two percent on the building piece of the tran -- of the total rent payment, which is roughly about 289 million of the 377.

COMMISSIONER LOMBARDO: Okay. Are there any other escalator clauses?

MR. RUISANCHEZ: The only other one that would come in of the remaining -- we'll come back to this. Of the remaining -- 75 percent of the lease payment is this building rent, which is subject to the two percent escalator. The remaining quarter is split in two. One of them is land rent, which is a fixed number and it's fixed for the entirety of the 35 years, and then the other one is the piece that's tied to revenue.

So as revenue goes up or down, that component will end up being adjusted every two years. And it's basically four percent of the change in revenue that is associated with the pool of properties, you know, whether it's up or it's down and reset every two years.

COMMISSIONER LOMBARDO: Four percent cap?

MR. RUISANCHEZ: No, it's four percent of the change. So if we do a hundred dollars more in revenue, relative to when we start, then $4 would be an adjustment to the rent under the context of making more revenue, should be able to afford more rent.

Going back to -- as we evaluated this with our board and talked through, we -- you know, our company has come a long way since we first came into this state and developed some of the properties here and acquired properties in the context of Ameristar. And in it, how we created value, not only for ourselves but in the communities that we're in and with all of those that have been involved with us, really comes down to what you see here on the left. It is by virtue of having the right product offering and the facilities that we have.

We have a loyalty program that's been highly effective for our company. Our team members are core assets that our company has that allow us to provide the services and the know-how that we have. Our operating capabilities, you know, we've gotten better. As we talk a lot about being a learning organization, learning how we can improve what we offer, how do we create better value for guests and our imprint in the communities that we're in.

Our scale has been a big source of synergies as we go through -- this is just purchasing power, being able to aggregate whatever, the amount of protein we buy for our restaurants, the paper goods or what have you, just that scale has been meaningful. Our culture, we actually spent a lot of time on our culture and we think that it not only is important for our company, but it allows for an environment where our team members have -- can really blossom and have careers and that has led to better service, better ideas that come forward and our ability to continue to improve our operations.

The service level that we've had is really a cornerstone to the things that we talk about and we focus on and it's part of the reason why our casinos in the state have been as successful as they are. Intellectual property is our names from River City, Ameristar, mychoice, etcetera, the names that we use within our company.

Obviously, the gaming licenses are the key part of having this business and paramount to executing that and today we own the real estate in most places. River City is one of them that we don't, where we don't own the land, that we continue to -- that have been part of our company.

The only thing that's changing here is that we will no longer own it. However, we will maintain the use of it and the reality is that these licenses are specific to these sites and, you know, our mindset is going to be we'll go beyond the 35 years because in 35 years, moving these licenses is not practical or feasible. And, likewise, if gaming were not taking place at these locations, the value of that real estate would be different.

So for that reason, at the end of 35 years, we'll enter into another lease to be negotiated at that point and go into this indefinitely and hence why our mindset surrounding these buildings and the land associated with them would really be no different than we have today given that we're responsible for maintaining -- we have a requirement under the lease to maintain it and it's in our best interests to continue to do that going forward.

COMMISSIONER JAMISON: I have a question in reference to that. Since it's a lease, one lease on 14 properties, at the end of the ten-year period, you can't alter that lease of saying we only want ten of those 14? It's still all or nothing on the renewal and so you're responsible for the rent on all 14? You're responsible for the lease which encompasses 14 properties and so you're -- you have no ability then to buy or sell operations in that or how does -- is that a sensible question?

MR. RUISANCHEZ: Sure. It's a good question.

We -- this is one group. To the extent that we wanted to break up the group, the -- that would have to be a one-off negotiation. Under the terms of the lease, it's an all or nothing. If we wanted to do it, it would just be -- have to be an agreement as to how do you adjust things in the context of selling one asset or two assets or what have you.

The point is just like the State of Missouri as well as our company benefits from the diversity of our company by virtue of having stability on our financials, stability that, hey, if something goes off the rails in one location, hey, you have a big company that's behind you to get you through that, GLPI values the same thing in that diversity of that portfolio.

If you want to break it up, I'm sure -- I'm not sure they'll be happy to have the discussion, they probably would be happy to have the discussion, but it would have to be a one-off discussion. So it would be under the terms of the lease an all or none.

COMMISSIONER JAMISON: Okay.

COMMISSIONER LOMBARDO: What happens if for whatever reason you have underperforming properties amongst the 14 properties for any number of reasons? Let's take worst case scenario, they end up being underperforming to the point where they're not viable anymore. In essence at that point you have less properties making the 377 million blanket lease payment, correct?

MR. RUISANCHEZ: That is correct. Fortunately that's not the case today and our goals are to continue to grow to ensure that doesn't happen. But in that instance, you're leasing all of them, so they are part of the portfolio.

COMMISSIONER LOMBARDO: And there's no provision in the lease that would allow for a change in rent payment if that occurred?

MR. RUISANCHEZ: No, unless there was a catastrophic loss where the property for whatever reason ended up being shut down, there is, under the lease, provisions to remove that if it's not rebuilt.

COMMISSIONER LOMBARDO: Okay.

MR. RUISANCHEZ: Because it's not feasible or whatever the case may be, in which case proceeds from the insurance would go to the landlord, but it would have to be a catastrophic event that you couldn't actually go back and rebuild.

COMMISSIONER LOMBARDO: Okay.

MR. RUISANCHEZ: I think we've -- we've covered this page. Just highlighting, again, the one thing that is unusual about this is that the escalators don't come in unless you're at least at 1.8 times coverage, which is unusual and is to the benefit of us as licensees and us as a company.

As it relates to the -- how different is this from the other master lease that I'm sure you're familiar with by virtue of the prior transaction with Penn, you know, the only differences here is that the rent associated with the -- the reset associated with the revenue gets reset every two years and that one is five and that the initial term is 15 on theirs and this one is ten. Otherwise, it's pretty similar to the one that already came before you a few years back.

In regards to the covenants, certain master lease covenants that we thought prudent to bring up that have been discussed with the staff, we discussed all of them, but just highlighting some. There is a minimum maintenance CapEx requirement of one percent of revenues. This is truly -- you know, right now, we actually spend around three and a half, so this is really put here as a pure minimum. One percent of our revenue is about $23 million.

As we mentioned, we're spending between 80 and 100 million. This is, from our perspective, something that was easy to agree to from our point of view because no way that we will ever be this low. And from the standpoint of the key point here is that we have a requirement to continue to maintain the properties in similar fashion to the way they are now as we move forward and that requirement, put aside this one percent, will still need to be done and that will apply to all the properties here in Missouri just like it would to all 14 properties that are within this portfolio.

CHAIRMAN KOHN: I'm curious about something else.

MR. RUISANCHEZ: Sure.

CHAIRMAN KOHN: If one of the 14 properties would fail to perform to the point where they'd be in breach of the lease, if it was a one-party lease, and they don't cure it, so they're in default --

MR. RUISANCHEZ: If we don't cure it?

CHAIRMAN KOHN: On one property. What does that do to the master lease?

MR. RUISANCHEZ: Well, there would be -- under that scenario, if there was a property that we have not maintained according to those standards, that would create a default. I'm sure we'll get a notice and we'll have to go and cure it, go and address it.

CHAIRMAN KOHN: It's a default of the entire master lease.

MR. RUISANCHEZ: Technically, it's one document, one lease.

CHAIRMAN KOHN: So the other 13 properties would have to -- if number one bad property is bad because they just can't make it for whatever reason in the market, the other 13 would have to make that up?

MR. RUISANCHEZ: Well, this is about the physical structure, so it's not about the financial viability of that property, but if we allow a building to decay to the point where it's not safe, yeah, that would be a default and we would have to go and address it, but this is about the physical structure of the property and that it's a safe building in accordance with code as it moves forward. And that part is irrespective of the financial viability of that asset. Does that answer your question?

CHAIRMAN KOHN: I think so, but I guess it could be an operational issue, too, which would keep that one property from being viable. Even though it may be physically okay, the operations and the marketplace may be such that it can't.

MR. RUISANCHEZ: No different than we do today.

MR. SANFILIPPO: So today, if we had a property, which we don't, but if we had a property that the market was completely saturated and we had a negative cash flow there, we could make the decision that said it's no longer viable to operate this and we're no longer going to operate it. We still owe the rent payment. So there's not a relief on the rent payment.

So what Gaming & Leisure Properties wanted, they said, okay, what is your overall EBITDA right now which, as we talked about, was over $600 million. We structured the deal based on our base of EBITDA today, not about individual property performance.

They are not -- their concern is not to a property, it's to how we operate that basket of properties and continue to pay our rent. And we're responsible -- I know we're repeating ourselves, but we're responsible to maintain the property. We're responsible for the relationships with the home dock representatives.

Gaming & Leisure Properties would be very similar to someone that owns an office building and there's a tenant within that office building. It's the tenant that is the one that has use of that building. They're in the business of owning assets is what they're in the business for and I think they would tell you what excites them, one of the things about us, is that we're a very good operator.

And so for their company, they look long term to Pinnacle Entertainment is a terrific operator, it's going to continue to grow its business and has long-term viability for them. They would not want an operator that is in one of their buildings that didn't have the skills to perform to the level that we perform.

CHAIRMAN KOHN: So I guess the summary, then, having a failed operation in Council Bluffs, I don't know if that's one of the 14 or not --

MR. RUISANCHEZ: It is.

MR. SANFILIPPO: It is.

CHAIRMAN KOHN: -- somewhere else would not have an adverse impact on the Missouri operation?

MR. SANFILIPPO: That's correct.

MR. RUISANCHEZ: That's correct.

MR. SANFILIPPO: That is correct. So if we had a property that we just said we're going to close it because it has negative cash flow and that market is no longer viable, which again, we don't, they don't care. They're just every month, where's my rent check, you know, and that's what they're in the business for. That's the deal that's being made.

COMMISSIONER HALE: But it would have a negative impact upon the remaining 13 properties in the event that the 14th property was not generating revenue to be used to pay this 377 million?

MR. SANFILIPPO: Let me give you an example. We sold -- we had a property in Reno that a number of years ago, three or four years ago we sold because it literally had -- it broke even. Its cash flow was breaking even. It was an old property. Didn't make any sense -- we were at that point not a natural owner of that property, so we did find someone. We sold it for a very, very little amount of money.

We have a portfolio of properties today we feel good about. We think that they're very, very viable. Over time we've somewhat pruned what our portfolio was and we're in the business of growing the business. So we can either grow it organically through existing properties, and we're looking to do that.

In fact, I'll tell you, I've had discussions with Mayor Faith here about adding more hotel rooms in St. Charles. We would be interested in doing that. And we ought to use that as an example on if we wanted to build a hotel at St. Charles, how that process would work so that you understand that.

But we're in the business of continuing to grow our portfolio, either organically through existing businesses or by adding new properties, which we can do with Gaming & Leisure Properties or without. We're not required to do it with them. This is a sort of one basket deal that we're doing. So may we use an example of adding a hotel tower, just to give you an example on how we could organically grow?

MR. RUISANCHEZ: One last point before I go into that. Under the scenario where somebody is not contributing, they're not contributing to the rent in that scenario either, so there is really no -- no adverse effect relative to that contribution towards that rent.

COMMISSIONER JAMISON: I mean theoretically it wouldn't be any different if that property had a mortgage on the building and the land that the -- I think sometimes we get focused on the three properties in Missouri and not look at it as the corporate level, but if you had an underperforming property that wasn't making its monthly mortgage payment as opposed to a rent payment, the other 13 properties are going to be subsidizing that mortgage payment, no different than they're subsidizing their portion of the rent payment. And if they closed that property, they would still be making that mortgage payment until they were able to liquidate that piece of real estate.

CHAIRMAN KOHN: There's a master mortgage.

COMMISSIONER LOMBARDO: If they were cross collateralized.

COMMISSIONER JAMISON: Well, but the company itself overall had that debt. The corporation --

MR. RUISANCHEZ: The obligation is the same.

COMMISSIONER JAMISON: The corporation would have that obligation and debt so until the property got sold, they would still be making a mortgage payment without any income on that particular property. I don't know that it's a completely different scenario if you had one underperforming.
COMMISSIONER LOMBARDO: Yeah. Let me ask you this: It seems obvious to me that the income statement for the operating companies is going to improve because you're going to have a hundred million dollars extra spread out in some way through these 14 properties, right?
MR. RUISANCHEZ: Well, it -- you know, GAAP is a whole other animal that -- where we've had a lot of discussions about. I think the leverage profile, financial profile of our company certainly will improve as a result of this transaction.
COMMISSIONER LOMBARDO: I agree with that characterization.
MR. RUISANCHEZ: Yeah.
COMMISSIONER LOMBARDO: How about the balance sheet for Pinnacle, the operating company in Missouri? Because what you're doing is you're basically -- if I understand correctly, you're basically substituting lease payments for debt for most of these properties.
MR. RUISANCHEZ: Yeah.

COMMISSIONER LOMBARDO: River City being the outlier. And so -- but these properties, presumably there was equity in them before this transaction, correct?

MR. RUISANCHEZ: That will still be the case.

COMMISSIONER LOMBARDO: Well, the operating company doesn't own them anymore, so the equity in the actual real estate is not going to be on the operating company's balance sheet, true?

MR. RUISANCHEZ: That is true. Neither will the debt.

COMMISSIONER LOMBARDO: Okay. But what I'm -- I guess what I'm asking you is before the transaction, the -- when the operating company owned the real estate, there was equity in the real estate, I presume?

MR. RUISANCHEZ: Well, clearly there is equity by virtue of what is being paid here and it will be -- as it relates to specifically -- I look at the company as a whole. The specific P&L --

COMMISSIONER LOMBARDO: I apologize. We're sitting here -- and I don't apologize.

MR. RUISANCHEZ: No, no need.

COMMISSIONER LOMBARDO: But we're looking at it from the state of Missouri standpoint.

MR. RUISANCHEZ: Yeah. At the State of Missouri, we -- the -- our business will look exactly --

the income statement will look pretty much exactly the same as it is now with the same cash flow dynamics that it has today on those three properties. You know, again, this is a single lease, so while there will be -- you know, there may ultimately end up being some allocation of this lease payment, but it will be all in our company. Legally, it's one lease, one payment, akin to exactly as the commissioner mentioned on an obligation that we have to do collectively as a company, as a whole.
COMMISSIONER LOMBARDO: Logically, the balance sheet is going to look -- it's not going to be as good because you don't have an asset on there anymore?
MR. RUISANCHEZ: Well, technically under GAAP, because we have a continuing interest in the real estate, all that is going to stay on the balance sheet.
COMMISSIONER LOMBARDO: Okay.
MR. RUISANCHEZ: Even though legally we do not own it.
COMMISSIONER LOMBARDO: I understand what you're saying. Okay.
MR. RUISANCHEZ: So that's why --
COMMISSIONER LOMBARDO: We don't want to spend the rest of the time talking about GAAP.
MR. RUISANCHEZ: That makes two of us.
COMMISSIONER JAMISON: Three on this.

COMMISSIONER LOMBARDO: Okay.
MR. RUISANCHEZ: So going back to the capital improvement process, which understandably it's of interest, we -- the way that these things would work, GLPI would be interested on two things. This is the premise that we have. Clearly they would like for us to invest in an asset that technically they own, it's to their benefit.
They are concerned about two things, one, that you continue to do the business that we're doing, and we on purpose had that definition be as broad as we could make it within the entertainment arena, entertainment, lodging, food and beverage, gaming arena as we look through either changing and evolving our business over time.
And the second one is that it's within code, that whatever -- that anything that we do it does not compromise the structural strength of the buildings that we're in, which we would do anyway because those are the rules in either case.
In the context to the extent that we're replacing things that are there, if they are the same or better quality to what we have, we do not need to get their consent. To the extent that we're going to do something different, there's two things that get triggered.

