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BEFORE THE MISSOURI GAMING COMMISSION

Meeting
August 29, 2018
10:00 a.m.
3417 Knipp Drive
Jefferson City, Missouri

BEFORE: Herbert M. Kohn, Chairman
Brian Jamison, Vice Chairman
Thomas Neer, Commissioner
Daniel P. Finney, III, Commissioner

Reported by:
Patricia A. Stewart, CCR 401
Alaris Litigation Services
Jefferson City, Missouri 65109
(573) 636-7551

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1 (Start time: 10:00 a.m.)

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

3 CHAIRMAN KOHN: Okay. Good morning
4 everybody. Welcome to the Missouri Gaming Commission
5 meeting of August 29. We'll call the meeting to order.

6 Angie, please call the roll.

7 MS. FRANKS: Commissioner Finney.

8 COMMISSIONER FINNEY: Present.

9 MS. FRANKS: Commissioner Lombardo.

10 (No response.)

11 MS. FRANKS: Commissioner Neer.

12 COMMISSIONER NEER: Present.

13 MS. FRANKS: Commissioner Jamison.

14 COMMISSIONER JAMISON: Present.

15 MS. FRANKS: Chairman Kohn.

16 CHAIRMAN KOHN: Present.

17 We have a quorum. We're ready to proceed
18 with the meeting.

19 Mr. Seibert.

20 EXECUTIVE DIRECTOR SEIBERT: The first order
21 of business will be MGC presentations made by Tim
22 McGrail.

23 CHAIRMAN KOHN: Mr. McGrail, you're on.

24 MR. MCGRAIL: Thank you.

25 Mr. Chairman, Commissioners, today it's my

1 honor to give a presentation as far as the employee of
2 the quarter for the Missouri Gaming Commission.

3 In January 2017 the Executive Order 1703
4 passed all State agencies to review and eliminate
5 unnecessary and ineffective, burdensome rules and
6 regulations.

7 During the No MO Red Tape effort by the State
8 of Missouri, the employee of the quarter was one of
9 several MGC staff members who worked proactively to set
10 up and participate in many regular meetings to ensure
11 numerous deadlines were met to review and eliminate
12 unnecessary rules.

13 This employee was responsible for preparing
14 the rules and letters and a specific format to meet the
15 Secretary of State's standards and also ensured their
16 guidelines were met, and also kept track of the rules in
17 the review process.

18 MGC reviewed and was able to submit hundreds
19 of rules for removal during and in part to the employee
20 of the quarter's efforts. It was a large undertaking
21 involving a lot of time and the employee kept the ball
22 rolling.

23 At this time I ask for Jennifer Hemmel to
24 come forward. She's been chosen as the MGC employee of
25 the quarter for her get-it-done attitude. Jennifer is

1 always upbeat and cheerful.

2 To let everyone know, Jennifer was recently
3 promoted to Auditor II partly because of this but partly
4 because of the opening over in Compliance.

5 So congratulations to Jennifer Hemmel.

6 MS. HEMMEL: Thank you.

7 CHAIRMAN KOHN: Jennifer, congratulations to
8 you on behalf of the Commission. We're always so
9 pleased and proud to have employees like you with us.

10 I understand Captain Plunkett also has a
11 presentation or two.

12 CAPTAIN PLUNKETT: Good morning.

13 CHAIRMAN KOHN: Good morning.

14 CAPTAIN PLUNKETT: Once again we wanted to
15 take the opportunity to recognize a couple of our
16 employees that have reached their milestone.

17 Sergeant Harold Smith and Corporal Deborah
18 Miller, would you please come up here.

19 That's an order. I don't get to do it much
20 longer.

21 Like we did a month or two ago, we want to
22 take an opportunity in this age of where people
23 typically work a job five, six, seven years at max, it's
24 great to have an organization where we have people that
25 really become part of our family and stay a lifetime, to

1 be honest with you.

2 These two individuals came on the Patrol I
3 believe August --

4 SERGEANT SMITH: August 1st, '93.

5 CAPTAIN PLUNKETT: -- August 1st, '93. So
6 they're celebrating their 25th year with the Missouri
7 State Highway Patrol, and they've also been longtime
8 partners of the Missouri Gaming Commission as well.
9 So we appreciate what they do and we just want to take
10 this opportunity.

11 Once again we have the pendant with the fake
12 diamond. I'm not in charge of that.

13 But we want to thank you, Harold, for your
14 service and hope you wear that with pride whenever you
15 go out and about.

16 And also we have Corporal Deb Miller who
17 works down at Caruthersville for us and she celebrated
18 25 years. And they're classmates I believe.

19 We've got several -- I think we've got nine
20 people out of this class that worked for us here at the
21 Gaming Division.

22 So this is a pendant for you and we
23 appreciate it.

24 SERGEANT SMITH: Thank you.

25 CAPTAIN PLUNKETT: And we've got to do this

1 for her.

2 And I've got to say today is the next-to-the-
3 last day for Corporal Miller. Tomorrow is her last day
4 to work. She's going to retire and enjoy the next
5 chapter of her life. So we appreciate her and want to
6 recognize that as well.

7 So happy retirement, Deb.

8 CORPORAL MILLER: Thank you.

9 CHAIRMAN KOHN: And again our congratulations
10 and gratitude from the Commission.

11 I wanted to ask you, Captain Plunkett: How
12 long were they with the Gaming Commission?

13 CAPTAIN PLUNKETT: Harold was four years and
14 eight and a half for Corporal Miller.

15 CHAIRMAN KOHN: Did we see you in
16 Caruthersville?

17 CORPORAL MILLER: No.

18 COMMISSIONER NEER: She knew we were coming.

19 CHAIRMAN KOHN: Well, thank you very much,
20 both of you. And thank you, Captain Plunkett, for the
21 presentation.

22 I think our first -- you know, I forgot to do
23 something when I called the meeting to order.

24 The first of order of business is the
25 consideration of the minutes and we have several sets.

1 Angie, can we do all of those at once --

2 MS. FRANKS: Sure.

3 CHAIRMAN KOHN: -- or do them one at a time?

4 Okay. Any corrections or additions to the
5 minutes of June 27?

6 COMMISSIONER JAMISON: Yes, I have a
7 correction.

8 Do you want it by page?

9 MS. FRANKS: Yes, please.

10 COMMISSIONER JAMISON: Okay. On page 59 -- I
11 wouldn't normally do this on a typo but because it's
12 about recusing himself.

13 Page 59 on line 21 it says Chairman Kohn said
14 he's recusing himself, and it should be he was not
15 recusing himself, but for the record he talked about
16 that they used to represent this firm and then he voted.
17 And so the recusing of the voting would be in conflict
18 with each other, so we need to correct that.

19 So I would move for adoption of that with
20 that correction.

21 CHAIRMAN KOHN: Okay. Let me do the others.

22 Are there any additions or corrections to the
23 minutes of July 11?

24 Any additions or corrections to the minutes
25 of July 31?

1 Any additions or corrections to the minutes
2 of August 15?

3 Okay. Subject to the one correction to the
4 June 27 minutes, is there a motion to approve all four
5 sets of minutes?

6 COMMISSIONER JAMISON: So moved.

7 CHAIRMAN KOHN: Is there a second?

8 COMMISSIONER NEER: Second.

9 CHAIRMAN KOHN: Discussion on the motion.

10 Angie.

11 MS. FRANKS: Commissioner Finney.

12 COMMISSIONER FINNEY: Approved.

13 MS. FRANKS: Commissioner Neer.

14 COMMISSIONER NEER: Approved.

15 MS. FRANKS: Commissioner Jamison.

16 COMMISSIONER JAMISON: Approved.

17 MS. FRANKS: Chairman Kohn.

18 CHAIRMAN KOHN: Approved.

19 MS. FRANKS: By your vote you've adopted the
20 minutes of the June 27, 2018 meeting as amended, and
21 then you're approving the minutes of the July 11th,
22 July 31st and August 15th, 2018 meetings.

23 CHAIRMAN KOHN: Correct.

24 Mr. Seibert.

25 EXECUTIVE DIRECTOR SEIBERT: Mr. Chairman, we

1 have Consideration of Licensure of Class A Licensee and
2 Petition for Change of Control, Penn National Gaming,
3 Incorporated, Pinnacle Entertainment, Incorporated and
4 Boyd Gaming Corporation.

5 The first presentation will be by Boyd.

6 Mr. William Boyd, Executive Chairman, if you
7 would make any introductions that are necessary, sir.

8 CHAIRMAN KOHN: Mr. Boyd.

9 MR. SMITH: Good morning, Mr. Chairman,
10 members of the Commission, Executive Director Seibert,
11 staff.

12 My name is Keith Smith. I'm the President
13 and Chief Executive Officer of Boyd Gaming Corporation.
14 I'm going to make a few introductions and then turn it
15 over to our Executive Chairman and co-founder Bill Boyd
16 for some opening remarks.

