

Missouri Gaming Commission



1994 Annual Report to the General Assembly

Robert L. Wolfson,
Chairman

Robert M. Clayton II,
Vice Chairman

Dr. Jenice P. Stewart,
Secretary

William J. Quinn

Avis Tucker

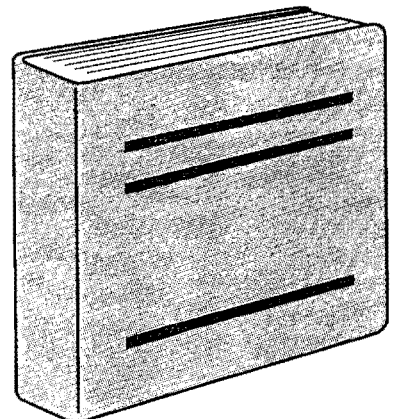


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Introduction

The Missouri Gaming Commission was established in 1993 to regulate riverboat gambling in Missouri. In addition, the Commission assumed the responsibility for regulating charitable bingo games on July 1, 1994.

The five member Commission is charged with maintaining public confidence in legalized gambling and ensuring that no criminal elements are allowed to infiltrate licensed gaming operations. It is important that the Commission do its job well so that public confidence in the gaming industry is established, thereby allowing the industry to reach its goals of economic development, job creation and the promotion of Missouri as a major tourist attraction.

As a state regulatory agency, the Commission and its staff hold themselves to the highest ethical and professional standards and strive to conduct all business in a manner that maintains the public trust. Pursuant to statute, a strict Code of Ethics has been adopted prohibiting conflicts of interest and ex parte communications.

The key regulatory responsibilities of the Commission are as follows:

- 1) to conduct thorough background investigations on all key persons involved in the gaming operation including substantial owners, management personnel, key operational employees and suppliers;
- 2) to thoroughly investigate the finances of applicants and its key persons to determine if they have the financial resources and responsibility to meet their proposed obligations;
- 3) to screen all occupational licensees including dealers, slot attendants, food and beverage servers, security and surveillance personnel, and all other employees who have access to the gaming area and to investigate the background of each to ensure that the personnel operating the casino are of sufficient character to maintain the integrity of Missouri gaming;

- 4) to photograph and fingerprint each employee so as to maintain a complete and accurate database of boat personnel;

- 5) to assign appropriate staff to each gaming operation to be present at all times when gaming is conducted. Enforcement agents are charged with ensuring that gaming is conducted in accordance with each operator's internal controls, that the safety of the passengers is guarded, to conduct investigations of suspected wrongdoing and to receive complaints from customers;

- 6) to review and audit the finances of the gaming operation through the combined use of Commission staff and independent public accounting firms that are retained by the licensee and approved by the Commission; and

- 7) to ensure that all rules and regulations of the Commission are enforced.

Pursuant to statute, the Commission has entered in to a Memorandum of Understanding with the Missouri State Highway Patrol to perform background investigations and to provide enforcement personnel on the boats. Pursuant to this agreement, the Patrol also provides enforcement personnel for the Division of Bingo. In addition, the Commission has a Memorandum of Understanding with the IRS to assist with the financial portion of the background investigation and to provide ongoing expertise with regard to the internal control procedures and the reporting and payment of taxes.

At the end of 1994, five riverboat casinos were operational in Missouri. Summaries of the operators' financial reports, that are required by the Commission, are contained in *Appendix C*. Boyd Gaming Co. in Kansas City and Aztar-Caruthersville are in the process of being investigated.

The Commission is also responsible for approximately 870 bingo licensees and is in the process of implementing the new requirement of licensing hall providers. The Commission's Bingo Division has begun the difficult task of implementing the new supplier-based bingo tax that took effect January 1, 1995.

The Year in Review

Gaming in Missouri during 1994 was a roller coaster ride of legal and legislative issues that were finally resolved when 848,235 Missourians voted to approve a Constitutional Amendment authorizing slot machines and other games of chance.

As the year began, the Commission's executive staff, consisting of Tom Irwin, Executive Director; Mel Fisher, Deputy Director for Enforcement; Kevin Mullally, Deputy Director for Legal & Legislative Affairs; and Debbie Ferguson, Deputy Director for Administration, was working with the Commission to develop policies and procedures that would ensure the integrity and fairness of the licensure process.

These efforts were expedited because of the diligent work by the Commission in the summer and fall of 1993 in developing rules and regulations. The development of the rules was a lengthy and open process which allowed for significant input from both the industry and the public at large. The five member Commission devoted an extraordinary amount of time and effort in analyzing not only the regulations of neighboring jurisdictions, but Nevada and New Jersey as well. In consultation with experienced professionals, the Commission was able to establish a solid regulatory framework for the supervision of gaming.

Missouri was viewed by industry analysts as a major emerging market because of the vast potential in the Kansas City and St. Louis metropolitan areas and the status of its out-state river cities as major tourist attractions and prime candidates for economic development.

On January 27, 1994, the Missouri Supreme Court handed down its ruling in *Troy Harris v. The Missouri Gaming Commission* which struck down the law that authorized the Commission to allow

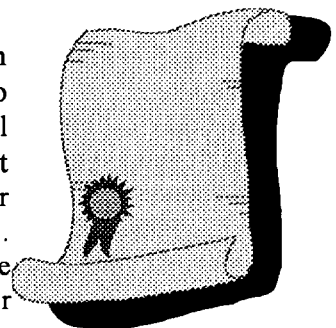
games of chance on excursion gambling boats. The court ruled that games of skill, such as poker and blackjack, could be allowed on riverboats, but did not rule whether the Commission could permit video representations of those games. That issue was remanded to the lower court.

The decision prompted the legislature to give the people the opportunity to rectify the situation by placing a proposed Constitutional Amendment on the April ballot that would authorize games of chance. The proposition lost by 1,003 votes.

With a host of communities anxious to reap the benefits of the jobs, economic development and tourism benefits promised by gaming operators, the General Assembly moved to resolve the issues left undecided by the *Harris* decision. The result was SB 740, which defined games of skill to give the Commission guidance with regard to the specific games that were allowed. Perhaps more importantly, the bill strengthened the existing ethics provisions to outlaw financial dealings between public officials and gaming operators.

After an extensive background investigation and public hearings, the Commission issued a Finding of Preliminary Suitability for four applicants on April 29, 1994. The companies included were: The Missouri Gaming Company (Argosy-Riverside); President Riverboat Company; St. Joseph Riverboat Partners; and Station Casinos (St. Charles Riverfront Station).

The Commission staff then proceeded to analyze the internal controls of each applicant and process their prospective employees. Shakedown cruises were held in late May for



President Riverboat Casino and St. Charles Riverfront Station. On May 27, 1994, these two operators were issued the first gaming licenses in Missouri. On June 22, 1994, Argosy-Riverside and the St. Jo Frontier Casino were licensed as well. The final license issued in 1994 was granted to Harrah's-North Kansas City on September 22, 1994.



The Commission has licensed 3 suppliers and is in the process of investigating 18 supplier applicants.

Thus, while 1994 will be remembered as a difficult, anomalous year for riverboat gaming, it also marks the successful beginning of this new industry. The Commission is now in the process of examining the host of remaining applicants who await the chance to help the gaming industry in Missouri fulfill its promise of new jobs, economic development, increased tourism and enhanced revenues for education without an increase in taxes.

In calendar year 1994, the five licensed gaming operators have generated \$19,879,979.48 in revenue for education -- already exceeding the budgeted amount of \$12.5 million for FY 95 which is six months from completion. All indications suggest that the revenue generated by gaming operators for education will exceed \$50 million in this first full year of operation. In addition, the licensees have contributed over \$6,936,596.45 in taxes and admission fees to their home dock communities.

Missourians have also benefited from the thousands of jobs that have been created by this new industry. The five operators employ 5,590 people and have made diligent efforts to hire Missourians residing in each operator's home dock community. Furthermore, the five operators have a total capital investment of \$326.5 million, consisting of new construction, lease payments to home dock cities and other responsibilities pursuant to each operator's development agreement with its home dock community.

The Commission currently has 19 pending applications, including those of Boyd Gaming in Kansas City and Aztar-Caruthersville, which are now being investigated.

The Commissioners

Robert L. Wolfson, Chairman

Robert L. Wolfson has been a resident of St. Louis, Missouri since 1947. He previously resided in Minneapolis, MN from 1918 to 1941. He lived in Oklahoma City, OK from 1941 to 1947.

He was inducted into the U.S. Army in January, 1943. He served overseas in the C.B.I. Theater of War from January 1944 through June of 1946. Mr. Wolfson received an honorable discharge with rank of Captain.

Robert Wolfson established Feld Chevrolet in St. Louis, Missouri, in 1947 and has established many successful retail businesses throughout his 47 years in St. Louis. Mr. Wolfson is presently Chairman of the Board of Wolfson Capital Venture.

Mr. Wolfson is the co-founder of the St. Louis Blues of the National Hockey League and served as Vice President-Treasurer of the St. Louis Blues as well as the Missouri Arena Corporation from its inception until it was sold to Ralston Purina in 1979.

In addition to his success in retail business, Mr. Wolfson has successfully established several banking companies. In 1969, Mr. Wolfson co-founded the Parkway Bank in St. Louis. He was Chairman of the Board until the bank was sold to Mark Twain Bank in 1972. He also co-founded Progress Bank in Fenton, Missouri, in 1975 and served as Chairman of the Board until it was sold to Mark Twain Banks in 1980. Mr. Wolfson presently serves on the Mark Twain Chairman's Board.

Mr. Wolfson is a member of the Board of Trustees of Brandeis University; the Board of Trustees of the Jewish Hospital of St. Louis; past Director and Officer of the Jewish Federation of St. Louis; past President and Chairman of Trustees of the Jewish Community Center Association; and has served on the International Board of Boys Town of Italy.

Mr. Wolfson has served as an officer and on the Board of Governors of Westwood Country Club in St. Louis of which he is a member. He is the recipient of many awards from civic organizations in the St. Louis area and is well known for his philanthropic endeavors.

Robert M. Clayton II, Vice-Chairman

Mr. Clayton is a practicing attorney in Hannibal, Missouri where he serves as senior partner of *Clayton & Rhoades*. Mr. Clayton served as City Counselor of Hannibal, Missouri from 1968-1977 and as a real estate closing attorney for the U.S. Army Corps of Engineers, Mark Twain Lake Project, from 1967-1968.

Mr. Clayton received his A.B. degree in History from Duke University in 1962 and his J.D. from the University of Missouri-Columbia in 1965.

Mr. Clayton has served on the Board of Directors of Roosevelt Bank since 1966. He has also served as a Member of the Compensation and Stock Option Committee. He also serves on the Mark Twain Home Board.

Mr. Clayton is a former President of the Missouri Bar. He has also served on the Commission on Retirement, Removal and Discipline of Judges from 1988-1993, serving as Chairman from 1992-1993. He was a member of the American Bar Association House of Delegates from 1988-1992 and served as Chairman of the Mississippi River Parkway Commission of Missouri.

Mr. Clayton continues to be active in the Bar. He is the Treasurer of the Missouri Bar Plan Mutual Insurance Company, a member of its Executive Committee and Chairman of the Bar's Underwriting

and Finance Committee. Mr. Clayton also serves as a member and Director of the Bar Plan Foundation.

Mr. Clayton is also active in community affairs having served as a member of the following organizations: Hannibal Chamber of Commerce Board of Directors; Hannibal Jaycees, Board of Directors; Governor's Task Force on the Role of Higher Education; President of the Missouri Municipal Attorneys Association; President of the Hannibal Country Club Board of Directors; Hannibal Civic Redevelopment Commission; Hannibal Charter Revision Commission; YMCA Board of Directors; and President of the Rotary Club Board of Directors.

Mr. Clayton has been awarded an "av" rating in the Martindale-Hubbell Legal Directory and is listed in *Who's Who*. He has received the *Award of Merit* from the Missouri Bar and the *Citation of Merit for Distinguished Service* from the University of Missouri Law Alumni Association. He has also been given an Official Commendation from the U.S. Army Corps of Engineers.

William J. Quinn

Mr. Quinn is a retired, 23-year veteran of the FBI where he served as supervisor of the agency's Organized Crime and Racketeering unit in Kansas and the Western District of Missouri. He is a veteran of the United States Navy and holds a BBA degree from Northeastern University in Boston, Massachusetts.

From 1973-1985, Mr. Quinn served as Security Director for United Telephone Company in Overland Park, Kansas. In addition, Mr. Quinn has owned and operated a private security company.

Mr. Quinn has been an officer in the Society of Former Agents, having served as Secretary from 1984-1986 and President from 1988-1989. Mr. Quinn also served as National Chairman of the Former Agents of the FBI Foundation from 1989-1990.

Dr. Jenice P. Stewart, Secretary

Dr. Stewart is a Certified Public Accountant and an Associate Professor at the University of Missouri-Columbia where she teaches International Accounting Cost/Managerial Systems to graduate and undergraduate students. She served as a Research Associate at Washington University from 1990 to 1992 and was a staff accountant for Joseph Decosimo and Company, CPAs, in Chattanooga, Tennessee.

Dr. Stewart holds a Ph.D. from the University of Alabama; a Masters in Accounting Science from the University of Illinois and received her Bachelor of Science in Business Administration and Education from Lindenwood College in St. Charles, Missouri.

Dr. Stewart has received a number of honors and awards for her work in the field of accountancy. She received the 1992 National Achievement Award in Education from the National Association of Black Accountants. In addition, Dr. Stewart received the KPMG Peat Marwick Foundation Grant in 1988-90. She also received a grant to attend the "Faculty Study Abroad" in Antwerp, Belgium in May 1994.

Dr. Stewart is a member of the American Accounting Association, the National Association of Black Accountants, the American Institute of CPAs, Beta Alpha Psi, the Institute of Management Accountants and the Missouri Society of CPAs. She is a renowned author in her field having published a number of articles in various accounting and professional journals. Dr. Stewart also serves on the Board of Directors for Mizzou Credit Union and the Price Waterhouse, National Office Advisory Board.

Avis Tucker

Mrs. Tucker is the President of Star-Journal Publishing Co. and serves as Editor and Publisher of *The Daily Star-Journal* in Warrensburg, Missouri. She also serves as President of Johnson County Broadcasters, Inc. which operates KOKO radio station in Warrensburg and KLMX radio station in Clayton, New Mexico.

Mrs. Tucker is past President of Green Securities, Inc. and is currently on the Board of Directors of UtiliCorp United, Inc. which she chaired from 1982-1989.

Mrs. Tucker received her A.B. degree from the University of Missouri-Columbia and is a former member of the University of Missouri Board of Curators, having served as President in 1972. She has also served the public as a member of the Coordinating Board for Higher Education; the State of Missouri Public Defenders Commission; the Governor's Advisory Council on Literacy; University of Missouri-Columbia Development Fund, Executive Committee; and the Federal Merit Selection Commission.

In addition to her work on the Gaming Commission, Mrs. Tucker currently serves on the Missouri Commission on the Organization of the Judicial Department; the Whiteman Air Force Base Community Council; the Warrensburg Chamber of Commerce; Warrensburg Depot Renovation, Inc.; and the Children's Mercy Hospital Public Affairs Committee.

In addition to her government service work, Mrs. Tucker has served on a number of private charities and foundations. Mrs. Tucker's private affiliations and service include: Secretary of the Kappa Alpha Theta National Foundation; Children's Mercy Hospital Central Governing Board; Missouri State Chamber of Commerce, Director at Large; Missouri Press Association, President; West Central Mental Health Association; Warrensburg Medical Center; Missouri Bar Committee to Review and Evaluate the Missouri Non-Partisan Court Plan; and the Missouri Bar Judicial Article Review Commission.