We'll use the example that Anthony had put forward, where there is an interest to add more rooms to St. Charles. In that context, we would have -- we would provide a here's our plan. It is obviously consistent with what we're doing there as we already have hotel rooms there and they're looking to expand our business at that location and obviously we'll do it within code.

They -- given that REITs by their rules are not operators, they can't operate, all that they care about is just getting a rent payment, the point that they'll have is they'll want to continue to build assets. So their first point is they want the ability, and we agreed to this under the lease, to, hey, let me make an offer to finance that tower that you're looking to add.

To the extent that for the piece of it that qualifies as a real estate asset, we'll go ahead and make an offer that would adjust the lease payment, we will pay any GOP, I will pay for the tower, and then the lease would get adjusted once it opened. They will provide a financing proposal for that. We are not required to take it.

Obviously we're going to do what's in the best interests of our company and if that is the best alternative that we have, then sure, and if it isn't, then that's fine, we'll use some other source and go ahead and build it as we move forward.

And at the -- just again to give you a sense that we're thinking about long term, technically speaking, if we go to 35 years and we don't renew, then they can say, hey, you own that tower, that building, on our land, you have to remove it. Or you could leave it there and then they get the benefit. The point is we're -- it would not change our perspective about how we actually perceive it. We think we'll be in this facility forever, just subject to this different arrangement relative to where we are today.

CHAIRMAN KOHN: Would they have to subordinate to allow you to finance that new tower?

MR. RUISANCHEZ: No. The way that it would work, it would be an amendment to the lease that would basically say, hey, they would pay for this and that it will become part of the new lease.

CHAIRMAN KOHN: No, the outside, if you go to the third party.

MR. RUISANCHEZ: Oh, as far as that building itself?

CHAIRMAN KOHN: Yeah, and the land under it.

MR. RUISANCHEZ: We would -- it depends on how we actually ended up financing it, but if we do it within our corporate structure, we would technically own that asset, meaning the actual building itself, if we financed it elsewhere. We would have it as collateral. Obviously it would be subject to the same terms under the lease.

So whoever is providing that financing otherwise will understand that we're in it forever or that we'll get value if we ended up selling the company as a whole through that valuation, but at the end of the 35 years or -- if the lease actually ever really ended, that that asset would have to get transferred over. So they would have to, obviously, get comfortable in regards to that.

Given the long-term nature of that, of the lease, just like, you know, our lease on the River City, the financing sources that we have today are not concerned about that renewal. They will -- they view it as, yeah, you will renew regardless of what happens because it will be in your best interests to do so, given that unless you renew, your licenses are going to be an issue because they're specific to that site. You'll have to give up the license.

The other point in regards to the covenant, it has to do with new developments. And under new developments, the premise here is that we are free to go and develop new developments anywhere we want, inclusive of what happens within 60 miles of the existing facilities that are subject to this lease. To the extent we do a new development within 60 miles of the existing facility, so that would be 60 miles around River City and Ameristar St. Charles and Ameristar Kansas City, what will happen is the rent component that is associated with the revenue on our existing places would freeze.

Their concern had naturally been, hey, if you build a place right next door, we can move all the revenue over and, therefore, that rent component would go down, which would seem not the spirit of the original transaction. And here we're -- this would basically cause it so they -- the revenue piece of that rent is not being affected if we go and develop a brand new place.

To the -- if it were an existing place, different story. If there's an existing place that had been there for 12 months, leased for 12 months, we can go ahead and buy it and the premise is that the competition was a competition when you had it. If you're building a new place, you're changing the dynamics of the competition among the facilities and as a result, this created a protection on that component of the rent on their side.

They are not allowed to actually fund a new development within 60 miles of our existing places for the same reasons, that we're protecting our side as well as them funding a new development without us saying okay, that we're okay to do that.

COMMISSIONER JAMISON: I've got a question on that. When you say fund a new development, that would be one thing. Could they acquire land and facilities in -- from other licensees within that 60 miles and not be in violation of that covenant?

MR. RUISANCHEZ: To the extent that those have existed for more than 12 months since they opened, yeah.

COMMISSIONER JAMISON: Okay.

MR. RUISANCHEZ: They could do it. And, again, the premise was are you changing the competitive dynamics.

COMMISSIONER JAMISON: But they couldn't build --

MR. RUISANCHEZ: As it relates to the revenue.

COMMISSIONER JAMISON: But they couldn't build a new casino within 60 miles of you.

MR. RUISANCHEZ: Fund it, yeah. Somebody else has to build it because they won't hold the license, but --

COMMISSIONER JAMISON: Could they be the REIT to that new casino? In Missouri it's kind of different because we're limited to the number of licenses we have, but --

MR. RUISANCHEZ: Yeah, to some degree it helps that it's 60 miles and state borders don't apply.

MR. SANFILIPPO: He's saying within 60 miles.

MR. RUISANCHEZ: Within 60 miles, they cannot fund a new development that would compete with us or not be a financing source without us being okay with it.

COMMISSIONER JAMISON: Okay.

MR. RUISANCHEZ: There is a really zero, no anti-competitive effect in Missouri. We're the licensee, we're the ones creating the revenue within -- obviously within these facilities. They have no ability to control our operations and decisions on how we market, how we deal with the team members, how our cash flow gets put forward. There is really no -- as I mentioned, no consent that is required if the improvements are of equal or better quality than the existing facilities that we have and it doesn't have an adverse effect to the structure of those buildings.

COMMISSIONER LOMBARDO: Who gets to decide whether the improvements are equal or better?

MR. RUISANCHEZ: Well, certainly we'll put forward plans that are certified by an architect, the way that we would normally do in any case if we have to put that forward, and to the extent that those are certified, it would be hard to argue that they weren't in the context of having that -- having that done.

COMMISSIONER LOMBARDO: I've been practicing law for 35 years and people argue about all kinds of things.

MR. RUISANCHEZ: But you -- I'm sure that --
COMMISSIONER LOMBARDO: I'm just wondering what the mechanism is to resolve the argument if there is one.
MR. RUISANCHEZ: Jack.
MR. GODFREY: Commissioner, first of all, their consent cannot be unreasonably withheld, but the mechanism would be if we got to a real dispute, we can either arbitrate it or we can go to court. We're comfortable that that's not going to be the case and as you'll hear in their presentation with their existing tenant, I believe that of all the capital expenditure projects that needed approval, all have been approved. But technically, if we got to a real dispute, we could either arbitrate it or we could go to court.
COMMISSIONER LOMBARDO: Thanks.
MR. RUISANCHEZ: I think it's important to keep in mind that it's in their best interests for us to go and improve these properties. They really don't have a real reason to do that, unless it really compromises structure of what's there.
COMMISSIONER NEER: Along the same lines, who determines what is unreasonable?
MR. RUISANCHEZ: Go ahead.
MR. GODFREY: That is somewhat of a subjective standard. There's some case law on that around the

country. I think there's some common sense to unreasonable. If we put together a project that is consistent with use of the property and structurally sound, meets code, I think it would be very difficult for them to deny approval if approval is required and for that to be a reasonable denial.

But again, the unreasonably withheld is sort of a course of practice standard and if you got to litigation, you know, you'd have to have the Court address that. But we're comfortable with that because of the -- during the course of our negotiations, we took the measure of this company and their executives. They're very reasonable people based upon the negotiations that we've had and going arm in arm through this process to get the approvals and close the transaction and their history with their existing tenant. So we think that we're not concerned about there being an unreasonable withholding of any consent to the extent consent is required.

COMMISSIONER LOMBARDO: Is there an arbitration clause in the lease?

MR. GODFREY: I don't recall if there's an arbitration clause in the lease. I'm sure Brandon can address that in his presentation, but it would either be arbitration or litigation if there were a dispute that had to be contested.

MR. RUISANCHEZ: And lastly, on the anti-competitive effect, you know, the Federal Trade Commission conducted a review of this transaction and ended up taking no action, no concerns around it. They've -- you know, generally REITs -- REITs are exempt from actually filing an HSR largely because they're not operators, they're passive investors, they, you know, don't really come into the competitive landscape as to how businesses end up getting run. They're focused on getting rent.

CHAIRMAN KOHN: You're exempt from HSR.

MR. RUISANCHEZ: We're not as a company.

CHAIRMAN KOHN: The REIT is.

MR. RUISANCHEZ: REITs are exempt from providing that notice. Clearly the Federal Trade Commission can do whatever they wish and, in this instance, we provided a notice by virtue of our consent decree with Ameristar that required us to provide that notice to them as it relates to this transaction and that led to a full review internally as to this transaction. They concluded no action needed as part of that.

And lastly, on the time line, you know, we have asked for clearance from the SEC in regards to our Form 10. Our shareholders have overwhelmingly -- have approved this transaction. In excess of 99 percent of our shareholders -- 99 percent of those voted voted for the transaction for both Pinnacle as well as GLPI.

We have received regulatory approvals in Mississippi, Iowa, Indiana and at the time that we provided this to the staff, Nevada had not been done, but Nevada is now done. That got completed last week. And we are on -- we expect to be on the agenda on April 1 with Louisiana. Colorado, as Anthony mentioned, will be -- they do approvals post transaction or through their structure.

We have financing -- we have a bridge commitment for the debt. As I mentioned, we will have less than $900 million of debt following this transaction. We have a bridge commitment in case a market is not open to actually put that in place. However, the market is open and healthy and we expect to launch those transactions starting next week under the time frame that we hope to get this transaction completed by the end of next month.

And our company, although we're spearing off everything but the real estate, it will be Pinnacle Entertainment, it will be under the same ticker trading on NASDAQ with the exact same people that are here now going forward as we -- as we continue to try to get the transaction to the finish line.

CHAIRMAN KOHN: I have just a general question.

In the other jurisdictions that have approved the transaction, did any of them have language comparable to what we have in Missouri which requires the transfer to be in the best interests of the state of Missouri?
MR. GODFREY: Every jurisdiction which we seek approvals that is a -- if not explicit, an implicit requirement that you have to meet. That language is really designed to give regulatory agencies broad discretion in approving or denying transactions. And it's a bit of an amorphous standard, as you might imagine. We're going to address that standard here shortly, but implicit in every jurisdiction is that it is in the best interests of that jurisdiction and at least it's not negative to that jurisdiction.
CHAIRMAN KOHN: Is this the only explicit one?
MR. GODFREY: I don't think it's the only explicit one. I can't cite to you the exact rules in all the other jurisdictions, but I can tell you that the standard by which they consider these transactions is certainly there's nothing negative about the transaction from that jurisdiction's standpoint. And as Anthony takes you through the different monikers here that we're going to address, I think you'll agree with us that this is in the best interests of the State of Missouri.
CHAIRMAN KOHN: Thank you.

MR. SANFILIPPO: Additional questions?

CHAIRMAN KOHN: None at this time.

COMMISSIONER HALE: No.

CHAIRMAN KOHN: I'll bet there are some more.

MR. SANFILIPPO: Well, we do have -- we actually -- Carlos and Donna and Jack and I, I've been at River City the last couple of nights and they came in yesterday and we drove over this morning, we got up early and drove over from our River City property and actually in the car we said we thought that it would be important to have a closing statement on really why this is in the best interests of Missouri and we know that's what you're charged with.

We believe this is in the best interests of Missouri. We think it's in the best interests of our company. We have confidence that we will continue to have a healthy, growing company. We've explained to you the same people that have been Pinnacle Entertainment and the license holders will continue to be the new Pinnacle Entertainment. We did put together a statement on that drive and I -- if I may just go through the statement.

In 2014 Pinnacle Entertainment determined a separation of our real estate from the rest of our company made sense and, in fact, we announced that in November of 2014. We were going to pursue the separation ourselves, which would have been putting in place a separate company with a separate CEO, separate management staff, separate board, separate publicly traded company, which is the same as Gaming & Leisure Properties is.

But we -- the transaction with GLPI, it became clear that the benefits accelerated by us having these properties part of Gaming & Leisure Properties and for Gaming & Leisure Properties to become the -- basically the landlord. We believe that Gaming & Leisure Properties -- and you're going to see more REITs. You'll end up seeing more REITs in this space, but we do believe that Gaming & Leisure Properties becomes a much stronger company, much more diverse company by having these assets as part of their company.

This transaction, it won't impact, and I hope we've been clear about that, our day-to-day operations or our long-term approach to our facilities and our businesses as a whole. It also has no impact on the competitive landscape of our properties in Missouri. It has no impact on the competitive landscapes of any property that we operate.

We will be able to continue to focus on excellence in operations and growth and hopefully we have been able to express that appropriately to you. And through this transaction, we'll materially reduce our conventional debt by $2.7 billion, which will leave our company with less than 900 million of borrowed money. Our borrowed money leverage will be about 3.5 times our cash flow, down from six times our cash flow today.

In 2015, we spent approximately $569 million in debt service, including debt pay down and interest. Our annual lease payments of 377 million to GLPI coupled with our expected interest on our borrowed money debt will be less than $420 million.

The transaction will not have a negative impact on home dock cities, team members, vendors or revenues since the operation and management will not change as a result of this transaction. The leased real estate assets will be owned by a REIT that has a stronger credit rating than we do as a company today.

In addition, GLPI will be a potential financing source for us to go forward and is licensed and regulated by you, Missouri Gaming Commission. Pinnacle will be in a better position to grow following this transaction as our conventional debt will be lower, but our capabilities as a company will be the same.

Ultimately we believe the focus should be on two main points as it relates to this transaction. The first, will the revenue potential of the State be affected? The answer to that question is no. If anything, our company's ability to grow, bring new ideas, better operations should enhance the ability to grow revenues and corresponding taxes to the State.

And second, the financial strength and reputation of your licensees, we have a very healthy financially strong company after this transaction with meaningfully less refinancing risk as our borrowed money leverage will be materially down. And more importantly, Pinnacle has developed a strong reputation in the investment community as a company that not only operates well, but is a great steward of the investments that institutions have made in it, in our company.

This reputation has allowed us to continue to receive capital to invest in our business, capital to grow, capital to refinance, capital that has been invested in the State of Missouri. This reputation yields to the benefit of the State of Missouri. That is because we are partners with the State.

Our business has had a big impact in the economic development of the communities that we are in. The impact is, in part, possible due to the reputation that we have developed with investors to continue to fund our company. Approving this transaction will continue to support that reputation that both the State of Missouri and Pinnacle currently have and we hope to continue to move -- to move forward with this.

In summary, we believe this transaction is in the best state -- in the best interests of the State of Missouri and I very much appreciate the amount of time and the questioning that you've had in considering this transaction. Thank you all very much.

CHAIRMAN KOHN: Thank you very much. Now we're going to hear from GLPI.

MR. CARLINO: It is now afternoon, so good afternoon, Mr. Chairman, members of the Commission, Staff.

CHAIRMAN KOHN: I'm waiting for good evening.

MR. CARLINO: I may drag this out, but I hope not that long. I'm Peter Carlino, Chairman and CEO of Gaming & Leisure Properties. And with me is Bill Clifford, our Chief Financial Officer, and Brandon Moore, our trusted general counsel who's had a busy time with this transaction, let me tell you.