17 With me today is William S. Boyd, our
18 Executive Chairman and co-founder of the company. We
19 also have in the audience with us Ms. Marianne Johnson,
20 our Vice Chair, Executive Vice President and Chief
21 Diversity Officer. We also have some executive and team
22 members from the Ameristar properties in St. Charles, as
23 well as Kansas City, in no particular order.

24 Mr. Keith Henson, who is the Senior Vice
25 President of Operations for Ameristar Kansas City;

1 Mr. Ward Shaw, Vice President and GM from Ameristar
2 St. Charles. We have Shawn Ledbetter, who is Director
3 of Regulatory Compliance from Ameristar St. Charles, and
4 Mr. Troy Stremming, Executive Vice President of
5 Government Relations and Public Affairs for Pinnacle
6 Entertainment Corporation.

7 Thank you for joining us today.

8 Just a brief overview of the transaction and
9 once again I will turn it over to our Executive
10 Chairman.

11 So from an overview standpoint, once again,
12 last December our company entered into a definitive
13 agreement to acquire four Pinnacle properties for
14 \$575 million. The four properties are as they're listed
15 up there, Ameristar Kansas City, Ameristar St. Charles,
16 the Belterra Casino Resort in Indiana and the Belterra
17 Park in Ohio. As part of that transaction we have
18 entered into a master lease agreement with GLPI for the
19 two Missouri properties.

20 With that I will turn it over to our
21 Executive Chairman for some opening remarks.

22 Bill.

23 MR. BOYD: Good morning Chairman, members of
24 the Commission and staff. Again, I'm Bill Boyd, the
25 Executive Chairman of Boyd Gaming Corporation.

1 I wanted to take a few minutes to tell you
2 about the history of our company. Boyd Gaming is one of
3 the largest and most experienced casino companies in the
4 United States. We were founded on January 1st, 1975
5 when my dad and I opened the California Hotel & Casino
6 in Downtown Las Vegas.

7 Before then I had been a practicing attorney,
8 but I left the law to go into business with my dad on a
9 full-time basis.

10 My dad, Sam Boyd, had been in the business
11 for 30 years. He started as a dealer in Las Vegas in
12 1941 and later became General Manager of several
13 Las Vegas properties before we opened the California
14 Hotel.

15 We had a tough first year but found our niche
16 by marketing the California Hotel to Hawaiian visitors.
17 My family had lived in Hawaii in the 1930s where my dad
18 worked, so it was a natural market for him.

19 We opened our next property, Sam's Town
20 Las Vegas, in 1979. It was the first casino that was
21 designed specifically for the Las Vegas residents, and
22 it helped create today's Las Vegas locals market.

23 We got our first opportunity to operate on
24 the Las Vegas strip in 1983 when we took over the
25 Stardust Gaming Operations at the request of the Nevada

1 Gaming Control Board. At the time the Stardust was
2 about to be shut down by the control board because of
3 skimming.

4 Nevada regulators needed someone they could
5 trust to run the Stardust with integrity and
6 transparency and ensure the State received its fair
7 share of gaming taxes. I'm also very proud that we
8 saved 2,000 jobs at the Stardust by operating the gaming
9 there, and we helped bring an end to the days of
10 organized crime in Nevada as well.

11 Two years later we bought the Stardust
12 outright. We also acquired the Fremont, one of
13 Downtown's Las Vegas best known properties.

14 About eight years later in 1994 my dad passed
15 away, and I succeeded him as Boyd Gaming's Executive
16 Officer. A few months later we went public on the
17 New York Stock Exchange.

18 Going public gave us the opportunity and the
19 capital we needed to participate in the national
20 expansion of casino gaming. The early 1990s were a time
21 of tremendous growth for our industry, and Boyd Gaming
22 was at the front of it.

23 We began in May 1994 in Tunica, Mississippi
24 with the opening of our second Sam's Town property.
25 This was our first operation outside of the state of

1 Nevada, but by the end of the summer we had opened two
2 more properties, a tribal casino in Philadelphia,
3 Mississippi called Silver Star and the Treasure Chest
4 located in Kenner, Louisiana, a suburb of New Orleans.

5 Over the next 25 years Boyd Gaming grew from
6 four properties in Nevada to 24 properties across seven
7 states.

8 Now I'd like to turn things over to Keith
9 Smith again, our President and Chief Executive Officer.

10 Thank you.

11 MR. SMITH: Thanks, Bill.

12 As Bill indicated, our company has grown
13 quite significantly over the last couple of decades
14 today, 24 properties that we own spread across seven
15 states, more than 30,000 slot machines, 620 tables. We
16 also have more than 20,000 team members across the
17 country.

18 We recently did purchase a video gaming
19 terminal operation in Illinois. We have an industry
20 leading players loyalty club which we just relaunched
21 over the weekend and upgraded.

22 Maybe most important as any of that is a very
23 strong, stable and experienced management team that I
24 want to review briefly.

25 Obviously our Executive Chairman Bill Boyd

1 founded the company with his father. Myself, President
2 and CEO, I've been with the company for 28 years, been
3 CEO for the last 10 and have more than 35 years of
4 experience in the industry.

5 Our Vice Chair, Marianne Johnson, also in
6 charge of our diversity efforts. Mr. Brian Larson with
7 the 20 for 25 years, our general counsel. Josh
8 Hirsberg, one of our newer executives, Executive Vice
9 President and CFO, only been with the company for
10 10 years but has 30 years of experience in the industry.
11 William Boyd, Vice President with the company for over
12 40 years.

13 Two individuals who run our operations, Steve
14 Thompson, Executive Vice President of Operations in
15 Nevada, with the company for 35 years, and Ted Bogich,
16 which we'll refer to as a more junior executive, runs
17 all of our operations outside the state of Nevada. Ted
18 will ultimately be in charge of the operations here in
19 Missouri from a corporate level if approved. He's been
20 with the company 14 years but has over 30 years of
21 experience in the industry.

22 At Boyd Gaming we do have a very strong and a
23 very unique culture. We pride ourselves in being a very
24 visible senior management team. We spend a tremendous
25 amount of time walking our properties, meeting with our

1 property executives. We try and visit our properties at
2 least once a quarter. So while we are here today this
3 will not be our last trip to Missouri. We expect to be
4 visiting the two Ameristar properties on a quarterly
5 basis to meet not just with the general manager but with
6 the teams and the other executives and the management to
7 understand how the business is running. It's very
8 important to us.

9 We also have a strong commitment from
10 promoting within. You can see from our executives of
11 the previous page how long they've been with the
12 company. They didn't all start in those positions.
13 They were promoted up through.

14 We have a strong commitment to integrity. It
15 is supported by an anonymous hotline. Mandatory
16 anti-harassment training and anti-fraternization policy.
17 And a strong commitment to diversity, which I'll talk
18 about later in my comments.

19 What we'll look like tomorrow after the
20 required approvals -- or pending the acquired approvals
21 for this transaction, as well as our Valley Forge
22 acquisition, we'll end up with 30 casinos spread across
23 eleven states, plus a distributed gaming operation in
24 Illinois, over 38,000 slot machines, more than 27,000
25 team members, more than 300 restaurants and bars spread

1 across the portfolio. It's a very large and growing
2 company.

3 Just a quick map to reflect what the company
4 looks like in its geographic diversity. Everything in
5 blue is what we own today. Those in red are what are
6 being acquired. And the two Ameristars that we are here
7 today for are in green at the bottom of the page.

8 If you would add it up, twelve properties in
9 Nevada today, the rest outside the state of Nevada.

10 So why this transaction? Why was it
11 important to Boyd Gaming? This transaction will help
12 increase the scale and expand our portfolio into three
13 very significant MSAs, Kansas City, St. Louis and
14 Cincinnati, MSAs that we are not today represented in.

15 This brings us exposure to more than five
16 million adults across these three new markets. We'll
17 have the opportunity to cross-market the rest of our
18 properties and introduce players to these properties.

19 It's important. These are very high-quality
20 assets, are some of the if not the best assets in the
21 Missouri market here, also very well maintained.

22 The two Ameristar properties, as I said, are
23 very well maintained. They're very large and are the
24 premiere assets in our opinion here in the state of
25 Missouri.

1 Most importantly they have very strong
2 management teams, their leadership teams at each
3 property, and I'm proud to say that the leadership teams
4 of both Ameristars will be staying on after the
5 conclusion -- or pending the approval of this
6 transaction.

7 So Ward Shaw will remain in charge of
8 Ameristar St. Charles, and Keith Henson will remain in
9 charge of Ameristar Kansas City, along with their
10 leadership teams.

11 Big investments in Ameristar St. Charles and
12 Ameristar Kansas City, large properties, large slot
13 floors and just tremendous assets that we're very
14 excited to have become part of our portfolio.

15 From a financing standpoint, once again,
16 purchase price for the four assets, \$575 million. In
17 addition we have a pending acquisition of Valley Forge
18 in Valley Forge, Pennsylvania for \$280 million. These
19 transactions will be financed through our credit line,
20 as well as proceeds from a recently completed senior
21 unsecured notes offering.