Mrs. Tucker has received a number of awards for her professional accomplishments and her public service work. Some of her many awards include: Missouri Honor Award for Distinguished Service in Journalism from UMC School of Journalism; Honorary Doctor of Laws degree, William Woods College; named in 1968 to list of 100 distinguished women graduates in observance of the 100th anniversary of the admission of women to the

University of Missouri; Faculty-Alumni Award -- University of Missouri-Columbia, 1969; Distinguished Service Award -- UMC Alumni Association; Academy of Missouri Squires; Liberty Bell Award from the Missouri Bar, 1976; National Newspaper Association, Emma C. McKinney Award, 1982; Missouri Chamber of Commerce Business Leader of the Year, 1983; James C. Kirkpatrick, Excellence in Governance Award, 1988; Honorary Doctor of Laws, Westminster College, 1988; Honorary Degree of Doctor of Humane Letters, University of Missouri, 1989; and the American Legion Department of Missouri Distinguished Service Award.

Organizational Structure

The Riverboat Gambling Act authorizes the Commission to employ such personnel as are necessary to carry out the functions of the Commission, including the appointment of an Executive Director. The Commission has complete responsibility for all regulatory matters related to riverboat gambling.

Office of the Executive Director

Thomas J. Irwin was named Executive Director by the Commission on October 27, 1993. Mr. Irwin came to the Commission after serving 3 years as Executive Assistant to St. Louis County Executive, Buzz Westfall. Mr. Irwin is a graduate of Harvard University where he earned his masters degree from the Kennedy School of Government. He has served as the Chief Budget Officer for the Boston Police Department and was the Executive Assistant for Intergovernmental Affairs for St. Louis Mayor Vince Schoemehl from 1982 to 1988. Mr. Irwin is a veteran of the United States Marine Corps having served in Vietnam in 1968.

Mr. Irwin is responsible for the day-to-day operations of the Commission. He supervises all staff activities and reports to the Commission. Among the staff positions reporting to the Director is Public Information Officer, Harold Bailey. Mr. Bailey is responsible for organizing and distributing all public documents and reports.

In addition, there are four primary functions of the Commission that have been divided into sections that report directly to Mr. Irwin, including:

Administration, Audit, Enforcement & Investigations, and Legal & Legislative Affairs.

Administration

The administration section, headed by Deputy Director, Deborah Ferguson, is responsible for the following functions: accounting, purchasing, data processing, budget, leasing, and human resources. The first full year of the Commission was a busy one for the Administration section and its many accomplishments would not have come to pass without the assistance of Chief Accountant, Denny Hodges, who was hired in June, 1994 and Personnel Officer, Vicki Glenn, hired in February, 1994.

More specifically, the duties of this section are as follows:

- maintaining all Commission financial and personnel records;
- billing licensed operators for the full cost of the enforcement agents assigned to each boat, and for the costs associated with licensing the employees that work on each riverboat;
- billing suppliers and licensed operators for the cost incurred by the Commission when testing electronic gaming devices;
- processing all payments made by the Commission;
- providing and maintaining the equipment necessary for the Commission to carry out its administrative and regulatory responsibilities;
- preparation of the Commission's annual budget;
- handling all personnel matters and employee training; and
- establishing written office policies for Commission staff.

Since 1994 was the first full year of the Commission's existence, the administration section was a focal point of activity. The organization had to be built from scratch including the purchasing of furniture, computers, equipment and supplies for

facilities in St. Louis, Kansas City and Jefferson City.

Administration is also responsible for negotiating all leases. Because of space constraints, the Commission will need to relocate the Jefferson City office in 1995.

Data Processing

The Data Processing section, headed by John Bluma, had a busy year. Mr. Bluma developed the communications network that allows the Commission to collect taxes from the riverboats on a daily basis. In addition, the data processing division achieved the following accomplishments in 1994:

- installation of local area networks (LANs) in Jefferson City & St. Louis that are connected by a Wide Area Network (WAN) which also connects with the Highway Patrol and gaming agent offices in Kansas City and St. Joseph;
- installation of 3270 mainframe terminal software for integration with the Missouri Uniform Law Enforcement System (MULES);
- installation of the NBS photo ID system which is used to create a file on each occupational licensee and produces an ID badge for every person on the riverboat; and
- development of the following software systems: occupational licensing system for enforcement and billing, bingo Hall Provider and Operator system, bingo Supplier tax collection system, fingerprint application tracking system, arrest log system, background investigation tracking system, incident reporting system, and a slot machine inventory system.

Mr. Bluma added Mike Brizendine to his staff in July, 1994. Mike has developed all the systems for the Bingo Division and has been an invaluable member of the Commission's software development team.

Audit

The audit section is responsible for the critical function of ensuring that the operators pay their taxes promptly and accurately. This section, headed by Alan Gordon, developed the Commission's

tax remittance system that allows the Commission to capture tax remittance data on a daily basis. The operators' returns are audited by the Commission's Certified Public Accountant, Pam Brown and staff accountant Kara Hardaway.

The audit section also develops audit programs, reviews and approves each boat's system of internal controls, conducts on-site performance audits, and oversees the financial audits of the casinos that are performed by independent public accounting firms that have been selected by the Commission from a list of three C.P.A.'s submitted by the operator.

During 1994, the audit section developed Minimum Internal Control Standards that all operators must meet. These standards were developed by the audit staff after a lengthy review process that involved input from the IRS, enforcement officers and industry experts.

The audit section also implemented a system for tracking and depositing all non-tax revenue received from applicants such as application fees from applicants and reimbursements for Commission services.

A summary of some of the audit section's programs and objectives is contained in *Appendix H*.

Enforcement

Enforcement for the Missouri Gaming Commission is provided by officers of the Missouri State Highway Patrol and agents of the Internal Revenue Service by way of Memorandums of Understanding which set forth the responsibilities of each entity.

The enforcement section is headed by Mel Fisher, former Superintendent of the Highway Patrol. The Gaming Division of the Highway Patrol is headed by Captain Dwight Hartung. There are fifty-eight officers assigned to the Gaming Division

and an additional five officers assigned to the Bingo Enforcement Unit.

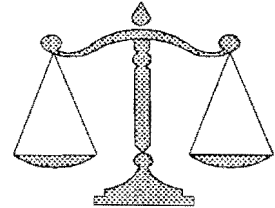
Some of the advantages of using Highway Patrol Officers as gaming agents include:

- the staff assigned are trained specialists in law enforcement and investigations, thus saving the Commission the time, effort and expense of recruitment and training;
- because the agents are licensed law enforcement officers, they command immediate respect when interacting with licensees and customers aboard a riverboat as well as when they are in a foreign jurisdiction conducting an investigation;
- the Commission feels that it is important to rotate enforcement staff aboard the various boats. This process is much easier with seasoned law enforcement officers who are used to being rotated between assignments as well as in and out of the gaming division;
- provides the ability to access sensitive law enforcement information from other jurisdictions;
- their experience in conducting investigations and handling emergency situations has proven invaluable.

The Commission's background investigation units consist of three Highway Patrol Officers and 1 IRS agent. The background investigations conducted by the Missouri Gaming Commission are thorough and take approximately four months to complete if no unusual complications or delays emerge. The Commission not only investigates the finances and activities of the company and all its key people, but traces the source of all their funds to ensure that no criminal elements are funding the operation from behind the scene. An outline that provides a sketch of a typical background investigation is contained in *Appendix E*.

Legal & Legislative Affairs

The Commission's section on Legal & Legislative Affairs is responsible for handling various legal matters that must be dealt with by the Commission on a daily basis. This section, headed by Deputy Director, Kevin Mullally, also develops the Commission's legislative package and is responsible for drafting and working with the Rules & Regulations of the Commission. Finally, Mr. Mullally's section has supervisory control over the Division of Bingo.



A key player in handling the legal affairs of the Commission is General Counsel, Greg Omer. Since joining the Commission staff in March, 1994, Mr. Omer has been an invaluable resource in handling the Commission's constantly growing caseload of legal matters. More specifically, Mr. Omer was instrumental in developing the Commission's record-keeping system and establishing procedures for drafting and adopting resolutions for all Commission actions.

During 1994, the Legal & Legislative Affairs section was responsible for the staff work on the following accomplishments of the Commission:

- The Commission's Code of Ethics;
- the Commission's Affirmative Action Plan;
- system for responding to opinion requests from applicants, legislators and the public;
- complete overhaul of the regulatory scheme for bingo;
- procedures for continuous docking hearings;
- Memorandums of Understanding with gaming regulators in Arizona, Mississippi, Illinois, New Jersey, Louisiana, Colorado, Washington, Indiana and New Zealand; and

- establishment of procedures for excluding certain persons from excursion gambling boats.

In cooperation with the Attorney General's office, the Legal & Legislative Affairs section monitors all litigation in which the Commission has an interest. All pending litigation in which the Commission has an interest is set forth in *Appendix F*.

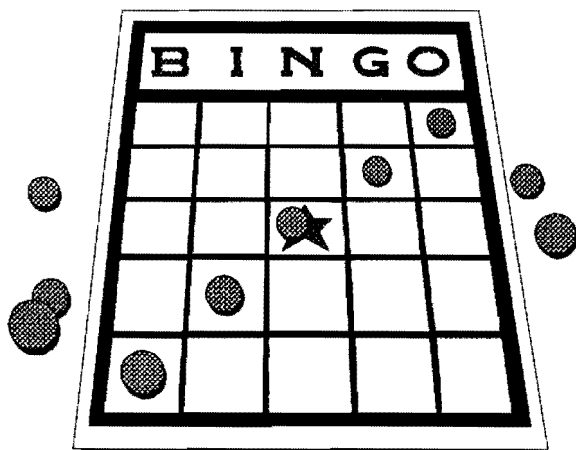
Division of Bingo

The Commission assumed responsibility for the regulation of bingo on July 1, 1994. Since that time, the Commission bingo staff has been diligently working on the implementation of the myriad of reforms contained in Senate Bill 427 which was passed by the General Assembly in 1994. Bingo Supervisor Ron Pleus heads a staff that includes two auditors, three administrative employees and two enforcement officers. In addition, Deputy Director Mullally works directly with the bingo staff on all legal and policy matters.

addition, the new system of taxation will greatly reduce the record-keeping requirements of the charitable organizations.

The staff is also working hard to implement the new licensing category of hall providers. Commission investigations have revealed that there are a number of individuals who are involved in the leasing of premises to bogus charitable organizations or use a legitimate organization as a "front", and are, in effect, running for-profit bingo games for their own personal benefit.

The prevalence of this activity has required much more detailed, in-depth investigations than originally anticipated. This has put a tremendous strain on the two bingo enforcement officers. The Commission is requesting that the General Assembly authorize four additional bingo enforcement officers to deal with this and other criminal activity that is currently infecting licensed bingo operations in Missouri.



The reform provisions in SB 427 will have an immediate, positive impact on the regulation of bingo in 1995. A new, supplier-based, tax will replace the 2 1/2 percent gross receipts tax on bingo games and pull tabs that had been paid by charitable organizations. This new system of taxation will create an auditable paper trail whereas the old tax was impossible to audit since there was no independent verification of gross receipts. In

Statutory Reporting Requirements

Introduction

Pursuant to Section 313.837, the Commission offers the following report regarding the number of excursion gambling boat licenses that have been issued, the effect that the tax rate has on the competitiveness of Missouri excursion gambling boats when compared to the gaming tax rate of adjoining states and the effect of the \$500 loss limit on the competitiveness of the gaming industry in Missouri.

Number of Licenses Issued

The Commission licensed five excursion gambling boat operations in 1994. The licensees and their docksites are as follows:

- *President Riverboat Casino on the Admiral*, St. Louis, Missouri. Issued May 27, 1994.
- *St. Charles Riverfront Station*, St. Charles, Missouri. Issued May 27, 1994.
- *Argosy-Riverside Casino*, Riverside, Missouri. Issued June 22, 1994.
- *St. Jo Frontier Casino*, St. Joseph, Missouri. Issued June 22, 1994.
- *Harrah's-North Kansas City*, North Kansas City, Missouri. Issued September 22, 1994.
- *St. Charles Riverfront Station*, St. Charles, Missouri. Issued December 29, 1994. (This license is for the St. Charles floating facility which is described in more detail in the section on continuous docking.)

Effect of Tax Rate on Competitiveness

The Missouri tax rate currently mirrors that of its principal competitor, the State of Illinois. The

Missouri/Illinois tax rate consists of a 20% base tax on adjusted gross receipts (AGR). In Missouri, 10% of that tax (or 2% of AGR) is allocated to the home dock city or county for services necessary for the safety of the public visiting the excursion gambling boat. The remaining tax on AGR (18% of gross receipts) is placed in the "Gaming Proceeds for Education Fund" and may only be spent for education.

Iowa has a graduated tax that caps out at 20% for adjusted gross receipts over \$3 million. Because the graduated rate reaches its cap at the relatively low ceiling of \$3 million, Iowa's effective tax rate is not significantly different from that of Missouri and Illinois.

Licensees are also responsible for a \$2 admission fee for each person who participates in a gaming excursion. One dollar of this fee is remitted to the home dock city or county. The remaining dollar is used to fund the regulatory activities of the Commission. No general revenue is used for any activity of the Commission. In addition to the \$2 admission fee, the gaming boat is billed monthly for the full cost of the enforcement agents assigned to the boat. Either through fees or direct billing, the gaming operators pay for the full cost of their own regulation.

The State of Mississippi assesses a tax of 7% on AGR. Unlike Illinois, which is limited to licensing ten gaming operations, Mississippi has not limited the number of casinos licensed, but has licensed all applicants that have been found suitable. The Missouri law does not specifically limit the number of licenses that may be issued, but places

this responsibility in the hands of the Commission through a "best interests of Missouri" standard.

The Commission does not feel that the 20% tax rate currently places its licensees at a competitive disadvantage. The Commission intends to monitor the performance of all licensees and to continue to investigate all viable applicants. The Commission recognizes its responsibility for developing a "sound base" for the industry in Missouri.

The Commission will continue its expansion plans in a manner that is best for the state, local political subdivisions, and operators who are willing to make major investments and create jobs for our communities.

The Effect of the \$500 Loss Limit on Competitiveness

The \$500 loss limit as required by Section 313.805, RSMo, was originally instituted as a mechanism to protect the consumer from excessive gambling losses per excursion. It is difficult to determine at this time whether it has accomplished its purpose.

As required by statute, the Commission submitted reports to the General Assembly in September, 1993 and January 1994, regarding the effect of the \$500 loss limit on the competitiveness of Missouri riverboats. It is important to note that this report addresses the \$500 loss limit issue strictly from the perspective of its effect on the competitiveness of Missouri riverboat gaming operations versus those in surrounding states.

The Commission's previous reports indicated that while there was no empirical evidence that the loss limit was detrimental to the industry in Missouri, the available data from other states suggested that Missouri riverboats would be at a competitive disadvantage when compared to states that do not have either bet or loss limits. This presumption appears to be accurate.

The data available from currently operating Missouri riverboats clearly shows that the \$500 loss

limit has eliminated a certain segment of the Missouri market that is available to adjoining states that do not impose loss limits. As the data contained in *Appendix A* indicates, the admissions in Iowa increased significantly after the loss and bet limits were removed in May, 1994. Furthermore, the revenue to the state also increased significantly. Moreover, the data demonstrates the dramatic difference between the win per admission on Missouri boats and their counterparts in Illinois and Iowa.

The reasons that the loss limit creates competitive problems are threefold. First, the loss limit is inherently anti-consumer because it limits the number of units a player has to compete against the house, while the house has an unlimited number of units to use against the player. For instance, if a player wagers \$25 per bet in a blackjack game and is faced with a loss limit of \$500, he is limited to a 20 unit losing streak. The house, on the other hand, can withstand an unlimited winning streak by the player. The odds, which are already in favor of the house, are dramatically increased to the detriment of the player.