Before I -- I'm going to go through a couple of bullet points. I'll keep it mercifully short, but I thought I'd make just a couple of comments following what I heard and questioning here, the Pinnacle presentation. In no particular order, I want to emphasize that what is different about this process of what they're doing -- and by the way, they were going to do this anyway, irrespective of co-joining with us.

I mean, I think you can quickly intuit that a bigger, better, stronger, more diversified entity makes sense and not duplicative management and all those kind of things, so -- but this was going to happen, just the choice was it was better for their shareholders to do it with us. And believe me, they've been tough, looking out for their interests through this entire negotiation process.

But it's worth remembering that the difference with this financing -- because in the end that's what we're doing, we're providing a long, long-term financing to them, a 35-year deal, fixed. So the economy could go up and down, interest rates could do whatever they do. I was around trying to do business when rates were over 21 percent. Some of us here would remember that. It was not a happy time. It could happen again, but that risk falls to GLPI, not really to these folks.

To the question of, well, what happens if you get a problem with a property. Remember, they've got that now anyway. I think, sir, you had mentioned that, that they could have one property, two properties, ten properties and they've got a whole pile of debt and they're going to have to deal with it, irrespective of what they have with us.

The difference is that they're now going to actually have more cash to deal with potential problems than they had before and they're going to have a very sympathetic landlord. Because remember, we need to keep these guys -- take the worst case analysis, you've got to keep them going.

So it is in our self-interest to be a very interested, though passive, landlord who would help them under this hypothetical situation work through a difficult time should it ever occur, I mean, but the risks and exposures are no more. In fact, they're actually less than what they'd have if they did not do this because they've got more available cash and the real credit risk falls to our side.

To the value of a business and the asset, you had asked about that. I have a simple thought. I spent a lot of my life in the real estate business. An asset is worth no more than it can earn, so irrespective of what was spent. And I think the Revel in Atlantic City is certainly one of my favorite illustrations, $2.5 billion, something in that order. I think it was sold for, what, about a hundred million dollars.

So an asset is only worth what it can earn. It doesn't matter what it looks like, how cool or cute or whatever, it's only worth what it can earn. So, excuse me, the -- it's real -- there's no change. I guess that's the point I'm trying to make. There's no diminution in value, but actually the addition of strength in what we're proposing.

To the question of unreasonable, to the unreasonably withheld, I think it was said that it is clearly in the REIT's best interest to put as much money into these facilities as you like, guys, make it better, make it stronger, God bless you, just keep those rent checks coming.

Our involvement as a REIT is so neutral that the joke -- think of it this way: In our offices at the time we contemplated this from Penn, and I'll get into a little bit of the Penn spin and how this all began, I jokingly said, well, let me figure out what my new job is going to be. What's my new job running this REIT?

Well, I figured that I'd take -- get my assistant the first of every month and send them over to that Penn place, grab our money and she'd bring it back to the office, take it down to the bank, deposit it and once a quarter, we'd make a dividend distribution to shareholders. And the truth -- and the rest of the time you go fishing.

And if you think about it, that really is, in a perverse sense, the sign -- the responsibility of a REIT. Get the money, pay it out. Now, if you don't care about doing more, that could be the case. Turns out, I think our ambitions are a little bit bigger than that and we'll talk about why we did what we did.

So I -- my understanding is there have been -- and I'd have to look to these guys, scores and scores of requests from Penn National to do all manner of stuff that -- I haven't seen a one. Well, I take that back. I saw what they're doing up at Penn National because it was a major rip out stuff and replace it with something entirely different. But the truth is we really don't care.

I mean the only thing that could ever be a problem might be something really horrendous. They're going to paint the building pink or, you know, I can't even imagine. So reason always will be --

MR. MOORE: I don't think we can stop that one. Sorry.

MR. CARLINO: We can't?

MR. MOORE: They don't need consent to paint it pink.

MR. CARLINO: All right. There you have it from our general counsel. The point is we really don't care what they do and you know, as do we, the quality of Pinnacle facilities. They're about the best in the United States in the regional market, certainly among the best, period, and they're well maintained, they're gorgeous, so our concern about what they're going to do with the properties is about zero. It's truly zero.

Getting back to -- I guess I have some kind of slide thing here. I'll take a few seconds to talk about what happened with Penn National. We're not here to talk about them, it's a different company, but clearly Penn National -- or Gaming & Leisure Properties is a spinoff of Penn National Gaming.

And small history with Penn National, it's a company that you know I was involved with for many years, actually more than 40. We went public in 1994 with $35 million in sales, $35 million in sales. At the time we made the decision to do this split in a well-considered and carefully considered decision, sales were in the range of $3 billion and if you take the couple of properties that we kept with GLPI and my understanding of what Penn will do this year, we're well over 3 billion today in that 20-year period of time.

We grew at Penn at a compounded growth rate every year for more than 20 years of 26 percent. Thousands and thousands, over 10,000 percent growth in that company. And the responsibility for all of us, for us and certainly for the Pinnacle folks, is to our shareholders. I mean, that's certainly a big obligation.

And the question is -- and I'll add further something that we internalize, certainly in my Penn days, which are past, and with GLPI, that nobody cares -- our shareholders don't care how good you used to be and we have to have the presumption that every shareholder -- I do -- that is in our company today bought yesterday. So he doesn't care how good you were last year, last month or how good your record was over two decades. He wants to know what you're going to do today.

And it was our judgment that the way to unlock value for our shareholders, which is apparently a conclusion that Pinnacle itself came to, was to form a REIT. You know that just yesterday, I think, MGM filed with the SEC, so they're going ahead. Harrah's, Caesars are talking about doing it and they undoubtedly will somehow as they emerge from wherever the heck they are today. And you're going to see others. So this is a reality of where the -- and it's all about unlocking shareholder value, which is a huge responsibility for those of us who run a public company.

The combination of our two entities brings synergy, just operational synergies with the two REITs, scale, financial power, I mean, just the ability to reach the markets and to help us maintain as we go forward an investment-grade vehicle that will be our REIT, your licensed entity here in the state, GLPI, so that this makes financial sense.

It makes -- and by the way, just as an aside -- I checked because I'm not involved day to day at all. I think Penn National has spent, since its spin way back in '13, over a billion dollars in a new facility, by the way, which we're not involved with, GLPI is not. We have nothing to do with whatever the heck they're doing up in Massachusetts. They opened the first casino in that state. They bought since the spin the Tropicana in Las Vegas, they're building a 400-plus million dollar facility in San Diego and life goes on.

So I think if you were to talk to those folks and as you talk to the folks at Pinnacle, the world does not end. In fact, they're in a better place to do the things that they want to do and I think that's been well expressed.

So if I can even read what's on the balance of that, GLPI has been very active since we began. We bought the Casino Queen in 2014, small transaction. We've announced the purchase of the Meadows Racetrack in -- near Pittsburgh, Pennsylvania for $440 million and, of course, this merger, if you will, with Pinnacle and we'll continue down that path in a responsible, careful way.

If nothing else, I'd like to think, if you look at our record, even here in this state over the years, and ask about the United States, I think our performance, both at Penn and the old -- in those days, and believe me, those days are separate days, and in the GLPI day has been a company that has been utterly focused on carefulness, probity and doing the right thing everywhere that we do business. So that won't change.

And the other thing I'd point out, too, is we are public companies. So when you wonder about what we'll do, we have a responsibility to our shareholders, to the public at large, to you folks to do the right thing. I mean, there's an ethical underscore here as well as an actual responsibility to do the right thing, so that's something you can always count on as we do business in the future.

So we talked about the 35-year lease. It's a cross-collateralized transaction, again, emphasizing that there really is no difference than the risks that the company faces today, except that they probably have a more sympathetic lender than their banker might be should things go awry. So I think that's -- we have more to say, but I just wanted to highlight a couple of points. And of course, I'm available for questions through this process.

CHAIRMAN KOHN: You made the statement a few minutes ago that Penn has no involvement in this. Did I understand you right? In this transaction.

MR. CARLINO: Well, I use -- I'm highlighting Penn only because they are a company who is subject to a similar structure that you've already approved here in Missouri, but really no other reason to refer to them in this transaction.

CHAIRMAN KOHN: But there is -- there is some interlocking?

MR. CARLINO: None.

CHAIRMAN KOHN: There's none.

MR. CARLINO: Absolutely none. Zero, zip, nada, nothing. Matter of fact, from the day I walked out the door at that facility, I have never walked back in, not once, not once.

MR. MOORE: Peter, I think the distinction is in this transaction, Penn is totally unrelated. They don't have a single -- there's no interest in Penn at all.

MR. CARLINO: Oh, yeah, as it relates to this transaction, the matter at hand.

MR. MOORE: But you are a director.

MR. CARLINO: Oh, yeah. I am a director in Penn. I still have one of the largest investments on that side.

CHAIRMAN KOHN: I just want to make sure that --

MR. CARLINO: But I am not an officer. I derive no salary other than a director fee and I have no involvement in any day-to-day operations.

CHAIRMAN KOHN: So you're like a non-executive chairman.

MR. CARLINO: I am not executive chairman.

CHAIRMAN KOHN: I said non.

MR. CARLINO: Non, correct; that is correct.

CHAIRMAN KOHN: Any other questions?

COMMISSIONER HALE: I have nothing.

MR. CARLINO: Okay.

CHAIRMAN KOHN: Thank you.

MR. CARLINO: Well, Bill. Have fun. Glad to cede the spot here.

MR. CLIFFORD: The next slide. First of all, I wanted to acknowledge the nice job that Pinnacle did ahead of us in explaining the transaction. It took a lot of the responsibility for working through the nitty-gritty details and, therefore, I can talk about probably more interesting things. They may not be more interesting to everybody, but they're certainly more interesting to us at any rate.

I think, you know, just as a beginning is kind of a background on what REITs are and a triple-net REIT and what our attributions are and what we do. We are a passive investment entity. We are not an active investment. We derive our income from rent. It's -- we're not there to try to figure out how to generate better gaming revenues or how to operate more efficiently or any of those things. We are absolutely on a passive level.

The tenant pays the taxes, insurance and the maintenance. And I was with Penn, just to be clear, when the separation happened. I was a CFO for Penn National Gaming and I was a big part in the process of when we were negotiating the leases and why we did certain things the way we did certain things. And our intentions were always to create a relationship between the landlord and the tenant that was as friction free as possible.

And the reality is we could have had provisions that we pay for this and -- you know, on behalf of the tenant in certain situations, but recognized up front that our -- once we separated, our interests were going to be different. We were representing our shareholders, they're going to be representing their shareholders.

Maintenance CapEx, as I know we've talked a lot about here today, was one of those areas that we felt like there was a real opportunity to create friction because if you think about it -- I don't know -- I don't even know if you guys rent this building or own the building, but if you rent it, you might very well have a disagreement with your tenant -- or with your landlord about the quality of the carpet.

Not saying there's anything wrong with your carpet, I didn't mean to infer that, but certainly wanted to highlight the fact that by having the tenant responsible for the CapEx, we recognize that the motivation to have their properties well maintained was absolutely attributable and the consequences of not doing that were first borne by the tenant.

So the reality is that spending on maintenance CapEx and spending on CapEx is within their motivations to do so. They pay -- they are the ones that, quite candidly, will pay the outcome or yield the outcome of not doing a good job in that area.

And I know that Peter talked on this earlier. At the end of the day, we -- we're not going to turn down or restrict a tenant from spending money in our properties, unless it's just unbelievably stupid. And what I mean by unbelievably stupid is they decided to put up a tin shed. I mean, Peter talked about we can't approve painting the building pink. The reality is we probably can't stop that one.

MR. CARLINO: We lost on that one.

MR. CLIFFORD: We lost that one. But if they want to put up a tin shed and they want to, you know, get rid of the casino and do it in a structure that's, you know, a tin shed effect, that we can sit there and say you're not doing that.

Our ability and our willingness to approve transactions, I think -- and again, I don't want to spend a lot of time talking about Penn, but I think it's illustrative and I spoke at the Indiana commission hearing and we had -- at that point in time there were 27 projects that our tenant, Penn National, had come forward to us requesting approval to go ahead and move forward. We were 27 and 0, just to be clear. There was not a single item, not a single project that we turned down because at the end of the day, we're not -- I mean, we're knowledgeable gaming executives, but it's not our business to decide how they optimize their properties.

If they want to put in a lazy river, we're going to let them put in a lazy river. Now, a lazy river, you might say what good is that, right? You could have a discussion in whether that's appropriate in a casino or not. We don't make that judgment. If they decide they want to do that, that's their call.

MR. CARLINO: That was Mississippi.

MR. CLIFFORD: That was in Mississippi, but, you know, as an example. So the more money they spend, the better it is for us and it's better for you as well, if you think about it, right, from the State of Missouri. Our interests are completely aligned with each other, relative to the spending CapEx by our tenants. The more money they spend, the more competitive their products are, the more revenue they generate, the more revenue they generate, the more my rent goes up.

So the very concept that says I'm going to start turning down capital projects is almost on its face -- assumes I'm not going to operate in my economic best interests. Sorry, I got on a tangent there, but it was -- you guys spent so much time, I just couldn't help myself.

We're not involved in the operations of the business, we're not involved in their marketing strategies, their payroll strategies, any of those types of things. Our corporate staff is very limited. We were joking earlier that Pinnacle brought more people to this meeting than we have at our corporate offices and it's pretty close to true.

MR. CARLINO: It is true.

MR. CLIFFORD: There are a total of 15 people at our corporate offices, four of which are admins. There's several others that are in the accounting, entry-level staff. We are limited to finance and accounting, tax -- actually, we don't have a tax department. We outsource the tax to one of our -- one of the big four firms. We have one individual in HR, one individual in IT. We've got two in legal, Brandon and Melissa. We have development, which is an individual who helps us look for opportunities for growth, and we have administration.

There are no operational staff at the corporate level at GLPI. We don't have anybody sitting up in Wyomissing that's overseeing or looking to oversee what's happening at our tenants. We do have two casinos. We have a casino in Perryville and we have a casino in Baton Rouge. We are the operators. That was part of the original spin.

Happy to go into why we kept them if that's of any interest. And the reality is those properties operate relatively autonomously even within what we do on a day-to-day basis. They certainly report up and they report up to different people at corporate, but there's nobody at a corporate level that has aspirations to create a gaming dynasty or a gaming operating establishment.

Our job is -- and Peter touched on this, is to grow AFFO in dividends, AFFO being adjusted funds from operations, representing basically the difference between the rent and what we can pay out to our shareholders. We pay roughly 80 percent of our AFFO out in dividends and there's a requirement by the IRS that you have to spend at least -- you have to distribute 90 percent of your taxable income. The difference there being the depreciation and allowances, why we can pay out a little bit more. But the reality is the cash flow that comes from us, we retain 20 percent of our free cash flow, which we use to pay down debt and to seek new opportunities.

I think you are probably going to be tired of me beating on this dead horse. We have no control or influence over operations. We have no right to direct or control marketing or even really make any suggestions. We have no right to receive confidential operating or consumer information.

Any information that is shared with us is completely controlled by the operator. What levels of information that we have that I think could be considered sensitive is none at the end of the day. We get SEC information level on our -- on the operating results. We have some -- there's a covenant in there on the rent escalator relative to the relationship of the rent to their, basically, cash flow, EBITDA, and that, quite candidly, they can aggregate together for all of their properties. We don't even need to see it property by property.

You know, there are -- and we don't even have any staff. I mean, just to be quite candid, we don't have anybody who's even sitting around expecting to be analyzing the property operating performances of any of our tenants. You know, there is the capital maintenance. I think I've already talked about that.

