



Conversations w/Tino

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Tino Magnatta: Hello, and welcome to another episode of GT Radio. Today we have a guest who not only has a lot of experience, but has a great amount of wisdom. Please welcome to the show, Steve Penhall. How are you, Steve?

Steven Penhall: Good, thank you. That was a nice introduction. It's a real pleasure to be here.

Tino Magnatta: Sure did. Steve, you told me about growing up in Huntington Beach. I live in LA, and some of the stuff he told me, the size and the way it was. Tell us a little bit about growing up.

Steven Penhall: Sure. First of all, I'm old. So, you got to recognize this was just after the Korean War when I was born. Actually, I was born in the middle of it. But anyway, Huntington Beach was kind of a three-part town. The northern part was a Standard Oil town. A lot of oil derricks and oil sumps and things like that. And then the north and the east and the south, I'm sorry the south and the east were farming community, and then we had the beach. So, I grew up climbing oil derricks and playing in sumps and finding mercury and chasing combines and the bean fields and friends losing fingers, and all those things that kids did before adult supervision was invented.

Tino Magnatta: Yeah, right. Exactly

Steven Penhall: It was great.

Tino Magnatta: Go ahead.

Steven Penhall: Oh, no, it was great grown up there. One of the things my folks did was make me learn to swim very well. I enjoyed the water, so I spent a lot of time in the water. Growing up as a kid, that was where we hung out. It was just natural when it came time to get a job, I go to work at the beach. I worked at the beach through high school and when I left high school, I went to work in a marine hardware store and in Newport Beach, which was really a great experience, and really set me off on a little bit of a different hobby path, which was sailing. Yeah.

Tino Magnatta: Wow, that's great. Yeah. [crosstalk 00:02:36]. What did you like about sailing? What did you like about it? Why did you?

Steven Penhall: Oh, just being on the water. The fact that the wind controls you, there's no power. There's a technical level of difficulty there that you have to overcome if you're going to get from one place to the other and get back safely and doc and all that kind of stuff, so it's always fun. Yeah.

Tino Magnatta: Yeah. And you're dealing with Mother Nature too, which can be complicated at times. But yeah, and it's a good feeling to go out there.

Steven Penhall: Yeah, and New Port wasn't too bad. But in San Diego, you were also dealing with a Navy, which was really interesting because they didn't like sailors. Yeah.

Tino Magnatta: No. A lot of boats in San Diego, I couldn't believe how many there. There's just a lot of boats there. [crosstalk 00:03:31] What happened? I know there was this something in your life that was pivotal. Kind of changed everything for you. Tell us a little bit about.

Steven Penhall: Yes. Well, I'd just got out of high school and I was working. I had needed to find a job. I always had to work a couple jobs, because you can't make enough money when you're that age at one job. And so, I was looking for another job and I was waiting for a job to open up. So, I went to work in a restaurant and my father passed away and unexpectedly. Totally unexpectedly. And my mother, like a lot of women at that time, never had a job, at least not since she was married. I wound up having to move back in with a family, had a younger brother and sister, and support them for a few years till they could get on their feet and get the kids.

Steven Penhall: My brother, he joined the army eventually. And then my sister, we got her a car and all that, and she kind of got on her own and I felt like I could then go ahead and get out on my own. But I continued in the restaurant business. So, I was kind of a fluke that I got there. Started as a dishwasher, and I was nighttime dishwasher, just to kind of get some extra cash, and started cooking and prepping and a lot of cleaning and things. They kept asking me if I wanted to do more. And I said, "Sure, I don't mind." I've always liked to work and wound up being a cook. And then eventually, they said, "Hey, do you want to get into management here and run one of these places?" It was a pretty large chain Forward Services. When I was 20, I went into management for them and started running restaurants.

Tino Magnatta: Amazing.

Steven Penhall: That was my career path, I thought, for quite a while. Stayed with them for quite a while and then decided I was pretty smart and because I was pretty successful around in a restaurant. So, I thought, "Why should I do this for somebody else when I can do it for myself?" And I went out and bought myself a bar. The bar eventually wound up being the third busiest beer bar in Orange County, California.

Tino Magnatta: I love it.

Steven Penhall: Oh, yeah. No, no, no. Listen, this was tough. I learned what ... Back then, you didn't have a payroll company, you did your own payroll. You had the tax schedule and you had a hand operated calculator. They just barely invented the handheld calculators at that time. And they were too expensive. So, you were using a hand cranked calculator and doing payroll that way. And writing and writing payroll checks. And people that know me know my handwriting's horrible. So, that was a nightmare. But, yeah, that's how you ran a business at that time. But did well-

Tino Magnatta: Yeah. You were learning from A to Z.

Steven Penhall: Yeah, we had to do everything, and cleaning and all of cleaning the bathrooms after everybody finished and everything. It was really for my brother. Kind of I was hoping he'd get set up in there and he'd run it and then I'd go on to run other restaurants or larger operations or whatever. But all it wound up being was just I had two jobs. Eventually, we both decided after a few years of being bouncers on Friday and Saturday night and dealing with enough of it, we sold it and I wasn't really sure what I was going to do.

Steven Penhall: I was working, running a restaurant, but I knew it wasn't going to be forever. The guy was going to put it up for sale. So, one Saturday morning, I was sitting there a friend of mine called me and said, "Hey, we've got this opportunity in Colorado invest in six hotels and restaurants. Would you be interested in coming up with us?" And I to my wife, [Shagren 00:07:36], I said, "Sure." That was on Saturday morning.

Tino Magnatta: She didn't like that.

Steven Penhall: Yeah. Well, actually, what she said was, she said, "You're going to do this, aren't you?" And I said, "Yeah." And she said, "Oh, God." But anyway, what happened was we wound up move into Cortez, Colorado, and had a hotel restaurant there. We'd just gotten married and my son had just been born, so the first time we got there was in December. And so, there was snow on the ground, he didn't know anything about it. But he had a great time and primarily because we'd just gotten a new stove, and the box was still in the front yard. So, man, he had the best snow cave in the world. He loved it.