Secondly, the loss limit is extremely inconvenient, particularly for those patrons who have absolutely no intention of wagering more than \$500. Enforcing the loss limit involves an elaborate scheme of requiring that each person who enters the riverboat have "script" that allows them to purchase chips or tokens. The script is validated by casino employees as the patron buys in. Once the patron has bought in for \$500, his ability, in theory, to purchase additional chips is eliminated. As we will explain, the system is far from foolproof.

The confusion and inconvenience created by 1500 people in a confined area attempting to redeem script can be very frustrating for the customer. Players must locate their script each time they initiate a new purchase and must remember to carry it with them when they move from one game to another. If a player loses their script, the process of reissuing it is frustrating and time-consuming.

First-time players who are not familiar with loss limits often have a poor first experience dealing with the script. The unfavorable impression created by the script likely has the effect of reducing the number of return-trip patrons and encouraging them to take their business to the competitors of Missouri riverboats in Illinois and Iowa.

In addition to the other inconveniences, the loss limit prevents the utilization of bill validators which is perhaps one of the greatest customer service inventions in the slot industry. In neighboring jurisdictions a player can remain at the machine of their choice without begging for service. Missouri operators are unable to provide this atmosphere because the loss limit requires them to control the amount of tokens the customer purchases.

Finally, the loss limit creates a number of problems for enforcement personnel. The Commission assigns seven officers to each riverboat and those boats operate 18 to 21 hours a day. The agents have reported that they spend a great deal of time and effort monitoring the boats' efforts to enforce the \$500 loss limit. The time spent attempting to enforce the \$500 loss limit takes away from the many other responsibilities of the enforcement officers on the boat. Some of the duties of these officers include:

- investigating alleged theft or skimming;
- monitoring all gaming devices to ensure against illegal modifications. This responsibility includes conducting a kobetron test of every machine that pays out a jackpot of \$3500 or greater -- this task is performed about 12 times per day;
- constantly observing various dealers and players to detect any cheating or illegal methods of conducting a game;
- enforcing all regulations related to the boats' internal controls, including activities such as cash drops, chip inventories, placement of surveillance equipment, payoff percentages of electronic gaming devices, underage gambling, cheating, and filing of federally required cash transaction reports;

- arbitrating disputes between casino patrons and operators;
- monitoring the effectiveness of the casino operators' security and surveillance staff;
- gathering intelligence information to be used in investigations and in conjunction with investigations being conducted by other federal, state, and local law enforcement agencies.

In addition, the enforcement officers unanimously agree that the loss limit cannot be enforced 100% of the time. Problems with spouses exchanging script and chips, script being dropped and picked up by other patrons, script being sold, and a variety of other innovative means are used to circumvent the loss limit. According to one officer, "the effort and imagination used to get around the loss limit is incredible -- we simply can't watch everyone all the time and even if we could, they would find ways around it."

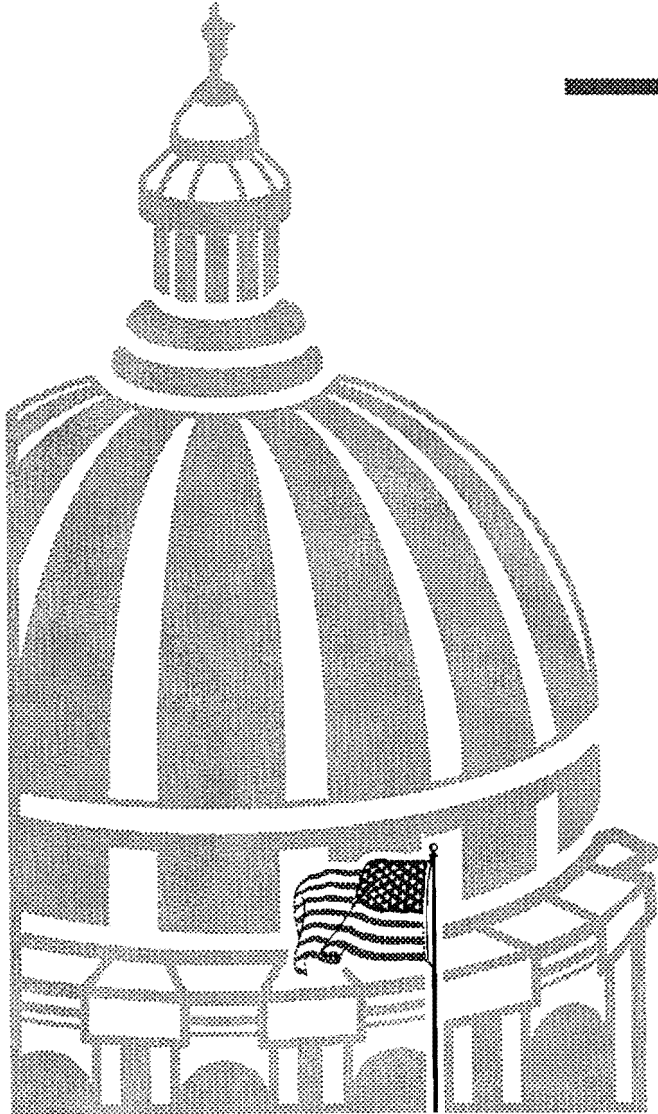
Findings

Based on the foregoing information, and the data contained in *Appendix A*, the Commission finds that the \$500 loss limit places Missouri riverboat gaming operations at a competitive disadvantage as opposed to similar operations in adjoining states. The net effect appears to be a significant decrease in state revenue. Our statement should not be construed as advocacy for removing or retaining the \$500 loss limit -- this is clearly the purview of the legislature.

Furthermore, please keep in mind that we have less than one month's data that reflects the addition of games of chance. We will continue to evaluate the data as it becomes available and will update this report in a few months.

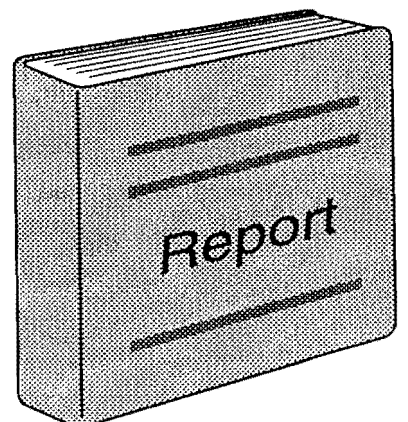
Appendix A

The Effect of the \$500 Loss Limit



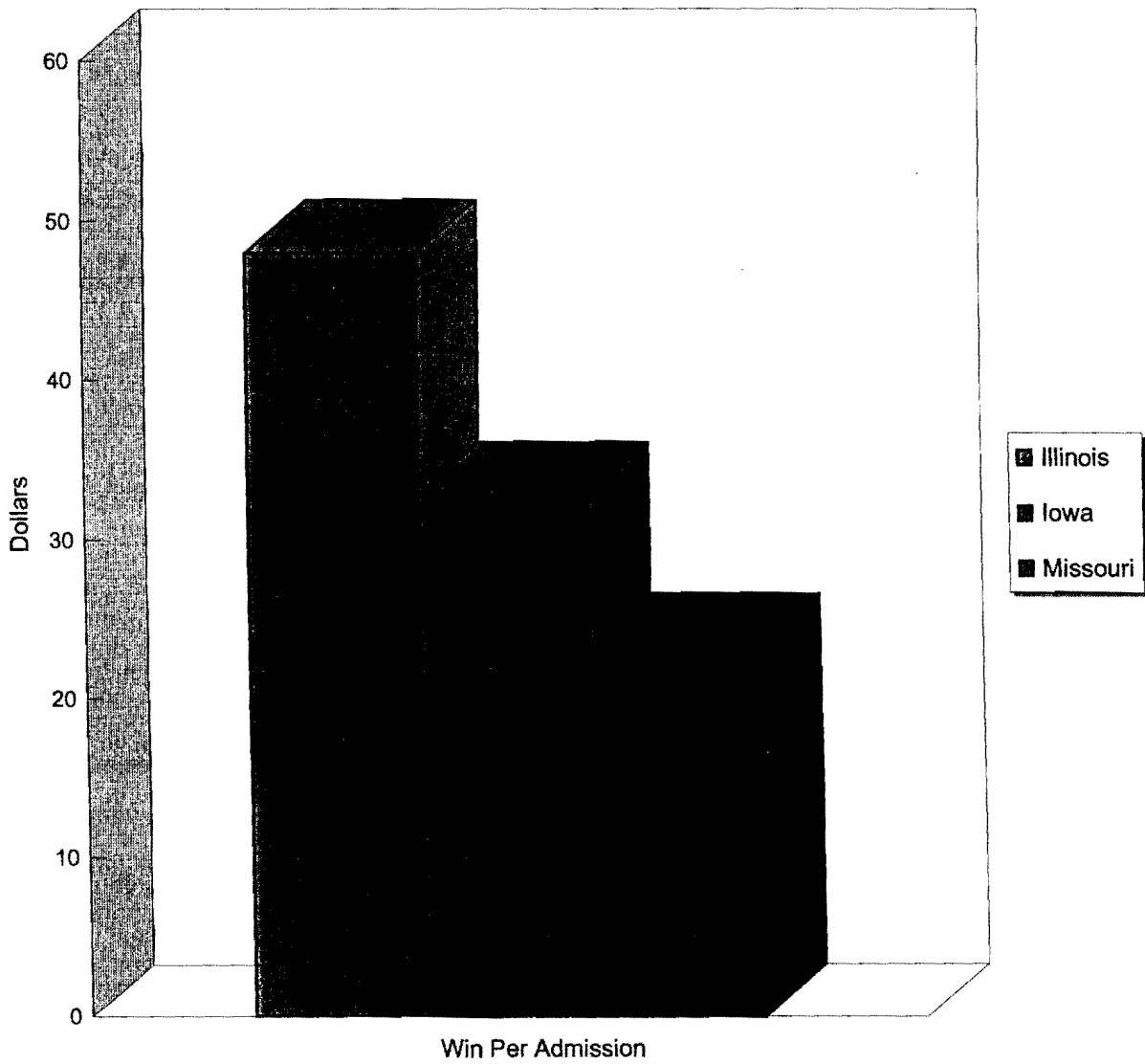
Missouri Gaming Commission

1994 Annual Report to the
General Assembly



	Illinois	Iowa	Missouri
Win Per Admission	\$48.00	\$32.76	\$23.33

Three State Win Per Admission in 1994
(The Effect of the Missouri Loss Limit)

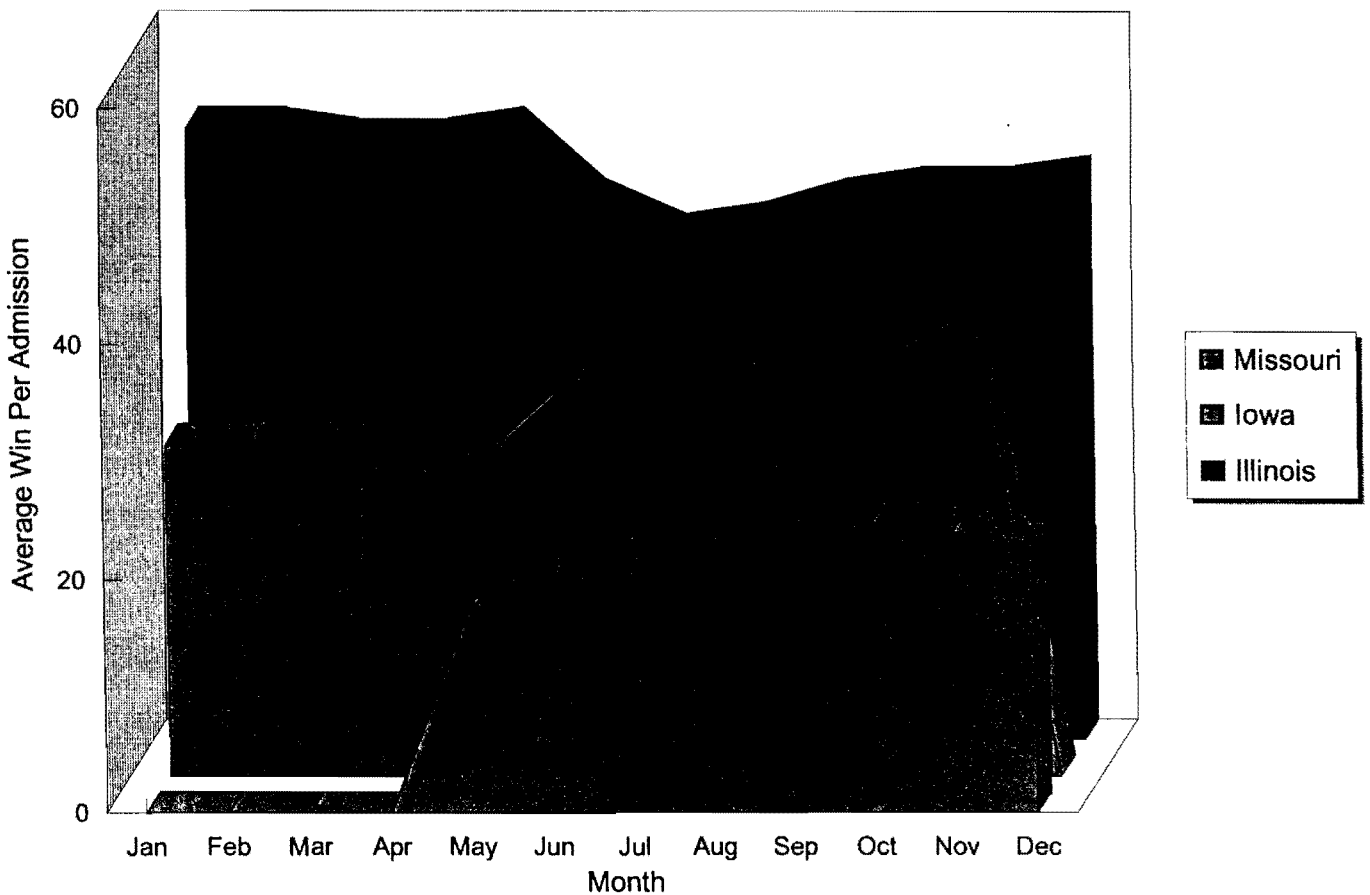


	Average AGR Per Admission		
	Missouri	Iowa	Illinois
Jan		\$28.30	\$52.00
Feb		\$28.55	\$52.00
Mar		\$30.11	\$51.00
Apr		\$24.38	\$51.00
May	17.82	\$27.12	\$52.00
Jun	20.39	\$33.14	\$46.00
Jul	21.52	\$35.76	\$43.00
Aug	23.24	\$33.25	\$44.00
Sep	24.29	\$35.25	\$46.00
Oct	24.96	\$35.05	\$47.00
Nov	24.13	\$38.68	\$47.00
Dec	23.22		\$48.00