I will talk a little bit about the one percent. The one percent, just like the rent mechanisms and other mechanisms was, you know, when we were operating as a landlord, we wanted to ensure that we had a healthy tenant and we created what I'll call some safety valves for the tenant.

And what I mean by safety valves is, you know, certainly I've gotten criticism from some of the people in the REIT community that says why didn't you require more money for the maintenance CapEx and, you know, why didn't you force the tenant to spend more money? And the reality was we say, well, we protected ourselves with the requirements to be well maintained. And that basically is the standard under which the tenant has to operate that we can protect ourselves with.

The one percent was meant to be a floor and that was basically to allow the tenant, if there were -- you know, we have economic cycles, sometimes better, sometimes worse. It gave the tenant the flexibility to be able to reduce their maintenance CapEx for a short period of time, assuming that they could do that, while still holding to the standard of well maintained.

So the one percent is a floor, it's not a ceiling. The ceiling is unlimited. We'll let them spend as much as they want. They can knock their brains out on that level, but on the maintenance on the minimum level, you know, we're looking at it as the basic core protections that are, quite honestly, also in your best interests.

In other words, the requirement that you have a licensee or a tenant to spend money and to keep their properties well maintained, they don't really have that requirement with typical financings. You know, that's a concept that says you can certainly exert your influence, but I would hazard to guess that you've had some experience with some licensees who haven't necessarily done as good a job as you might have expected to do when they were in financial distress. The reality is we have a mechanism in our lease that says they have to continue to maintain their properties.

The structural building, I think we already -- I've already really touched on that. It's really only requiring notice. And with that, I'm going to hand it over to Brandon.

MR. MOORE: I get the exciting stuff.

MR. CLIFFORD: You do.

MR. MOORE: So I guess before we talk about the

FTC, which I know everybody is excited about, I'll take Jack's homework assignment on arbitration. So the lease actually does not have an arbitration provision. In our experience arbitration we try to avoid at GLPI just because oftentimes it's a prolonged process that ultimately leads to a judicial process at the end of the day if somebody is still aggrieved.

And I think most of the things that could go awry under the lease, we're going to want a quick answer to and I think Pinnacle will want a quick answer to. And, you know, the example of whether or not we have been reasonable in withholding our consent, they're going to want a quick answer to that and they're probably going to want to run in and get an answer that's not going to want to go through an arbitration process. So the lease does not have an arbitration process in it. Of course, we could certainly put one in it.

The other thing I wanted to touch on was there was a question about the best interest standard and I know that's the statutory standard here in Missouri and I don't know if it's under statute in a place like Indiana or not, but it's a good example. I don't think I've ever walked into Indiana, Jack, where their first question is why is this in the best interests of the state of Indiana. And that will persist in every meeting we have in Indiana and in Louisiana and other places.

So whether or not it's statutory, I think the plenary authority of these gaming commissions across the country is such that that's the first thing in their minds and that's what Indiana wanted to hear and that's what Louisiana wanted to hear and that's a question we address everywhere we go and we'll certainly address it here. And the folks at Pinnacle have addressed it and I think Bill will after I talk about some more exciting regulatory pieces here.

So the Federal Trade Commission has been a question that we faced a number of times and so we wanted to make clear we, as GLPI, as a REIT, not just us, but REITs, are generally exempt from the pre-merger filing requirements. So not the entire act. We don't get a free pass. We can't go do whatever we want.

REITs get a pass under the pre-merger filing requirements because they're not entities that affect competition generally. They're passive entities. The way they're structured is passive, so they do not affect competition. So they don't generally -- if a transaction is over, I don't know what it is now, 76 million or something where you normally have to go through a pre-merger filing with the FTC, we don't have to do that.

The risk we run if you don't do that is that they can come and knock on our door the day after the merger is completed and say we think this is anti-competitive and we will undergo a review and if they find that it is, instead of having the opportunity to not engage in the transaction or to come to an agreement with them to do something to alter the transaction, we'll be forced to come to an agreement with the FTC as to how we're going to fix this problem, namely what are we going to dispose of.

So I don't want there to be a confusion that we can somehow operate free from FTC oversight or control. We have to be mindful of what the FTC reviews, we have to be mindful of our structure as a REIT, not only for the IRS and other things, but because the FTC can certainly come in and question this later.

So that brings me to, maybe, the FTC review of the Pinnacle transaction. So we didn't have a filing requirement, as we said. Pinnacle had a separate requirement with the FTC through a separate transaction. When they notified the FTC, the FTC asked us to comply with a voluntary review. They made it pretty clear, should we deny the voluntary review, it could very well become compulsory. We had no incentive to do it. In fact, this was the perfect opportunity for us, before we engaged in a transaction of this magnitude, to get an understanding from the FTC of do you think there's something in our structure, with our structure that causes you concern from a competitive standpoint.

And the initial request was related simply to the Baton Rouge market and the reason is we actually own a casino in Baton Rouge. So we own and operate a casino in the Baton Rouge market. Pinnacle has in their transaction, as part of the portfolio of properties coming into the lease, a property in Baton Rouge.

COMMISSIONER JAMISON: I've got a question. When you say we own and operate, the REIT owns and operates?

MR. MOORE: The REIT does. Just to give you --

COMMISSIONER JAMISON: I thought you said that they don't do operations, they do the real estate portion, so I'm confused, I guess.

MR. MOORE: We do. We had a tax-free spinoff from Penn National Gaming. As part of that tax-free spinoff, one of the requirements was we had to take with us an active trader business that we had retained for five years. We have two properties in our portfolio that are held in a separate TRS subsidiary that we own and operate.

MR. CARLINO: That's a taxable subsidiary.

MR. MOORE: One in Perryville, Maryland and one in Baton Rouge, Louisiana. We were required to take those in order for this to qualify as a tax-free spin from Penn National Gaming. So those properties operate in a separate company. As Peter said, they're taxable. So unlike our REIT entity, the REIT entity GLP Capital, this separate corporation that has these two casinos pay taxes just like every other C corporation in the U.S.

COMMISSIONER JAMISON: So are they operated under the corporate umbrella of GLPI or is it a separate entity?

MR. MOORE: No, it's -- well, it's under the corporate umbrella, I think, in the sense that you're asking. It's a separate subsidiary because it has to be because it's a separate C corporation. But it's under our corporate entity and they have their own management personnel and employees and those two properties are really pretty self-contained.

I mean, for the most part, I don't think there's anything -- we at corporate don't spend -- I personally spend very little of my time dealing with either of the operating subsidiaries. Occasionally legal issues will come up that can't be handled at the property or are significant enough as a corporation, from a liability standpoint, that we'll get involved, but not generally on a day-to-day business.

COMMISSIONER JAMISON: I know the Chairman has a question about this and I'll preamble it and he can jump into this question because I think that where the perception or where some issues come from is the overlap between ownership of Penn National and overlap of ownership of GLPI and the -- I understand when they're separate initially from each other there isn't any other way but that ownership and to be there, so I think that perception of Penn National's influence on GLPI is a question and --

CHAIRMAN KOHN: Well, let me -- I assume you wrote the 10-K or if you didn't, you at least supervised it.

MR. MOORE: Not personally, but yeah, I did. Yeah.

CHAIRMAN KOHN: So the -- on February 22 when this was filed, the heading is -- I'm not going to read the whole thing, but the -- well, let me preface this, too, by saying that I understand that Penn is not involved in this transaction. I understand.

MR. MOORE: Penn isn't involved in anything we do. Penn doesn't have a single -- they have no interest in our business at all other than being our tenant.

COMMISSIONER JAMISON: But they have an ownership.

MR. MOORE: They don't. They don't.

COMMISSIONER JAMISON: You have co-ownership between -- so let me ask, do people that own GLPI also own Penn?

MR. MOORE: We are a publicly traded company, so the answer is probably yes. I'm sure some of the shareholders --

COMMISSIONER JAMISON: But a large percentage of that ownership or a substantial percentage of ownership is the same?

MR. MOORE: I think that's not right.

COMMISSIONER JAMISON: Okay.

MR. MOORE: I actually don't think --

CHAIRMAN KOHN: Let me read this from your 10-K. "The ownership by our executive officers and directors of common shares, options and other equity awards with Penn may create or may create the appearance of conflicts of interest."

MR. MOORE: Yeah.

CHAIRMAN KOHN: This is what we're wondering about.

MR. MOORE: Let's address. There's a couple of issues here I think we can probably address. One, I think that occurs in a set of risk factors. And as a publicly traded company, every publicly traded company, every company with securities registered under the Securities

Act has risk factors and they include basically anything you could ever think could happen to this business in a negative way, designed to protect the issuer of that company from a shareholder coming back with some sort of frivolous lawsuit that says had I known it could rain on Thursday, I would have not bought the shares and you owe me a hundred million dollars because of that.

So we have numerous risk factors in there, including that one. That risk factor relates to only the ownership of officers and directors of GLPI and Penn. And there is some overlap there because on the spinoff of GLPI, if you had a share of Penn, you got a share of GLPI. They own a minority interest in those two companies.

And I can give you a great example. Peter owns -- and his family through some trusts controlled, under our proxy last year, about 12 percent of the vote of GLPI. We had a proposal in our annual meeting last year that the board recommended be denied. Despite Peter's vote with management to deny, it passed 70/30.

Peter in his ownership interests in GLPI has no ability to control our vote. And our shareholders will vote as they see fit and as they think is appropriate and our largest shareholder right now is actually Vanguard. Penn doesn't have that shareholder. Vanguard may own a piece of them in some of their funds, but ours is through their REIT fund.

What happened was when Penn and GLPI split, to your point, everybody that had a share of Penn got one of GLPI. Two weeks before that spin, and I think very similar to what you'd hear from the Pinnacle folks, which is going to happen with their shares, GLPI began trading X dividend, which means that shareholders could sell off their portion of GLPI if they wanted to before the spin and that happened.

So actually on November 1, 2013, when we spun out GLPI, its first day as a publicly traded company, shareholders were already different and they've continued to diverge because shareholders that want to own an ownership interest in a gaming company don't necessarily want to own an ownership interest in a REIT and the other way around, right? The REIT investors are there for the dividend. Gaming companies operate very, very differently.

So, yes, we have some overlap between our shareholders. We also have overlap with Simon Properties and a bunch of other publicly traded REITs. We also have some overlap with Boyd and Caesars and MGM, right? That's natural. We're a publicly traded company. We have on average, I think, over 800,000 shares that trade daily. We couldn't tell you how much overlap is in our shares

from minute to minute if we wanted to. The officer and director piece is very, very small.
COMMISSIONER JAMISON: Can you answer me this? What percentage of the ownership of GLPI will be represented by the .85 shares?
MR. MOORE: Sure. So Pinnacle's, I don't know, thousands of individual shareholders today.
COMMISSIONER JAMISON: Right.
MR. MOORE: In the aggregate will hold about 29 percent of our company and that fluctuates a little bit, but that's around about where it's going to be. So as a whole, if you got all of those shareholders into a football stadium, they would hold about 29 percent of our shares. And to give you the example I gave with Peter, even if that group voted as a single unit, they couldn't control the vote of our company.
COMMISSIONER JAMISON: Okay.
MR. MOORE: And what they will actually do is dilute the ownership interest of people in our company. So individuals like Peter will see their ownership interest cut in half with this transaction.
COMMISSIONER JAMISON: Right. So the concentration that may have existed before will be diluted by the fact that the Pinnacle is coming in?
MR. MOORE: It dilutes.

COMMISSIONER JAMISON: And you have a distribution of shares based on that input of real estate?

MR. MOORE: That's exactly right. What you see as a regulatory body, I think, is if shareholders -- I think in this stated five percent. If somebody acquires more than five percent of our company because we are licensed here in Missouri, they have to file with you folks and almost all of them, I think all of them with the exception of maybe Fortress have filed as just an institutional holder. In fact, they may be institutional holders as well.

These folks file 13Ds with the SEC. They're not interested in our business. They are large institutional corporations. When you look at our largest shareholders and you see names like Vanguard and Baron Capital, their business isn't to run our business. Their business isn't to run Pinnacle's business. They're investors out to make a dollar.

And, yes, there's some overlap, but the overlap you spoke of of officers and directors is incredibly small and actually decreasing quite substantially. I mean, most of us that had options in Penn that came over in the spin have exercised those. That's beginning to peel off pretty rapidly and certainly those of us at GLPI could never affect a vote at Penn. Even Peter with his ownership

interest wouldn't be able to control a vote at Penn. Maybe I didn't answer your question, but --
COMMISSIONER JAMISON: No, you did.
CHAIRMAN KOHN: Go ahead. I mean, our -- the reason that we're kind of honing in on this issue is that one of our jobs is to make sure that competition among casinos continues to survive in Missouri.
MR. MOORE: Sure.
CHAIRMAN KOHN: The strength of Missouri and we want to make sure that this transaction in no way diminishes that competition among casinos. So when we read items like this from your 10-K, I think it's cause for us to at least question what that really means with respect to competition or lack of competition going forward.
MR. MOORE: I think it actually -- I mean, in my own personal view means nothing about competition. What it means is we don't want a shareholder to come back later and say I bought your shares. Had I known that some of your directors also have -- or officers had a couple of shares of Penn, I wouldn't have bought. It's a frivolous lawsuit, but if we went through those risk factors -- and that would be a painful exercise for everybody in this room, there are lots of them -- we would come up with a number of them that you would say that -- there's an

infinitesimal likelihood that would happen. Maybe so.

CHAIRMAN KOHN: Let me read one more sentence and I'll get off of this.

MR. MOORE: Sure.

CHAIRMAN KOHN: But again from your 10-K. "These overlapping positions could create or appear to create potential conflicts of interest when our or Penn's management and directors pursue the same corporate opportunities."

MR. MOORE: Correct.

CHAIRMAN KOHN: That's a direct competition sentence.

MR. MOORE: And the reason that that is there is because there are possibilities, and we haven't seen really many of them in the last two and a half years. Keep in mind, that's been there since we spun, the question of whether or not it needs to still be there. But when we spun out, we knew there might be situations where we'd be competing with Penn. And, in fact, we did.

In the New York market, Penn was going after a certain license. We financed a competitor, literally it was months after the spin out. And so we knew there would be -- there would be things that would come up where we both would be interested in something and probably not together. We've pursued a number of things separate from

Penn.

And The Cosmopolitan that recently sold in Las Vegas, Penn was interested in that, we were interested in that, we didn't do it together. Meadows, which is something we talked about, we agreed to buy that property and bring in our own third-party operator. Penn bid on that just like everybody else and I can tell you Penn wasn't one of the top three bidders and Penn is not involved in the final strokes of that process.

So we wanted to have something in place and we do through our corporate governance guidelines that require Peter and there's one other director, David Handler, that overlap that if there's a conflict, perceived conflict by either the independent director on Penn's board or Penn's management team, they can ask those folks to leave and not be part of the process.

We have a similar provision in our corporate governance, but because Peter is an executive on our side, the chances of there being an exclusion of him from our board room is very slim. The chance of him being excluded from Penn is a little bit higher and, in fact, Penn, when then put in their bid on the Meadows, made it clear to us that Peter was not included in some of the discussions around what they were going to bid and how they were going to bid.

We have the processes in place, we believe they're working, but we have a risk factor all the same just so everybody knows that's buying our shares that that structure exists.

MR. CARLINO: Let me give you another example. I think it's important, and that was shortly after we spun as well; Massachusetts. Penn had an interest in Massachusetts and, in fact, did open the first casino in the state, but we were partnered with at least two different groups --

MR. MOORE: Two different.