22 I talked a little bit earlier about our
23 commitment to diversity. This is our diversity mission
24 statement. And it's important. We believe it does help
25 grow the business, that it's important to a successful

1 business to have a commitment to diversity. But we back
2 it up not just with a mission statement but with actual
3 statistics.

4 So more than half, more than 50 percent of
5 our workforce is diverse. More than 50 percent of our
6 workforce is female. So we have I think a very strong
7 diversity effort that is reflected in the numbers.

8 In closing, once again we're very excited to
9 be returning to Missouri. We're excited to be acquiring
10 two of the premiere assets here in your market. We are
11 more excited that the leadership teams will be staying
12 on to continue to run those properties for us, and we
13 look forward to becoming good partners with the State of
14 Missouri and with the communities that these resorts
15 exist in and doing business with them.

16 That concludes our prepared remarks. Our
17 Chairman and myself will be happy to take questions.

18 CHAIRMAN KOHN: Any questions?

19 Mr. Boyd, I just want to tell you that I love
20 success stories, and hearing the story about your father
21 being a dealer and building the organization he did is
22 wonderful. I wonder how many dealers in your
23 organization today have thoughts about maybe some day
24 doing the same thing. It's a great story. I'm glad you
25 told us.

1 MR. BOYD: Thank you.

2 CHAIRMAN KOHN: Are we going to have a
3 presentation by Penn National now?

4 EXECUTIVE DIRECTOR SEIBERT: Yes.

5 CHAIRMAN KOHN: No more questions of Boyd?

6 COMMISSIONER NEER: No.

7 COMMISSIONER FINNEY: No.

8 CHAIRMAN KOHN: Thank you very much.

9 MR. BOYD: Thank you.

10 MR. SMITH: I guess I'll turn this over to
11 Tim Wilmott, the CEO of Penn National.

12 Tim.

13 MR. WILMOTT: Thank you, Keith.

14 Good morning, Chairman, Commissioners.
15 Executive Director. Again, I'm Tim Wilmott, the Chief
16 Executive Officer of Penn National Gaming.

17 I've been with the company for a little over
18 ten years, joined as President and Chief Operating
19 Officer and for the last five years as the Chief
20 Executive Officer.

21 I wanted to give the Commission today a brief
22 overview of the transaction and a bit of my perspective
23 or rationale of why we did what we did with Pinnacle and
24 what it means going forward for the State of Missouri in
25 the properties that we have here.

1 Back right before the holidays in 2017 Penn
2 National and Pinnacle agreed to put our companies
3 together, and we did so with a total transaction value
4 of about \$2.8 billion before divestitures, and there is
5 also some real estate sales. When you net those
6 proceeds out, it's about a \$1.9 billion acquisition for
7 twelve properties.

8 Pinnacle shareholders agreed to receive \$20
9 in cash and .42 of Penn shares for every Pinnacle share
10 that they had, and back in March of this year both
11 shareholder groups approved this transaction to allow us
12 to move forward.

13 As Keith said, Penn will, if approved, divest
14 four of the properties to Boyd Gaming, the two here in
15 Missouri and the two in the Cincinnati market, Belterra
16 Resort in Indiana and Belterra Park in Ohio. We are
17 also doing a sale/leaseback of our real estate property
18 in Massachusetts, Plainridge Park, to our landlord.

19 And if we get approvals today and in
20 Colorado, Nevada and Ohio racing in the next 30 to
21 45 days, we hope to close this transaction early in the
22 fourth quarter of 2018.

23 CHAIRMAN KOHN: Who is your landlord in
24 Pennsylvania?

25 MR. WILMOTT: Our landlord in Pennsylvania is

1 Gaming & Leisure Properties both for the current Penn
2 National property in Granville, Pennsylvania and also
3 Pinnacle has them in the Meadows property outside of
4 Pittsburgh.

5 The rationale is really fourfold of why we
6 think putting Penn and Pinnacle together makes sense for
7 our company going forward.

8 We think that the newly combined company is
9 stronger than Penn or Pinnacle could be by themselves.
10 It certainly -- and I'll show you a map on the next
11 page -- establishes our position as a leading regional
12 gaming operator here in the United States. It certainly
13 enhances our diversity of earnings and makes us much
14 stronger and much less reliant on a single property.

15 I can think back. When I joined Penn
16 National in 2008, we had one property in West Virginia
17 that served the Washington D.C. market that represented
18 25 percent of the company's earnings. As we think about
19 putting Penn and Pinnacle today, the top three earning
20 properties will represent less than 20 percent of the
21 total company's earnings. So we'll be much more
22 diversified and much less dependent on a single market
23 or a single property.

24 We certainly believe these Pinnacle
25 properties, specifically here of River City, Pinnacle

1 has some of the best regional properties, as well as
2 Penn National does, and we'll be able to offer customers
3 some of the best experiences across the United States
4 and allows us to continue -- a growth story, that, you
5 know, when I joined we had 15 casino properties, and as
6 this map indicates, the combination of Penn and Pinnacle
7 will have 40 properties in 18 different jurisdictions.

8 The blue dots represent the current Penn
9 National properties and the orange dots represent the
10 Pinnacle properties of the newly combined company, with
11 over 50,000 slot machines and over 30,000 employees.

12 I did want to touch on how we intend to
13 finance this transaction. We have debt financing in the
14 form of term loan A and B of about 1.25 billion. we're
15 going to also be issuing new shares of Penn to the
16 Pinnacle shareholders.

17 In fact, the Pinnacle shareholders in the
18 combined company would represent about 22 percent of the
19 overall ownership of the newly combined company when
20 those shares are issued.

21 I mentioned the proceeds of the divested
22 operations with Boyd, which is approximately
23 575 million, and the real estate sales of about
24 315 million, and we'll also use cash on the balance
25 sheets of Penn and Pinnacle at the close of this

1 transaction to complete it.

2 We've also received an amendment to our
3 credit facility prior to the closing to increase the
4 capacity of our secured debt.

5 This is my last slide and really the most
6 important one, the impact on Missouri. Penn, if
7 approved, will become the ultimate parent of the River
8 City entity. We expect no significant personnel changes
9 at River City. Chris Plant will remain as the leader as
10 general manager of that property.

11 As Keith described, Boyd would become the
12 ultimate parent of the St. Charles and Kansas City
13 Ameristar properties. We have agreed with Boyd to allow
14 them to continue to use the Ameristar brand in Missouri
15 in perpetuity, in a royalty-free license with Penn
16 National.

17 And we believe the benefit of putting these
18 two companies together, the real winner will be our
19 customers and the ability to move customers around. And
20 I think about the opportunity when we -- if we get the
21 opportunity to put these companies together, that we'll
22 be able to bring Bronco fans from Colorado into
23 Kansas City to see the Chiefs game and continue to use
24 our relationship with the Cardinals baseball team, to
25 allow all these VIP customers from all over to see their

1 team playing in St. Louis as well. So we do think
2 there's a lot of benefit to our customers, as well as to
3 our team members, with enhanced opportunities to advance
4 their career in a larger company with more opportunities
5 to grow internally with us.

6 So with that, that's the end of my brief
7 prepared remarks, and as well, are able to answer any
8 questions about this transaction or any questions about
9 Penn National.

10 CHAIRMAN KOHN: Any questions of Mr. Wilmott?

11 COMMISSIONER JAMISON: No, sir.

12 COMMISSIONER NEER: No, sir.

13 CHAIRMAN KOHN: Okay. Thank you very much.

14 MR. WILMOTT: Thank you.

15 CHAIRMAN KOHN: Is there any public comment?
16 Anybody?

17 Mr. Seibert.

18 EXECUTIVE DIRECTOR SEIBERT: Next we'll have
19 the investigative summary presented by Sergeant Brian
20 Holcomb.

21 CHAIRMAN KOHN: Good morning, Sergeant.

22 SERGEANT HOLCOMB: Good morning,
23 Mr. Chairman.

24 Missouri Gaming Commission staff reviewed the
25 corporate and ownership structure of Boyd Gaming

1 Corporation and identified two companies which would
2 require licensure prior to the company's planned
3 acquisition of Ameristar Casino Kansas City and
4 Ameristar Casino St. Charles.

5 In February 2018 the Missouri Gaming
6 Commission received a Class A application from Boyd
7 Gaming Corporation and a key business entity application
8 from Boyd TCIV, LLC, a wholly owned subsidiary of Boyd
9 Gaming Corporation.

10 Missouri Gaming Commission financial
11 investigators and members of the Missouri State Highway
12 Patrol were tasked with examining each company for the
13 purpose of assisting the Missouri Gaming Commission in
14 determining Boyd's suitability for licensure in the
15 state of Missouri.