LOSS LIMIT NO LOSS LIMIT

Average Win Per Admission

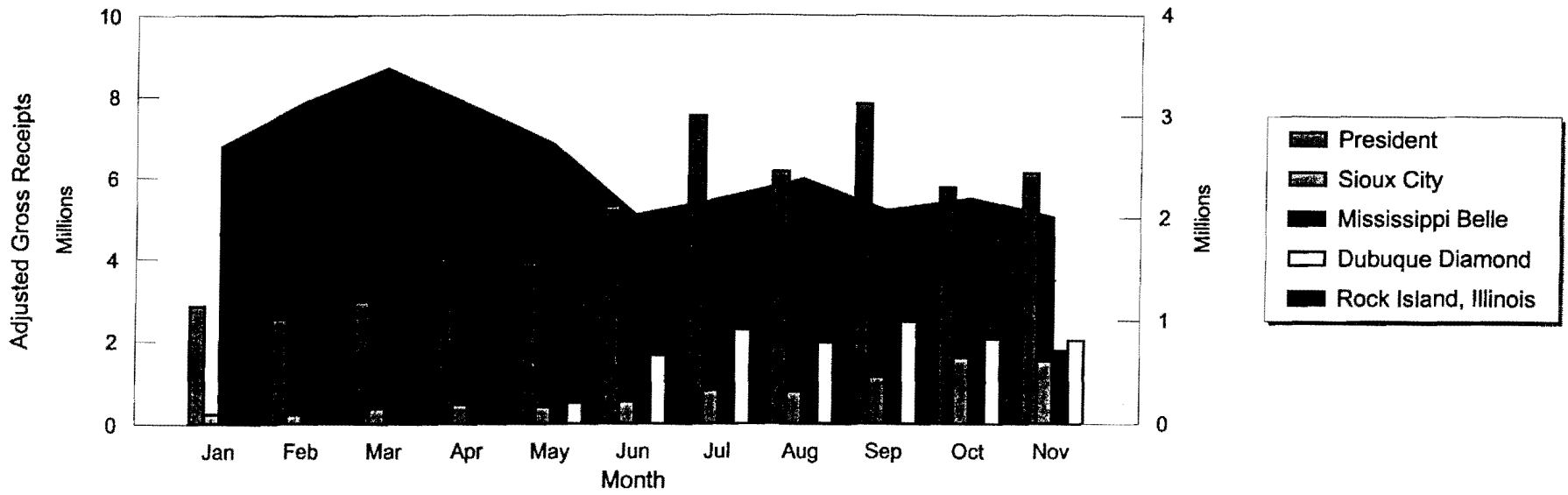
(A Comparison of Illinois, Iowa & Missouri)



	President	Sioux City	Mississippi Belle	Dubuque Diamond	Rock Island, Illinois
Jan	\$2,856,817.00	\$251,808.00	\$818,279.00		\$2,706,631.00
Feb	\$2,537,954.00	\$232,002.00	\$716,020.00		\$3,141,825.00
Mar	\$2,969,603.00	\$374,384.00	\$837,286.00		\$3,479,447.00
Apr	\$4,022,801.00	\$461,170.00	\$1,108,364.00		\$3,107,321.00
May	\$3,918,045.00	\$414,159.00	\$1,019,642.00	\$495,903.00	\$2,730,406.00
Jun	\$5,296,054.00	\$537,495.00	\$1,073,893.00	\$1,653,597.00	\$2,029,399.00
Jul	\$7,530,096.00	\$806,903.00	\$1,581,848.00	\$2,269,411.00	\$2,182,643.00
Aug	\$6,146,962.00	\$778,643.00	\$1,305,803.00	\$1,953,385.00	\$2,384,005.00
Sep	\$7,814,220.00	\$1,134,132.00	\$1,642,123.00	\$2,461,045.00	\$2,073,223.00
Oct	\$5,765,903.00	\$1,604,401.00	\$1,288,188.00	\$2,054,849.00	\$2,191,285.00
Nov	\$6,123,867.00	\$1,514,045.00	\$1,775,234.00	\$2,012,357.00	\$2,007,685.00

WITH LOSS LIMITS WITHOUT LOSS LIMITS

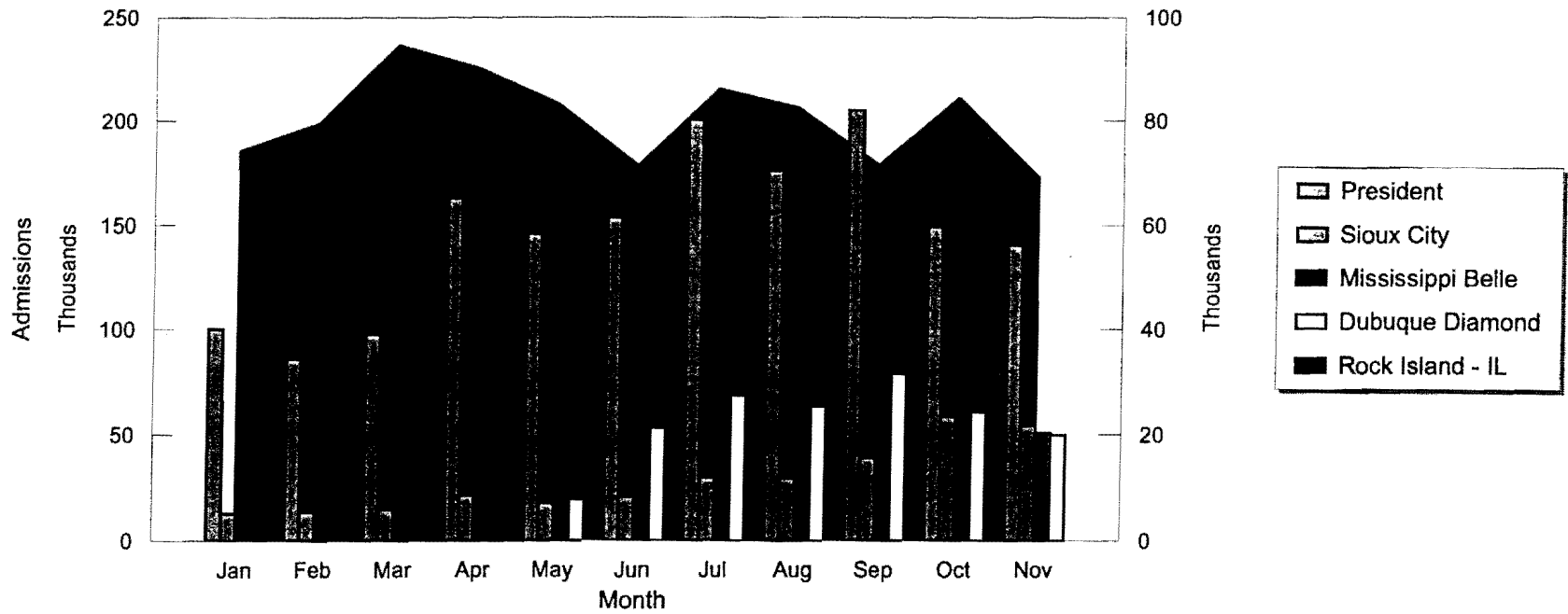
Iowa vs. Illinois Competitor - AGR in 1994
 A Comparison of Iowa vs. Illinois Competitors Before/After Loss & Bet Limits



	President	Sioux City	Mississippi Belle	Dubuque Diamond	Rock Island - IL
Jan	100,237	12,820	25,686		74,233
Feb	86,196	13,217	22,688		79,476
Mar	97,664	14,486	26,720		94,593
Apr	163,029	21,330	44,979		90,175
May	145,932	17,637	32,685	19,334	83,258
Jun	153,737	20,526	30,784	53,316	71,401
Jul	200,843	29,684	41,972	68,362	86,166
Aug	176,084	29,315	37,713	63,196	82,486
Sep	205,253	39,148	47,099	78,759	71,488
Oct	149,212	58,619	37,347	60,456	84,543
Nov	140,384	54,374	50,809	49,789	69,138

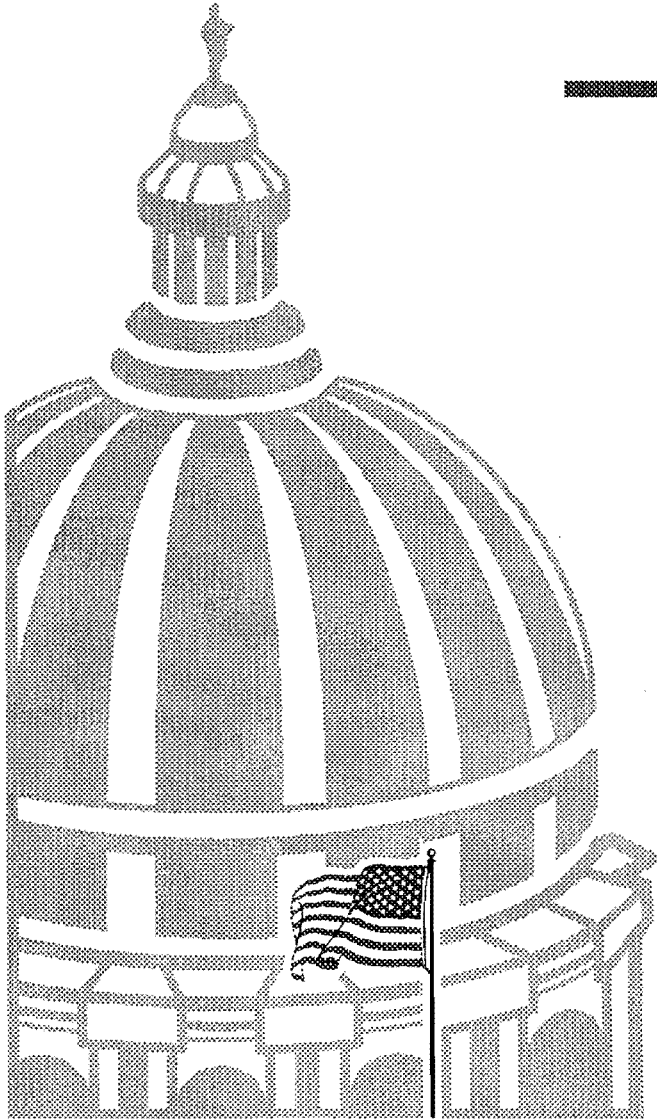
WITH LOSS LIMITS WITHOUT LOSS LIMITS

Iowa vs. Illinois Competitor -- Admissions
The Effect of Loss/Bet Limit Removal



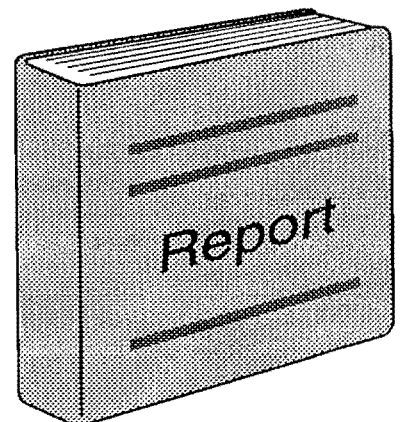
Appendix B

Riverboat Gaming Trends in the Midwest

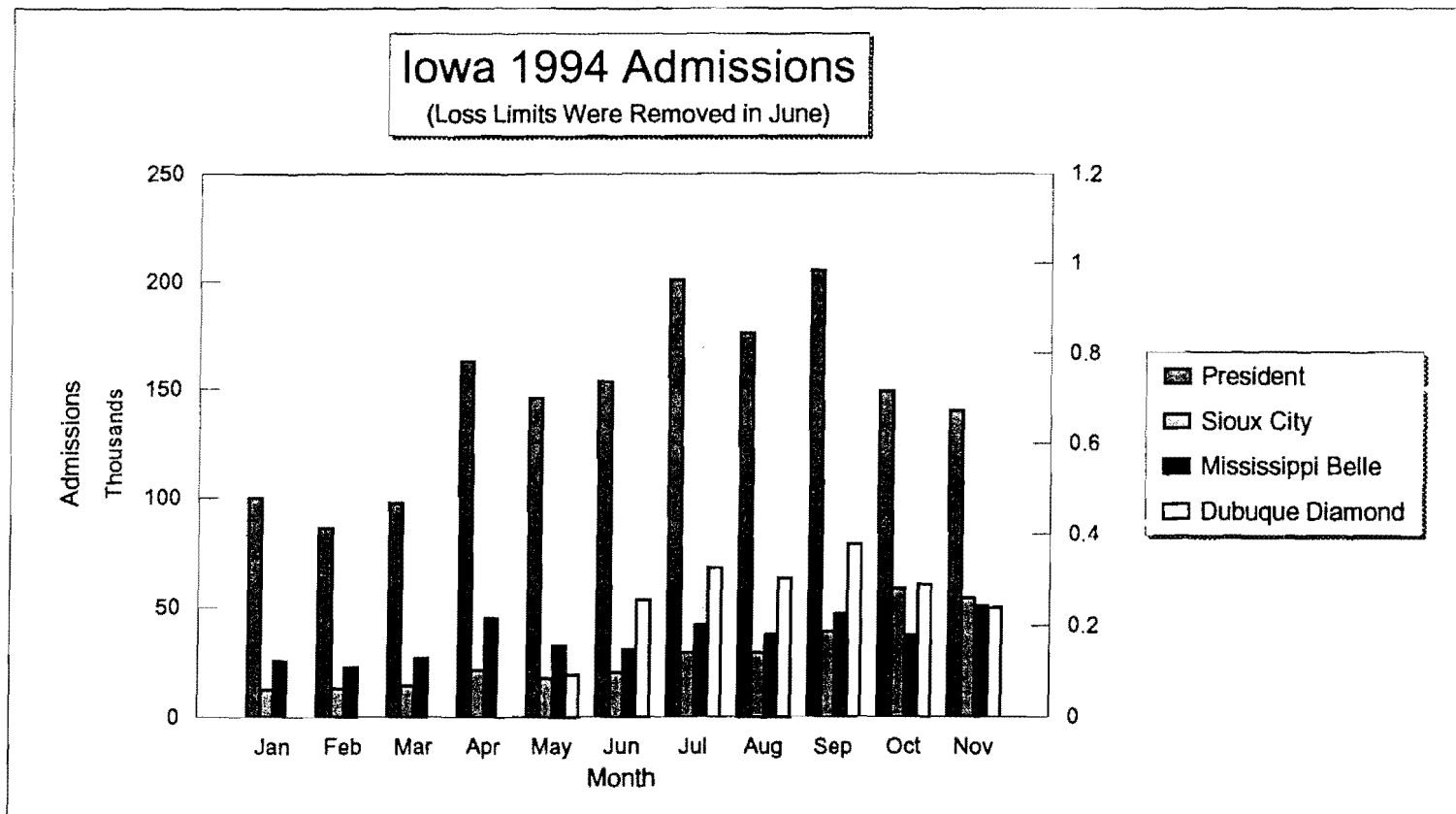


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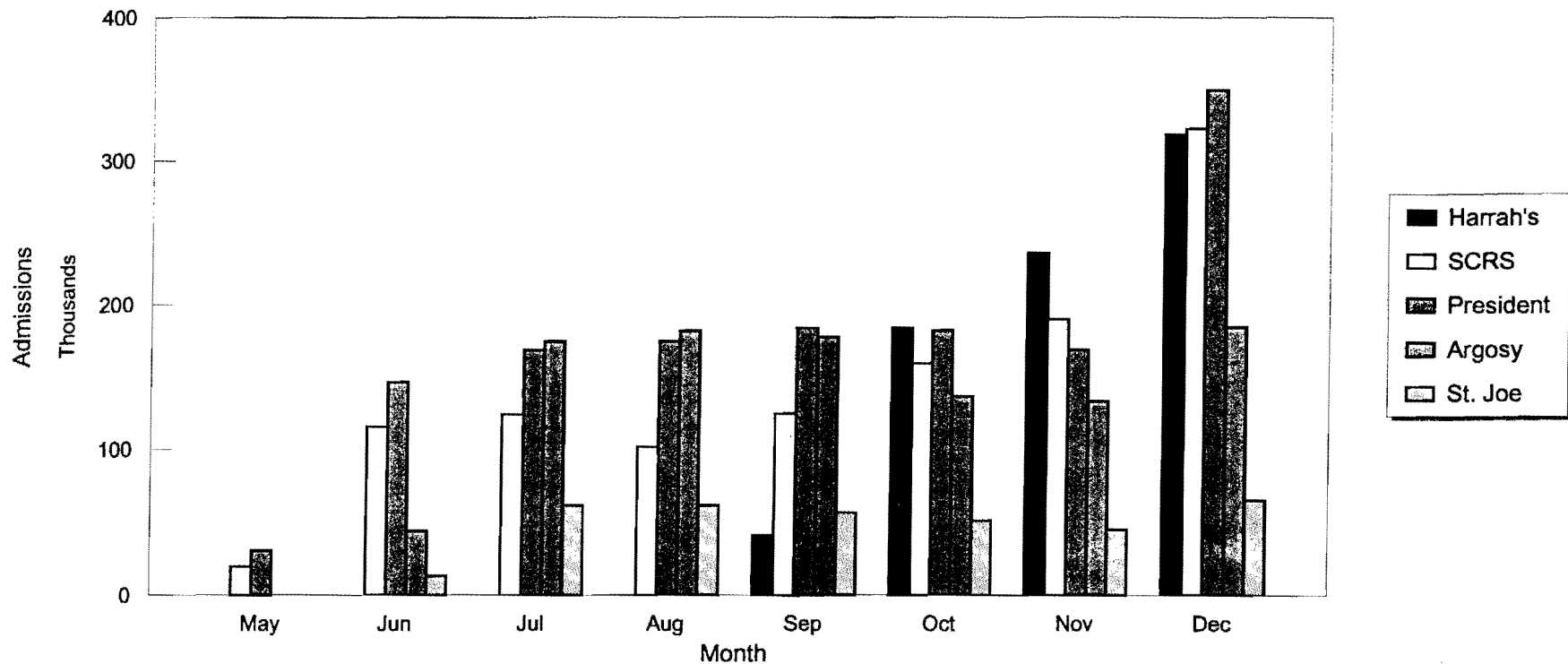
	President	Sioux City	Mississippi Belle	Dubuque Diamond
Jan	100,237	12,820	25,686	
Feb	86,196	13,217	22,688	
Mar	97,664	14,486	26,720	
Apr	163,029	21,330	44,979	
May	145,932	17,637	32,685	19,334
Jun	153,737	20,526	30,784	53,316
Jul	200,843	29,684	41,972	68,362
Aug	176,084	29,315	37,713	63,196
Sep	205,253	39,148	47,099	78,759
Oct	149,212	58,619	37,347	60,456
Nov	140,384	54,374	50,809	49,789



