

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JANUARY MINUTES

DATE: January 23, 2014

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane L. McGraw via phone
Commissioner F. Vernon Boozer
Commissioner Bert J. Hash, Jr.
Commissioner E. Randolph Marriner
Commissioner John Morton via phone
Commissioner James Stakem

Stephen Martino, Director
Gina Smith, Deputy Director & CFO
Robert Fontaine, Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Jaclyn Vincent, Director of Gaming Research
Holly Citko, Deputy Counsel
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville
Representative from Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Members of the Public

CALL TO ORDER

There being a quorum present, Chair Robertson Pannell called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:03 a.m. Commissioners present were: F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner and James Stakem. Commissioners Diane L. McGraw and John Morton participated via phone.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she wished to amend the agenda. On page 3 under Mr. LaBoy's report, add item "d. Electronic Gaming Devices". The Chair asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the Amended Agenda. Motion to approve the Amended Agenda was made by Commissioner Marriner, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the December 18, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. Hearing none, Commissioner Stakem made a motion that the minutes be approved, it was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains three new instant ticket games for the Commission's approval: Game #146 *Bank Blast*, Game #154 *Cherry Tripler*, and Game #155 *Show Me The Money*. The Consent Agenda also contains VLT Games and Component Testing, Bingo Hall Games and Component Testing, and Gaming License Applications Denials for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion.

Hearing none, the Chair requested a motion to approve the three new instant ticket games noted above as well as the VLT Games and Component Testing, Bingo Hall Games and Component Testing, and Gaming License Applications Denials. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem and motion carried by unanimous vote of the Commission.

Commissioner Morton thanked staff for the information on the actual costs of the closed instant ticket games.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Steve Lambert, General Manager, said December gaming revenue was down 25% over November. However, year over year gaming revenue was up 9% due to in part to table games. The property showed \$178 win per unit per game per day and \$2,800 per table game per day for year-end.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said performance at their facility is similar to Hollywood Casino. Gaming revenue for year over year is up 2%. Facility was trending this month until the snow occurred. However, there have been no closings as yet this year because of the weather. Facility is still on track for a good January.

The facility was involved with food drives in November and December for a local homeless shelter and food bank. Over 10,500 pounds of food was distributed throughout the community. He expressed his thanks to the casino customers and employees for their donations.

Construction on the expansion project has temporarily stopped because of the weather.

Vice Chair McGraw thanked the facility for being part of Atlantic General Hospital's Penguin Swim 2014. This was a huge event and a good venue to advertise.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said December had softer slot revenue because of the weather. Year over year revenue was somewhat flat. Table games were extraordinary, reaching \$20 million for the first time.

Lunar New Year celebration promotion event will be January 30 to February 9. There will be a giveaway of 48 70" televisions on Super Bowl weekend and then facility will roll into a \$100,000 giveaway promotion on February 22 and 23.

The facility is moving forward on construction of the new restaurant.

Performances at Ram's Head Live include The Little River Band in January and Gino Vannelli and Edgar Winter in February.

Maryland Live! Casino hosted a job fair in Atlantic City in early January. They made 42 employment offers on the spot and 57 second interviews were scheduled. It was a successful job fair. Chair Robertson Pannell asked how many positions are available. Mr. Norton responded consistently there are a few hundred. The casino is also looking for additional dealers.

Rocky Gap Casino Resort

Mr. Anthony DiSalvatore, Director of Security and Compliance, said the weather on the weekends in December has affected the facility, and they are still learning how to deal with it. An event was held in the new conference center.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, General Manager, said this is the year they will be opening their doors. The facility is in the process of finalizing plans for a comprehensive job search in conjunction with Baltimore City. A press conference will be held next week advising people of the positions available and how to apply. The facility continues to meet with MLGCA staff every other week. There is now heat in the building which allows them to hang drywall and complete other indoor projects. Things are moving quickly and they look forward to opening by the end of this year.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith said changes to Powerball went into effect on January 22 without incident. On January 29, MDI *Monopoly* and *Sweetheart* instant tickets games will launch. There are some changes coming to Racetrax in April. SGI participated in the Toys for Tots campaign and over 100 toys were donated.

Pollard Banknote

Ms. Julin Shaw said as shown on the handout, instant ticket sales for FY2014 are still trailing behind FY2013. As new instant ticket games are introduced, sales start to pick up. The \$10 *10X Cash* instant ticket game was introduced in the second quarter offering a top prize of \$10,000. This offers players a unique prize structure whereby the standard top prize of \$100,000 was lowered to \$10,000, allowing for over 70 top prizes. This also provided a 15% increase in the number of prizes built into the prize structure.

Holiday instant ticket games will not close out until February. Total holiday instant sales to date are \$12.4 million, an 8% increase over last year's holiday instant ticket sales.

Pollard is working on its first interactive game that will offer players a familiar instant ticket game and the opportunity to play a game via smartphone or desktop for a chance to win "My Lottery Rewards" points or instant ticket coupons. This program was successful in Michigan not just as a driver of sales, but also attracted new players in the 18-to 34-year-old segment.

She said page 2 of the handout contains Pollard's MBE compliance information.

GTECH

Mr. Gary Cherwinski said various projects are continuing. Meetings are also continuing with Horseshoe Casino Baltimore to get them up and running.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said he will ask MGM Resorts to attend Commission meetings on a quarterly basis to present their updates.

Through January 12, year over year Lottery sales are down \$25.7 million or 2.76%. Year over year revenue is up \$4.0 million or 1.41%. Year over year instant ticket sales are down \$15.6 million or 6%, with revenue down \$1.2 million or 2.7%.