16 A detailed company profile was created by
17 investigators who conducted site inspections,
18 interviewed company representatives, confirmed
19 appropriate insurance coverage, ensured the payment of
20 taxes, contacted gaming regulators and law enforcement
21 officials, reviewed litigation history and performed a
22 comprehensive financial analysis. The fiscal and
23 corporate mechanics of the proposed acquisition were
24 also examined.

25 All investigative findings were provided to

1 the Missouri Gaming Commission staff for their review
2 and investigators are present at this hearing and would
3 be happy to entertain any questions you might have.

4 CHAIRMAN KOHN: Any questions of Sergeant
5 Holcomb?

6 COMMISSIONER FINNEY: No.

7 COMMISSIONER NEER: No.

8 CHAIRMAN KOHN: Thank you very much,
9 Sergeant.

10 I understood the mayor of St. Charles might
11 have been here. Is she here?

12 MR. SHAW: She had a conflict this morning,
13 Mr. Chairman, and was unable to make it at the last
14 minute.

15 CHAIRMAN KOHN: Okay.

16 Is there a motion to approve
17 Resolution 18-042, which is the Class A licensure?

18 COMMISSIONER JAMISON: I move for approval.

19 CHAIRMAN KOHN: Is there a second?

20 COMMISSIONER FINNEY: Second.

21 CHAIRMAN KOHN: Discussion on the motion?
22 Angie.

23 MS. FRANKS: Commissioner Finney.

24 COMMISSIONER FINNEY: Approved.

25 MS. FRANKS: Commissioner Neer.

1 COMMISSIONER NEER: Approved.

2 MS. FRANKS: Commissioner Jamison.

3 COMMISSIONER JAMISON: Approved.

4 MS. FRANKS: Chairman Kohn.

5 CHAIRMAN KOHN: Approved.

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

7 Resolution No. 18-042.

8 CHAIRMAN KOHN: Is there a motion with
9 respect to Resolution 18-043, which is the one approving
10 change of control?

11 No motion?

12 COMMISSIONER JAMISON: I'll move to approve.

13 COMMISSIONER NEER: I'll second.

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

16 MS. FRANKS: Commissioner Finney.

17 COMMISSIONER FINNEY: Approved.

18 MS. FRANKS: Commissioner Neer.

19 COMMISSIONER NEER: Approved.

20 MS. FRANKS: Commissioner Jamison.

21 COMMISSIONER JAMISON: Approved.

22 MS. FRANKS: Chairman Kohn.

23 CHAIRMAN KOHN: Approved.

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

25 Resolution No. 18-043.

1 CHAIRMAN KOHN: Okay. And one more.
2 Is there a motion with respect to Resolution
3 No. 18-044?
4 COMMISSIONER JAMISON: I'll move to approve.
5 CHAIRMAN KOHN: That's the key business
6 entity license.
7 COMMISSIONER JAMISON: Correct.
8 COMMISSIONER NEER: I'll second.
9 CHAIRMAN KOHN: Discussion on the motion?
10 Angie.
11 MS. FRANKS: Commissioner Finney.
12 COMMISSIONER FINNEY: Approved.
13 MS. FRANKS: Commissioner Neer.
14 COMMISSIONER NEER: Approved.
15 MS. FRANKS: Commissioner Jamison.
16 COMMISSIONER JAMISON: Approved.
17 MS. FRANKS: Chairman Kohn.
18 CHAIRMAN KOHN: Approved.
19 MS. FRANKS: By your vote you've adopted
20 Resolution No. 18-044.
21 CHAIRMAN KOHN: I want to thank everybody who
22 presented to us this morning on not only excellent but
23 also brief, so we always appreciate that.
24 Tell the mayor we missed her.
25 Mr. Seibert.

1 EXECUTIVE DIRECTOR SEIBERT: Next we have
2 Consideration of Licensure for Level I and Key
3 Applicants.

4 Corporal John Masters will present.

5 CHAIRMAN KOHN: Corporal Masters.

6 CORPORAL MASTERS: Mr. Chairman and
7 Commissioners.

8 Missouri State Highway Patrol investigators,
9 along with MGC financial investigators, conducted
10 comprehensive background investigations on multiple key
11 and Level I applicants.

12 These investigations included but were not
13 limited to criminal, financial and general character
14 inquiries which were made in the jurisdictions where the
15 applicants lived and worked.

16 The following individuals, all Boyd Gaming
17 Corporation applicants, are being presented for your
18 consideration: John Bailey, Independent Director;
19 Theodore Bogish, Executive Vice President, Operations;
20 William R. Boyd, Vice President and Director; William S.
21 Boyd, Executive Chairman; George Hirsberg, Executive
22 Vice President, CFO and Treasurer; Marianne Johnson,
23 Vice Chairman of the Board, Executive Vice President and
24 Chief Diversity Officer; Brian Larson, Executive Vice
25 President, Secretary and General Counsel; Blake

1 Rampmaier, Chief Information Officer; Keith Smith,
2 President and CEO; Peter Thomas, Lead Independent
3 Director.

4 The results of these investigations were
5 provided to the MGC staff for their review and you have
6 all related summary reports before you.

7 CHAIRMAN KOHN: Any questions?

8 Okay. Is there a motion with respect to
9 Resolution 18-045?

10 COMMISSIONER NEER: Motion to approve.

11 COMMISSIONER FINNEY: Second.

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

14 MS. FRANKS: Commissioner Finney.

15 COMMISSIONER FINNEY: Approved.

16 MS. FRANKS: Commissioner Neer.

17 COMMISSIONER NEER: Approved.

18 MS. FRANKS: Commissioner Jamison.

19 COMMISSIONER JAMISON: Approved.

20 MS. FRANKS: Chairman Kohn.

21 CHAIRMAN KOHN: Approved.

22 MS. FRANKS: By your vote you've adopted
23 Resolution No. 18-045.

24 CHAIRMAN KOHN: Okay. Thank you very much,
25 Corporal.

1 Mr. Seibert.

2 EXECUTIVE DIRECTOR SEIBERT: Next is
3 Consideration of Licensure of Fantasy Sports Operators,
4 RealTime Fantasy Sports.

5 Mr. Mark Hanna, CEO and President, will
6 present.

7 MR. HANNA: First I'm going to try my best to
8 work this, see if I can do this.

9 Mr. Chairman, Commissioners, my name is Mark
10 Hanna. I'm President and CEO of RealTime Fantasy
11 Sports. I would like to thank the Commission for
12 inviting us here today.

13 I am the only one here from my company
14 primarily because the nature of our business revolves
15 around sports, and especially the National Football
16 League, and with the season starting next week, the rest
17 of us are chained to our desks. We're not allowed to
18 leave. So with no further ado.

19 I'll try to be as brief as I can. I would
20 like to introduce basically the history of our company.

21 It was formed in 1995 by myself. I played
22 Fantasy Sports. I started doing it on paper and pencil,
23 so I decided to write software. I'm a software engineer
24 by trade. My brother and myself formed this company in
25 1995. We originally incorporated in Ohio. We split it

1 50/50.

2 After a few years in June of 1998 as
3 financial needs grew and competition came onboard, we
4 decided -- my brother decided to sell some of his shares
5 to other people. I kept 50 percent. And then we
6 reincorporated here in Missouri in 1998. So we've been
7 doing this for 23 years.

8 Again, I own 50 percent of the company, and
9 then there is five other owners combined that own the
10 other 50 percent.

11 This is the company organization. There is
12 eight of us. So, no, we're not a casino. I'm President
13 and CEO. My cohort Tim Jensen is COO over the company.
14 He runs all of the operations. We have a software
15 engineer, a senior fantasy editor. We have customer
16 support staff with an office that helps our clients.
17 And then my wife is the payroll manager. And I'd like
18 to say this is the only org chart you'll ever see, or
19 any chart of any kind, where my wife is listed below me
20 on the hierarchy. I got her permission for that.

21 So it's important to note that our company
22 has two separate types of products. One is called a
23 commissioner service, where you and your friends, if you
24 want to play in a fantasy league, can use us to help run
25 your league. We do not collect entry fees. We do not

1 give out prizes. We just run your league for you. They
2 pay us a subscription fee every year to help maintain
3 their league, run their stats, do all their transactions
4 for them. That is what we started with back in 1995.

5 There is no gaming at all involved in that.
6 We don't care if you're playing for money, prize, pizza
7 or whatever.

8 We did that for the first eight years, and
9 then in 2003 we tried doing Fantasy NASCAR instead of
10 just Fantasy Football. That lasted about eight years
11 and fizzled out. So we're trying to do that on a
12 commissioner side.

13 Then in 2007 -- actually 2006, the Unlawful
14 Internet Gaming Enforcement Act was passed. So at that
15 time we decided, okay. When the Federal government said
16 that Fantasy Sports is a game of skill, that we're going
17 to introduce fantasy contests as well.

18 Of course we made sure we only did it in
19 states that said you can do it. There were certain
20 states that still outlawed Fantasy Sports. We do not do
21 it in those states.