	Harrah's	SCRS	President	Argosy	St. Joe
May		19,387	30,394		
Jun		115,532	146,517	44,046	13,199
Jul		123,980	168,674	174,687	61,293
Aug		101,583	174,976	181,963	61,349
Sep	40,845	124,559	183,987	177,635	56,438
Oct	183,842	159,403	182,234	136,613	50,893
Nov	236,233	189,796	168,980	133,330	44,836
Dec	318,614	322,567	349,637	184,526	65,162

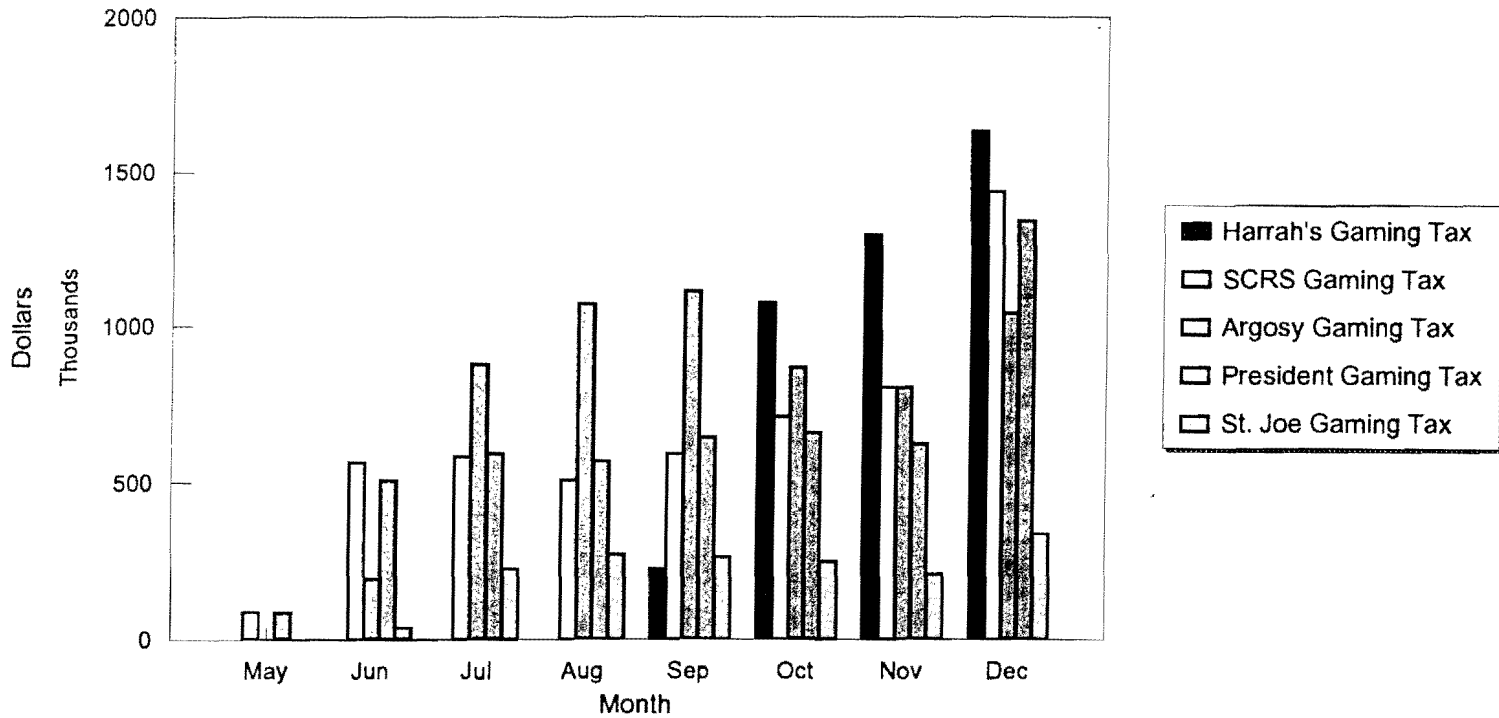
Missouri 1994 Admissions

Based on Passengers per 2-hour Cruise

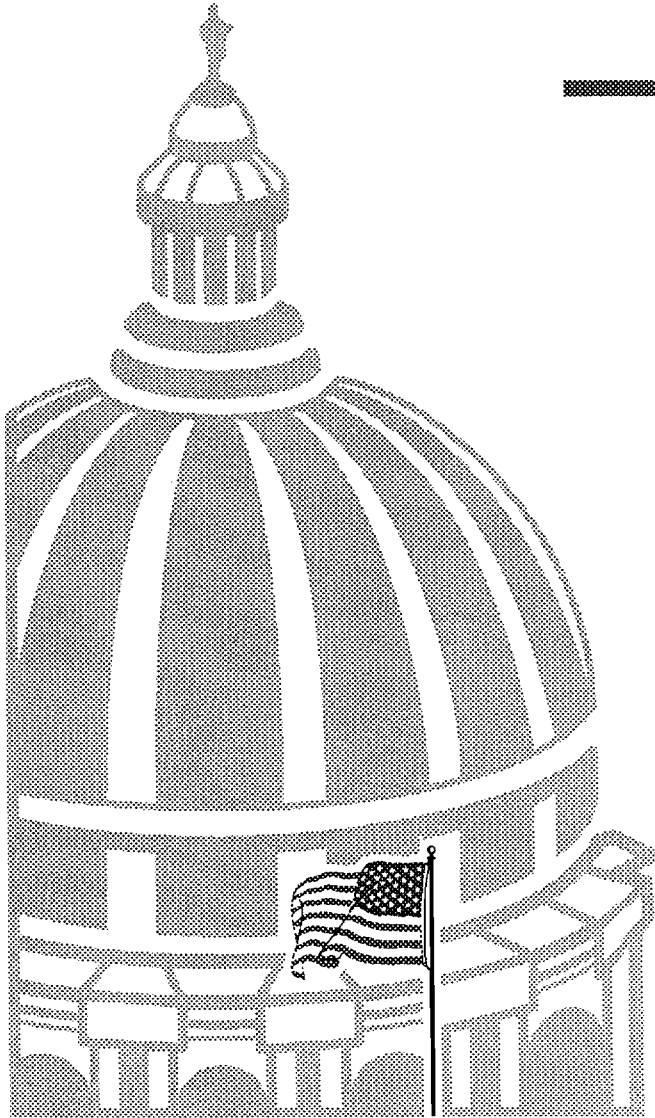


	Harrah's Gaming Tax	SCRS Gaming Tax	Argosy Gaming Tax	President Gaming Tax	St. Joe Gaming Tax
May		\$89,683.68		\$87,732.50	
Jun		\$562,857.10	\$194,846.53	\$506,108.06	\$38,391.95
Jul		\$583,026.30	\$877,389.57	\$589,975.72	\$224,505.38
Aug		\$506,402.55	\$1,073,372.37	\$566,368.10	\$270,247.21
Sep	\$225,208.02	\$590,492.45	\$1,113,959.27	\$643,444.40	\$261,153.96
Oct	\$1,077,665.84	\$708,915.22	\$868,012.85	\$656,896.60	\$247,859.65
Nov	\$1,296,030.10	\$803,109.33	\$803,810.11	\$621,793.23	\$207,187.99
Dec	\$1,630,323.59	\$1,436,185.00	\$1,045,028.51	\$1,344,402.04	\$336,478.94

Gaming Tax 1994 -- Missouri Operators
(20% of AGR)

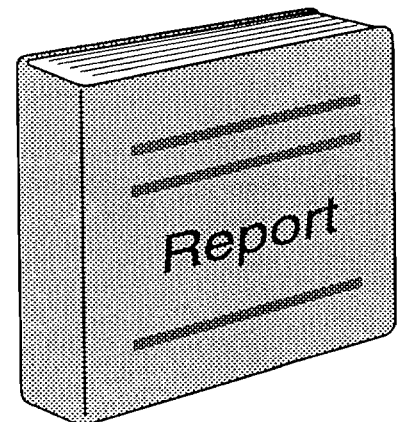


Appendix C
Financial Reports
Required by the Commission



Missouri Gaming
Commission

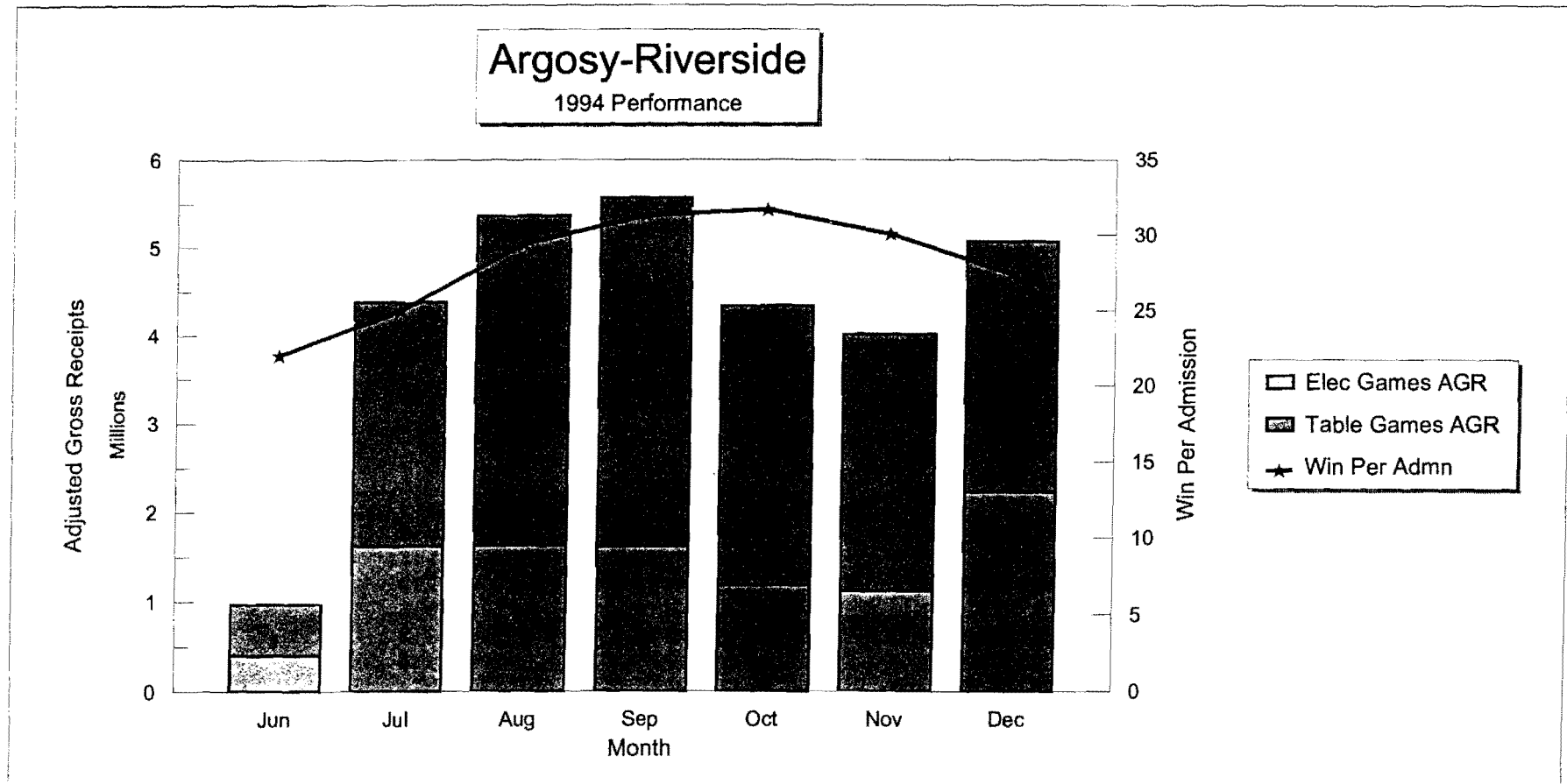
1994 Annual Report to the
General Assembly



