

## **Introduction:**

Maryland Live! Casino opened to the public on June 6, 2012, under the scope of gaming then authorized by the Maryland State Legislature- Senate Bill 1 – passed in 2008. This authorizing legislation restricted Maryland casinos to the operation solely of VLTs. As a result, Maryland Live Casino designed its initial game mix based on these restrictions in the then prevailing Maryland Law.

Subsequent to Maryland Live! Casino's opening, in special session of the Maryland General Assembly August, 2012, Senate Bill 3 was passed, which authorized table games in Maryland casinos, as well as providing for a sixth gaming license in Prince Georges County, among other modifications to the gaming law. Senate Bill 3 was ratified by referendum vote of Maryland voters in November, 2013.

In April, 2013, Maryland Live! opened its initial complement of house-banked table games. This was followed by the opening of the facility's poker room in August, 2013.

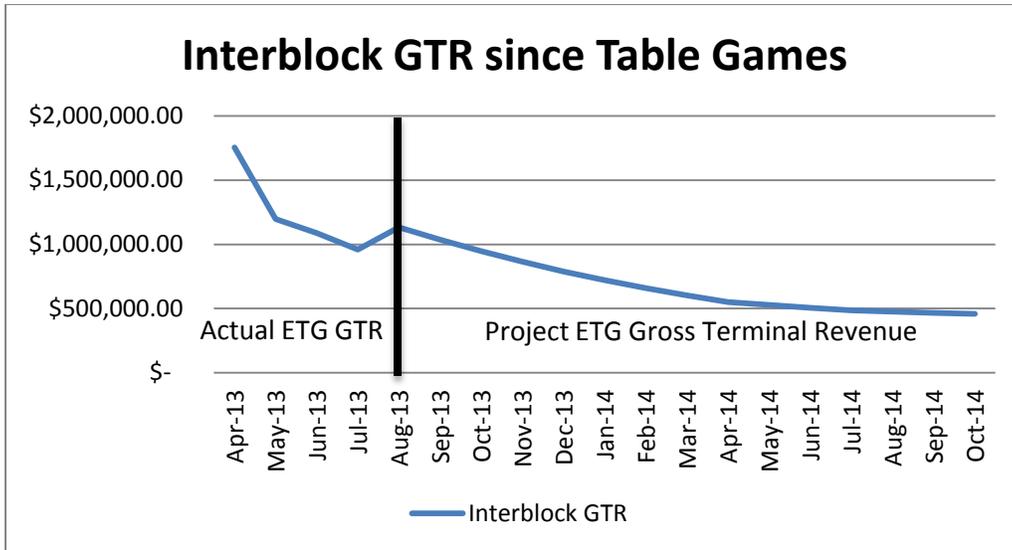
Maryland Live! informed the MLGCA in the beginning of its table game implementation that its strategy for table games included the conversion of the remaining 57 Interblock VLTs located in the facility's "R-Bar" into dealer dealt table games and has been working with the MLGCA and Interblock machine manufacturer on the technical procedures and regulations for this conversion.

The MLGCA has drafted the implementing regulations for these games and Maryland Live! is now requesting the Commission's authorization to convert 57 Interblock VLTs into 54 Interblock table games.

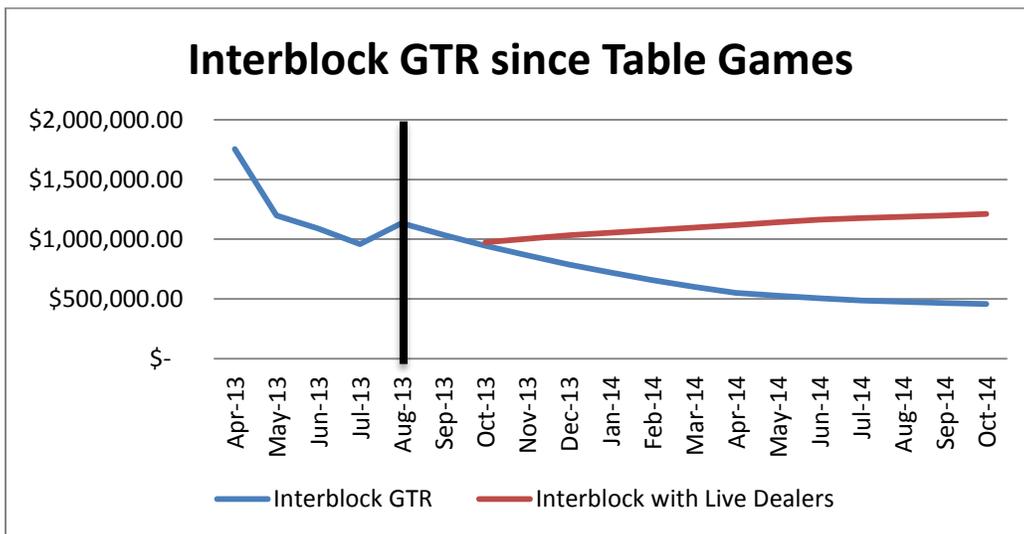
This document has been drafted in support of that request.