Steven Penhall: Anyway, I spent the next 20 years raising my family in Cortez Colorado. After we decided to sell a hotel and restaurant. Again, I was looking for a job and a friend of mine was the sheriff and he said "Hey, why don't you come and work for me?" And I'd been working with the Department for probably five or six years before that, because I have some interest that coincided with their interest. I had an interest in firearms and self defense and things like that. So, I wound up helping them with that. I also did quite a bit of rescue work and did some mountain stuff and things like that. And then I was a volunteer for the Colorado Division of Wildlife. I did that for about 17 years. So, this was all during that 20-year period.

Tino Magnatta: Wow. That's amazing.

Steven Penhall: It was fun. It was great. And the kids growing up in a small town like that, their weekends were spent camping and hiking, fishing and hunting and whatever, and a lot of outdoor stuff. I felt like they got the kind of childhood that I had, which was pretty free. We did a lot of crazy stuff, and they had that opportunity too.

Steven Penhall: I went to work the Sheriff's Office, I kind of worked my way up and eventually became a detective, and then a detective lieutenant. And one day, some people came in and said, "Listen, these folks down at Towaoc want to build a casino, and the state does not want to regulate it. They want somebody here to do it." We're in this room and literally, they turned to me, pointed at me and said, "You figure out how to do it." Yeah. No. Seriously.

Tino Magnatta: Funny.

Steven Penhall: I was not a gambler. I'd never spent my time in casinos, and I really didn't gamble. So, I didn't have any idea or any expectation of what was going to happen. But this was law enforcement and it was really not much different than what I've been doing. So, I went to Nevada Gaming Control Board and went to their program and worked with those guys for a while and learned a lot about regulating casinos. Came back, went to Colorado Division Wildlife up in Golden and spent a lot of time with them learning how to regulate casinos again, and how they wanted it done. Came back and we sat down and we wrote the rules, regulations, and internal controls for the new Ute Mountain Casino.

Steven Penhall: Myself and the crew opened it as the first onsite regulators. And that gave the tribe a chance to get the gaming [inaudible 00:11:15] up and running. We set up the rules and things. Som the Gaming Commission had kind of an easy time of getting started. Fortunately, they hired one of the best guys ever to be there, the executive director, so that was great. And that helped a lot. But yeah. And the year after they opened, we kind of phased ourselves out and I said, "I think we can phase ourselves out and save you some money." They literally said, "Nobody has ever tried to save us money. Would you want to come work for us?" I said, "Sure. I guess." So, that's how I wound up in the casino business.

Tino Magnatta: It's funny.

Steven Penhall: Oh yeah. It was interesting.

Tino Magnatta: Tell me a little bit about how the whole hospitality thing shaped you. The whole experience before the casino.

Steven Penhall: Sure. Well, one of the things that ... I was very fortunate initially to go to work for a company Forward Services, who had at that time, I think that 47 restaurants, or 50 restaurants. There were Cocos Rubens, Roubini Lee, and I got a variety of experiences in that with them. But they were very bottom line driven. They were very focused on training their managers to be complete store managers. You managed every single portion of it. And they did have a commissary, so we ordered a lot of our stuff through the commissary. But we still had a quiet a bit of-

Tino Magnatta: What do you mean every little portion?

Steven Penhall: Food costs, labor costs, your paper goods, all your maintenance. I made a huge bonus one year, because I did all the maintenance in the restaurant myself. And so, you were responsible for making sure all that got done. And if you save money, we came to the bottom line. And I learned how to put money on the bottom line.

Tino Magnatta: Came to the bottom line, yeah. That great. Yeah.

Steven Penhall: Yeah. And then having your own place, dealing with all the things that go with that including people stealing from you and not showing up in the place. You're getting in there 5:00 and the place isn't even opened yet, all those kind of things you learn. It's kind of the school of hard knocks and that way, but it was a great experience. And then in Cortez and the hotel, the restaurant, in a town that's totally tourist driven and very seasonal, to have to plan your expenditures and plan your ... And again, this was a place where I would come in in the morning and I would open the restaurant, put out the money, I would be the cashier in the morning and host and I would help the cook when he needed it. Because in the summer, we had a lot of tourists come in that I just didn't have the workforce and couldn't afford it. In the winter, it was just me and a few people.

Steven Penhall: As soon as lunch was over, I would go home, we'd have a crew come in to kind of clean up a little bit. The bartender would come in and he kind of watched the place for a while and had a cooking and some waitstaff. And then I would stay home and my wife would come over and she'd wait tables and kind of watch the place at night, because we lived on the property.

Tino Magnatta: Wow.

Steven Penhall: She would come over and wait tables at night. And then when the restaurant closed, which during the winter was generally about 9:00, and in the summer about 10:00, the bar would stay open, but I would come back. She would come home, we'd put the kids to bed, I'd come back, and then I would start cleaning. And I would clean ... We had the dishwasher who would clean the kitchen and the stuff in there. I would clean the bathrooms, I would vacuum the floor, the waitstaff would help me with that. Yeah, you just learn how to make money, and that's the key.

Tino Magnatta: That's amazing. Steve, you've opened a number of casinos. Tell us what it takes, and how do you make that successful?

Steven Penhall: Well, I have to say, all my success has come from hiring the best people. I'd like to take credit for it. But quite frankly, I've always been lucky enough to find great people to work with me and they did great jobs. My only job was to stay out of their way and let them do their work. I found my biggest successes were if I did that. There are certainly some things that you have to do. Communication is a key. And people think about, "Well, you got to communicate with staff," but you also have to communicate with your boss.

And it's surprising to me how many times I go somewhere where there's been no communication, no real communication with the tribe, the boss, or whatever.

Steven Penhall: I don't know. There's a whole lot of things. Some of the buzzwords have been going around for a while, strategic planning. And come on guys, you can do a strategic plan on the back of a napkin. The key is actually execution, how you execute that plan. So many places you go to, you look at their bookshelves and they've got three or four strategic plans sitting on their bookshelf, and not a single one of them has ever been executed. So, focus on the execution, not on the plan. The plan is easy. I can do a strategic plan for any place before lunch. But the key is going to be the follow through and the execution and the day to day documenting of the quantitative results that you got from that plan, and making sure it works. And then tweaking it as you go on. Finding out what's working, what's not, and how do I change it?

Steven Penhall: I don't know. There's a whole ton of that kind of stuff that's been popular over the 27 years I've been doing this. But for the most part, it really boils down to just get good staff, train them well, treat them decent, and let them do their job. And they'll make you a star.