Financial Summary

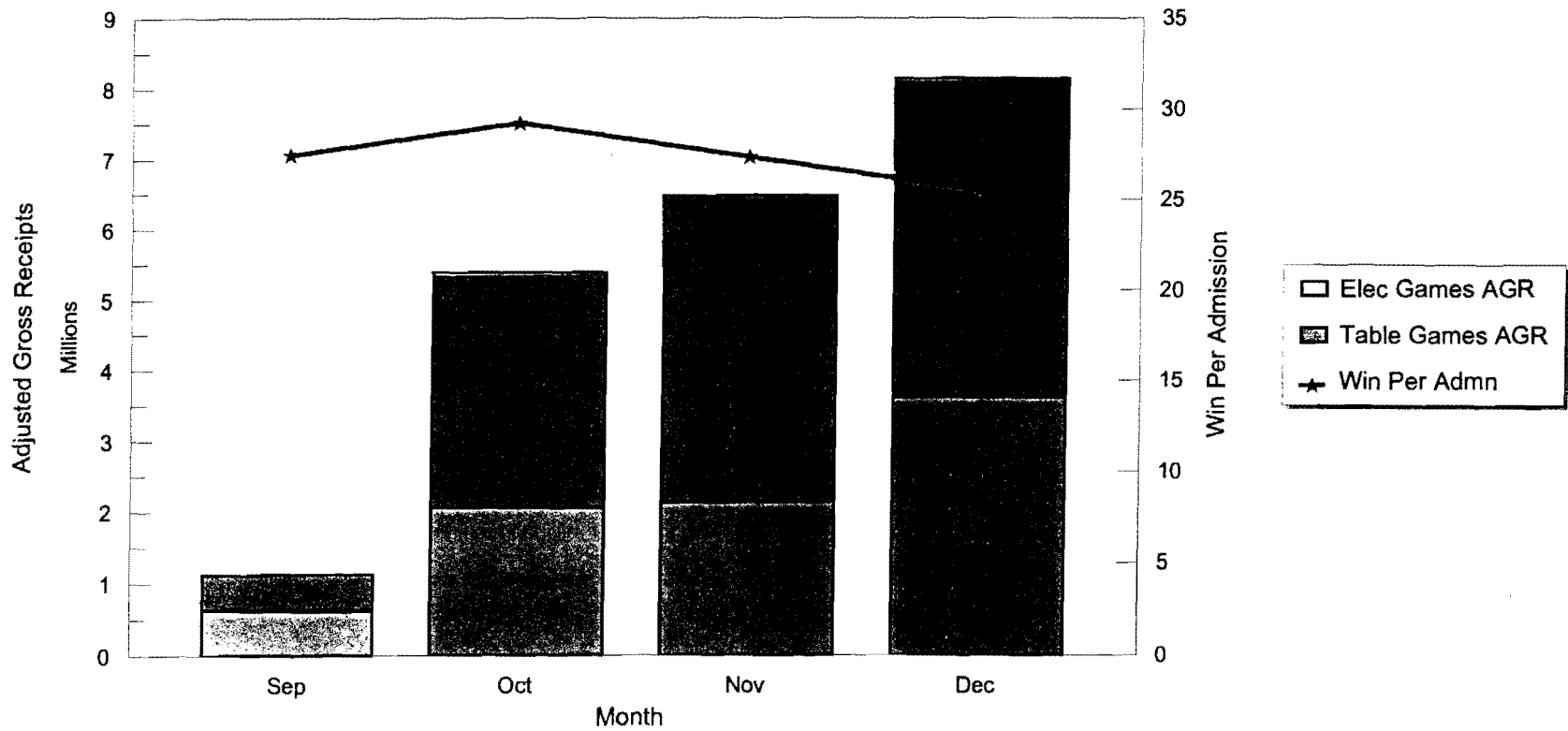
		Elec Games AGR	Table Games AGR	Total Adj Gross Revenue	Admissions	Win Per Admn
Argosy	Jun	\$402,021.25	\$572,211.44	\$974,232.69	44,046	\$22.12
	Jul	\$1,623,514.40	\$2,763,433.45	\$4,386,947.85	174,687	\$25.11
	Aug	\$1,628,869.97	\$3,737,991.95	\$5,366,861.92	181,963	\$29.49
	Sep	\$1,616,859.82	\$3,952,936.58	\$5,569,796.40	177,635	\$31.36
	Oct	\$1,184,603.36	\$3,155,460.88	\$4,340,064.24	136,613	\$31.77
	Nov	\$1,122,960.11	\$2,896,090.56	\$4,019,050.67	133,330	\$30.14
	Dec	\$2,229,156.80	\$2,842,929.07	\$5,072,085.87	184,526	\$27.49
	TOTAL	\$9,807,985.71	\$19,921,053.93	\$29,729,039.64	1,032,800	\$28.78
Harrah's	Sep	\$633,324.00	\$492,716.11	\$1,126,040.11	40,845	\$27.57
	Oct	\$2,057,982.67	\$3,330,346.55	\$5,388,329.22	183,842	\$29.31
	Nov	\$2,139,294.85	\$4,340,855.73	\$6,480,150.58	236,233	\$27.43
	Dec	\$3,627,051.40	\$4,524,566.58	\$8,151,617.98	318,614	\$25.58
	TOTAL	\$8,457,652.92	\$12,688,484.97	\$21,146,137.89	779,534	\$27.13
SCRS	May	\$315,385.42	\$133,033.00	\$448,418.42	19,387	\$23.13
	Jun	\$1,238,110.51	\$1,576,175.00	\$2,814,285.51	115,532	\$24.36
	Jul	\$1,313,805.50	\$1,601,326.00	\$2,915,131.50	123,980	\$23.51
	Aug	\$978,102.75	\$1,553,910.00	\$2,532,012.75	101,583	\$24.93
	Sep	\$1,211,389.25	\$1,741,073.00	\$2,952,462.25	124,559	\$23.70
	Oct	\$1,439,563.10	\$2,105,013.00	\$3,544,576.10	159,403	\$22.24
	Nov	\$1,522,138.65	\$2,493,408.00	\$4,015,546.65	189,796	\$21.16
	Dec	\$4,199,519.00	\$2,981,408.00	\$7,180,927.00	322,567	\$22.26
	TOTAL	\$12,218,014.18	\$14,185,346.00	\$26,403,360.18	1,156,807	\$22.82
St. Joe	Jun	\$136,270.75	\$55,689.00	\$191,959.75	13,199	\$14.54
	Jul	\$626,019.82	\$496,507.10	\$1,122,526.92	61,293	\$18.31
	Aug	\$583,490.00	\$767,746.07	\$1,351,236.07	61,349	\$22.03
	Sep	\$615,553.25	\$690,216.56	\$1,305,769.81	56,438	\$23.14
	Oct	\$490,343.50	\$748,954.76	\$1,239,298.26	50,893	\$24.35
	Nov	\$392,442.25	\$643,497.70	\$1,035,939.95	44,836	\$23.11
	Dec	\$937,802.15	\$744,592.80	\$1,682,394.95	65,162	\$25.82
	TOTAL	\$3,781,921.72	\$4,147,203.99	\$7,929,125.71	353,170	\$22.45
President	May	\$143,530.25	\$295,132.25	\$438,662.50	30,394	\$14.43
	Jun	\$811,099.77	\$1,719,440.50	\$2,530,540.27	146,517	\$17.27
	Jul	\$925,995.00	\$2,023,883.60	\$2,949,878.60	168,674	\$17.49
	Aug	\$845,872.00	\$1,985,968.50	\$2,831,840.50	174,976	\$16.18
	Sep	\$972,632.25	\$2,244,589.75	\$3,217,222.00	183,987	\$17.49
	Oct	\$964,249.70	\$2,320,233.30	\$3,284,483.00	182,234	\$18.02
	Nov	\$905,697.25	\$2,203,268.90	\$3,108,966.15	168,980	\$18.40
	Dec	\$4,042,374.18	\$2,679,636.00	\$6,722,010.18	349,637	\$19.23
	TOTAL	\$9,611,450.40	\$15,472,152.80	\$25,083,603.20	1,405,399	\$17.85

	Elec Games AGR	Table Games AGR	Total AGR	Admissions	Win Per Admn
May					
Jun	\$402,021.25	\$572,211.44	\$974,232.69	44,046	\$22.12
Jul	\$1,623,514.40	\$2,763,433.45	\$4,386,947.85	174,687	\$25.11
Aug	\$1,628,869.97	\$3,737,991.95	\$5,366,861.92	181,963	\$29.49
Sep	\$1,616,859.82	\$3,952,936.58	\$5,569,796.40	177,635	\$31.36
Oct	\$1,184,603.36	\$3,155,460.88	\$4,340,064.24	136,613	\$31.77
Nov	\$1,122,960.11	\$2,896,090.56	\$4,019,050.67	133,330	\$30.14
Dec	\$2,229,156.80	\$2,842,929.07	\$5,072,085.87	184,526	\$27.49
TOTAL	\$9,807,985.71	\$19,921,053.93	\$29,729,039.64	1,032,800	\$28.78



	Elec Games AGR	Table Games AGR	Total AGR	Admissions	Win Per Admn
Sep	\$633,324.00	\$492,716.11	\$1,126,040.11	40,845	\$27.57
Oct	\$2,057,982.67	\$3,330,346.55	\$5,388,329.22	183,842	\$29.31
Nov	\$2,139,294.85	\$4,340,855.73	\$6,480,150.58	236,233	\$27.43
Dec	\$3,627,051.40	\$4,524,566.58	\$8,151,617.98	318,614	\$25.58
TOTAL	\$8,457,652.92	\$12,688,484.97	\$21,146,137.89	779,534	\$27.13

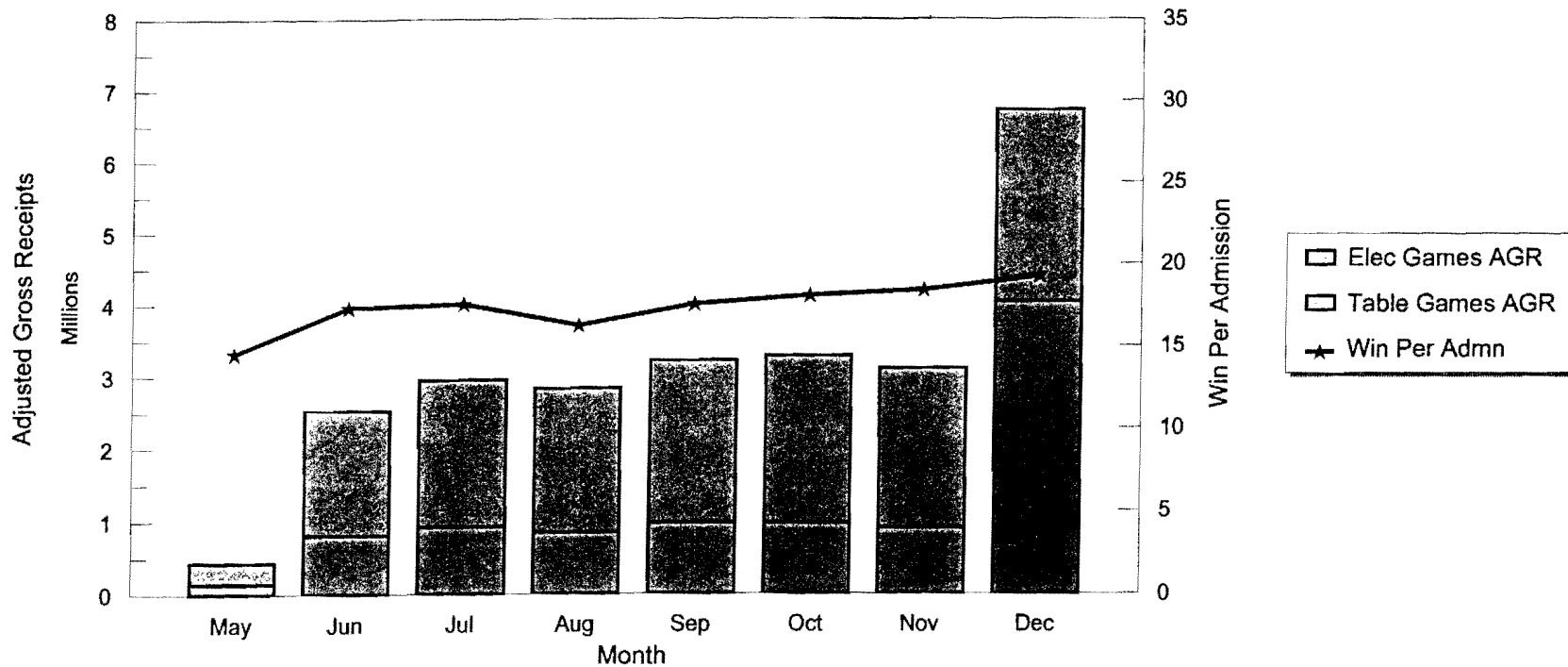
Harrah's - North Kansas City
1994 Performance



	Elec Games AGR	Table Games AGR	Total AGR	Admissions	Win Per Admn
May	\$143,530.25	\$295,132.25	\$438,662.50	30,394	\$14.43
Jun	\$811,099.77	\$1,719,440.50	\$2,530,540.27	146,517	\$17.27
Jul	\$925,995.00	\$2,023,883.60	\$2,949,878.60	168,674	\$17.49
Aug	\$845,872.00	\$1,985,968.50	\$2,831,840.50	174,976	\$16.18
Sep	\$972,632.25	\$2,244,589.75	\$3,217,222.00	183,987	\$17.49
Oct	\$964,249.70	\$2,320,233.30	\$3,284,483.00	182,234	\$18.02
Nov	\$905,697.25	\$2,203,268.90	\$3,108,966.15	168,980	\$18.40
Dec	\$4,042,374.18	\$2,679,636.00	\$6,722,010.18	349,637	\$19.23
TOTAL	\$9,611,450.40	\$15,472,152.80	\$25,083,603.20	1,405,399	\$17.85