MR. CARLINO: -- for competing sites. They weren't, unfortunately for us, the winner but that went without a flaw. As I say, and I say it not smartly, but those guys were doing whatever the heck they were doing, we're doing what we're doing and never the twain would meet. We were aware that they were looking at something up there, but only that and that was it.

And by the way, that's -- should well apply with Pinnacle as well. We could find ourselves competing with them or any combination and I think as Anthony well pointed out, it could go the other way. They could make a better deal. Let's say they have a new thing they want to finance and they choose not to do bank financing, want to go to the REIT. They're going to talk to us. I'm a hundred percent sure you're going to talk to MGM. They're right in your town in Las Vegas. You're going to talk to every other REIT in the planet and we'll make it or we won't make it. So normal market forces will prevail in these situations.

COMMISSIONER JAMISON: Let me ask one other question, then, going back to your owning and operating a casino. Is that a stagnant corporation that you were forced to take and it's not -- it's not a growing --

MR. MOORE: It doesn't grow. It's a one off. It's an entity that holds -- there are two separate companies, one --

COMMISSIONER JAMISON: So you're not in competition, then, with other operators as far as pursuing --

MR. MOORE: We are in those markets.

COMMISSIONER JAMISON: Pardon?

MR. MOORE: We are in those markets. We compete in those markets.

COMMISSIONER JAMISON: Correct. But, I mean, you're not pursuing additional to add to that or --

MR. MOORE: No. Our goal would be to empty the TRS from operating assets rather than acquire more.

MR. CARLINO: We have a five-year requirement to hold those properties. That's really the answer.

COMMISSIONER JAMISON: Right.
MR. CARLINO: But building up stuff in a taxable subsidiary is really not our business.
MR. MOORE: Not our goal.
MR. CARLINO: We had to do it to effect the spin, period.
COMMISSIONER JAMISON: I understand there are some comeback regulatory requirements to do that, but your goal is to get out from under that operations portion when applicable?
MR. MOORE: Absolutely. Yeah. Because that taxable REIT subsidiary, we can only hold 20 percent. It's now 20 percent, it used to be 25, assets in there. And that ability is really important to us because if we came on a transaction where we needed to take the operations for a period of time. Let's say we didn't have a third-party operator, great opportunity.
If that capacity is available to us, we could conceivably put a property in there, clean it up, get an operator and spin it out. If that basket is full, it's hard for us to do, right? It could prohibit us from doing transactions. We have them there now. We have to -- as Peter said, we have to hold them for five years and then we can conceivably dispose of them.
MR. CLIFFORD: I was just going to -- we're not

an operator, we're not a competitor, we're a source of financing.

COMMISSIONER JAMISON: I understand that.

MR. CLIFFORD: We're really competing with banks as much as we are with anybody else. At the end of the day, we're just a source of capital and I think --

COMMISSIONER JAMISON: I understand that, but it is a little clouded by the fact that you say that you have an owned and operated casino subsidiary.

MR. CARLINO: When we say we competed in Massachusetts, that's with an operating partner.

COMMISSIONER JAMISON: Correct.

MR. CARLINO: We were their lender, they needed money, we paired with them, but always that would be the case. We're only a lender.

COMMISSIONER JAMISON: But it wasn't through your operation subsidiary --

MR. CARLINO: Oh, no, no, no, no. We're not looking to build; zero.

MR. MOORE: We haven't pursued anything with the operating subsidiary other than the Meadows. We did agree to purchase the Meadows outright. Now, we don't plan to get to the closing table without an operator and take the operating assets, but in that instance, which did agree to purchase the whole thing simply because the owner there wanted out entirely.

CHAIRMAN KOHN: What is the Meadows?

MR. MOORE: The Meadows Racetrack and Casino is a property outside of Pittsburgh.

CHAIRMAN KOHN: It's a casino?

MR. MOORE: It's a casino, casino and racetrack.

COMMISSIONER LOMBARDO: Let me ask you this: If this transaction is approved and let's say Pinnacle wanted to sell one, two or three of the properties in Missouri, would GLPI have to approve it?

MR. MOORE: No, we wouldn't have to approve it. I think if Pinnacle wanted to carve out one or more properties from the lease, they don't have that right to do so under the lease. If they brought it to us and it made economic sense and maybe we're getting some diversification of our tenants -- I mean, diversification of our tenant base is important to us. We're trying to diversify our tenant base. It may be very well be a transaction that's good for them and good for us.

COMMISSIONER LOMBARDO: Let's say they sold to MGM.

MR. MOORE: If they sold to MGM and MGM was going to pay our rent and we felt as though MGM was going to be a good operator, that might be good for us, right, because now we don't have three tenants, now we have four tenants. That's good for us. If they wanted to go and sell the three properties to some operator that had never run a casino business or that had some small casino business and never run anything of these magnitudes, we might have a problem with that.

COMMISSIONER LOMBARDO: So they have no right under the lease to sell any of the properties?

MR. MOORE: Correct.

COMMISSIONER LOMBARDO: They would have to come to you and then convince you that the new operator was going to be in the best interests of your company?

MR. MOORE: I think that's right. I mean, there --

MR. CLIFFORD: I was just going to say part of the reason we paid what we paid is because it's a portfolio of assets. So we couldn't allow for all of a sudden this portfolio of assets to become a bunch of little rents, right? There's real value in having the rent cross-collateralized across all 14 properties.

So for them to go off and sell one, there's still 13, you might say that's fine, but the problem is now I've got one and I've got rent and the question would really come up in that situation was whether Pinnacle would continue to guarantee the rent associated with that property when they sold that property. At that point in time, we would probably be -- we'd be a lot more inclined to say yes. That would be not very attractive to them, obviously.

COMMISSIONER LOMBARDO: You would be inclined to say yes if the new owner was acceptable and also under --

MR. CLIFFORD: Had financial wherewithal and, you know, we thought that -- there could be, as Brandon pointed out, you know, one of our criticisms that we received from the REIT community is that we're not as diversified across our tenant base as they might like to see.

So it's not like we wouldn't be incentivized to be cooperative in the process of potentially carving out an asset if they wanted to do that. There would be a motivation and there's a positive outcome that could come from that. However, we'd have to weigh that against all the negatives, especially around the credit worthiness of the tenant, the likelihood of the strength of the property, what the rent adjustment would be, whether that -- how that rent would still be continued to be guaranteed.

CHAIRMAN KOHN: Sounds pretty much like a -- some kind of a net worth condition on a sublease.

MR. MOORE: The other thing I'll point out, since we talked about the overlapping of directors a little bit, is that the spinout from Penn National Gaming, the tax-free nature of that resulted in a savings of over a billion dollars, Bill, in tax savings.

MR. CLIFFORD: With our taxes, yes.

MR. MOORE: Part of that, it was a very long process with thousands of pages of submissions to the IRS. The overlapping directors was a part of that that the IRS looked at in determining whether or not these two companies would still be independent. And so it's not just that we say that they're independent. It's not just that we've put some things in place that we hope work.

There are a whole host of things that could result in that transaction with Penn being taxable and this is -- that is but a small part, but it's a part. And so that's not something we came up with on our own. It's not something that hasn't been reviewed by someone. It's not something that we take lightly.

So, you know, we are constantly vigilant of the things that gave us the tax status we have today, that being but one of literally maybe a hundred things that result, but we're very careful about how we operate. And that's a very important aspect of the business and I think it's very important to Peter and his family and his ownership interest and it's very important to Penn and ensuring that there's no conflict there.

So I didn't want you to think that that's something we just kind of came up with on our own and we decided between the two companies it was okay. That was something we did vet.

CHAIRMAN KOHN: Thank you. Any other questions?

COMMISSIONER HALE: Nothing.

COMMISSIONER NEER: No.

CHAIRMAN KOHN: Does that conclude your presentation?

MR. MOORE: Do you want me to finish --

CHAIRMAN KOHN: I'm sorry, I thought you were finished.

MR. MOORE: Competition seems to be important.

CHAIRMAN KOHN: I didn't want to cut you off.

MR. MOORE: It's been -- I know this is exciting, but --

COMMISSIONER JAMISON: If you say good evening when you're done, you're in trouble.

MR. MOORE: No, I won't. I promise. If you say we're approved, I'll say good evening. So competition is clearly important and I understand that and I understand why and we'd be fooling each other if we didn't look at the properties that we'll own in the St. Louis market, the properties we own in the Baton Rouge market to say competition isn't a concern.

But what I think needs to be understood here is that the FTC -- so while this was voluntary, they made it very clear should we say no, they were going to look at it anyway. We received a letter from the FTC in August that says we want to look at your Baton Rouge market, for the reasons we talked about. We actually operate a facility there.

When the FTC started -- and we provided them volumes of e-mails, documents, I mean hundreds if not thousands of files. And when they came back to us, they came back and they sent us an e-mail and said we'd like to take a closer look at St. Louis and we'd like to take a close look at your master lease.

We said great. This is, quite frankly, what we hoped for. If we're going to go to the FTC, we'd like for them to review it all, because if we're going to do other transactions, we want to know that the FTC doesn't view our lease as a problem. Because at the outset, the reason, again, why we don't have that pre-merger filing is because we're a passive entity.

If the FTC were to look at our lease structure and say you're not passive, you have the ability to control this, we want to know that now. We want to know that before we enter into this transaction with Pinnacle and we want to know that before we do any other transactions.

That actually seems counterintuitive, but we viewed it as a positive. And we gave them, again, I think, volumes of information. I think we provided an entire copy of everything, hundreds of e-mails and documents provided to them to Missouri pursuant to the request we received.

So the FTC came back after months of review, several different e-mails and questions, and we hired an economist out of Georgetown that did some work looking at things and came back with one request. And it wasn't that we change our master lease, but they wanted us -- they wanted me to send a letter to Jack, which I did, that said when we're looking at any capital improvement projects in the Baton Rouge market, we won't take into consideration any impact that we think it will have on our Baton Rouge facility.

That was a letter that we were able to provide. I didn't go to Peter. I didn't go to Bill. I wrote the letter, we sent it over because that's not our business. I didn't have any concerns that us saying we won't consider the impact on our property is a problem because we don't. It's not how we operate, it's not what we do.

That was the only request that came back. And I want to stress that this investigation went through the director of the Bureau of Competition and subsequently went all the way up to Chairwoman Edith Ramirez before they concluded their investigation. So any suggestion that this wasn't reviewed fully at the FTC, this reached the very highest level of the FTC. And they closed their investigation, I think, in November or December of last year.

So in addition to the FTC, we are also licensed in addition here in Missouri. We have licenses in Illinois, Indiana, Louisiana, Maryland, Mississippi, Ohio and Pennsylvania. One or more of our directors and officers have all been found suitable in those jurisdictions. We also own properties in Maine, Nevada, New Mexico and West Virginia, but we're not licensed in those states. Those gaming regulatory bodies did not believe that the lease of property was something that needed to be licensed.

As I said before, we're subject to very complex IRS regulations that permit us to maintain our REIT status. Keeping in mind we are a creature of tax. Should we lose our REIT status, the whole thing begins to crumble for us, the purpose of our business. Now, there may be an evolution in that that we someday say we want to be a C corp again, but it's not today and it's not how we operate and it's not something we're taking lightly.

We talked about the tax-free spinoff from Penn National Gaming, so we're not -- I wouldn't say we're regulated by the IRS. We operate by virtue of a private letter ruling from the IRS that we take very seriously and we're obviously subject to the Securities and Exchange Commission and NASDAQ and the rules and regulations that we are subject to as a public company. This we've been through numerous times. I won't even insult you by going through it again.

COMMISSIONER JAMISON: Thank you.

MR. MOORE: I think I'll turn it over to Bill to talk about some of the benefits here. I do -- because I probably won't come up again unless I have to, I'd like to thank -- just to let you know, the staff here was very, very good with us and I don't -- I wanted to thank them for all the work that they've done.

I know some folks spent quite a bit of time in Wyomissing interviewing officers and directors and for those of you who don't know where Wyomissing is, it's not conveniently located to any significant international airport or anything. And so a lot of time and effort went in by some of those folks to understand our business and what we do and who we are and we very much appreciate that.

CHAIRMAN KOHN: Thank you.

MR. CLIFFORD: I think we've probably touched on a number of these things and I touched on them earlier, but I think it's important that we highlight a few factors in terms of why we believe this transaction has benefits to the state of Missouri.

One, as Brandon already touched on, but the reality is unlike most of your financing sources in the state of Missouri, we're actually licensed by yourselves. Our conduct to the extent that you find it objectionable or you find that we're doing something that's inappropriate, we are subject to your oversight and overview and clearly could be called forward for whatever conduct we've done that, quite candidly, is not within your -- that's within your realm of authority.

And I would highlight that, you know, we are long-term. In other words, unlike what you might find with creditors, typically the people that have the $2.7 billion worth of their debt that we're going to take care of and pay for, those individuals initially may well be very friendly creditors. They may be very nice people that are lending you money and they're expecting to get paid back.

But when things go poorly, that -- those banks, those institutions, those people that are -- you know, the JPMorgans and the Bank of Americas and even the Fidelities and the Penncos and all of the guys that are out in the business of lending money, they sell that paper and they sell that paper to basically distressed debt investors. Those distressed debt investors have zero interest in getting anything other than making a marginal profit between what they paid for that debt instrument and what they ended up actually being able to get out of it in settlement.

So when you think about that perspective, it's -- they would -- they might well come back when -- if the operator were to come back and say I'd like to spend some more money on maintenance CapEx, that creditor might be saying huh-uh, I don't particularly think that's a good idea because that's not going to maximize my proceeds and that's going to diminish my profits.

Whereas for us, we're going to own that building and we're going to own that property and we're going to own that -- you know, basically we're going to have a relationship with that tenant for a very long period of time and certainly having a property that's not well maintained or is suffering diminished returns or is not operating as well or as profitable is not in our interests.

You know, the other thing I would point out is that, you know, we are aligned with you guys on a number of issues where creditors may or may not be. The reality is when we talked about the anti-competitive stuff in terms of the ability that they have to -- Pinnacle has to ensure that our rent, the variable rent portions is stabilized if they go off and grab another property within 60 miles, well, I suppose on one hand you might think, well, that's bad because maybe they're going to be in Missouri. Maybe they're not going to be in Missouri and the reality is all the Pinnacle properties are owned on the border with another state.

So I don't understand exactly why that's necessarily a negative from the State of Missouri's perspective that you're going to have Pinnacle considering the impact of the -- of the fixing of the rent because it's not in your interests to watch Pinnacle end up with a property across the river and ship all their customers over there.

So we're somewhat -- we're aligned on that issue in terms of across-the-river line items, right? So there's -- some of those concepts -- similarly it's not in your interests the fact that if somebody was to come along -- and let me tell you what happens in a lot of greenfield projects.

You know, we -- people come to us looking for financing when they're struggling to get financing with very cheap sources of capital. And when we -- if we're the guys that necessary -- not always, I don't want to paint that with a broad brush, but certainly we've had some people who don't have any money, don't have the capital, don't have the equity to go build a facility, but they want to go ahead and build one anyway and the reality is they come to us. Sometimes we get involved with them, sometimes we don't. Some of the ones in Massachusetts were absolutely about guys who didn't have enough money to get the project done.

And so the fact that we can't build a greenfield in competition with Pinnacle or Penn, which is in Missouri, is also in some ways in your interests as well, to the extent it's outside the state borders, state lines. So what that says is that in Illinois or Kansas, somebody wants to come in and do something crazy that's going to suck business out of the State of Missouri, we're not going to be there helping them get it built.