Tino Magnatta: Yeah, it's about the people. It's about people. What are some of the qualities a GM needs to be successful and stay successful?

Steven Penhall: Yeah. Well, one of the first things is you got to know who you're for. When I went to work for the Sheriff's office, I took an oath. The oath was to serve and protect the people of the community. It was not to serve and protect the sheriff. And as it turned out, we wound up prosecuting a portion of the Department for certain things. But if my job had been to serve him, that would never happen. But it's to serve the people.

Steven Penhall: When you're in business, you're for yourself. You're there to work for the patron. What you give that patron, they return in the money they spend in your business. So, know who your customer is. But the thing about tribal casinos, when I went to work at that Ute Mountain, one of these folks lives in truly third world conditions. I mean, truly third world. I was able to watch from the money that we were able to produce and the investments that the tribe was willing to make, build really decent housing. Give them quality ... For instance, the only pool in the county that was of any use was the Towaoc pool. The one at the tribal headquarters. We all used it.

Steven Penhall: They used that money to better their tribe. What I saw was that we were truly working for these people. The administrations changed, but we worked for the people. Well, the problem is, if you have that attitude, and I do try to have that attitude, that I'm there to work for the tribe and for their long term best interests. A lot of times, the administrations, they're more focused on short term goals. So, you can kind of clash. So, I'm not as ... I'd be as flexible at times as some folks might, and so I tend to get in trouble. Because I've run

restaurants and I've run casinos and I've made a lot of money for people. And when they say, "Well, I don't want it done this way," I struggle a little bit. So, you have to kind of find that fine line in there between deciding who you work for, and then getting it all done. Because you might be right, but you won't be right there.

Tino Magnatta: It's a juggle act.

Steven Penhall: Yeah. The other thing too is, the higher you get, and I've climbed that ladder and gone almost to the top, but higher you get on that ladder, the more rickety it gets. You're swaying pretty hard when you're up there and you're struggling to stay on. I found that I'm much better off if I'm not dealing with a lot of the things that come with that. So, I really enjoy working with that the 250 to 5 or 600-person casino, where you can really get to know people and you can really make a difference for folks.

Steven Penhall: Some of the things I see that ... And I've been lucky too. I've had some really good mentors. I've had some people who've taught me a lot over the years. And one of the things that was really drilled into me was the communication issue, and how to set up a communication plan, so you really get the word out day to day, but you also get feedback. And one of the things I do that surprises me that a lot of people don't is I write a weekly report to my boss, and then I distribute it. I make sure it goes out to ... Like, for instance, where I'm at now, I have a board of directors, five folks. I have a tribal administrator who works with a tribe, and is actually our liaison to the tribe.

Steven Penhall: They all get this report every week that says what we did, good, bad or indifferent. What broke, what's going to need to be fixed, what to think about for next year's budget? That kind of stuff. So, there's no surprises. And when I go in to talk to them, we can get right down to the nitty gritty. Another thing that I've done with great successes is, people talk about employee meetings where you have a jillion people up there and you give this big speech and you say, "Well, they're all feel good now." Well, yeah, but you got no feedback. So, what I like to do is have, say 15 people, one from each department of the casino, and if you don't have that many departments, then once we shift in each department, and bring them in, feed them lunch, give them something nice, have a gift for them, have a raffle. Something so that they feel good about coming, but make sure they show up.

Steven Penhall: And then sit them down and plan a couple hours, and I only ask them four questions. But I asked every single group the same for questions. What are we not doing that we should be doing? What is it we're not doing that we got to do? Let's see, number two. Number three is, what do we do so bad, we should stop doing? And, if you could do one thing, what would it be? And what's amazing is, your employees are really smart, if you haven't figured that out, and they will tell you things. Every single one of these meetings, there's an aha moment where they come up with something you can't believe they thought of when you didn't.

Tino Magnatta: Yeah. You're right.

Steven Penhall: And I write these things down. I write these things down.

Tino Magnatta: Wow.

Steven Penhall: One of the tricks is I tell them right up front, "You're going to tell me a lot of stuff today, and I'm not going to do anything about it." And they look at me funny. And I go, "Because each specific instance that you relate to me will be documented. And then when I've done this four, five, six times, so I've got, 60 to 90 people's input, I'm going to put these in groups." And there may be a group. And one of them is communication, one of them is marketing, one of them is fairness, whatever they are. And I'm going to group them. And that will tell you where your problems really lie. Or at least release where your employees perceive your problems really.

Steven Penhall: But instead of trying to solve each one of those specific complaints, you attack the whole issue. So, let's say we have a fairness problem. Okay, we've got a fairness problem. And there's a perception here that one department or another department or somebody is getting way more than everybody else, and how do we address that? And find a way to address it. And sometimes it's just changing policy. Sometimes it's just looking at your pay scales. It's not a lot. And most of the time, quite frankly, it's not expensive in it's not hard to do. And then once you do that, you solve that big issue, you've solved all those little problems. I've done this in over a year or two. If you do this every couple of months, by the end of the second year, you say, "Okay, what are we not doing now that we should be doing?"

Steven Penhall: And they go, "Oh, I don't know, can we change the ice cream? I don't know. Could we ..." I mean, the things get so minor, they don't have any issues because you have resolved the big issues, so now the small issues go away. I was actually taught that by a guy, Frank Pescara. I'll tell you, it really works. It's great. There's ton of the kind of stuff.

Tino Magnatta: That's great stuff.

Steven Penhall: But really, communicate, be transparent, don't hide anything, don't have agendas, know what you're ... well, try to know what your boss wants. Every place I go to, one of the first question I ask is, "What do you want from me? What are you expecting out of this relationship?" And half the time they say, "I want you to make money." Half the time, they say, "I want you to do something else or this or that." But it's funny when they tell you, "I want you to make us a lot of money." I go, "Okay."

Steven Penhall: And then when I come back three months later and say, "Listen, if you make a lot of money, there's a few changes you've got to make here. We got to do

some things differently." And they go, "Oh, no, we can't do that." So, it's always interesting.

Tino Magnatta: That's funny. Yeah, that's funny. Steve, what are the things that people need to keep an eye on in the casino business right now?