President Riverboat Casino on the Admiral

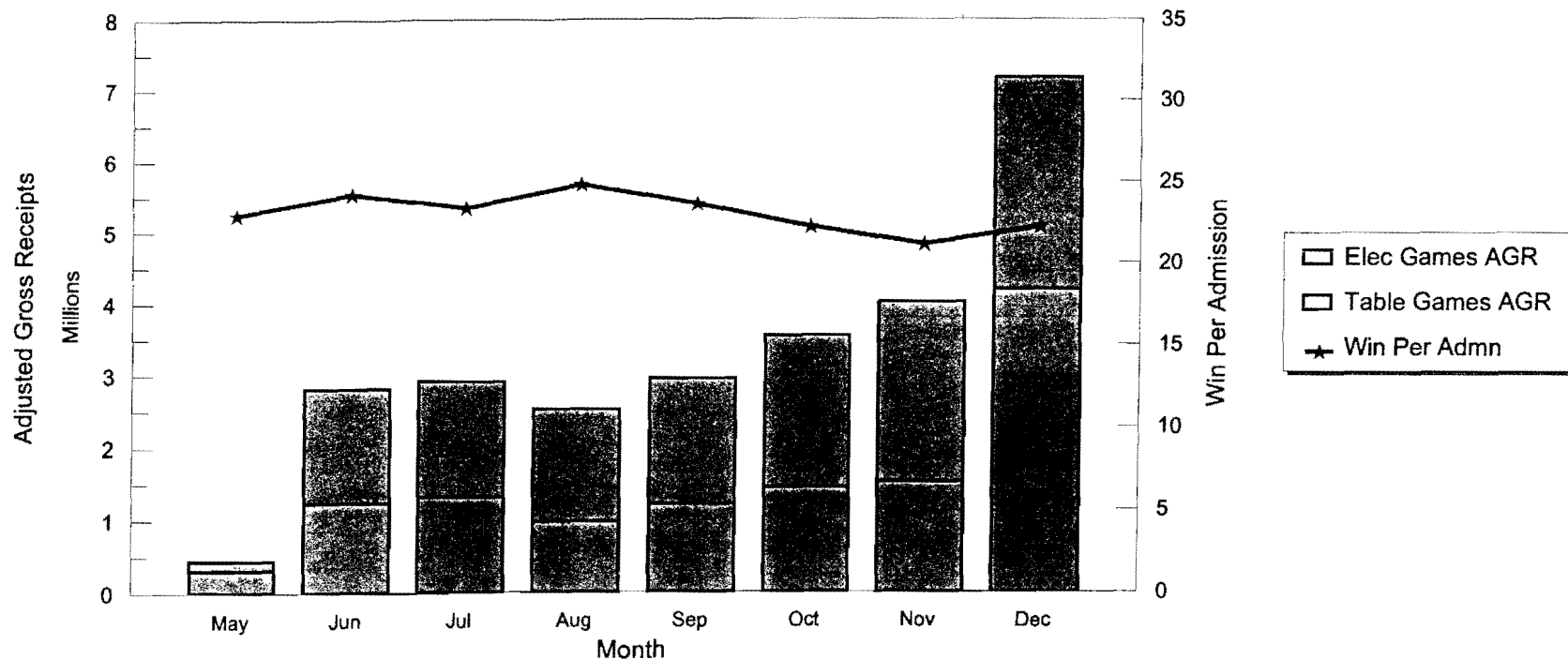
1994 Performance



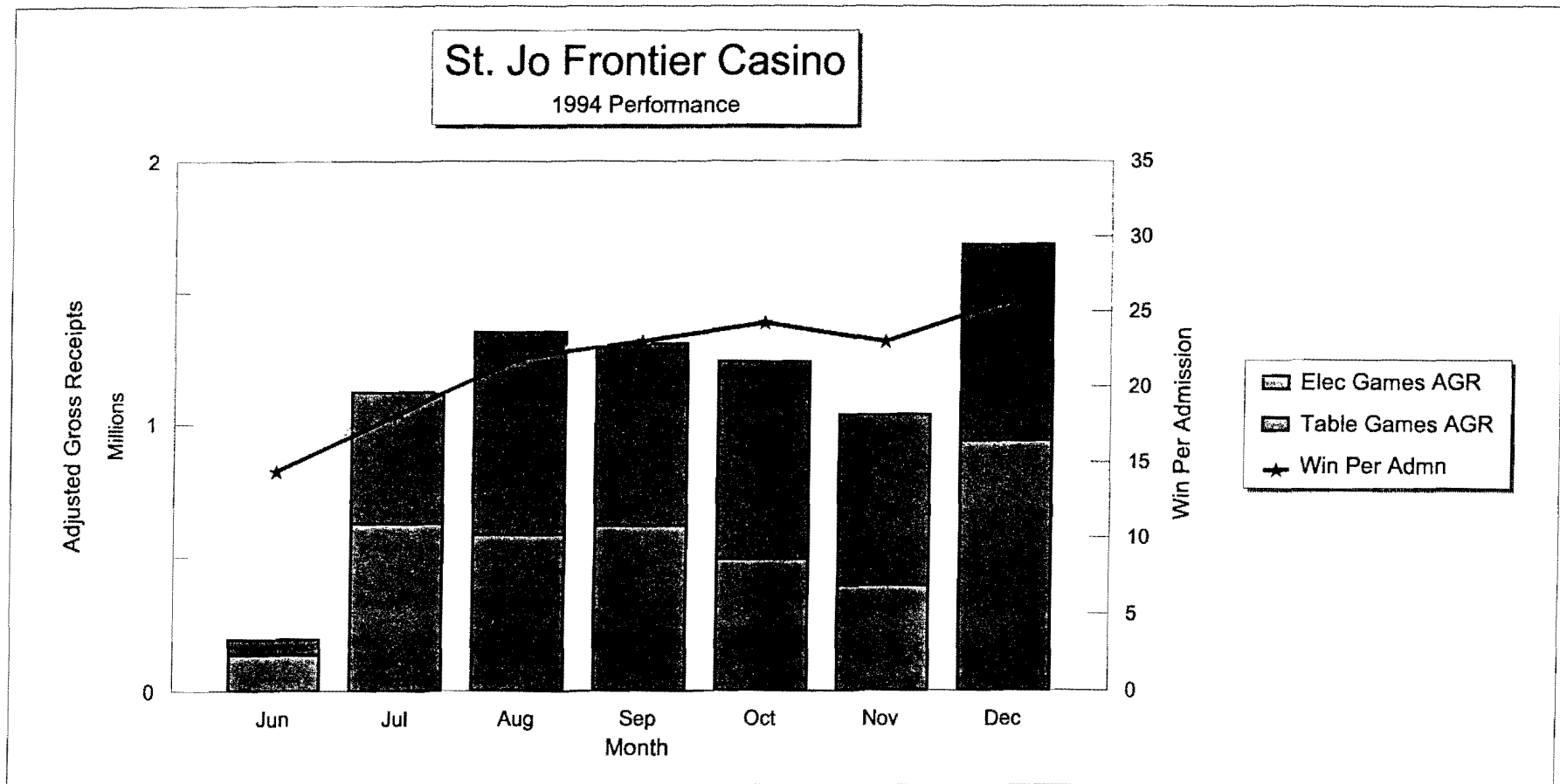
	Elec Games AGR	Table Games AGR	Total AGR	Admissions	Win Per Admn
May	\$315,385.42	\$133,033.00	\$448,418.42	19,387	\$23.13
Jun	\$1,238,110.51	\$1,576,175.00	\$2,814,285.51	115,532	\$24.36
Jul	\$1,313,805.50	\$1,601,326.00	\$2,915,131.50	123,980	\$23.51
Aug	\$978,102.75	\$1,553,910.00	\$2,532,012.75	101,583	\$24.93
Sep	\$1,211,389.25	\$1,741,073.00	\$2,952,462.25	124,559	\$23.70
Oct	\$1,439,563.10	\$2,105,013.00	\$3,544,576.10	159,403	\$22.24
Nov	\$1,522,138.65	\$2,493,408.00	\$4,015,546.65	189,796	\$21.16
Dec	\$4,199,519.00	\$2,981,408.00	\$7,180,927.00	322,567	\$22.26
TOTAL	\$12,218,014.18	\$14,185,346.00	\$26,403,360.18	1,156,807	\$22.82

St. Charles Riverfront Station

1994 Performance

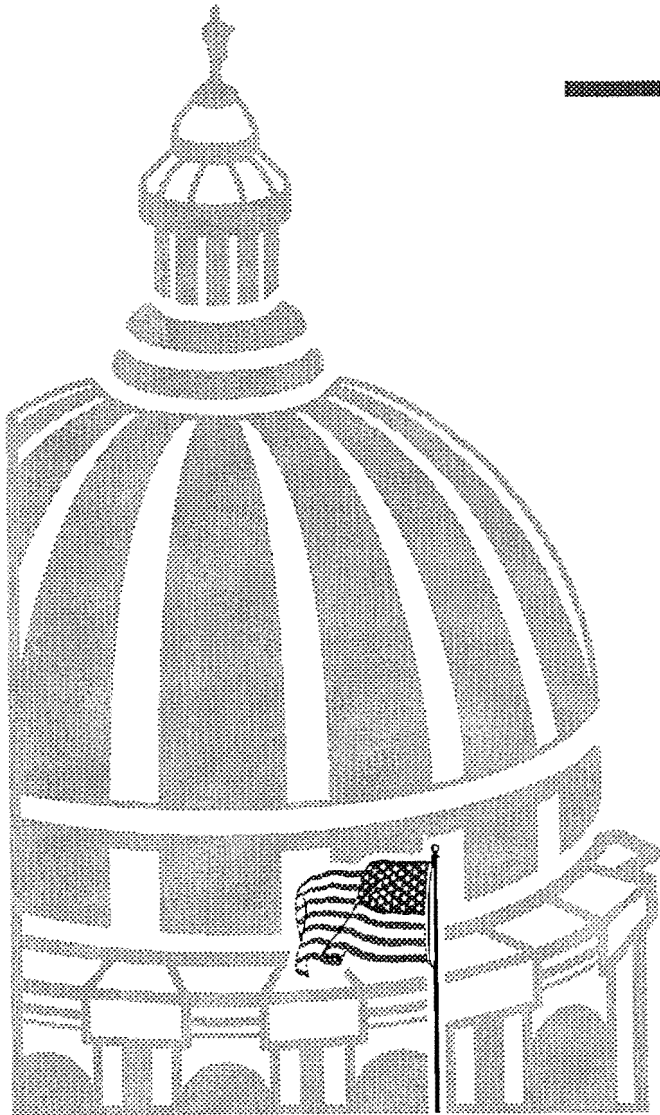


	Elec Games AGR	Table Games AGR	Total AGR	Admissions	Win Per Admn
May					
Jun	\$136,270.75	\$55,689.00	\$191,959.75	13,199	\$14.54
Jul	\$626,019.82	\$496,507.10	\$1,122,526.92	61,293	\$18.31
Aug	\$583,490.00	\$767,746.07	\$1,351,236.07	61,349	\$22.03
Sep	\$615,553.25	\$690,216.56	\$1,305,769.81	56,438	\$23.14
Oct	\$490,343.50	\$748,954.76	\$1,239,298.26	50,893	\$24.35
Nov	\$392,442.25	\$643,497.70	\$1,035,939.95	44,836	\$23.11
Dec	\$937,802.15	\$744,592.80	\$1,682,394.95	65,162	\$25.82
TOTAL	\$3,781,921.72	\$4,147,203.99	\$7,929,125.71	353,170	\$22.45



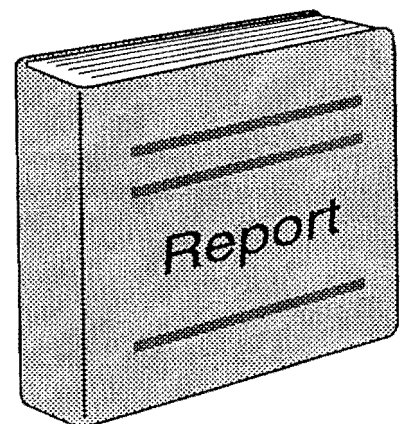
Appendix E

Outline of a Background Investigation



Missouri Gaming Commission

1994 Annual Report to the
General Assembly



Outline of a Background Investigation

A. Review Application for Completeness

- (1) Establish number of key people;
- (2) Check disclosure forms for completeness;
- (3) Check tax release forms;

B. City Selection Process

- (1) Contact city to determine how the gaming operator was selected;
- (2) Interview Mayor and City Council members;
- (3) If a steering committee was used, interview members of that committee;
- (4) Determine if any city officials own stock in the selected gaming company;
- (5) Obtain minutes of council meetings that pertain to riverboat issues: (a) selection, (b) resolution, and (c) ordinance;
- (6) Contact city attorney who handled negotiations with gaming company and obtain correspondence between city and gaming company;
- (7) Contact City Economic Development Director (if applicable)

C. Docksite

- (1) Land selected for gaming operation;
 - (a) Who was it purchased from (how long have they owned the property);
 - (b) Price (copy of contract);
 - (c) Copy of plat map and legal description;
 - (d) Determine if any of city officials or selection committee members have ownership interest in docksite;
- (2) Corps of Engineers Permit
 - (a) Status;
 - (b) Any concerns by Corps;
 - (c) Wetlands involved;
- (3) Contact D.N.R. for any known concerns in area;
- (4) Check with city for any known dumpsites with possible hazardous material;
- (5) Developmental agreement between city and gaming operator (obtain copy from city);
 - (a) Determine if development is feasible;
 - (b) Is support facility land based or floating;
 - (c) Projected number of jobs, economic aid to area;
 - (d) Traffic flow to area -- what improvements are needed -- who will pay for improvements;

D. Riverboat

- (1) Locate boat and obtain all information about boat (cruise schedule, liability carrier);
- (2) Establish design of Riverboat;
- (3) Determine emergency medical plan for boat;
- (4) Determine if Coast Guard and other safety requirements have been met;

E. Gaming Operator (Public Corporation, Partnership, Private Company)

- (1) Establish contact person with operator;

- (a) Determine attorney of record for gaming company;
- (b) Any missing items from application, advise contact person;
- (2) Establish home office (Financial Headquarters);
 - (a) Determine a good date and location where all key people can be contacted for a personal interview;
 - (b) Where can financial record be located;
 - (c) Breakdown of management (corporate, Board of Directors, major stockholders);
 - (d) Establish flow chart of key people and companies owned by gaming operator;
- (3) Investigation of Key People will include but not be limited to the following:
 - (a) Check previous employment work records;
 - (b) Check state, local and federal intelligence files;
 - (c) Check for other gaming licenses, if applicable (check with appropriate regulators);
 - (d) Check state, federal and local courts for any civil litigation;
 - (e) Check for any arrest record;
 - (f) Check personal and business credit;
 - (g) Check state and local tax status, IRS will handle federal taxes;
- (4) Other locations of gaming operations (currently operating and pending locations);
 - (a) Contact gaming regulators for respective locations;
 - (b) Travel to sites to view operations.

Establish a file for all key people investigated with summaries; establish a file for financial records with summary of financial viability of company and ability to complete obligations to the city and State of Missouri. Establish a file for other locations of licensure along with summary.

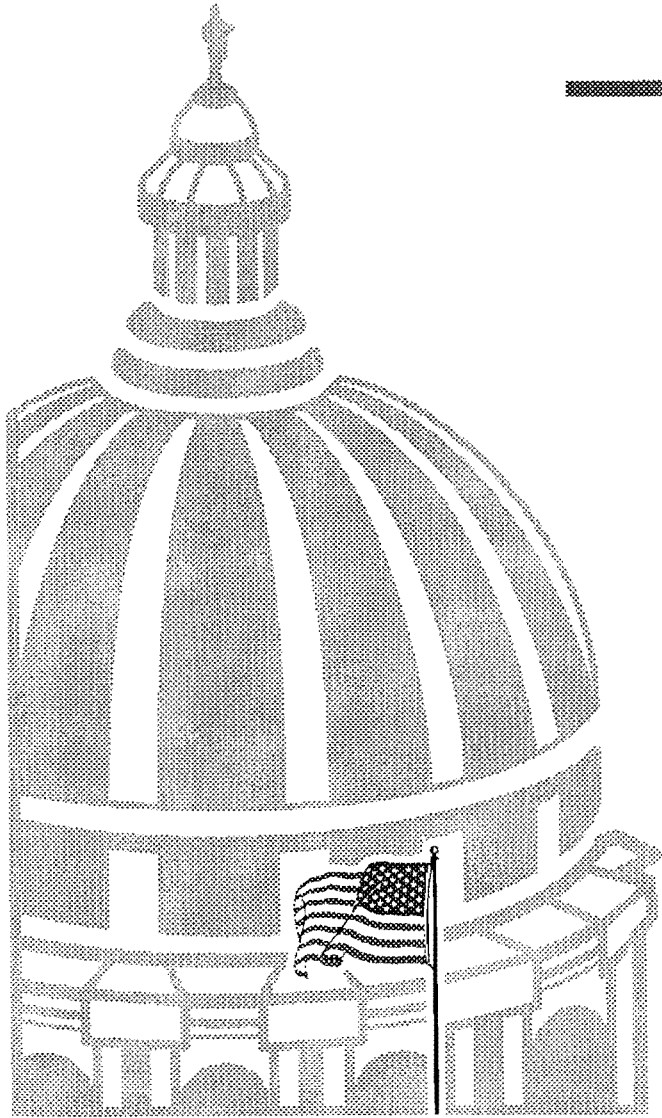
F. Associated Investigations

- (1) **ALL** allegations of **ANY** nature must be investigated and a file established with a written summary;
- (2) Associated investigations must be done in a complete and thorough manner and all reports written accurately;

Upon completion of all investigations, complete reports and summaries, a separate press releasable summary must be written. This summary must be approved by Gaming Commission legal staff.