## **The Request is in the best fiscal interest of the State:**

Maryland Live! Casino is proposing the conversion of its remaining Interblock VLT units into table games manned by Maryland Live! employees. Electronic tables have historically shown that they cannot compete with live tables in the same facility. **In fact, if table games had been authorized in the State prior to our initial opening, we would not have included electronic table games of any number in our initial game mix.** If you look to states, such as PA, that once had strong performing ETGs' and then added tables, it shows that the ETG's performance suffers as a result of live table games. Similarly, the current trend on our ETG's shows degradation since the onset of table games.



We expect this degradation to continue as table game play at Maryland Live! modulates and average table game minimums drop at the facility with the onset of additional competition in the market. In addition, the ETG performance will continue to decline as a result of the inherent difference in the level of excitement between live table game action and a facsimile. By allowing these units to operate under the direction of live dealers, we expect to add the communal excitement that will drive growth.



As a result of the increased volume, we forecast an increase of customers playing these terminals over the year to be 57,734. In addition to the growth in customers on these units, we expect to see a growth in visitation on our VLTs as a direct result. To explain, we first need to look at what has happened to our VLT revenue since the inception of table games; we have seen an increase in both revenue and customer count. In fact, our slot revenue over the last 3 months is up over \$10 million or 10.5% and we have experienced similar growth in our customer counts. We attribute that growth to the family and friends of our new table games customers who prefer to play slot machines and previously had to leave Maryland in order to play both types of games. Using this understanding and an analysis of our database, we project an additional 14,443 slot customers that will visit Maryland Live! as a direct result

of this project, driving \$1,587,675 in additional slot revenues and \$1,063,742 of new gaming taxes. The additional customers will eat and drink creating additional F&B revenues of \$824,567 for the year resulting in approximately \$49,500 in sales and use taxes for the state.

We also expect to generate 35 additional jobs as a direct result of this project generating \$1.8M in payroll and \$132,500 in employment taxes.

	FTE	Wages
Dealers	24	1,297,920
Supervisors	6	360,000
Slot Techs	4	133,120
	34	1,791,040

Considering all the financial benefits to the state of Maryland, converting the Interblock games to live table games is the prudent fiscal direction:

<b>12 month forecast on State of Maryland Benefit Analysis of Interblock as VLT's vs. Interblock as Table Games</b>		
	Interblock as VLT declining rev. due to live table impact	Interblock as Table Game and live dealers showing stabilized Revenues
Projected 12 month Gross Revenue before tax	7,108,787 (1)	13,459,485
Tax Rate	67%	20%
Projected Tax Revenue	4,762,887	2,691,897
Taxes on incremental Associated Slot Rev (2)	-	1,063,742
Employment Tax& PI Tax (3)	-	132,500
Sales and Use on Incremental Customers (4)	-	49,254
Net Revenue to State	4,762,887	3,937,393
Projected Cost to state of \$65 a day per unit	(1,419,015)	-
Net Benefit/(Cost) to state	3,343,872	3,937,393
	<b>Net Increase benefit to State</b>	<b>593,521</b>
1) Assumes the continuation of the current decline rate of Interblock games as VLT.		
2) Assumes 57,734 new players on Interblock and 14,443 new VLT customers that would accompany them.		
3) Assumes 34 new employees to operate the Interblock units as a table games with \$1.8M in annual Payroll.		
4) Assumes that 75% of new customers will buy 1 drink and 35% of new customers will order food.		

The above analysis shows a favorable fiscal impact based on the **current slot tax rate**. As set forth in the new gaming law, in actuality, Maryland Live!'s VLT tax will decline by 8% in March 2015 as a result of the facility taking over ownership of the VLT machines, and by an additional 8% (marketing credit) in July 2016.

It is important to note that there is no direct correlation between slot revenues and machine count . If you evaluate the GTR for Maryland Live since September (the date in which we opened our last expansion), our highest performance was in March when we had our lowest count of machines (nearly 600 machines lower than our peak). [The Commission drew this very conclusion on the lack of correlation between revenue and number of machines in approving this past June the reduction of 1,000 units from the planned Horseshoe Baltimore facility.]

**Maryland Live! should have the same right as the new facilities in Baltimore and Prince George's to design and implement a VLT and Table Game Mix that Maximizes Facility Performance and Should Not be Put at a Disadvantage Because it Opened Under the Prior Legislation:**

Maryland Live! has operated its facility at the highest level of standards and financial performance of any casino, not only in the State, but in the region and nationally, and should have the continuing right to manage its gaming mix in accordance with current law and the competitive environment. As stated earlier, Maryland Live! would not have included electronic table games in any number as part of its initial game mix had it opened under the current legislation. Maryland Live! has incurred significant costs (approximately \$70 million) in retrofitting its facility for table games and under the current request, will incur all costs of conversion of the Interblock units, as well as taking over ownership responsibility and costs for these units. Both the Baltimore and Prince George's facilities will have the benefit of designing and building their operations under the new rules.

This request was contemplated and reviewed with the MLGCA early on [in fact lease terms for these units were originally negotiated to facilitate risk-free reduction upon the passage of table games], is consistent with our professional assessment and is critical to continuing the high level of performance of Maryland Live!, not only now, but into the future. We believe our current plan to convert the Interblock units to dealer dealt terminals will create a new exciting area within the casino and maximize the life span of the current units, and continue to allow Maryland Live! to produce the highest levels of gaming revenues to the State.