Steven Penhall: Oh, bottom line. I get in a lot of trouble over this. I've fought with folks in commercial gaming. But really, the bottom line is the key for tribal gaming. Because you're trying to feed people, you're trying to get people medical care, you're trying to house them, you're trying to educate them, and that takes money. And the only place that money can come from is ... and I won't say that everybody has that same goal. But I think a lot of the tribes have those goals, or most of them do. And so, the only way that comes out of bottom line, and it really bothers me when they start moving into the commercial gaming lingo and they say, "Well, [EBIDA 00:27:18] is the key." No, EBIDA is not to key. EBIDA it as a banker's number that tells the banker how effective management is. But that bottom line is the money you can spend. That's what you can put in the bank, and then you decide how that money is allocated.

Steven Penhall: You make sure you use that depreciation to maintain the property. How many of these properties have gone years without a whole lot of ... And I can tell you, a number of them that I've been involved with that were not maintained. So, now all of a sudden, you're going back to them saying, "Look, if you guys want to be a business in the next three years, you got to make some changes here. You got to fix some stuff." And they're shocked.

Tino Magnatta: Yeah.

Steven Penhall: I think one of the worst things that's happened in terms of tribal gaming businesses is the focus on coin in. Because although I had one manager tell me one time, a GM actually, tell me, "Don't talk to me about theo. I can't spend theo, but I could spend coin in." And after I quit laughing I said, "No, you can't. You can spend bottom line. That's all you got." But coin in is a measurement of market share for these guys. So, when the commercial casinos who don't get their money in the same place that the tribes do, at least not most of the tribes, some of them do. But they want to show market share. They want to show how they're growing compared to the other properties.

Steven Penhall: What you care about is how much money you can put in the bank, and coin in can absolutely be your enemy. Because it decreases your net. And so, that's finding that balance point. I think you said it earlier, the balance point. There's a lot of balance points in this business, and finding those balanced points, not just for your property, but the market as a whole, where are you going to wind up? That's really important to know what you can get away with, what you can do, and what you need to do. But also, constantly focus on that bottom line.

Tino Magnatta: At in the end of the day, that's the name of the game, right?

Steven Penhall: Yeah, and that's where a lot of folks or I get in trouble, because I focus on the bottom line, I focus on the business, but I tend to not focus too much on keeping my job, so the wind up getting in trouble. I'm the most political guy. You think I'd learn after all this time, but I don't get it. Anyway, whatever.

Tino Magnatta: That's funny. [crosstalk 00:29:59]. Go ahead.

Steven Penhall: Well, anyway, just real quick, I think what I'm going to do now that you brought this up, I'm going to blame all that mercury and that oil stuff that I played with as a kid is my excuse. So, how's that?

Tino Magnatta: That's a good excuse.

Steven Penhall: Yeah.

Tino Magnatta: All right. This has been great. Let's answer some calls here. There we go. Hang on one sec.

Tino Magnatta: Hello, this is Tino Magnatta, GT Radio, I have Steve Penhall. Do you have a question for him?

Steve Nielly: Yeah. I'm curious if he's ever hired anyone who is on the run from the law at any point in their life.

Steven Penhall: Well, it's funny. I didn't hire anybody, but I wound working with somebody. I was introduced to this person and I go, "I was looking for you." And this person said, "Yeah, I know, and you didn't get me." We started laughing. He's one of the best guys I ever worked with. So, it worked out great.

Tino Magnatta: Well he's [Nielly 00:31:09], right? Steve Nielly. Yeah.

Steve Nielly: I have to agree. You did end up hiring the guy two other times, though, so it all worked out.

Steven Penhall: I did. So, initially, but it helped that you were the best in the business. As I said, I only hire the best, and you're it.

Tino Magnatta: Well, Steve, you have to tell the story now because our listeners don't know what you guys are talking about. So, go ahead and tell them the sorry.

Steven Penhall: I'll tell my version of it, he can tell his. I was working one night on the road and a patrol, vehicle and there was a fight up in the forest. And so, I go up there. One of the things people don't understand about rural law enforcement is you don't have 60 guys to go with you and there's no SWAT team. You just go by yourself with a bunch of rowdy kids and expect to get your tail kicked. So, you got to be a little diplomatic.

Steven Penhall: So, I went up and there was a fight. They'd been a fight and I said, "Okay, who is involved?" And they said, "Nielly." This kid was a really smart kid, great athlete, but he had a reputation, he's a tough kid. And so, I said okay. I call the Wash County Sheriff. Well, I ask where he was and they say, "Well, he took out the back way to go home." And he lived a different county. So, I really couldn't go up and just pull him out of his house. I called the sheriff up there and I said, "Hey, if you see Steve Nielly, you tell him I want to talk to him." Well, the next time I got to talk to him was while I was introduced to him as a coworker. Anyway, yeah.

Tino Magnatta: That's amazing. [crosstalk 00:32:43].

Steve Nielly: I don't remember much of that night.

Steven Penhall: Yeah, I think I remember it was all the, what's his name? till you kicked. I think I remember.

Steve Nielly: I don't know. But the other thing about small towns is we all end up playing football against each other, playing baseball against each other, then we also end up with the same parties. And so, you end up with some of that. But, it all worked out. I can honestly say of all the people that I've worked with in my career, I cannot name anyone that's had a bigger impact on my professional development than Steve Penhall. I'm grateful for all that you've done for me, Steve.

Steve Nielly: The other thing you said about coin in, as a marketing guy, I can make coin in any number you want it to be. Doesn't mean you're going to put any money in the bank, but I can drive some coin in for you.

Steven Penhall: Yeah. And it took a while for me to learn that lesson, but I learned it. Yeah.

Steve Nielly: But I just wanted to call in and at least say hi, and give credit to Steve for all that he's done for me, and I'm happy for you to be back in back in New Mexico doing your thing, and I hope it's going well for you.

Steven Penhall: Well, thank you. You are truly the best marketing person I've ever run across. So, thank you very much.

Tino Magnatta: Thanks so much, Steve.

Steve Nielly: All right. We'll see you in a couple of weeks.

Tino Magnatta: He definitely is. There's no question about. Thanks for calling in, Steve. I appreciate it.

Steven Penhall: And good GM too. I've seen him work. I know him.

Tino Magnatta: Oh yeah.

Steve Nielly: Thanks, guys.

Steven Penhall: He's gone way ahead of me. So, anyway. Well, thank you.