Now, we can get involved if, in fact, down the road that place gets built and somebody goes off and lends them the money and it's up and running and there's -- you know, the bottom line is every casino that gets built rarely gets shut down. In fact, they never get shut down as long as they're positive EBITDA. Yes -- can we get involved at that point? The answer is yes. But at that point the cat's out of the bag, so to speak. The place is built, it's up and running and so on.

You know, the -- we are interested in, you know -- we provide a bit of oversight that typically is not necessarily within your purview. We talked a little bit about that on the maintenance CapEx. You know, we are absolutely focused on continuous -- the properties are continuously open.

We are interested in the fact that the properties are run well, not that we have very much say at all. But to the extent that there's a process, you know, where there's -- sorry, I lost my train of thought. I'll have to move on from that one. It was a great point and if I remember it, I will come back to it.

CHAIRMAN KOHN: There's a -- I'm looking at a statement and I guess the previous edition of the anticipated impact on the state, the statement is -- and this may be what you're talking about. "GLP is a licensed landlord providing oversight by MGC to greater extent than traditional bank financing."

MR. CLIFFORD: That's right. In other words, that was the point I was making. That was my first point, is that you license us, right? You don't license Bank of America, JPMorgan. You certainly don't license distressed debt holders who have the ability to impact your property operations.

So at the end of the day, you have a lot more oversight of us than you'll have of the creditors that might be lending money to your -- to the entities within your state. And I think that's an advantage. I think that's a situation that, quite candidly, is to Missouri's benefit versus just an unknown creditor who is going to turn around and, as soon as there's trouble, potentially sell to some guy whose special skills is how to maximize the proceeds out of a distressed debt situation. That was my point.

CHAIRMAN KOHN: I was just trying to help.

MR. CLIFFORD: Thank you. You do. I appreciate that. I need a lot of help up here, trust me. The end of term provisions in the master lease are -- is really -- I think, to Carlos's point earlier, you know, he said that it would happen at the end of the 35 years.

I can tell you that with two publicly traded companies, that shareholders from both companies when they look like they're coming up against the final termination, there is going to be an enormous amount of pressure to get that lease renegotiated well before the end of the 35th year. Nobody is going to want to sit around with that level of uncertainty knowing -- especially from Pinnacle. Hopefully we'll be so large and big that maybe our shareholders will be less concerned.

But from a Pinnacle shareholder perspective, they're going to want to know that they've got a continuing business and they're going to want to know that before six months before the end of the lease. They're going to want to know that well in advance. And I think the reality is that the most likely outcome is that there will be a renegotiated lease well before the end of the 35 years.

The terms that are in the lease relative to the 35 years in terms of, you know, how does that happen is those situations that say you have to have an escape clause, you have to have a way for the parties to separate. You have to have a way for it, for whatever reason -- I can't imagine what it is, but for whatever reason if a company no longer wants to continue to operate the property -- now, they've had that option several times before, but there had to be a final date and there had to be a renegotiation.

And I think, you know, one of the things that I probably should have mentioned earlier is when you look at what we've done and how much we've paid for these assets and the fact that the cap rate is roughly -- you know, it's probably around eight, eight and a half percent. That's 35 year paper at eight to eight and a half percent.

I can tell you right now there are a number of licensees in your state that are paying more than eight percent and that's on short-term paper.

And the reality is if you look out over the long term with where the federal reserve is going and where everybody's expectations on interest rates are over the long term, this is a situation where, quite candidly, your tenant, your licensee has access to capital that's 35 years at eight percent, that rate does not go up.

It can go up with escalators, I suppose, to the extent that they've got the ability and capacity to pay it, but they're not going to have to run into the risk of refinancing risks and where interest rates may go in that interim period. Not like we're buying land from some guy over there, but that's okay.

COMMISSIONER JAMISON: I'm listening.

MR. CLIFFORD: You're listening. That's good. In the process when there's a new tenant, if there -- I think, one, we're talking about an unlikely event where there would be a new tenant replacing Pinnacle, yes, there's a process in place and we have a certain -- we have a vested interest, right, in the quality of that tenant. But we don't have the final say. That is absolutely the gaming regulators.

The gaming regulators have the absolute final say on whether somebody is suitable to be a tenant or not. There is no doubt about that. That's not -- you know, we're not disputing that in any way. So whatever concerns there may be around our involvement around the end of lease process, which is 35 years from now and I will make one guarantee, it will not be me sitting in this room explaining who the new tenant is going to be in 35 years.

CHAIRMAN KOHN: Unless we're all still here.

MR. MOORE: Unless I'm still here. With that cue, I'll move on.

COMMISSIONER LOMBARDO: I'm going to make a motion the gaming commissioners be paid by the hour.

MR. CLIFFORD: You know, let's move on to the next one. There's more. You know, obviously -- I think these are points that have been well discussed. We're obviously -- we're a REIT, we've got stable cash flows, we've got access to capital. Pinnacle is going to have lower leverage. You've already heard all of those things. They're a licensed operator.

I would correct the one point on here which it talks about 96 percent of each incremental dollar of EBITDA. It's really -- it should have said 96 percent of revenue. Each incremental dollar of revenue in order for Pinnacle's benefit. I'll correct that if anybody was too focused on that sentence.

The other thing is there will be no negative impacts, at least I cannot come up with a scenario that says there will be a negative impact on the amount of gaming revenues that are going to get generated as a result of this transaction. There is no situation that I can dream up that says that that will happen.

And then I would point you to look at basically, you know, our track record. We have obviously been a landlord since 2013 with Penn. You've heard a number of stories about our tenants, Penn, have done well and they've invested enormous amounts of money and capital in seeking new opportunities and they've done -- you know, in fact, I know they've -- because I was there just when -- I was part of Penn when they purchased the Hollywood Casino or basically what used to be the Harrah's facility.

There was an enormous amount of CapEx spent at that Harrah's facility to bring it up to a better standard than I think it was when they were there themselves in terms of the physical plant. So I think I would encourage you to take a look at that as well in terms of when you make your determinations and hopefully vote yes. Thank you.

CHAIRMAN KOHN: Thank you. Does that conclude your --

MR. MOORE: Promise, that's it.

MR. CARLINO: We quit for now.

CHAIRMAN KOHN: Before we hear from the staff report, I can't believe you brought the mayor all the way up here from St. Charles and we're not going to hear from her.

MAYOR FAITH: Well, I'm not bashful.

COMMISSIONER NEER: I can vouch for that.

MAYOR FAITH: Yes, yes. Tom knows. First of all, thank you for the opportunity. I've got a couple of points I'd like to make and one of them is that Ameristar and Pinnacle have been very important in the growth of the City of St. Charles because of the revenue that the City receives and it has been spent wisely, I believe. We have a lot of road constructions going on and etcetera.

But the other thing I would say is that I remember when I was in Jeff City -- you know, when I came to be mayor, my concept was transparency. People need to know where the money is coming from and where it's going. And Pinnacle and Ameristar have been that way since I've been mayor and this is my second term. Also, that transparency gives -- carried on to the -- I'm not running for reelection. I'm just saying I've carried it on. I've carried it on to the newsletters of an annual report to all the residents.

The second thing is that they're involved in the community and the community sees them. I was at Ameristar Saturday night at Youth in Need who had a fundraiser, certainly, in the upstairs and it was packed, but they're there and they give and they contribute and I think that's very important.

And my closing statement is my campaign -- my election, my campaign election theme is, "Keep Faith in government," okay? Before I was in government, it was, "Put Faith in government." And I also have a theme for the City of St. Charles and it's, "If it's happening, it's happening in St. Charles," and it is happening. Thank you. And I have a green rock. I hope that means it will go forward in 2016.

CHAIRMAN KOHN: Thank you very much, Mayor. When your second term is over, go see Anthony about a job. Staff report, Mr. Seibert.

EXECUTIVE DIRECTOR SEIBERT: The investigative summaries will be presented by Sergeant Gary Davidson.

SERGEANT DAVIDSON: Well, I guess it's still afternoon, so good afternoon, Mr. Chairman and Commissioners. I'm going to be presenting -- excuse my voice, but I came down with a cold last weekend. I'm going to be presenting a joint presentation for the Class A riverboat applicant PNK Entertainment, Incorporated and the KBE or Key Business Entity Gold Merger Sub, LLC.

On July 21, 2015 Gaming & Leisure Properties, Incorporated, hereinafter referred to as GLP, Inc., and Pinnacle Entertainment, Incorporated, hereinafter referred to as Pinnacle, announced that they had entered into a definitive agreement the prior day under which GLPI (sic), Inc. would acquire substantially all of Pinnacle's real estate assets. GLPI (sic), Inc. would own these assets through its newly formed Real Estate Investment Trust, or REIT, subsidiary, Gold Merger Sub, LLC, hereinafter referred to as Gold Sub.

Under this plan, Gold Sub would serve as a landlord to Pinnacle's surviving operating business and lease back most of these assets by the use of its subsidiaries under a triple-net 35-year master lease agreement, to include extensions. After the proposed separation, Pinnacle would operate these leased gaming facilities and own and operate the other assets.

PNK Entertainment, Incorporated submitted an original application to the Missouri Gaming Commission, hereinafter referred to as the Commission, for a Class A Riverboat Gaming License on September 1, 2015. Gold Sub submitted an original application to the Commission for licensure as a Key Business Entity on September 8, 2015. You will find those resolutions under your investigations under Tab IV.

Pinnacle is a publicly held Delaware corporation formed on August 12, 2002. Pinnacle is the parent company of three licensed casinos in the state of Missouri; River City Casino-St. Louis, Ameristar Casino-St. Charles, and Ameristar Casino-Kansas City. PNK Entertainment, Incorporated, a wholly owned subsidiary of Pinnacle, was incorporated in the state of Delaware on July 23, 2015 for the sole purpose of completing this proposed REIT merger transaction with GLPI (sic), Inc.

GLPI (sic), Inc. was incorporated in the commonwealth of Pennsylvania on February 13, 2013 to hold real estate through one or more wholly owned subsidiaries and lease back those such subsidiaries -- or those such properties. Gold Sub, a limited liability company, was formed in the state of Delaware on July 15, 2015. Gold Sub was currently -- or is currently a direct subsidiary of GLPI (sic), Inc., but immediately upon consummation of the merger, GLPI (sic), Inc. will contribute the equity interest in Gold Sub to its subsidiary, GLP Capital, L.P. At that point in time, Gold Sub will then be a wholly owned subsidiary of GLP Capital, L.P.

Missouri State Highway Patrol investigators, along with working in conjunction with Missouri Gaming Commission financial investigators, conducted investigations into the suitability of PNK Entertainment, Incorporated to hold a Class A Gaming License and Gold Sub to hold a Key Business Entity license.

The investigations included, but were not limited to criminal, financial and general character inquiries of associated key personnel as well as contact with state and federal agencies, which have regulatory authority over the associated entities. There were no concerns, no issues or negative information discovered by the investigators during the course of this investigation.

The findings of our investigations were provided to the Commission staff for your review and you possess the detailed summary reports before you. All investigators that conducted this investigation are here at this present time and will be happy to entertain any questions you might have.

CHAIRMAN KOHN: Any questions?

COMMISSIONER HALE: None.

COMMISSIONER JAMISON: None.

COMMISSIONER NEER: No, sir.

SERGEANT DAVIDSON: Thank you.

CHAIRMAN KOHN: Thank you very much, Sergeant. Before we go to public comment, we have received a half a dozen letters or so and I want to make sure they're a part of the record. If you don't have them, Angie will make them available. First one is from Tom McDonald, State

Representative from the 28th District. We have a letter from Congressman Emmanuel Cleaver, Fifth District of Missouri. We have a letter from Mayor Francis Slay of St. Louis. We have a letter from state -- Missouri State Senator Scott Sifton, Sifton. I'm not sure.

COMMISSIONER LOMBARDO: Sifton.

CHAIRMAN KOHN: Sifton, okay. We have a letter from Missouri House of Representatives Michael Colona. And we have a letter from State Representative Joe Runions. And with that, we only have had one request for public comment from UNITEHERE!. Are the representatives here? I understand that you've requested 15 minutes for your comments.

MR. MORTON: Yes, sir.

CHAIRMAN KOHN: Okay. You're on. So all four you are of you are with UNITEHERE!; is that correct?

MR. MORTON: Yeah.

CHAIRMAN KOHN: Okay.

MR. MORTON: Yes, sir. Excuse me. Good afternoon, Chairman Kohn, Commissioners, Executive Director Seibert and Staff. Thank you for giving us the opportunity to speak today. My name is Dave Morton. I'm the organizing director for UNITEHERE! Local 74 and we're based in St. Louis. UNITEHERE! represents 270,000 North American workers in the casino, hotel and food service

industry. We represent over a thousand -- a hundred thousand gaming workers in the United States.
I'm joined by Shanita Whalen. She is a casino worker from Lumiere Casino. I'm also joined by Keith Benson, a bartender from the Casino Queen, and Kate O'Neil, who is one of our research analysts out of our research department.
CHAIRMAN KOHN: Just to put all those numbers in context, how many of the employees that are involved in our transaction are members of your union?
MR. MORTON: Directly in this transaction, there are none.
CHAIRMAN KOHN: None.
MR. MORTON: There is none. We represent 800 casino workers in the state of Missouri.
CHAIRMAN KOHN: But none that are involved in this transaction.
MR. MORTON: None in either property. At one time we represented workers at Lumiere Casino that was owned by Pinnacle, before the sale, before they had to sell. But in this transaction, we have none.
CHAIRMAN KOHN: So your interest in this transaction is what?
MR. MORTON: Our interest in this transaction is, and I'm going to explain this, is about the good and

welfare of the state -- for the state for the workers and the State of Missouri as a whole.

CHAIRMAN KOHN: Okay. Go ahead.

MR. MORTON: Our union is extremely concerned about the proposal that is before you today. To be clear, we didn't think that REIT -- we do not think that REITs are good for the overall health of the gaming industry. A healthy industry is essential if we're going to realize the benefits of gaming, which is to provide good jobs and to maintain a much needed tax revenue in the State of Missouri.

We also have specific concerns about the sale of leaseback arrangements between GLPI and Pinnacle. I will turn it over to my colleagues to walk you through these concerns.

COMMISSIONER JAMISON: Are they going to address those individual concerns because if they're not, I have a question about them.

MR. MORTON: Yes, they are.

COMMISSIONER JAMISON: Okay.

MS. WHALEN: Good afternoon Chairman, Commissioners. My name is Shanita Whalen and I have been a slot attendant at Lumiere Casino for seven years and I started back in 1999 at the President Casino. My coworkers and I have played a huge role in keeping only --

not only Lumiere, but all of Missouri's gaming industry successful. Our experience running the casino, as well as customer service we provide has been a necessary part of building this industry. I understand how important it is for casinos to thrive, not just for tax revenue to generate, but also for the quality of jobs they provide for the community.

My coworkers and I are concerned that one company has the possibility of owning five or six casinos in the St. Louis area. Lumiere is the only casino that won't be owned by this company. We also read about the proposed terms of the deal and how it could end up hurting us. Our ability to negotiate for fair wages is threatened.

As a member of the bargaining committee at Lumiere, let me explain. If five out of six casino operators face rent payments to GLPI, there is a risk that they will cut raises and benefits for their employees. This increased pressure to make cuts due to high rent payments could lower the market averages over time that would affect us.

It's hard for us to negotiate for more hours and better wages if the other casinos are under pressure to cut back. I believe the Missouri Gaming Commission's decision will impact the stability of our jobs and our families, so I ask the Gaming Commission to protect the future of our gaming industry and the jobs of our family members and vote no on these positions. Thank you for the opportunity to speak today.