22 We started with football, fantasy contests.
23 We then expanded on to baseball, basketball and hockey.
24 And then again hockey wasn't that popular, so we gave
25 that up.

1 Back on the commissioner side, we purchased
2 several other smaller companies, such as Fantasy
3 Commissioner Web and Fanball, to increase our fantasy
4 commissioner subscription, totaled to about 10,000
5 leagues, so that half of the company grew.

6 Over on the contest side a company called
7 Rotoworld had a product called Snap Draft, which is a
8 daily fantasy game. It's one of the first daily games
9 out there. They asked us to power that game for them
10 and give them enhancements, so we did.

11 And then NBC purchased Rotoworld, so we were
12 doing sort of a small daily game for NBC Sports. They
13 did that for two years, and NBC decided that wasn't in
14 their best interest. They didn't really care about it.

15 So we asked instead to take over that part
16 and call it RT Daily and do daily contests, as well as
17 our season-long fantasy contest.

18 In 2013 then US Today Sports Media said, hey,
19 we want to try this. So they purchased the rights to
20 the daily game back to them, and they called it Fantasy
21 Score. Again, that lasted about three years when
22 competition such as FanDuel and
23 DraftKings got hundreds of millions of dollars of
24 venture capital money. And so USA today decided, well,
25 that wasn't in their best interest either. So once

1 again we took it back over to the state. So we run
2 daily games called RT daily on our site.

3 So on our commissioner side, our commissioner
4 service side, we're up to about 11,000 commissioner
5 leagues that we service for people. On our contest side
6 we're probably up to about 3 or 4,000 contest leagues.
7 Most of our contest leagues again are season-long
8 contests, with some daily games in there as well.

9 One other thing I'd like to add, though,
10 really quick. In 2013 Adam Wainwright of the Cardinals,
11 who is a huge fantasy player, decided he wanted to have
12 some sort of a charity event. So he decided to call us
13 to power what was called Big League Impact, where you
14 can pay money to be in his fantasy league live, compete
15 against him and some other members of the Cardinals.

16 It took over. It's actually spread to other
17 cities with other baseball clubs, and they have raised
18 over \$1.5 million for charity through Fantasy Sports,
19 particularly Fantasy Football, and we've been proud to
20 work on that with them.

21 I'm not going to go through all of these, but
22 I mentioned the fantasy contests we offer. We'll do
23 several Fantasy Football season-long contests from, you
24 know, games that are typical fantasy leagues. You draft
25 players and play all season long.

1 We have some higher-stakes contests, like the
2 Fantasy Championship, where several thousand people are
3 entered and a grand prize of about \$200,000.

4 All these different games that you see,
5 they're just basically different variations of the same
6 thing. It just depends on how many people you want to
7 have in the league and the entry fee and things like
8 that.

9 Most of our games are football based. That's
10 our biggest business. We do have a few baseball games,
11 a couple basketball games and, of course, like I
12 mentioned daily games as well.

13 These next couple slides I really want to
14 emphasize because we take pride in the fact that
15 RealTime Sports has been, I think, on the leading edge
16 of both fraud protection and making sure we follow all
17 legal requirements.

18 We have been doing contests for about
19 eleven years now. We have seen every type of attempt to
20 do credit card fraud and launder it through fantasy
21 companies. Quite frankly for other companies it's been a
22 problem.

23 We use every source imaginable, including our
24 own in-house software, to try to detect people that are
25 committing fraud. We use Authorize.Net, which is the

1 industry standard in credit card validation. We use a
2 company called Electronic Verification System to verify
3 address, location, date of birth, if necessary Social
4 Security numbers, again, in-house fraud detection
5 software. We can tell if somebody is trying to use a
6 stolen credit card, play games really quick and then try
7 to cash out. We catch those.

8 We have had less than one-tenth of 1 percent
9 of chargebacks over the last five years in an industry
10 that chargebacks are common because of credit card
11 fraud.

12 The legality side of it. You know, we have
13 been probably on the forefront of trying to make sure to
14 do things the right way. It's too common in this
15 business unfortunately for certain fantasy companies to
16 mix their prize funds with their operating expenses, and
17 then before you know it they're using their prize funds
18 for their operating expenses and then they don't have
19 prize funds left.

20 We have been from the very beginning
21 cognizant of that. We have two separate bank accounts,
22 one for our prize funds, one for our operating expenses.
23 We do not mix them.

24 And, in fact, on behalf of -- at the
25 suggestion of this committee we actually created a

1 separate LLC to manage the prize funds. So that has a
2 different Board of Directors. There is no -- there is
3 no intermingling of funds, and if someone for some
4 reason sues the parent company, RealTime Fantasy Sports,
5 they cannot have access to that prize fund account.

6 We do geolocation verification. We use
7 actually three different geolocation tools to verify the
8 location of our customers.

9 We have band users. We have constant input
10 from the OFAC list to make sure that they're not on that
11 list. We make sure that they are not athletes, that
12 they are not members of the company, all of the things
13 that are required to us from all of the different states
14 that we are licensed in right now.

15 We have parental controls. We have links to
16 OpenDNS, Net Nanny, other gambling hotline numbers on
17 our website. We have a customer support staff that is
18 there all of the time -- well, seven days a week -- to
19 take customer complaints or suggestions.

20 We do self-exclusion. We list highly
21 experienced players on our site, so that people who want
22 to get into a fantasy game know the experts that are out
23 there. We have games that are solely for inexperienced
24 players in case they don't want to get mixed with highly
25 experienced players.

1 We always list the fixed number of
2 contestants in any of our contests. Those do not
3 change. We do not vary the number of contestants after
4 the contest has began, as required.

5 So we do -- we're licensed in many states.
6 We do everything that they ask us, and I think even
7 more, to make sure we stay legal.

8 Financial stability. This is something that
9 I think is important, because I mentioned already that
10 there is too many companies that can't separate their
11 operating funds from their prize funds.

12 It's important to realize that the vast
13 majority of our operating expenses and income actually
14 come from our commissioner service, which, again, we've
15 started from the beginning and has nothing to do with
16 gaming.

17 All of our assets that we get from that half
18 cover all of our expenses. So any assets we get from
19 our contests are just -- it's just on top of everything
20 else we make. A lot of other companies can't do that.
21 They cannot cover that expense.

22 We also now talk about segregating accounts.
23 We also have a separate account now, again on the behest
24 of the Commission, that is solely -- is controlled by
25 the Missouri Gaming Commission for prizes owed to

1 Missouri residents. Our bank has set that up with the
2 Commission. The Commission must give us permission to
3 allocate those assets. We cannot touch them.

4 Currently there is \$50,000 sitting in that
5 account because the prizes owed to Missouri residents at
6 this point is about \$20,000. There's more than enough
7 in that account.

8 And then that last point I mentioned
9 before -- I was ahead of myself a little bit -- but our
10 operational cash flow covers -- from just our one-half
11 that does the commissioner service covers everything
12 that we do.

13 So --

14 COMMISSIONER JAMISON: I have a question.

15 MR. HANNA: Yeah.

16 COMMISSIONER JAMISON: And I don't want you
17 to give this to me in amounts. I want you to give this
18 to me in percentages.

19 The percentage of your revenue from that
20 commissioner service that you provide as opposed to
21 revenue from the fantasy side, can you give a percentage
22 breakdown of those?

23 MR. HANNA: I would say about 75 percent of
24 net revenue net is from our commissioner service.

25 COMMISSIONER JAMISON: Okay. Thank you.

1 CHAIRMAN KOHN: I had a question on the
2 financials too. I'm not finding it right now. But as I
3 recall your revenues, your profit in 2017 was not only
4 down but negative.

5 MR. HANNA: Yes.

6 CHAIRMAN KOHN: But it had been up before
7 that. What happened?

8 MR. HANNA: So here is what happened.

9 Bank of America was our merchant, and they
10 decided in March of 2017 that they didn't want to do --
11 they didn't want to be a merchant for any fantasy
12 company anymore.

13 CHAIRMAN KOHN: I don't even know what that
14 means.

15 MR. HANNA: Okay. So they handled our credit
16 card transactions. All right? And they said, we don't
17 want to handle your credit card transactions. Well, all
18 of our business is online. So they didn't cut us off.
19 What they said, here is what we're going to do. Until
20 you can find a new merchant to handle your credit cards,
21 we're going to hold 25 percent of all of that, and that
22 income never even made it to us.

23 So as far as that is concerned, they held
24 25 percent of all of our earnings until 2018 when we
25 found -- it took a year, but we actually found a new

1 merchant, Vantive, to handle our credit card
2 transactions.

3 So from a profit standpoint that revenue was
4 never received until March of 2018. So in March of 2018
5 we're going to make up not only for 2017 but then 2018
6 as well.