Tino Magnatta: Thanks buddy.

Steve Nielly: Have a good show. You bet.

Tino Magnatta: All right, yeah. Thanks. Bye bye.

Tino Magnatta: Well, that was cool.

Steven Penhall: Yeah, it was great.

Tino Magnatta: That was very good, yeah. Let's see who we got here.

Haydee Antezana: Hi, this is Haydee.

Tino Magnatta: Hello, this is Tino Magnatta, and we have a ... Hey, how are you, Haydee? How are you doing?

Haydee Antezana: I'm so well. How are you, Steve?

Steven Penhall: I'm good, thank you.

Haydee Antezana: This is Haydee [Antezana 00:34:59]. Steve, my goodness, I've been on Tino's show a couple of times and I don't think he's ever had a guest that has had so many lives as you have, okay?

Steven Penhall: Yeah. I've been there done that, I think. We didn't talk about my conducting the San Diego Symphony twice or my horse back episodes or all that. So, I don't know.

Haydee Antezana: I think a unrecognized person in all this, and I want to give her kudos, is your wife as well. I mean, I think she's really ... you talk about her quite a bit as well through this.

Tino Magnatta: Yeah. That's absolutely.

Haydee Antezana: Kudos to her for backing you up in all of these ventures. So, I've kind of interested to know two things from you. One is, you mentioned the four questions that your people, which I absolutely love. Out of all your years of experience, what area have you found to be the one that is where your most challenges come from?

Steven Penhall: Well, it's the people. I had a guy tell me once, he said, "All my problems have hair on top."

Haydee Antezana: I love that.

Steven Penhall: And to a great degree, I've spent my lifetime studying economics and accounting and law and all these things. And I really dug into some of these topics. I can't figure people out. That's tough. And so, I've only been able to just try to be as fair and honest as I can. And one of the things that somebody told me once is that a lot of managers, one of the problems they have is what they call courage to lead. By courage to lead means that you do what has to be done when it has to be done. I think all of us have struggled with that over the years. I know I have. But you get to the point where when you're dealing with folks, you have to have that hard discussion. You have to make that hard decision.

Steven Penhall: You have to do those things that are really things you don't want to do. They're uncomfortable. I think that's a really important thing, because when your staff realizes that because it's tough for the you and the person you're talking to, but when the rest of the staff knows that, look, he's fair. But he's got to make the tough decision and he's not going to get pushed around. So, let's get down and get to work and make this place better. I think at that point, that really makes the difference.

Haydee Antezana: Love it. You saying about people, because I believe we're not in the hospitality or gaming or casino business, we are in the people business. And with that, I'm interested also in terms of you talking about your focus has been on the bottom line and the balance between that. Because I've come across a lot of casinos, especially commercial gaming, there's a lot of cutbacks. And one of the biggest cutbacks I've seen in professional development and the training of stuff. So, how do you feel about that?

Steven Penhall: Well, obviously, one of my great successes in my career was winning the Eureka Award at Sycuan. Now, when I got to Sycuan, they were number three in the market. And without building anything, we were able to double their revenues and double their profits. In addition to that, we were able to turn it into a really good business. And I say we because I had a lot of help. And Sheila [Haul 00:38:33] and Kevin Vickery, and Mary Meyer, John [Dennis 00:38:38], all those folks who were there back then and helped us get where we were. But we did it through education. Educating the staff but mostly educating the managers, and really digging into what it takes to be a good business, and then putting every single manager on the track to be the best manager they could be.

Steven Penhall: We won the Eureka Award in California, which is highest Baldrige Criteria award. And we were only within, I don't know, a couple dozen points of qualifying for the national award, which puts you up with the Motorola's of the world. So, we were the only Casino that's ever done it.

Haydee Antezana: Oh, that fantastic.

Steven Penhall: So, I really believe in that. I believe in it. But one of the problems you have ... Tribal gaming tends to be your lifespan there who are the property tends to be relatively short, and so you don't have time to get these things rolling. I think they miss out a lot. This is going to be my second year of Black Mesa, and one of the things I told him was, this budget year, this coming budget year, we've got to look at employee recognition and look at employee education and training. So, we wrote a new employee manual and we put in an education reimbursement program. We really couldn't afford it at the time we put it in. We can now, but couldn't then. But it just tells the employees that this is important to us and we want you to be a part of it. Now starting to get people responding and come back.

Steven Penhall: One of the most important things in my life was my education, my continuing education. But in my kids' lives, when I had to make that a priority and get this to school without any debt was my number, not my number one, but one of my number one goals in life.

Haydee Antezana: Absolutely. And I saw that you got an MBA as well. So, that's really interesting. Tino, one last question, because I find Steve amazing, I could hear him all day.

Tino Magnatta: Sure.

Haydee Antezana: As you know, Steve, I wrote the book, Packaged for Success, and I always love to know from people like you, and you did mention one of the keys to your success was hiring great people. But aside from that, your personal success, what would you say one of the main keys were for you? How you package yourself for success.

Steven Penhall: Oh, in terms of packaging, I don't package well. I loved your book. I loved your book.

Haydee Antezana: Thank you.

Steven Penhall: One of the things about it is, I will tell you just to digress a little, I love the part about business etiquette and about the things that you need to do to fit in. Because having worked, I mean, having dealt with folks at every level from billionaires to whatever, I know that there's a certain etiquette that is for everybody, and you have to treat everybody well. And that may be one of the things that I do oka is I try to treat everybody well. I know as a police officer, one of the things that people liked about dealing with me was I really tried to be honest and fair, and truly fair, not faking it. And so, that was part of my success there.

Haydee Antezana: Love it.

Steven Penhall: I think at the casinos, the fact is, is I show up every day and I'm there every day to work for their bottom line and to make them proud. Here's the thing. At some point, casinos are going to become a commodity. There's going to be one in every in every city, in every county, whatever. But they're going to be like bowling alleys. When that happens, the competitive prices are going to be very great, your bottom lines are going to shrink, you're going to have to be a much better operator. And if you're not, you won't survive.

Steven Penhall: Well, a lot of these tribes really need to keep these businesses running to maintain essential services. And that's always been one of my things, is that let's try to set this business up. No matter what happens, they put MGM comes across the free form me. You can keep this place open and you can provide those essential services to your folks without a whole lot of pain, and that's a difficult thing to sell. So, when everybody wants to build a new entertainment venue, or they want to build a new Steakhouse, or they want to build a sushi point, or whatever. Yeah.