COMMISSIONER JAMISON: I have a question. If their rent payment is less than what their mortgage payment -- annual mortgage payment would be, would they not have more money to pay wages and compensation?

MS. WHALEN: I wasn't really aware if the rent payment was lower than what they're paying now, but --

COMMISSIONER JAMISON: You said that you were concerned because the rent payment was going to be --

MS. WHALEN: But I am --

COMMISSIONER JAMISON: -- more.

MS. WHALEN: Okay. I'm sorry, go ahead.

COMMISSIONER JAMISON: You said you were concerned that the rent payment was going to be more and cut into their ability to make compensation to staff.

MS. O'NEIL: May I jump in?

COMMISSIONER JAMISON: Sure.

MS. O'NEIL: We are --

CHAIRMAN KOHN: You want to introduce yourself, please?

MS. O'NEIL: Sure. I'm Kate O'Neil. I'm a research analyst with UNITEHERE!'s Gaming Division and we are concerned that the rent payment as a fixed cost, that, you know, most of which, you know, is a fixed cost over a very long time period of the lease, as it's been described today, that that puts particular pressure on the companies and, you know, I will go into more detail in a minute, so that's our concern.

COMMISSIONER JAMISON: So your concern is a hundred million dollars extra cash flow will be negative how?

MS. O'NEIL: I don't think that -- Pinnacle is a company that has been successful in recent years and has been healthy and they have had a cash flow. What they didn't address in their presentation, you may want to ask them, is, you know, what their cash flow looks like, you know, if this transaction doesn't go through.

COMMISSIONER JAMISON: I understand that, but you heard the testimony of what the cash flow is going to -- what their projected cash flow is going to be with that and so my understanding would be and the opposite of that would be there would be $200 million less available cash flow if they didn't do this transaction in this manner. Would that be the way you would have understood their testimony?

MS. O'NEIL: That's not how I understood it.

COMMISSIONER JAMISON: What did you understand?

MS. O'NEIL: I understood that they are expecting that if they continue to spend similar amounts on payroll, if they continue to spend similar amounts on maintenance as they have, that they'll have about a hundred million dollars in free cash flow. But what they haven't done today is present to you an analysis, clearly, of what Pinnacle looks like as an operator and owner going forward compared to this particular model where they sell off their real estate and their properties.

COMMISSIONER JAMISON: I guess I'm at a loss. If they're giving you a projection of what it's going to look like if they do the deal and compare that to what cash flow there would be without the deal, I don't know what other projection they would give you that would explain that. I guess I'm at a loss of you're saying, well, they didn't tell you what it would be if they didn't do the deal. That would be the hundred million dollar net less cash flow, correct?

MS. O'NEIL: That's not my understanding.

COMMISSIONER JAMISON: Okay.

CHAIRMAN KOHN: You want to go ahead and finish?

MS. WHALEN: I was done.

CHAIRMAN KOHN: You're done.

MS. WHALEN: Yes, I was done.

CHAIRMAN KOHN: Okay.

MS. WHALEN: Thank you.

CHAIRMAN KOHN: Are you next?

MR. MORTON: I just want to introduce Keith Benson. He's a member of ours from the Casino Queen that's currently operating under GLPI REIT.

MR. BENSON: Good afternoon, Commissioners. My name is Keith Benson. I am a bartender at the Casino Queen where I have worked for 23 years. I was one of the workers who opened the Queen back in 1993. I'm also a member of UNITEHERE! Local 74.

The casino I work at was acquired by GLPI in 2014 and leased back to the Casino Queen, which is now an employee-owned operating company. The leaseback to GLPI has happened in the context of increased competition from the video lottery terminals that are like slot machines in bars and taverns.

Here's what's been happening at the Casino Queen. The hours of operation have been cut back at the casino, the steakhouse restaurant and buffet hours have been drastically cut back, as a result hours for workers have been cut back and the cost of health insurance has gone up. I'm on the bargaining committee and we've been bargaining our next contract for 20 months. Never before has it taken this long to reach an agreement on the next contract.

It's true we don't have many years experience under GLPI because the REIT model is so new, but I can tell you that the sale and lease with GLPI has not solved the problems at the Casino Queen and the conditions on the floor have actually gotten worse. Thank you for your attention.

COMMISSIONER JAMISON: I've got a question. What part of that do you feel is attributable to who they make their mortgage or lease payment to? Because you're not dealing with GLPI; is that correct?

MR. BENSON: Correct. I would say if the -- I guess my feeling would be that if the -- if we took a loan out with GLPI and then it was -- to help lower the loan that had been taken out before and then -- I mean, I might be rambling here with this because -- we haven't seen -- as an employee, I haven't seen any improvements under this deal, I guess is what I'm getting at.

COMMISSIONER JAMISON: Okay. But you've dealt with -- you've not dealt with GLPI in the process, you've dealt with -- is it Penn National that operates yours or what company is operating yours?

MR. BENSON: We're an ESOP now.

COMMISSIONER JAMISON: Okay. So you're an ESOP, so you're a part owner of your own company and so you're dealing with yourself as far as your salaries?

MR. BENSON: Basically.
COMMISSIONER JAMISON: So you're dealing with your own ESOP as -- and you negotiated with GLPI -- your ESOP negotiated with GLPI for the lease payment?
MR. BENSON: Yes.
COMMISSIONER JAMISON: So they came to an agreement that this is what they wanted to pay for rent and you feel that that's too high or you'd be better off owning your own land and making mortgage payments?
MS. O'NEIL: Could you repeat the question?
COMMISSIONER JAMISON: I guess his assertion is they would be better off making mortgage payments than lease payments and so then their operating company would be better off.
MS. O'NEIL: Yeah. I mean, what we want to point out, you know, what people have asked, you know, given that the REIT of GLPI is so new to the industry is, you know, what have been the consequences for workers? And it hasn't been some kind of boon to the Casino Queen and so, I mean, that's what we wanted to point out.
COMMISSIONER JAMISON: And I understand --
MS. O'NEIL: And if they did have their real estate, you know, they would have the ability potentially to take out, you know, more loans, you know, there would be other -- in order to weather the current increased

competition that's happening in Illinois.

COMMISSIONER JAMISON: But to compare the financial troubles of the operation strictly to the REIT because it occurred at a similar time may or may not be related.

MS. O'NEIL: Okay. I do understand your question and that's right. I mean, unfortunately, this is so new, we're just trying to offer our perspective and what we've seen happening so far and it really -- I mean, you know, we don't know -- I mean, one thing that we think is incredibly important to think about, given that we all suffered through, and the gaming industry in particular that we once, you know, believed to be recession proof, we just suffered through a recession not so long ago and saw the impact that it had on gaming revenue.

This REIT model in the industry is so new that we haven't seen what happens in an economic downturn when operators have fixed charges that are permanent and high. And as, you know, some of the commissioners noted, you know, it's kind of swapping debt for rent payments.

COMMISSIONER JAMISON: But if you had a loan with the bank and you owed them interest on that loan, you would have an obligation of a payment. It's not like the lease payment is something additional that you wouldn't have if you didn't have a real estate loan. I mean, it's like a homeowner. You either buy the home and pay the bank your monthly mortgage payment or you pay a landlord rent.

MS. O'NEIL: Right.

COMMISSIONER JAMISON: As an operator, you have to decide which one of those is best and a homeowner, you have to decide which one of those is best for you as a homeowner. To say that I'm having trouble making my house payment or my rent may or may not be who you borrow the money from. It may have external circumstances that are unrelated to who you owe the money to. Would that be fair?

MS. O'NEIL: I think that -- I think that what we're trying to point out is that we don't know -- I mean, this is a very complex deal.

COMMISSIONER JAMISON: But you're making the inference that it's because of the REIT.

MS. O'NEIL: No. Actually, to be clear, I don't want to make the inference that, you know --

COMMISSIONER JAMISON: Okay. That seems to be the inference so far.

MS. O'NEIL: I do just want to point out what we've observed, what members have observed at the Casino Queen --

COMMISSIONER JAMISON: Okay.

MS. O'NEIL: -- is that conditions have still -- you know, there's been a -- as Keith was explaining, there's been a decrease in operations of the buffet, of the casino as a whole. I mean, I just -- that's what we want to make clear.

CHAIRMAN KOHN: So here's my question. Outside of the transaction that we're going to be considering today, your casino, the casino that we're talking about, the Queen, whatever it's called.

COMMISSIONER LOMBARDO: Casino Queen. It's in Illinois.

CHAIRMAN KOHN: Yeah. The Illinois casino's revenues are down for whatever reason, probably unrelated to whether they're paying a mortgage or a lease payment. The operations are down and fewer people are coming in and spending less money.

MS. O'NEIL: Correct.

CHAIRMAN KOHN: I'm just curious, as I said, it has nothing to do with this issue, but what's happened? Is it just the recession?

MS. O'NEIL: Illinois has added video lottery terminals that operate like -- you know, to a customer a lot like a slot machine at taverns and bars and so that increased pressure. You know, in addition, the Casino Queen, to be fair, competes with Missouri casinos as well

in the St. Louis area.
COMMISSIONER HALE: Right, right.
MS. O'NEIL: So it is a property that has experienced increased competition.
COMMISSIONER HALE: When did the REIT become involved with the Casino Queen?
MS. O'NEIL: I believe GLPI purchased the Casino Queen in 2014, at the end of that year.
COMMISSIONER HALE: Okay. The Queen was in trouble financially before then.
MS. O'NEIL: That's correct.
COMMISSIONER HALE: Okay. All right.
CHAIRMAN KOHN: So has the Queen made all its payments to GLPI? Are you current? Not you, but is the casino current?
MS. O'NEIL: I think you would have to ask GLPI.
MR. CLIFFORD: Yes.
CHAIRMAN KOHN: They are current.
MS. O'NEIL: I know that this has, you know, been a long hearing and I do have a few more things that we wanted to present to you. So in addition to this testimony, we have also provided Staff with two detailed research reports on the GLPI leaseback model. One was titled Outlier in the REIT Industry and the other is House Divided. While I'm not going to go over those reports in

great detail, I hope that they have been passed on to you as commissioners and that you've had a chance to read them.

The proposed Pinnacle acquisition would result in GLPI owning five out of 13 casinos statewide and we note that casinos -- those casinos generated 62 percent of the state's gaming revenue in the last fiscal year.

COMMISSIONER JAMISON: Can I make a distinction? When you say they would own the casinos, they would own the real estate and the building, they wouldn't own the operating casino, correct?

MS. O'NEIL: That's correct.

COMMISSIONER JAMISON: Okay.

MS. O'NEIL: In the St. Louis gaming market, GLPI would own a whopping five out of six casinos, including two on the Illinois side, including the Casino Queen we were just discussing. And if GLPI has its way, it could try to buy even more Missouri casinos.

Speaking recently to investors, Peter Carlino, who is both CEO of GLPI and Chairman at Penn National, said GLPI plans to continue pursuing casino acquisitions over the next couple of years. Back in 2014, the St. Louis Post Dispatch reported speculation among industry analysts that the Isle of Capri was trying to sell itself.

That's another four casinos in the state of

Missouri. We wonder would the Commission be comfortable if one company owned the real estate of nine out of the 13 casinos in the state of Missouri?

In our analysis, GLPI is not a passive landlord, nor should it be viewed as a financial partner like a bank. In fact, according to the proposed lease, GLPI has certain types of veto power over Pinnacle's ability to construct new amenities within the leased facilities, over ability to development new casinos or take over management of existing casinos within the restricted area of 60 miles, over Pinnacle's ability to sublease space at the properties they manage and over Pinnacle's ability to undergo a change in control.

Also related to what -- you know, what type of entity is GLPI, we wonder what happens if Pinnacle is no longer to operate the casinos? GLPI has the right to evict the operator for an uncured default, such as a non-payment of their rent. If Pinnacle for any reason continues operating a leased property, it does have to -- it must transfer the gaming license to the successor for fair market value, subject to your regulatory approval.

But what I want to point out is that historically, the way licenses have been thought of in the State of Missouri, is that they're tied to a particular casino and a particular location and operated by a particular company that is your licensee. And so we know that you will have regulatory approval in some sort of change, but, you know, wonder what impact a company that owns real estate of casinos generating 62 percent of the State's gaming revenue has in that decision making.

You know, when the President Casino lost its license, the Commission was able to not just, you know, approve a new operator for that casino, but actually determined that a new location, a new real estate, a new building and a new operator would be in the best interests of the State.

We also have financial concerns related to the proposed lease payments. Pinnacle in its first year will have, by its own numbers, only 35 percent of its cash flow after rent and interest for its discretionary spending. The company -- I'll go through this quickly because the company has shared much of this information with you just today.

But they expect earnings before rent of 635 million. With the rent payments, anticipated interest and taxes, that leaves about 201 million for other uses, including capital expenditures. As Mr. Ruisanchez said, his company typically spends about a hundred million a year on upkeep, that's maintenance CapEx. So if they continue at that level, that's how they'd get the

101 million of free cash flow.

And this is really important because this is how Pinnacle is able to grow through capitalizing improvements on existing structures, new acquisitions and -- you know, so we wonder what happens if their projections of earnings are not met? So what happens if there's another economic downturn and revenue falls?

Pinnacle's consolidated adjusted EBITDA was 585 million in 2014. That was the first year after they had Ameristar and had the full portfolio of properties. Now suppose Pinnacle doesn't meet its expectation and they just have 585 million like they had in 2014, which was still a good year for the company. When you subtract out the rent and the interest, taxes will be somewhat lower on lower earnings, so let's say 17 million. What would be left for both maintenance CapEx and other discretionary uses would be 153 million. That makes us wonder, you know, will they really maintain spending at the hundred million level across all their portfolios within and without the state of Missouri.

COMMISSIONER JAMISON: Can I ask a question?

MS. O'NEIL: Sure.

COMMISSIONER JAMISON: You want to use that as a what if, but if they were under their current status of servicing debt, what would be their what if at the bottom?

MS. O'NEIL: Well, I mean, at that point, I mean, they would have to think about, you know, going perhaps to the lenders and refinancing that debt.

COMMISSIONER JAMISON: So creating more debt to create more annual payment to service that debt to where this one is a set amount of debt. This is a set lease payment, but if you -- under your scenario, if they came up short, they'd have to go back and borrow more money which would -- then they would pay more debt service on that new borrowed money?

MS. O'NEIL: Our point is that in a situation with declining revenues, they will have very little left to do the things that they need to do to reinvest in their own properties and to grow the company.

COMMISSIONER LOMBARDO: But let me ask what I think may be almost the same question Brian asked, but a little differently. The second line up there is $377 million for rent. Do you have any idea what the number would be for what they're paying on debt service now? Debt service and rent to the Port Authority because two of the properties, I assume, are paying debt service and River City pays rent.

MS. O'NEIL: I don't. I mean, they're public. I could look up that information and get back to you on that. You have the company here, however. You might ask them that and also ask your staff financial analysts that question.

COMMISSIONER JAMISON: Well, I think they provided that information and it was more like 577.

COMMISSIONER LOMBARDO: Wait a second. I think we're going down a wrong road here. The three Missouri entities are not paying $377 million.

COMMISSIONER JAMISON: No.

COMMISSIONER LOMBARDO: Fourteen properties are paying $377 million, if I understand it. Is that the way you understand it?

MS. O'NEIL: Yes, that's our understanding, too.

COMMISSIONER LOMBARDO: Okay.

MS. O'NEIL: And then the master lease is, you know, kind of like cross-collateralized across all of these properties. They all have to -- they still have to pay the rent regardless of if a particular property is struggling. Let me move on.