7 CHAIRMAN KOHN: Are you a calendar year?

8 MR. HANNA: Yes.

9 CHAIRMAN KOHN: So 2018 you'll be back in a
10 profitable --

11 MR. HANNA: Yes, covering what we lost in
12 2017 and then some.

13 CHAIRMAN KOHN: And another question.

14 As you know we've been very concerned about
15 keeping the Missouri residents' prize money separate and
16 safe.

17 MR. HANNA: Yes.

18 CHAIRMAN KOHN: And you have \$50,000 in
19 there. How does that amount get determined?

20 MR. HANNA: So every month -- we have a
21 database of all of the Missouri customers and what they
22 currently have in their accounts, and every month we do
23 a query to determine how much money is in there.

24 Typically the greatest amount that is going
25 to be in Missouri residents' accounts with RealTime

1 Sports is going to be in January, because the football
2 season contest ends in December. They get their
3 winnings deposited in their accounts in January then
4 they're going to have the largest amount. At that point
5 it was \$41,000.

6 Right now it's 21,000 because you can take
7 money from your account and reinvest it and replay in
8 our games if you want.

9 So we decided at that time to make it \$50,000
10 to cover it, but every month we do a query to determine
11 is that amount still good. And I do believe that we
12 will -- if we get licensed, we'll owe you a monthly
13 statement of that amount.

14 CHAIRMAN KOHN: So is that based on a
15 percentage? I mean, 21 is roughly a little less than
16 half of the 50. Is that the percentage of coverage
17 you're looking for?

18 MR. HANNA: Yeah. We're looking to at least
19 be 10 percent above but possibly even 30 to 40 percent
20 above.

21 Now, that number does fluctuate, right,
22 because, you know, during the season as people reinvest
23 that money, that will go down very low and then back up.
24 In January it will go back up.

25 If for some reason during 2018 a lot of

1 Missouri residents win, we'll have to put more money
2 into that bank account. But we've never been -- 42,000
3 or 41,000, whatever, was the highest we've ever been for
4 Missouri residents so far. We hope to grow obviously.

5 COMMISSIONER JAMISON: So on a monthly query
6 you would increase that if the requirements would
7 increase it to cover the amount that was in there?

8 MR. HANNA: Okay.

9 CHAIRMAN KOHN: We're going to hear from
10 Lieutenant Aylward, and we also may want to hear from
11 our counsel on this arrangement.

12 Any other questions of Mr. Hanna?

13 Well, I have one more. Between of two of us,
14 how are the Chiefs going to do?

15 MR. HANNA: So here is what I tell all of our
16 customers. If you want to know about software, ask me.
17 If you want to know about football -- I used to play --
18 I still play Fantasy Sports and I'm terrible because I'm
19 so busy looking at the trees and not the forest. And
20 I'm a Brown's fan, so take pity on me. I guarantee you
21 the Chiefs are better.

22 CHAIRMAN KOHN: You could have ended on a
23 different note.

24 COMMISSIONER NEER: Do you want to vote now
25 or do you want to wait?

1 CHAIRMAN KOHN: Mr. Seibert.

2 EXECUTIVE DIRECTOR SEIBERT: The
3 investigative summary will be presented by Lieutenant
4 Aylward.

5 COMMISSIONER JAMISON: Thank you.

6 CHAIRMAN KOHN: Thank you very much,
7 Mr. Hanna.

8 MR. HANNA: Thank you. I appreciate it.

9 LIEUTENANT AYLWARD: Mr. Chairman,
10 Commissioners.

11 Missouri Gaming Commission staff, financial
12 investigators with the Missouri Gaming Commission and
13 Missouri State Highway Patrol investigators completed
14 application reviews and verification of statutory
15 compliance for the following Fantasy Sports operator who
16 has applied for licensure with the State of Missouri:
17 RealTime Fantasy Sports, Incorporated.

18 The result of these reviews and statutory
19 verification were provided to the MGC staff and you have
20 the related summary report before you.

21 CHAIRMAN KOHN: Any questions of Lieutenant
22 Aylward?

23 COMMISSIONER JAMISON: No, sir.

24 CHAIRMAN KOHN: Thank you, Lieutenant.

25 Ed, let me just ask you very quickly. We

1 heard Mr. Hanna's explanation of the -- he didn't use
2 the word escrow but for our purposes I think that
3 qualifies as our escrow requirement.

4 Are you satisfied that, in fact, the way the
5 company is handling this it properly protects the
6 residents of Missouri?

7 MR. GREWACH: It meet all our requirements.
8 I'd be happy to expand on that if any Commissioners --

9 CHAIRMAN KOHN: I think we're looking for the
10 conclusion.

11 MR. GREWACH: Yes, it does. It meets all of
12 our requirements and it is set up and the Missouri
13 players' funds are protected.

14 CHAIRMAN KOHN: Mr. Seibert, staff
15 recommendation.

16 EXECUTIVE DIRECTOR SEIBERT: Staff recommends
17 approval.

18 CHAIRMAN KOHN: Is there a motion with
19 respect to Resolution 18-046?

20 COMMISSIONER FINNEY: Move to approve.

21 COMMISSIONER JAMISON: Second.

22 CHAIRMAN KOHN: Discussion on the motion?
23 Angie.

24 MS. FRANKS: Commissioner Finney.

25 COMMISSIONER FINNEY: Approved.

1 MS. FRANKS: Commissioner Neer.
2 COMMISSIONER NEER: Approved.
3 MS. FRANKS: Commission Jamison.
4 COMMISSIONER JAMISON: Approved.
5 MS. FRANKS: Chairman Kohn.
6 CHAIRMAN KOHN: Approved.
7 MS. FRANKS: By your vote you've adopted
8 Resolution No. 18-046.

9 CHAIRMAN KOHN: Mr. Seibert.
10 EXECUTIVE DIRECTOR SEIBERT: Next is
11 Consideration of Relicensure of Suppliers. Sergeant
12 Gary Davidson will present.

13 CHAIRMAN KOHN: Sergeant Davidson.

14 SERGEANT DAVIDSON: Good morning, Chairman,
15 Commissioners.

16 Missouri State Highway Patrol investigators
17 conducted the relicensing investigation of two supplier
18 companies currently licensed in the state of Missouri.

19 These investigations consisted of
20 jurisdictional inquiries, feedback from affected gaming
21 clients, a review of disciplinary actions, litigation
22 and business credit profiles, as well as a review of the
23 key persons associated with each company.

24 The results of these investigations were
25 provided to the Missouri Gaming Commission staff for

1 their review and you possess comprehensive summary
2 reports before you which outline the investigative
3 findings of each company.

4 The following supplier companies are being
5 presented for your consideration: Midwest Game Supply
6 Company and Modern Gaming, Incorporated.

7 CHAIRMAN KOHN: Any questions of Sergeant
8 Davidson?

9 Angie, these are both contained in 047?

10 MS. FRANKS: No. Midwest Game is 047.
11 Modern Gaming is 048.

12 CHAIRMAN KOHN: Okay. Is there a motion with
13 respect to Resolution 18-047?

14 COMMISSIONER NEER: Motion to approve.

15 CHAIRMAN KOHN: Is there a second?

16 COMMISSIONER JAMISON: Second.

17 CHAIRMAN KOHN: Discussion on that motion?
18 Angie.

19 MS. FRANKS: Commissioner Finney.

20 COMMISSIONER FINNEY: Approved.

21 MS. FRANKS: Commissioner Neer.

22 COMMISSIONER NEER: Approved.

23 MS. FRANKS: Commissioner Jamison.

24 COMMISSIONER JAMISON: Approved.

25 MS. FRANKS: Chairman Kohn.

1 CHAIRMAN KOHN: Approved.

2 MS. FRANKS: By your vote you've adopted
3 Resolution No. 18-047.

4 CHAIRMAN KOHN: Okay. Now Modern Gaming,
5 18-048. Is there a motion?

6 COMMISSIONER FINNEY: Move to approve.

7 COMMISSIONER NEER: Second.

8 CHAIRMAN KOHN: Discussion on the motion?
9 Angie.

10 MS. FRANKS: Commissioner Finney.

11 COMMISSIONER FINNEY: Approved.

12 MS. FRANKS: Commissioner Neer.

13 COMMISSIONER NEER: Approved.

14 MS. FRANKS: Commissioner Jamison.

15 COMMISSIONER JAMISON: Approved.

16 MS. FRANKS: Chairman Kohn.

17 CHAIRMAN KOHN: Approved.

18 MS. FRANKS: By your vote you've adopted
19 Resolution No. 18-048.

20 CHAIRMAN KOHN: Thank you.
21 Thank you, Sergeant.
22 Mr. Seibert.

23 EXECUTIVE DIRECTOR SEIBERT: Next is
24 Consideration of Disciplinary Actions. Mr. Ed Grewach
25 will present.

1 MR. GREWACH: Thank you, Director Seibert,
2 Chairman, Commissioners.

3 Under Tab J we have a preliminary order of
4 discipline directed at Ainsworth Game Technology for a
5 violation of our Rule 5.21 which requires suppliers to
6 report to the Commission any malfunction or anomaly in
7 an electronic gaming device within 48 hours regardless
8 of the jurisdiction where that event occurs.