Tino Magnatta: Yeah.

Haydee Antezana: Thank you, Steve. Thank you so much. And I love your authenticity. Thank you for all of that. And thank you, Tino.

Tino Magnatta: Thank you, Haydee.

Steven Penhall: Thank you. I enjoyed your book very much. Thank you.

Tino Magnatta: Appreciate it.

Haydee Antezana: Awesome.

Tino Magnatta: Have a good night.

Haydee Antezana: You too.

Tino Magnatta: Bye bye.

Haydee Antezana: Bye bye.

Tino Magnatta: Great questions.

Steven Penhall: Yeah.

Tino Magnatta: All right. Let's see what we got here.

Steven Penhall: I don't know if I answered it, but ...

Tino Magnatta: Oh, you did. Yes.

Tino Magnatta: Hello, this is Tino Magnatta, I have Steve Penhall. Do you have a question for him?

Crystal: Hey there, Tino. This is [Crystal 00:43:29], from Detroit.

Tino Magnatta: Hey Crystal, how are you?

Crystal: I'm good. How are you?

Tino Magnatta: Good. Good.

Crystal: I just wanted to say thank you for offering this opportunity. Steve, it's been great to listen to you so far in the show. We're big fans. I'm from an agency, so I offer a little different question and a different perspective. Steve, thank you for taking my call. I have a question for you as it relates to the challenges coming up in gaming over the next few years. So, it's kind of a double question. But then how you see agencies participating in your success and what you expect out of your agency?

Steven Penhall: Okay. Which kind of agency, marketing?

Crystal: We sure are.

Steven Penhall: Pardon me?

Crystal: We sure are. Marketing and advertising agency. Yep.

Steven Penhall: Okay. Okay, good. Yeah. No, the challenges coming up, the competitive pressures, again, are going to get very great because we are already seeing that in the East Coast. And we're seeing legislators talk about the expansion of gaming, the expansion of sports gaming. And so, there's going to be a lot of pressure, a lot of competition for that gaming dollar. And again, I think it's trying to be efficient, trying to do the best job you can. As far as agencies go, one of the things about the casino where I'm at, for instance, is it's very small, and we can't afford what it costs to hire an agency to do that. So, we have to use our own devices and be inventive and creative, and try to get things as inexpensively as possible.

Steven Penhall: I think if agencies want that kind of business, they need to adapt, too. I've had to eliminate two or three agencies that wouldn't ... They said, "Well, you get what you pay for. So, we're going to charge you this." And I said, "Well, sorry, but I can hire somebody locally, and maybe not get quite that, but pay a lot less." And so, that's kind of where my feeling was. Now, I've used great big agencies, I've used them with great success, and I've got some great friends who run agencies. But they have their place in gaming, and primarily, I think it's in the larger facilities. One of the things that you would, I guess, would be able to help out, I guess, is that, let's say, manager comes, a GM comes into a property

and doesn't have a marketing guy, I didn't have a marketing guy when I got to Black Mesa. I had to do it myself.

Steven Penhall: Somebody that had the ability to come in and help me, even in the short term, would make a lot of points, because I had nobody to help me. I was just had to do it. But I kind of reached out and tried to find some folks, but I didn't. There's not much out there in terms of marketing agencies that can come in and say, "Okay, yeah, we can help you get your mailers out. We can help you tier your database. We can help you layout your mailers, do your posters, give you some kind of theming on your billboards, things like that. I guess I hate to say it, but not charged a whole lot of money. So, find ways to do that.

Tino Magnatta: Yeah.

Crystal: But it looks like you have a[inaudible 00:47:02] partnerships, more partnership than necessarily vendors, but you're looking for some partnership.

Steven Penhall: Absolutely. Partnerships are great. I love partnership. Yeah.

Crystal: Awesome. I have another question for you. Who is your mentor, and how would you describe your success through your mentorship?

Steven Penhall: Well, I got a number of folks who have helped me out along the way. And I've been in a number of different, I guess, career lines. And some of the things I'm not mentioned. I always had two or three jobs when I was in my 20s. So, I've learned a lot from different fields. I was in the construction business for a while, things like that, along with other jobs. And meanwhile, I had other jobs while I was running restaurants, actually. But it wasn't until I got really to Cortez, where I developed relationships with folks, that friend of Mike Shetler, the district attorney George [Bach 00:47:56]. George Bach was huge for me. He changed my life. Because he had a way of looking at things that was pretty no nonsense, but I hadn't ...

Steven Penhall: He was very strict about it, and I really enjoyed that. So, George Bach, Frank [Vizcarra 00:48:17], and Jean Greaves. Jean Greaves who wrote The Emotional Intelligence Quick Book. She worked with [Mia Saquon 00:48:25] for quite a while. She's still a good friend and someone I can reach out to when things are not going well. But Frank was former president of Worldwide McDonald's, and boy, he beat me up. But I learned a lot from him. And then of course you learn, Gemma Noah, [El Pachanga 00:48:45] was great. But I learn also from all the people I work with. I learned more from Steve Nielly than I ever taught him, and same with Sheila Haul, or same as [00:48:58], or all these folks. I learned so much from them. So, you try and take it all. Anyway.

Crystal: All right. Well I appreciate your candid responses and thank you.

Tino Magnatta: Great. Thank you so much. Great questions.

Crystal: Thank you very much. I appreciate you time tonight.

Tino Magnatta: Thank you.

Steven Penhall: Thank you.

Tino Magnatta: Have a good night. Thank you.

Crystal: You too. Bye.

Tino Magnatta: Great stuff.

Tino Magnatta: Let's go to the next one.

Vince Manfredi: Hi, it's Vince Manfredi. How are you doing?

Tino Magnatta: Say that again? [crosstalk 00:49:38]. Yeah, we can here you're Manfredi calling in. Vince, how are you?

Vince Manfredi: I'm hanging in there. How about you?

Tino Magnatta: Good. Good. Good. Did you have a question for Steve?

Vince Manfredi: Hello?

Tino Magnatta: Vince, are you there?

Vince Manfredi: Yes.

Tino Magnatta: Okay, yeah, we lost you there for a sec. Yeah, go ahead. Say that again.