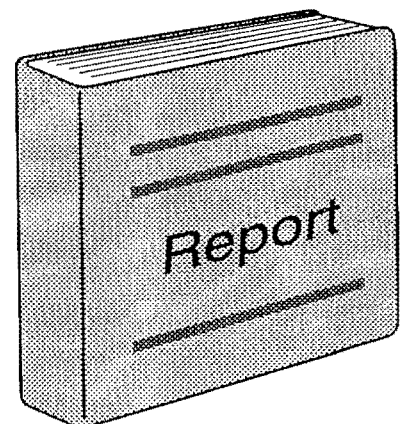
Appendix F

Pending Litigation



Missouri Gaming Commission

1994 Annual Report to the
General Assembly

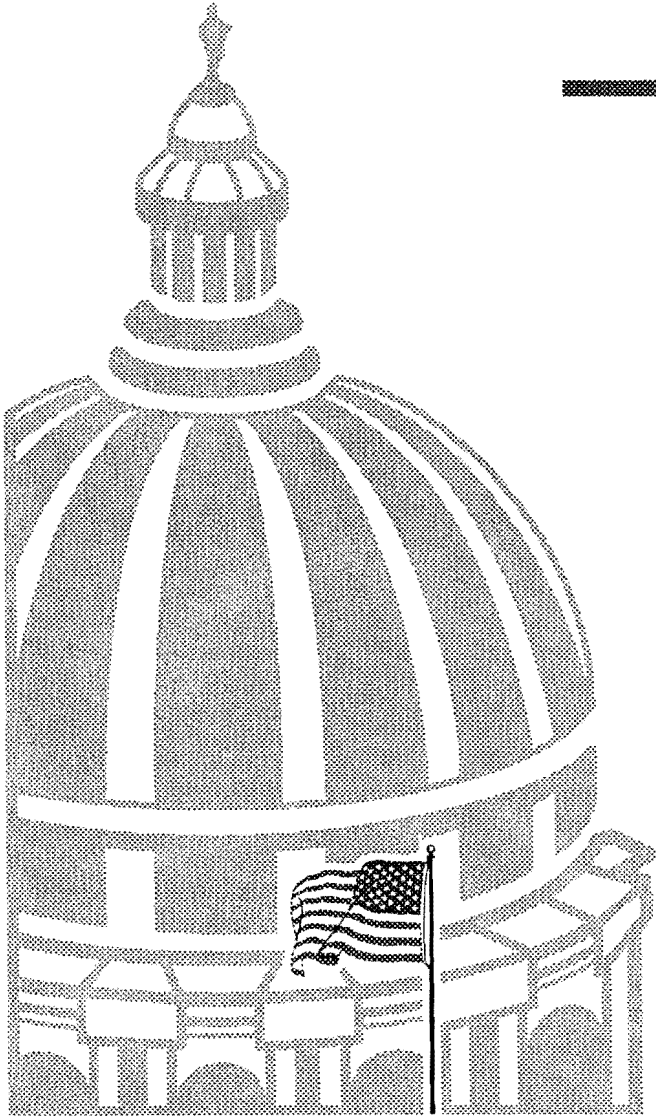


Pending Litigation

- 1) *Capitol City Queen v. MGC* -- this subsidiary of Becker Gaming Inc., has filed a mandamus action in the Western District Court of Appeals seeking an order that the Commission begin a complete investigation of *CQC*. In addition, *CQC* has filed an administrative appeal with the Commission seeking a reversal of the Commission's decision to deny *CQC's* application for a gaming license.
- 2) *In the Matter of William D. Cammisano, Jr.* -- An appeal pending in the Administrative Hearing Commission regarding the Commission's decision to place Mr. Cammisano on its List of Excluded Persons.
- 3) *Caruthersville Riverboat Entertainment, Inc. v. MGC* -- CRE has a mandamus case pending in the Western District Court of Appeals which seeks a court order to require the Commission to conduct an investigation of CRE simultaneously with its investigation of Aztar-Caruthersville. In addition, CRE has filed an administrative appeal with the Commission seeking a determination that it should be investigated simultaneously with Aztar.
- 4) *Hermann v. MGC* -- Declaratory Judgment action pending in the Eastern District Court Appeals seeking a permanent injunction against the Commission granting a license for an excursion gambling boat that is located in an inlet located more than 1,000 feet from the nearest edge of the main channel of the Missouri or Mississippi River.
- 5) *In the Matter of Nevada Eagles Lodge 3770* -- An appeal pending in the Administrative Hearing Commission regarding the Commission's decision to revoke the Nevada Eagles' bingo license.
- 6) *Seratoma Club v. MGC* -- Declaratory Judgment action pending in the Cole County Circuit Court seeking a determination that the "Veteran's Tax" assessed against bingo operators was unconstitutional and should be refunded.
- 7) *In the Matter of Nicholas C. Simone* -- An appeal pending in the Administrative Hearing Commission regarding the Commission's decision to deny Mr. Simone a bingo hall provider's license.
- 8) *In the Matter of John Termini* -- An appeal pending in the Administrative Hearing Commission regarding the Commission's decision to place Mr. Termini on its List of Excluded Persons.

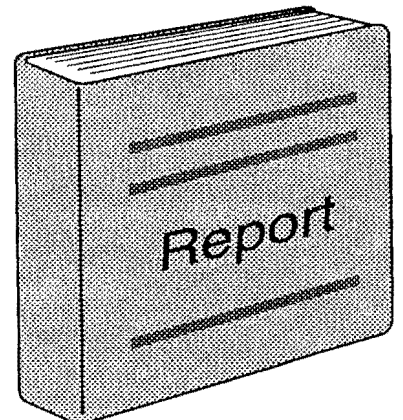
Appendix G

Gaming Commission Financial Summary



Missouri Gaming Commission

1994 Annual Report to the
General Assembly



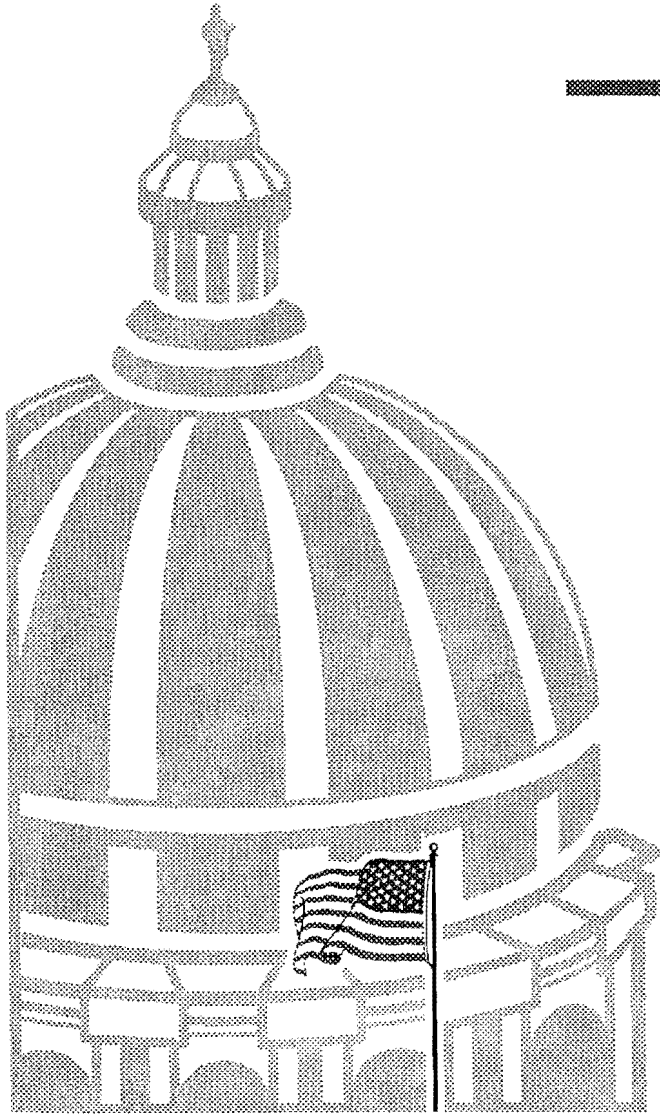
MISSOURI GAMING COMMISSION
 GAMING COMMISSION FUND BALANCE REPORT
FISCAL YEAR 1994
 JULY 1, 1993 - JUNE 30, 1994

	<u>AMOUNT</u>	<u>SUB-TOTAL</u>	<u>TOTAL</u>
<u>REVENUE</u>			
FEES:			
A & B Application	\$ 2,490,617		
Supplier Application	150,000		
Level I Occup. Application		32,000	
Level II Occup. Application	-0-		
Admissions	248,341		
		\$ 2,920,958	
LICENSES:			
A & B Annual	\$ 100,000		
Supplier Annual	10,000		
Liquor License	2,000		
		\$ 112,000	
OTHER:			
General Revenue ¹	\$ 3,000,000		
Administrative Income	3,471		
Interest Earned	30,568		
		\$ 3,034,044	
TOTAL REVENUE			<u>\$ 6,066,997</u>
<u>EXPENDITURE</u>			
PERSONAL SERVICE:			
Gaming Salaries	\$ 317,107		
MSHP Salaries	827,410		
Atty. Gen. Salaries	12,568		
MSHP Fringe Benefit	292,509		
Gaming/ AG Fringe Benefit	138,459		
		\$ 1,588,053	
EXPENSE & EQUIPMENT:			
Travel & Vehicle Exp.	\$ 213,631		
MSHP Vehicle Purchase	702,625		
MSHP Gas Expense	15,831		
Office Expense	60,045		
Office & Comm Equip. Pur.	176,120		
Communication Exp.	55,093		
Inst. & Phys. Plant Expense	116,534		
Inst. & Phys. Plant Equip. Pur.	34,657		
MSHP Radios	213,381		
Data Processing Exp. & Equip.	175,342		
Atty. Gen. Exp.	5,357		
Professional Services	179,015		
Other Expense	7,251		
		\$ 1,954,882	
TOTAL EXPENDITURE			<u>\$ 3,542,935</u>
<u>FUND BALANCE</u>			<u>\$ 2,524,062</u>

¹ This figure represents a start-up loan that will be repaid in full from admission tax revenues. No General Revenue is used for the ongoing expenses of the Missouri Gaming Commission.

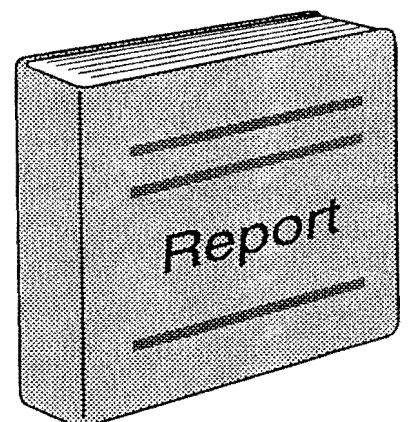
Appendix H

Audit Programs



Missouri Gaming Commission

1994 Annual Report to the
General Assembly



**MISSOURI GAMING COMMISSION
COMPLIANCE AUDIT OBJECTIVES
FOR LICENSEES**

AUDIT AREA	OBJECTIVE
TICKET/TURNSTILE	To ensure accuracy of ticket and turnstile counts, reported to MGC including comps/VIPs, stayovers and promotions
TABLE GAMES	To ensure accuracy of AGR for table games reported to MGC
ELECTRONIC GAMES	To ensure accuracy of AGR for electronic games reported to MGC
CAGE ACCOUNTABILITY	To ensure accuracy of cage accountability forms and compliance with internal controls and tax reporting regulations.
OBSERVATIONS: CAGE, MAIN BANK, PIT AREA, SLOT AREA, TURNSTILE, TICKETING	
PURCHASES/REDEMPTIONS	To determine that cashiers are complying with internal controls for chips, tokens, gaming scrip and cash.
\$500 LOSS LIMIT	To determine compliance with MO statutes and internal controls.
STAYOVER PROCEDURES	To determine compliance with MGC regulations and internal controls.
MANUAL JACKPOT PAYOUTS	To ensure that manual jackpot payouts are properly handled and the required tax forms are completed.
HOPPER FILLS	To ensure that hopper fills are properly handled and comply with internal controls
TABLE FILLS	To ensure that table fills are properly handled and comply with internal controls.
TABLE CREDITS	To ensure that table credits are properly handled and comply with internal controls.
PATRON TRACKING/CURRENCY TRANSACTION REPORTING	To ensure that tracking procedures comply with internal controls and the currency transactions are properly completed.
IMPREST BANK BALANCING	To ensure that proper balancing and accountability is performed during a shift change.
COIN VAULT	To ensure proper maintenance of coin, chip and token inventory
SATELLITE CAGES/SLOT BOOTHS	To ensure compliance with internal controls and consistency with main cage procedures
TIPS/GRATUITIES	To ensure compliance with MGC regulations and internal controls
CAGE ACCESS/SECURITY	To ensure compliance with internal controls
TURNSTILE	To ensure accuracy of turnstile count for admissions tax calculation

**MISSOURI GAMING COMMISSION
COMPLIANCE AUDIT OBJECTIVES
FOR LICENSEES**

AUDIT AREA	OBJECTIVE
<i>ANALYTICAL REVIEW</i>	
SLOT ANALYSIS REPORT	To detect possible fraud and/or unusual activity
TABLE GAMES ANALYSIS REPORT	To detect possible fraud and/or unusual activity
<i>MISCELLANEOUS/OTHER</i>	
SURVEILLANCE TAPES	To review activity for hard, soft, and tip counts
WORKPAPER PREPARATION AND AUDIT REPORTS	To establish standardized procedures for MGC audit workpapers and audit reports

**MISSOURI GAMING COMMISSION
SEMI-ANNUAL FINANCIAL AUDIT OBJECTIVES
FOR LICENSEES**

AUDIT AREA	OBJECTIVE
MONTHLY FINANCIAL STATEMENT REVIEW	To perform a preliminary review of monthly financial statement information for proper completion of financial statement templates, verification of adjusted gross receipts to MGC reports, and to detect any unusual items which justify further review when conducting on-site audit.
ENGAGEMENT LETTERS	To give advance notification to each boat of the date and scope of audit being performed
FINANCIAL STATEMENT VERIFICATION	To determine consistency of monthly financial statement information submitted to MGC with boat's general ledger system.
BALANCE SHEET ACCOUNTS	
CASH/CASH RESERVE BALANCE	To determine the existence, consistency and fair presentation of the cash balance on the monthly financial statements
CASH RECEIPTS	To determine the consistency and fair presentation of the cash balance on the monthly financial statements and the sources of large cash receipts other than gaming revenue.
CASH DISBURSEMENTS	To determine the consistency and fair presentation of the cash balance on the monthly financial statements and to trace the outflow of large cash disbursements.
ACCOUNTS/NOTES RECEIVABLE	To determine the consistency and fair presentation of the accounts receivable and/or notes receivable balance in the monthly financial statements.
ACCRUED ADMISSION AND GAMING TAX LIABILITY	To determine the consistency and fair presentation of the accrued admission/gaming tax liability balance in the monthly financial statements.
CHIP AND TOKEN LIABILITY	To determine the consistency and fair presentation of the chip and token liability balance in the monthly financial statements.
PROGRESSIVE JACKPOT LIABILITY	To determine the consistency and fair presentation of the progressive jackpot liability balance in the monthly financial statements.
TIPS AND GRATUITIES (ACCRUED LIABILITY)	To determine the consistency and fair presentation of accrued tips and gratuities liability in the monthly financial statements.
CUSTOMER DEPOSIT LIABILITY	To determine the consistency and fair presentation of customer deposit liabilities in the monthly financial statements.
ACCOUNTS PAYABLE	To determine the consistency and fair presentation of accounts payable balance the monthly financial statements.

**MISSOURI GAMING COMMISSION
SEMI-ANNUAL FINANCIAL AUDIT OBJECTIVES
FOR LICENSEES**

AUDIT AREA	OBJECTIVE
INCOME STATEMENT ACCOUNTS	
REVENUE - TABLE GAMES	To determine the consistency and fair presentation of table games revenue as reported to MGC daily and in the monthly financial statements
REVENUE - ELECTRONIC GAMES	To determine the consistency and fair presentation of electronic games revenue as reported to MGC daily and in the monthly financial statements
REVENUE - ADMISSIONS	To determine the consistency and fair presentation of admissions revenue as reported to MGC daily and in the monthly financial statements
PROMOTIONAL EXPENSE	To determine that comps are properly recorded as expenses and not deducted from revenue in accordance with GAAP
PRE-OPENING COSTS	To determine whether certain pre-opening and licensing costs are properly expensed or amortized over future periods in accordance with GAAP
WORKPAPER PREPARATION AND AUDIT REPORTS	To establish standardized procedures for MGC audit workpapers and audit reports.