I mean, we are concerned about their commitments to maintaining the properties. And what we do note, again, it's -- we wish we had a much longer time period, but the GLPI model is brand new. But when we look at Penn National's maintenance and project CapEx, since the spinoff, in the past six full quarters, after Penn -- the Penn leaseback transaction, Penn's average quarterly maintenance capital and expenditures has gone down and, in fact, project CapEx fell to about half the level of the spending in the first six quarters right before the transaction. So that's, you know, what we are able to see in terms of the impact of this model.

A Pinnacle official, Mr. Godfrey, has argued that because Pinnacle will remain a public company, it will have an incentive to continue to reinvest in its properties. Well, maybe, as long as shareholders take the long view.

On September 30 of last year, ten out of the top 20 Pinnacle shareholders were hedge funds, including some of the same ones who urged Pinnacle to consider monetizing its real estate by spinning off its own REIT. Those ten hedge funds collectively held 26 percent of the company. Many other hedge funds held smaller stakes and still others, by September, had already sold off their stakes following the brief run-up in share price while GLPI was courting Pinnacle. How many of these remaining hedge funds will be sticking around long enough to be concerned about the long-term viability of the operating company?

We also think it's important to ask if, you know, the Commission and Staff have asked Pinnacle executives how much they personally stand to gain from this transaction. After all, the top executives have received sizable stock options over the years. As of September 30 of last year, Pinnacle's CEO was the company's 13th largest shareholder, I believe.

As of January, the CEO reported he and his family members and a family trust own a combined 912,000 shares. Like the other shareholders, they'll be getting the .85 of GLPI stock and if you do the calculation of what that's worth, based on last Friday's closing price, those shares were worth more than $22 million.

Are the CEO's interests and the interests of the other executives and directors who are significant shareholders perfectly aligned with the interests of those who would like to maximize reinvestment in the casinos? GLPI's offer manages to align perhaps briefly, for a moment, the interests of Pinnacle's insiders with its hedge fund shareholders, but who is looking out for the long-term interests of the company?

Respectfully, long after the hedge funds have moved on to their next opportunity, long after the insiders have cashed in their stakes, the other stakeholders, and by that I mean the workers, their communities, the State of Missouri, casino customers, they're the ones who are left.

We aren't the only ones raising these concerns. Alex Bumazhny, Director of Gaming Research at Fitch, the respected credit rating agency, speaking about the U.S. gaming industry recently said, "We would also be more positive should the pending REIT plans be canceled or the REIT leases are underwritten more favorably with respect to the operating companies."

Fitch also wrote that, "REIT leases have weakened casino operators as they are not well suited to be long-term triple-net lease tenants given the cyclical and capital intensive nature of gaming."

So in conclusion, we applaud the Commission's foresight in enacting the new rule which defined leasebacks as a change in control. And we know that the regulations also state that the Commission may grant a petition to approve a material change in control or owner if the petitioner proves, by clear and convincing evidence, that several criteria are met, and among those are that the transfer is in the best interests of the State of Missouri, that it would have no material negative competitive impact and that it would not potentially result in any significant negative changes in the financial condition of the licensee.

We do not see how the proposed sale and leaseback resulting in one company owning casinos that generate over 60 percent of the State's gaming revenue is in the best interests of Missouri, nor do we see how lease terms that leave the operator with limited cash flow can be in the best interests of Missouri. It's clear to us who the winners would be, the investors. We believe it is equally clear who the losers would be, customers, taxpayers, workers and their communities and the State of Missouri. And we urge you to withhold approval and deny the joint petition for change of control. We thank you for your consideration.

I did also want to just address some -- one statement that was made by the companies presenting earlier about how -- you know, that REITs are inevitably coming to the gaming industry. And it's true that MGM is putting out an IPO currently. However, they have a different model than the GLPI model.

They may not be of much concern to you right now because they don't operate or own anything here in the state of Missouri, but theirs is not a tax-free spinoff. In fact, federal law changed the -- changed laws so that a publicly traded company cannot do a tax-free spinoff into a publicly traded REIT anymore. So this model that Penn National and GLPI did --

COMMISSIONER JAMISON: But that doesn't really have a reflection on the lease agreement, that's just the spinoff -- that doesn't really address how much is being paid in rent?

MS. O'NEIL: But what -- details are --

COMMISSIONER JAMISON: I know, but you're making an inference that the lease payment under this system is being prohibitive. You're talking more about the spinoff isn't a tax-free capability now.

MS. O'NEIL: To speak to that, as the details are emerging about the MGM REIT IPO that they're doing, MGM will continue to control a majority of the REIT, so the alignment of interests is very different in that view. We're still, you know, getting our heads around it as well, but I just wanted to point out that there may be other REITs coming, but under a different structural arrangement and, you know, with Caesars being in bankruptcy, we really don't know how that company is going to emerge.

CHAIRMAN KOHN: Okay. Any other questions?

COMMISSIONER LOMBARDO: Yeah. You --

CHAIRMAN KOHN: Rick.

COMMISSIONER LOMBARDO: Yeah, please.

CHAIRMAN KOHN: Go ahead.

COMMISSIONER LOMBARDO: You said that after the transaction, that Penn National properties actually spent less on capital expenditures.

MS. O'NEIL: Correct.

COMMISSIONER LOMBARDO: What properties are we specifically talking about? When you say the Penn National properties, what are you talking about?

MS. O'NEIL: Oh, the Penn National -- this is from SEC filings of Penn National Gaming Company, so that would include properties -- almost all of their properties are owned by GLPI and subject to the lease. They do, as they pointed out, have, you know, a property in Massachusetts and so forth that is not, but we were able to look at their spending on CapEx as a company as a whole because that's what they report to the SEC.

COMMISSIONER LOMBARDO: So this involves casinos that Penn National operates all around the country?

MS. O'NEIL: Correct.

COMMISSIONER LOMBARDO: And how many of those casinos are involved in relationships such as this with GLPI, such as the one we're considering?

MS. O'NEIL: I don't have the exact number in front of me, but it's the vast majority of them. And you could ask Mr. Carlino, who is the chairman of the board of that company.

COMMISSIONER LOMBARDO: Well, it -- Herb, if somebody from GLPI wanted to respond to that, that would be great.

CHAIRMAN KOHN: I'm not sure they're still here. I think GLPI left.

COMMISSIONER LOMBARDO: No, they're still there. I see them. Second row.

MR. CARLINO: Wouldn't miss this.

CHAIRMAN KOHN: Does somebody want to provide an answer to that question?

MR. CARLINO: What? I was hiding behind Anthony.

CHAIRMAN KOHN: Rick, repeat the question.

MR. CARLINO: You know, offhand, I have no clue. I do know that there have been massive capital spends in projects over this time, including, by the way, before we left. I began the remake of a very tired, very tired Harrah's property, as you know, in St. Louis and spent some $80 million to do that.

I -- we just had a board meeting. I understand that right now they're renovating the entire hotel in St. Louis. I can't swear to that because I'm not -- I don't get that kind of information, but I believe that's going on. So we -- they've spent over a billion dollars, I do know that, since the spend, in various things. Now, if you want more information about where it went, I'll get it for you, but believe me, it's not slowed down. Not even close.

COMMISSIONER LOMBARDO: The general statement in the exhibit up there was that since the transaction, that the Penn properties had spent -- yeah, that one right there, had spent less on capital expenditures since the transaction than before. I followed up and I said, okay, is this for the entire group of Penn companies and then further how many of these Penn companies are actually involved in a lease arrangement with GLPI.

MR. CARLINO: It is the majority without a doubt. And I can't give you a definitive answer except to say I know it's not less. So if you want detail, I can certainly get it for you, but I have no immediate access to it.

COMMISSIONER LOMBARDO: Okay.

MR. CARLINO: I'd have to call the company and ask them, frankly.

COMMISSIONER LOMBARDO: All right.

CHAIRMAN KOHN: If you want to know, we can probably have him make a call. Just so that we have all questions answered, if you don't mind having somebody make the call, that would be great.

MR. CARLINO: Sure.

CHAIRMAN KOHN: And is UNITEHERE! finished?

MS. O'NEIL: Yes. Thank you very much.

CHAIRMAN KOHN: Thank you very much.

MR. SANFILIPPO: May I suggest one thing? If he's okay with it, the general manager of the Penn property is in the room if you would like to ask him a question.

CHAIRMAN KOHN: We just want the answer.

COMMISSIONER HALE: That will make it easy.

CHAIRMAN KOHN: I don't know how many more times you can kick it down the road.

MR. SANFILIPPO: He can answer directly.

CHAIRMAN KOHN: If he's here and if he knows and if he's willing to tell us, that would be great. You're going to have to identify yourself. Is there anybody here we haven't heard from yet?

MR. GEORGE: Good afternoon. Yes, good afternoon. I am Todd George, General Manager of the St. Louis Hollywood property. As Mr. Carlino stated, we are redoing the entire hotel project. We -- when Penn purchased this property, we spent approximately $70 million to fix up a lot of the infrastructure, the entire gaming floor, much of the common space, the hotel lobby.

I've been at this property going on two years. Our spend has not gone down. If anything, it's gone up, as Mr. Carlino touched on. We will look at a complete remodel of the -- both hotel towers in the next year and a half. That's in addition to the other things we've done around, completing the infrastructure with the parking lots, some ancillary roads that were used for our agreement with the amphitheater. I've seen no difference. I was with Penn before the spin and after the spin at another property in Indiana, but I have not seen a decline in capital spend by any means.

COMMISSIONER LOMBARDO: This may be a question you can't answer. The exhibit or the slide appears to show from a companywide perspective that less money was spent on capital expenditures. There could be all kinds of explanations for that. It could have been the year before it was an exceptionally high year for spending.

MR. GEORGE: Correct.

COMMISSIONER LOMBARDO: I mean, do you have an explanation? I understand, you know, I'm asking a broad question and you're -- maybe don't have that broad perspective, but --

MR. GEORGE: Yes. I understand. The -- there was a lot -- that was a period of massive growth for Penn prior to the spin, so the decrease in spend could be simply that a lot of that capital was involved in getting properties ready to open in Ohio. We opened up -- as Penn, we opened up four properties in Ohio, which was a major investment. Post spend, the -- we did not open as many properties. So a lot of that was probably just based on new properties coming online and the spend associated

with opening those.
COMMISSIONER LOMBARDO: Okay. Thanks.
MR. GEORGE: Yep.
CHAIRMAN KOHN: Any other questions?
COMMISSIONER JAMISON: No, sir.
COMMISSIONER NEER: No, sir.
CHAIRMAN KOHN: All right. Thank you very much.
MR. GEORGE: Thank you.
CHAIRMAN KOHN: Just so you know, what's going to happen, we're going to hear from Mr. Seibert, who is going to give the Staff recommendation. We will then go into a closed session and hopefully come up with a vote. We will come back out here, then, in open session and adopt a resolution signifying what the result of our deliberations are.
I'm telling you all that because I don't know how long it's going to take. So if you want to go out for breakfast or lunch or dinner, feel free, but when we're finished, we're going to come back out here and start. So I just don't know how long that's going to be. So Mr. Seibert.
EXECUTIVE DIRECTOR SEIBERT: Staff does recommend approval.
CHAIRMAN KOHN: Okay. Is there a motion to go into closed session?

COMMISSIONER JAMISON: I move we go into a closed meeting under Sections 313.847, Revised Missouri Statutes, Investigatory, Proprietary and Application Records and 610.021, Subsection 1, Revised Missouri Statutes, Legal Actions, Subsection 3, Subsection 13, Personnel, and Subsection 14, Records Protected from Disclosure by Law.

CHAIRMAN KOHN: Is there a second?

COMMISSIONER NEER: Second.

CHAIRMAN KOHN: Angie.

MS. FRANKS: Commissioner Lombardo.

COMMISSIONER LOMBARDO: Approve.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale.

COMMISSIONER HALE: Approve.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.

MS. FRANKS: Chairman Kohn.

CHAIRMAN KOHN: Approve.

(Break in proceedings.)

CHAIRMAN KOHN: Angie, do we have to have roll call?

MS. FRANKS: Yes. Commissioner Lombardo.

COMMISSIONER LOMBARDO: Present.

MS. FRANKS: Commissioner Neer.

COMMISSIONER NEER: Present.

MS. FRANKS: Commissioner Hale.

COMMISSIONER HALE: Present.

MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Present.

MS. FRANKS: Commissioner Kohn.

CHAIRMAN KOHN: Present. So we're going to adopt some resolutions, but before we do, I want to just thank everybody for an outstanding presentation, regardless of what side you were on, and that includes Staff and our General Counsel and everybody on the Gaming Commission that participated in this.

You made our jobs a lot easier and there was an awful lot of work that went into preparing all the documents that we have received and, believe it or not, have read in great detail. So thank you all. At this time we're ready to approve a series of three resolutions.

COMMISSIONER JAMISON: I can do it.

CHAIRMAN KOHN: Okay.

COMMISSIONER JAMISON: I move for the adoption of Resolution Number 16-011 approving Pinnacle Entertainment, Incorporated's and Gaming & Leisure Properties, Incorporated's joint petition for approval of transfer of interest and change of control.

COMMISSIONER LOMBARDO: Second.
CHAIRMAN KOHN: Roll call.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Hale.
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison.
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote, you've adopted Resolution 16-001.
COMMISSIONER JAMISON: I move for approval of Missouri Gaming Commission Resolution No. 16-012 regarding finding of suitability and licensure of PNK Entertainment, Incorporated.
CHAIRMAN KOHN: Is there a second?
COMMISSIONER NEER: Second.
CHAIRMAN KOHN: Angie -- discussion? Angie.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.

MS. FRANKS: Commissioner Hale.
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison.
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote you've adopted -- is 12?
COMMISSIONER JAMISON: 12.
MS. FRANKS: Okay. Resolution No. 16-012.
CHAIRMAN KOHN: Next.
COMMISSIONER JAMISON: I move for the Missouri Gaming Commission Resolution No. 16-013, approval of, regarding licensure of certain key business entity license applicants.
CHAIRMAN KOHN: Second?
COMMISSIONER NEER: Second.
CHAIRMAN KOHN: Angie.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Hale.
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison.

COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve.
MS. FRANKS: By your vote you've adopted Resolution No. 16-013.
CHAIRMAN KOHN: Any other business to come before the meeting?
COMMISSIONER HALE: No, sir.
CHAIRMAN KOHN: If not, is there a motion to adjourn?
COMMISSIONER HALE: So moved.
COMMISSIONER LOMBARDO: Second.
CHAIRMAN KOHN: One more roll call.
MS. FRANKS: Commissioner Lombardo.
COMMISSIONER LOMBARDO: Approve.
MS. FRANKS: Commissioner Neer.
COMMISSIONER NEER: Approve.
MS. FRANKS: Commissioner Hale.
COMMISSIONER HALE: Approve.
MS. FRANKS: Commissioner Jamison.
COMMISSIONER JAMISON: Approve.
MS. FRANKS: Chairman Kohn.
CHAIRMAN KOHN: Approve. Now, get out.
(Proceedings concluded at 2:49 P.M.)

CERTIFICATE OF REPORTER

I, Julie K. Kearns, Certified Court Reporter (MO), Certified Shorthand Reporter (IL), Registered Professional Reporter and Certified Realtime Reporter within and for the State of Missouri, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a true and correct transcript of such Stenotype notes so made at such time and place.

____

Julie K. Kearns, CCR #993, CSR, RPR, CRR