Vince Manfredi: I hope you can hear me now. Steve, it's been really a pleasure listening to you talk. You had me when you started talking about your restaurant experience. I grew up in a restaurant and I think it prepares you for a lot of things in life. There's just something going on, there's so many components. And in my case, it wasn't optional, it was a family thing. So, we were working at a very young age.

Steven Penhall: My kids did too. Both my son and my daughter had to work in there. So, yeah, I know exactly what you're talking about.

Vince Manfredi: I was going to ask you if you've ever walked into dysfunctional organizations and how you fix those. But then when you spoke about the ways that you put your groups together and the questions that you asked, it sounds like you're a very empowered and forward thinking manager. I'm just wondering why you don't think that can scale to a larger organization? I think you said earlier that you prefer to be in smaller groups maybe 250 employees.

Steven Penhall: Well, I think I can do a lot of good for some of these, like the place I'm at now, I think I can do a lot of good for these folks. I can put them on a long term path to success, that will allow them to be successful for a while. And a lot of times, you go to these bigger properties ... I wouldn't object to going back to a bigger property, I was GM at the fourth biggest property in the country. [crosstalk 00:51:38]. Yeah. Well, at that time it was the fourth. Not anymore, but-

Tino Magnatta: I think it's number one, isn't it? Or close?

Steven Penhall: I don't know. But anyway, yeah, there's so much politics involved, there's so much ... and tend to have fairly large structures over the property that things you want to do, you really can't do. And I'm not at a point in my life I guess right now where I want to ... I don't know. I'm just getting old, crotchety. I don't want to have somebody tell me that-

Tino Magnatta: Yeah. You want to deal with it.

Steven Penhall: ... what to do with it when I'm going to look them in the eye, and tell them, "No, if you want to make money, this is what you do." And they're going to tell me no.

Steven Penhall: I got to give you an example. I've been to interviews for these big properties. And you go in there, and one guy, I get to the point about halfway through most of these interviews where I go, "I do not want to work for these people. There's 20 people around this table, and every one of them is going to think through my boss." And so, I'll blow the interview. They'll ask me a question and I'll go, "No, I don't know." Or I'll say one of them, they asked me the same question then they were clearly written by somebody for them. But they asked me the same question six times in a row. And I said, "Look, you've asked me the same question five times. If he asked me the same question again, I'm going to tell you the same answer. So, just don't ask those questions, please." Well, I knew I blew the interview at that point. But you know if you're going to go to work for those folks, what it's going to be like-

Tino Magnatta: That's a good way to do it.

Steven Penhall: Yeah. I'm not politically correct enough to put up with that. I was a cop, I had to bounce in the bar. And I'm this little skinny guy. I'm not tough, but you got to do what you got to do. But I'm not going to put up with that. I've made people a lot of money over the years. Lots and lots of money, and I'm kind of done with that.

Vince Manfredi: No, I understand what you're saying. I've worked with small organizations and larger ones. And I think one of the things about a small organization is the group gets together, they decide to make a change, and you make the change and you can move. And in a bigger organization, there's just so many components and so many people that need to sign off, consumer programs get diluted even before they start. So, I agree with what you're saying.

Vince Manfredi: Now I got a tactical question for you that's sort of talking about balance, especially when it comes to the slot floor, and balancing that against customer service and customer satisfaction, how does it hold percentage factor for you in that dilemma?

Steven Penhall: That's a good question, because I've been in three markets. I actually worked in Vegas too, but not as an operator. But Oklahoma, New Mexico, and California are totally different markets. So, you have to take each individual market, in fact, each individual location, and to try to determine how to balance your hold with your free play, because your free play is going to decrease your hold. So, you have to have a target hold that true target hold, and it has to be palatable to the market. The market has to be able to stand it.

Steven Penhall: New Mexico is one most competitive markets, the Albuquerque area, in the country. These people give away a ton of free play. Unbelievable amounts. So, trying to dial that back and then balance it with a hole that is good for them, but they're not going to realize that, they'll feel it over time. But initially, you're going to take a hit. So, it's a tough balancing act in every market. The thing is, and it goes back to the bottom line, is how much money you need to make to keep the place operating and give to the tribe what they need to sustain themselves. I think hold in a certain range is not something that a customer knows in the short term. But over the long term, they'll know it. So, I tend to try to find that hold that fits with the right free play mix that you're going to give that gets you the bottom line. [crosstalk 00:55:57].

Steven Penhall: Now, when you go to Oklahoma, you can't do that. Because all your games are going to be somewhere between one and 4% holds, and you're just going to struggle to make a bottom line.

Tino Magnatta: Right. I think that's interesting. [crosstalk 00:56:12].

Vince Manfredi: I appreciate all your answers, I've enjoyed listening to you talk. I wish you continued success in all of [inaudible 00:56:15] get old. I've enjoyed this very much. Good luck to you.

Steven Penhall: Thank you so much.

Tino Magnatta: Thank you.

Steven Penhall: Thank you.

Vince Manfredi: Bye, guys.

Tino Magnatta: Yeah. Have a good night. Goodbye. And good questions. All right. Let's see what you got here.

Steven Penhall: Yeah. That replay, it's a tough one.

Tino Magnatta: Oh, this Tino Magnatta., we have Steve Penhall, do have a question for him? Yeah, we can hear you.

Kyle Houston: This is [Kyle 00:56:44] Houston. And Steve, I just want to say hello, first of all. But I got kind of an off the wall question to put on the table here, and it's about tribal addendums today from the entertainment standpoint, have you run into that very much in your travels?

Steven Penhall: No, I'm not even sure what you're talking about.

Kyle Houston: Well, what's happening today is tribal councils are riding up their own addendums to challenge-

Steven Penhall: Oh, sure. Yes.

Kyle Houston: Yeah.

Steven Penhall: I think I actually think I started that.

Kyle Houston: Well, nice going.

Steven Penhall: That's the idea. Yeah. Sorry about that, Kyle.

Kyle Houston: That's one that's really a trouble in itself. And so, since numerous properties are doing this across the board now, and what they're trying to do is change the entertainment business, the whole process, and it's been a real challenge out there. And so, I was just wondering what you thought about that.