9 This particular investigation was initiated
10 when an electronic gaming device at the Lumiere Casino
11 malfunctioned and read a 27 cent transaction in the bill
12 validator as a \$100 transaction.

13 The investigation also revealed that
14 Ainsworth was first aware of this type of malfunction
15 that had occurred at a casino in the state of
16 Mississippi in December of 2014 and then two others that
17 occurred in April of 2015, one at a casino in
18 Puerto Rico and one at a casino in Illinois.

19 We also further discovered that Ainsworth had
20 worked on this problem from June of 2015 through
21 September of 2016 but during that time period failed to
22 notify the Commission as required under the regulation,
23 and the recommended fine is \$2,500.

24 CHAIRMAN KOHN: Any questions of Ed?

25 COMMISSIONER JAMISON: No, sir.

1 CHAIRMAN KOHN: Is there a motion with
2 respect to Resolution DC-18-067?

3 COMMISSIONER FINNEY: Move to approve.

4 COMMISSIONER NEER: Second.

5 CHAIRMAN KOHN: Discussion on the motion?
6 Angie.

7 MS. FRANKS: Commissioner Finney.

8 COMMISSIONER FINNEY: Approved.

9 MS. FRANKS: Commissioner Neer.

10 COMMISSIONER NEER: Approved.

11 MS. FRANKS: Commissioner Jamison.

12 COMMISSIONER JAMISON: Approved.

13 MS. FRANKS: Chairman Kohn.

14 CHAIRMAN KOHN: Approved.

15 MS. FRANKS: By your vote you've adopted
16 DC-18-067.

17 CHAIRMAN KOHN: Okay. Harrah's.

18 MR. GREWACH: Tab K is a preliminary order of
19 discipline directed to Harrah's North Kansas City for a
20 followup audit finding.

21 The Commission conducted an audit that
22 covered the period of December 2015 through April of
23 2017. The audit report was completed on September the
24 12th, 2017.

25 One of the findings in that original audit

1 was improper documentation of variances when counting
2 out frontline window banks.

3 A followup was conducted in November and
4 December of 2017 and found that the variances were still
5 not being correctly documented, and the recommended fine
6 is \$2,500.

7 CHAIRMAN KOHN: Questions?

8 Is there a motion on DC-18-068?

9 COMMISSIONER NEER: Motion to approve.

10 COMMISSIONER JAMISON: Second.

11 CHAIRMAN KOHN: Discussion on the motion?

12 Angie.

13 MS. FRANKS: Commissioner Finney.

14 COMMISSIONER FINNEY: Approved.

15 MS. FRANKS: Commissioner Neer.

16 COMMISSIONER NEER: Approved.

17 MS. FRANKS: Commissioner Jamison.

18 COMMISSIONER JAMISON: Approved.

19 MS. FRANKS: Chairman Kohn.

20 CHAIRMAN KOHN: Approved.

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

22 DC-18-068.

23 CHAIRMAN KOHN: And Tropicana.

24 MR. GREWACH: Tab L is a preliminary order of

25 discipline directed to Lumiere Place Casino for six

1 followup audit findings.

2 The first involves them not performing
3 reconciliation of poker replacement decks, the second
4 for not including security incidents and security
5 incident logs, the third for not including variances in
6 the variance tracking spreadsheet, the fourth for not
7 documenting the results of an investigation of cage
8 variances, the fifth for allowing the same employee who
9 prepared currency for a redemption kiosk to later
10 reconcile the same kiosk, and the last for failing to
11 have a required employee signature card.

12 We wanted -- it's noteworthy to say that the
13 first of these two, the poker replacement card
14 reconciliation and the failure to document security
15 incidents, was a finding in the prior audit that was
16 concluded in 2015.

17 Those two were also findings in the followup
18 to the 2015 audit. They were then also findings in this
19 audit and then in the followup to this audit.

20 When we completed the current 2017 audit --
21 and as you've seen from prior cases, there is really two
22 different types of audit disciplines that come. One is
23 from audit to audit. So if we find something in this
24 example for the 2015 audit and the 2017 audit, we then
25 bring a discipline for that audit-to-audit violation,

1 which is what happened in this particular case.

2 And, in fact, one of these -- one of these
3 that I've listed was actually part of that discipline,
4 and there were four audit-to-audit findings. And for
5 that prior disciplinary case there was a \$5,000 fine
6 assessed.

7 Then we come to this preliminary order of
8 discipline, because now on top of the audit-to-audit
9 findings, now we're still seeing some of them -- still
10 seeing these six findings in our followup to this audit,
11 and for that reason the staff recommended a \$15,000 fine
12 in this case.

13 In the response to the notice of that fine
14 amount, the casino acknowledged the violations and
15 indicated and outlined for us the steps that they are
16 taking to correct those violations.

17 They had a specific response as to the poker
18 replacement deck, indicating there were no assertions
19 that any cards were improperly used by a patron and any
20 patrons were affected by that.

21 Our reply to that was we really didn't have
22 any way of knowing because what they were doing was --
23 and to kind of walk through the procedures. There's
24 replacement decks that are kept in case a card in play
25 in poker is damaged. And then if that's the case, if

1 it's a five of clubs, then you take a five of clubs out
2 of the replacement deck and dispose of the five of clubs
3 that is damaged, and then you keep a log of that, enter
4 that five of clubs as you replace cards. And then on a
5 weekly basis you're required by the rule to go back and
6 reconcile that.

7 So you say, okay. I should have five cards
8 missing from this replacement card. Let's count those
9 cards and make sure those five are missing.

10 The importance of that rule is that if you
11 don't properly reconcile those, a card could get
12 introduced into play and could be used by somebody to
13 cheat.

14 But what they were doing then instead of
15 reconciling them is they were destroying the cards when
16 the -- when the deck was depleted, and then we had no
17 way of going back and reconciling it at that point in
18 time.

19 As far as -- they also characterized in their
20 response that these violations were human error and were
21 not evidence of a systemic problem with the casino's
22 operations.

23 Our reply to that was in light of the fact
24 that at least two of these violations went back to the
25 prior audit, the followup, this audit and this followup,

1 and the scope and number of the violations, that we
2 would continue with our recommended fine of \$15,000.

3 CHAIRMAN KOHN: Questions?

4 COMMISSIONER FINNEY: Ed, what reason did
5 they give for the failure to log the security incident?
6 Did they give any reason for that?

7 MR. GREWACH: If you can give me just a
8 second.

9 They indicated that finding was a result of a
10 data error. It just -- it wasn't -- it wasn't entered.

11 So a security incident would happen, and
12 there is a security incident report that is generated.
13 Then the next step has to be taken by the employee to
14 include that into the security incident log.

15 And the log is a compilation of all of the
16 security incidents that happened on any given gaming
17 day. And the benefit to our agents is twofold. One is
18 that they can review that log and see if there is
19 anything that might indicate a potential regulatory
20 violation that they need to follow up on. And the
21 second, if they're working backwards from an issue or
22 problem they identify, they can go to a specific day,
23 find the incident on a log and then go to the actual
24 report.

25 So the property just indicated it was an

1 error by an employee in the data entry transaction.

2 COMMISSIONER FINNEY: Do you know what the
3 incident was? A minor infraction relatively speaking?

4 MR. GREWACH: I do not. I don't have that
5 information.

6 CHAIRMAN KOHN: Anything else?

7 COMMISSIONER JAMISON: Yeah, I have a
8 question.

9 CHAIRMAN KOHN: Go ahead.

10 COMMISSIONER JAMISON: You spoke about this
11 was audit to audit to audit. There were three audits
12 that were involved in this process. Correct?

13 MR. GREWACH: Two.

14 COMMISSIONER JAMISON: There was an audit and
15 a followup to that audit and then a followup to the
16 second audit?

17 MR. GREWACH: Correct. So there is two
18 audits and two followups.

19 COMMISSIONER JAMISON: Okay. So on the first
20 audit there was maybe -- help me here. You said there
21 were five findings and two of them were uncorrected on
22 the followup audit. Is that what you said?

23 MR. GREWACH: The 2015 audit.

24 What I know is that there were two -- two of
25 the audit findings included in this discipline were also

1 in the 2015 audit and the followup. Now, as far as a
2 total number that were identified in the followup --

3 COMMISSIONER JAMISON: Because there were two
4 that were in here that had not been corrected from a
5 previous followup.

6 MR. GREWACH: That is correct.

7 COMMISSIONER JAMISON: Okay. And then there
8 were additional violations found in that followup, and
9 how many of those have not been corrected in the
10 followup after that? Does that make -- does my question
11 make sense?

12 MR. GREWACH: How many have not been
13 currently corrected?

14 COMMISSIONER JAMISON: In the latest followup
15 audit.

16 MR. GREWACH: Can I call on Leshia Kempker,
17 the Compliance Audit Manager?

18 COMMISSIONER JAMISON: Do you see what I'm
19 trying to determine is how many of the violations are
20 identified and not corrected by the followup audit.