Steven Penhall: Well, I got to tell you, working with you and Billy was one of the best things I've ever done. I talk about hiring quality people, and you guys are quality people. You did a great job for me. And then for a guy like me that didn't really know what I was doing. You came in and you helped me, you taught me, you put together a great program. I think [Sandiya 00:58:03], the amphitheater there of third year was up for country music venue of the year for the whole country. So, you guys did a great job. And I never interfered with the actual booking part in my addendums. My addendums we're about what the group's ask for in terms of the liquor and the red m&ms and all the other stuff that they wanted, the Alice Cooper's tube socks, which I didn't mind actually. I went out and got them anyway.

Steven Penhall: I don't know. I really couldn't comment on how they're trying to get into your actually booking process. I know I've seen some things that weren't quite square being done by some folks, but certainly not you or Billy or your folks, or there's a lot of really good folks out there. I can't imagine why you'd want to mess with it too much.

Kyle Houston: Well, you know what it is, is it's a process in its new tribal attorneys coming in that don't understand the entertainment law portion of law. And so, I've had a couple of incidences where tribal councils have tried to rewrite a William Morris contract. So, you can see that [crosstalk 00:59:25], oh, my God, it's one of those things that is it used to be a lot of fun doing this business, but now it's all back and forth paperwork was scans and changes and what's going to work and what's not going to work and finding a middle ground. And boy, it's like tribal councils today are drawing lines in the sand and the agencies are going, "We're not going to bend to that." So, it's like a rock and a hard place. It's a really interesting time.

Tino Magnatta: Right. Yeah. It's an interesting dynamic.

Steven Penhall: Yeah. I'm not worried about that, and I certainly wouldn't be for it. But there are certain there are certain things that they're going to want on the contract, their jurisdictions and things like that, which I think most people have agreed to and I think most people in the gaming industry have ... that's all pretty common. But, yeah. I'm not sure. I'd want to see, maybe you could ship me one of those.

Kyle Houston: Yeah, I will, Well, next time I'm in Albuquerque, I'll ring you up ahead of time.

Steven Penhall: Okay. Or, just give me a call of like at Black Mesa or send me an email or something at my email address. I think you already have my personal phone and stuff, so send it to me and I'll give you my two cents worth.

Kyle Houston: I appreciate it. It's always good to hear in your voice out there, Steve. [crosstalk 01:00:44]

Tino Magnatta: Thanks so much, okay?

Steven Penhall: You too, Kyle. Thanks, I'll see you in a couple of weeks.

Tino Magnatta: Thanks Kyle, I appreciate it.

Kyle Houston: Okay. See you guys later.

Steven Penhall: See yah.

Tino Magnatta: Bye bye.

Haydee Antezana: Bye bye.

Tino Magnatta: Wow, some great questions today, isn't it?

Steven Penhall: Yeah.

Tino Magnatta: Some really, really great questions. Yeah. There are a lot of great people that call into the show, and I think we can take one more.

Bobby Bryant: Hey, Steve.

Tino Magnatta: Hello, this is Tino Magnatta, I have Steve Penhall.

Bobby Bryant: Hey, guys. It's [Bobby Brian Bryant 01:01:12], calling from Las Vegas.

Tino Magnatta: Hey Bobby, how are you?

Bobby Bryant: I'm doing great. Really enjoying the program.

Tino Magnatta: Good.

Bobby Bryant: First of all, I wanted to thank Steve for stopping Steve nearly crime waved. Somebody had to scare that bastard straight or it could have gone really wrong.

Tino Magnatta: Yeah. Someone had to hunt him down.

Steven Penhall: Yeah.

Tino Magnatta: That's funny.

Bobby Bryant: Hey, Steve, when you were much younger, you and Nielly and I worked on a pretty grand scale promotion. But I was kind of curious through the years. Do you have any nightmare stories about promotion, or things that you thought were particularly clever or profitable?

Steven Penhall: Yeah, I actually got one coming up in November December that I don't want to talk about, which is too bad because it's a great one. But, yeah, I don't know. Promotions are tough. The whole industry has moved more towards the direct mail and away from the promotions and you still feel like you have to have the promotions. But I agree. I think they've gotten less creative. Nielly did one way back when, which was get away with the years' pay. And that at that time had the magnitude of it the years' pay. That resonated with people. And boy, we just killed it. And he used that three or four casinos, and I think he killed it every time. And it didn't cost you that much money.

Steven Penhall: I don't know. I'm trying to think what else. Nielly is always good for creative ideas.

Tino Magnatta: Yeah, absolutely. [crosstalk 01:03:11].

Bobby Bryant: Go ahead.

Steven Penhall: The things I thought of was Saquon, my marketing director was notoriously frugal, which was really good because that's why we made a lot of money. But he got our maintenance department to build a lot of sets for him. And he made up these promotional things, kind of like that the mailboxes or all kinds of other stuff. I'm not really good at that stuff, but he was pretty good at it. [Allan Crafts 01:03:41] and he built a lot of stuff, and it wasn't expensive. It worked really well.

Tino Magnatta: Yeah.

Bobby Bryant: Yeah. The [inaudible 01:03:52] was good.

Steven Penhall: And Allen definitely wants frugal.

Bobby Bryant: Well, thanks a lot, Steve.

Steven Penhall: No problem. Thank you.

Tino Magnatta: No problem. Thanks Bobby.

Bobby Bryant: Thank you.

Tino Magnatta: Well I think that's the last question. That's all we got time for, Steve. It's been absolutely spectacular show> Thanks for coming on, and we hope to have you on again sometime soon.

Steven Penhall: Okay, sounds good. Thank you very much. I appreciate it. I liked all the callers. I enjoyed it.

Tino Magnatta: Yeah. Some great questions tonight. People were really intrigued about everything. I really appreciated it, Steve. You have a good night.

Steven Penhall: Thanks, you too. Goodnight.

Tino Magnatta: Take care.

Tino Magnatta: Wow, what a great guy, so much wisdom and so many great stories. Next week we have Jim Webster. Jim Webster's the GM of Ho-Chunk. Great story. He started in corporate America, didn't find out he was a native until later in his life. And then after spending 20 somewhat years in corporate America, he joined the tribe and the casino. And so, he has a very, very interesting perspective on Native gaming. Remember, everybody's got a story to tell. You just have to have time to listen to it. everyone, have a good night. Talk to you soon.

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