21 MS. KEMPKER: How many of these six?

22 CHAIRMAN KOHN: That's fine.

23 MS. KEMPKER: Okay. All of these findings
24 have been corrected. All of these six findings have
25 been corrected except for the first one, the poker card

1 replacement deck log. So one out of the six have not
2 been corrected.

3 COMMISSIONER JAMISON: One out of the six
4 have not been corrected on the latest followup audit?

5 MS. KEMPKER: Well, we haven't conducted a
6 followup audit. The next step in the process is the
7 next compliance audit, which we are currently at the
8 property auditing now.

9 COMMISSIONER JAMISON: Okay. So we have two
10 and one then where they had an opportunity to correct
11 them but they didn't in followup audits?

12 MS. KEMPKER: Can you repeat that?

13 COMMISSIONER JAMISON: He mentioned that
14 there were two in a previous audit. When we did the
15 followup audit, those had not been corrected?

16 MS. KEMPKER: Correct.

17 COMMISSIONER JAMISON: That was the '15
18 audit?

19 MR. GREWACH: Yes.

20 COMMISSIONER JAMISON: And then you're saying
21 that there is one from a previous audit to a followup
22 audit that had not been corrected?

23 MS. KEMPKER: Correct.

24 COMMISSIONER JAMISON: Okay.

25 MS. KEMPKER: So the one that has not been

1 corrected has been identified. It's the fifth time that
2 it's been identified as a violation, the fifth
3 consecutive time.

4 COMMISSIONER JAMISON: So the one has been a
5 continual problem on every audit that we've had?

6 MS. KEMPKER: Correct.

7 COMMISSIONER JAMISON: Okay.

8 CHAIRMAN KOHN: Ed, I'm curious about the
9 playing card, the one card replacement. Is that our
10 policy or is that the casino's policy?

11 MR. GREWACH: That's our policy. That's our
12 requirement.

13 CHAIRMAN KOHN: Why don't we just have them
14 throw out the deck?

15 MR. GREWACH: Well --

16 CHAIRMAN KOHN: As many decks as the casinos
17 go through.

18 MR. GREWACH: I think it's for -- you know,
19 it's for the cost factor involved. If there is one card
20 that's bent or torn out of a deck and the rest of the
21 deck is perfectly fine, then we allow them to then have
22 this replacement deck and then dispose of.

23 And Leshia Kempker can probably tell us what
24 happens to the damaged card. There's a separate process
25 for that. But that way it doesn't require the casino to

1 throw out the other 51 cards in the deck if only one of
2 them is damaged.

3 MS. KEMPKER: For the damaged card they
4 prepare a card discrepancy report, and they actually
5 provide it to the agents on the property to review.

6 And it is about the cost. Ed is exactly
7 right. It's to save them costs to replacing the entire
8 deck instead of just the single card.

9 CHAIRMAN KOHN: Okay.

10 Is there a motion to adopt DC-18-069?

11 COMMISSIONER FINNEY: Motion to approve.

12 COMMISSIONER JAMISON: Second.

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

15 MS. FRANKS: Commissioner Finney.

16 COMMISSIONER FINNEY: Approved.

17 MS. FRANKS: Commissioner Neer.

18 COMMISSIONER NEER: Approved.

19 MS. FRANKS: Commissioner Jamison.

20 COMMISSIONER JAMISON: Approved.

21 MS. FRANKS: Chairman Kohn.

22 CHAIRMAN KOHN: Approved.

23 MS. FRANKS: By your vote you've adopted
24 DC-18-069.

25 CHAIRMAN KOHN: Thank you, Ed.

1 Mr. Seibert.

2 EXECUTIVE DIRECTOR SEIBERT: Next we have
3 Consideration of Final Orders of Rulemaking.

4 Mr. Ed Grewach will present.

5 MR. GREWACH: Thank you.

6 Under Tabs M and N we have final orders of
7 rulemaking. The Commission had approved the proposed
8 order of rulemaking for these rules on April 25th, 2018
9 at their meeting. We had a public comment period,
10 followed by a public hearing which occurred on July the
11 10th of 2018.

12 No comments were received either during the
13 written period or the public hearing and, therefore,
14 there are no changes presented to you in these rules.

15 If the Commission approves them, they would
16 have an effective date of December 30th, 2018.

17 We have grouped these in correspondence to
18 the categories under the Governor's Executive Order
19 under which we're conducting this review.

20 Under Tab M you'll find final orders of
21 rulemaking rescinding or modifying rules and regulations
22 that overlap, duplicate or conflict with a statute or
23 another rule.

24 CHAIRMAN KOHN: Any questions?

25 Is there a motion to approve -- I don't know

1 what to call it -- the rescission and modification of
2 rules listed under Tab M? And we'll do this all at
3 once.

4 COMMISSIONER FINNEY: Motion to approve.

5 CHAIRMAN KOHN: A second?

6 COMMISSIONER NEER: Second.

7 CHAIRMAN KOHN: Discussion on the motion?

8 Angie.

9 MS. FRANKS: Commissioner Finney.

10 COMMISSIONER FINNEY: Approved.

11 MS. FRANKS: Commissioner Neer.

12 COMMISSIONER NEER: Approved.

13 MS. FRANKS: Commissioner Jamison.

14 COMMISSIONER JAMISON: Approved.

15 MS. FRANKS: Chairman Kohn.

16 CHAIRMAN KOHN: Approved.

17 MS. FRANKS: By your vote you've adopted the
18 final orders of rulemaking, 11 CSR 45-1.015, 1.090,
19 4.020, 4.210, 4.260, 4.380, 5.065, 6.030, 30.065,
20 30.480, 30.523 and 30.555.

21 CHAIRMAN KOHN: Thank you.

22 Tab N, Ed.

23 MR. GREWACH: Under Tab N we have final
24 orders of rulemaking rescinding or modifying rules and
25 regulations that are unnecessary, not essential to the

1 health, safety or welfare of Missouri residents or that
2 are obsolete.

3 CHAIRMAN KOHN: Is there a motion to approve
4 the rescission and modifications listed under Tab N?

5 COMMISSIONER JAMISON: I move.

6 CHAIRMAN KOHN: Is there a second?

7 COMMISSIONER FINNEY: Second.

8 CHAIRMAN KOHN: Discussion on the motion?
9 Angie.

10 MS. FRANKS: Commissioner Finney.

11 COMMISSIONER FINNEY: Approved.

12 MS. FRANKS: Commissioner Neer.

13 COMMISSIONER NEER: Approved.

14 MS. FRANKS: Commissioner Jamison.

15 COMMISSIONER JAMISON: Approved.

16 MS. FRANKS: Chairman Kohn.

17 CHAIRMAN KOHN: Approved.

18 MS. FRANKS: By your vote you've adopted the
19 final orders of rulemaking, 11 CSR 45-5.181, 5.184,
20 5.260, 6.010, 6.020, 6.025, 7.160, 8.050, 8.060, 8.090,
21 8.130, 8.150, 9.101 and 9.120.

22 CHAIRMAN KOHN: Thank you. That concludes
23 our items for our open meeting.

24 Is there anyone up here who would like to
25 make a motion to go into closed session?

1 COMMISSIONER JAMISON: I move for a closed
2 meeting under Sections 313.847 and 313.945, Revised
3 Missouri Statutes, investigatory, proprietary and
4 application records, and 610.021(1), Revised Missouri
5 Statutes, Legal Actions, Subparagraph 3 and
6 Subparagraph 13, personnel, and Subparagraph 14, records
7 protected from disclosure by law.

8 CHAIRMAN KOHN: Is there a second?

9 COMMISSIONER NEER: Second.

10 CHAIRMAN KOHN: Angie.

11 MS. FRANKS: Commissioner Finney.

12 COMMISSIONER FINNEY: Approved.

13 MS. FRANKS: Commissioner Neer.

14 COMMISSIONER NEER: Approved.

15 MS. FRANKS: Commissioner Jamison.

16 COMMISSIONER JAMISON: Approved.

17 MS. FRANKS: Chairman Kohn.

18 CHAIRMAN KOHN: Approved.

19 CHAIRMAN KOHN: That adjourns our session.

20 We are now going into closed session. We'll come back
21 out for open if there is any business.

22 WHEREIN, the meeting concluded at 11:17 a.m.

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CERTIFICATE OF REPORTER

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

Patricia A. Stewart
CCR 401

MISSOURI GAMING COMMISSION
Second Open Session Minutes
August 29, 2018

The Missouri Gaming Commission (the “Commission”) went into open session at approximately 12:19 p.m. on August 29, 2018, at the Missouri Gaming Commission, 3417 Knipp Drive, Jefferson City, Missouri.

Commissioner Jamison moved to adjourn the second open session meeting. Commissioner Finney seconded the motion and after a roll call vote was taken, the motion passed unanimously.

The open session meeting ended at 12:20 p.m.