There was discussion regarding sales decline of Keno after the opening of the casinos and further impact on Keno sales with the upcoming opening of the Baltimore casino this year and the future opening of Prince George's County casino.

Mr. Martino said the Dashboard sheet shows the voluntary exclusion program participants -- 33 for Lottery and 370 for casino. He said that the 33 lottery participants are the most of any state that runs this type of program. At the February Commission meeting, Ms. Wetherell will make a presentation on responsible gambling.

Approval to Apply for Membership in the Multi-State Lottery Association

The Agency is seeking the Commission's approval to apply to the Multi-State Lottery (MUSL) for membership. This would move our activity from the Mega Millions consortium to MUSL. He believes this is the right time for the Agency to do so as an organization.

Maryland was an initial member of the Mega Millions group. That group does not provide us the options MUSL would. He provided the Commission with a copy of a letter from the Texas Lottery, which is withdrawing from Mega Millions and going to MUSL. Maryland's membership application will have to be voted on by the other MUSL states. MUSL has taken the lead on developing several new games including a progressive option for Keno, and a premium national game that may incorporate some form of national marketing and/or national game show. Maryland needs to expand its opportunity for more games. He is confident the Agency can reach a mutual agreement and be able to agree to all the terms of membership.

Commissioner Marriner said he endorses this move to MUSL. It will open up the traditional lottery side and help it grow.

Chair Robertson Pannell said there is a recommendation to grant approval to allow the Director of MLGCA to apply for membership in MUSL consistent with all applicable statutes and

regulations of the State of Maryland and asked if there was a motion. Motion was made by Commissioner Hash, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

Administration, Finance & Operations – Gina Smith, Deputy Director/CFO

Ms. Smith said the July and August audit letters, the September audit letter and financial statement, the Mega Millions and Powerball agreed upon procedures, and the Comprehensive Annual Financial Report (CAFR) were provided to the Commission. The CAFR was submitted to the Government Finance Officers Association (GFOA) for certification.

Chair Robertson Pannell asked for an update on the MBE goals. Ms. Smith responded there are timing issues she is assured that the VLT manufacturers will reach their goal. She is working closely with the Master Contract VLT manufacturers to establish reasonable MBE goals. The contract ends in March 2015. The situation of timing comes into play more than other contracts. Mr. Howells monitors this and will continue to stay on them. Ms. Smith said contract award and percentage completed will be added to the MBE report that is submitted each month to the Commission.

Veterans' Organization Instant Ticket Lottery Machines and Related Services Contract (#2014-02)

Ms. Smith presented to the Commission for approval the contract with Diamond Game Enterprises in the amount of \$57 million for the term March 7, 2014 to February 28, 2019 to provide Instant Ticket Lottery Machines (ITLM), an ITLM central monitor and control system, and other related services for Veterans' Organizations specified in the Lottery law. Only one proposal was received. The proposal was reviewed by the technical and financial evaluation committees and they recommended the award go to Diamond Game. This contract will be presented to the Board of Public Works at its February meeting. Staff recommends approval.

After further discussion, Chair Robertson Pennell said she would entertain a motion to approve the Veterans' Organization Instant Ticket Lottery Machines and Related Services Contract (#2014-02). Motion made by Commissioner Stakem, seconded by Commissioner Marriner and the motion carried by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the first device for hardware and software for instant bingo operations was submitted to the lab for testing. Work continues on reviewing license applications, security, and the representatives' concerns.

Staff is meeting with Caesars Horseshoe representatives on a weekly basis. The project is proceeding according to plan. Staff will continue to meet with them to ensure a successful opening in the time frame specified.

MGM Resorts was awarded the Prince George's County VLT operation license. Staff has met with representatives to discuss regulation requirements, and design and development of the facility. The next meeting will be held in three months.

VLT Audit Department is making progress on the 2014 Audit Plan with several audits completed and more in the process. The department is also working to fill vacant audit positions.

Electronic Gaming Device Operations is working on the fourth quarter 2013 machine payout and performance analysis.

Mr. Martino previously noted the figures for the Voluntary Exclusion Program for lottery and casino.

Chair Robertson Pannell asked how the Lottery's VEP for VLT and Lottery compares to other states. Mr. LaBoy responded some states' programs have been operating for a while and their numbers are in the thousands. Maryland's program is somewhat newer. Ms. Wetherell will be able to offer a better perspective. Ms. Wetherell said some programs have been around since 2004 and 2005 and have numbers higher than ours. She will provide further detailed information at the responsible gambling presentation in February.

Maryland Live! Casino VLT Reduction Request

Mr. LaBoy said this agenda item is a carryover from the November and December Commission meetings. Maryland Live is seeking a permanent slot reduction of 57 Interblock devices (electronic table games) located around the R Bar. The facility wished to convert these slots to table games. Converting these machines, now taxed at 67% to table games at a 20% tax rate will result in a substantial reduction to the state revenue. Staff has worked with the facility to convert the Interblock devices to live table games at the R Bar. This option would consist of a VLT reduction of the 56 Interblock VLTs (converted into live table games), and replacing 17 low performing VLTs with 17 Interblock VLTs, and relocating one Interblock VLT from the R Bar to form a new bank of 18 Interblock VLTs. This option, coupled with the contingency that the 56 Interblocks could not be converted to live table games until the second quarter of 2014, would mitigate some of the impact to the Education Trust Fund. This is again being presented to the Commission for their review.

Chair Robertson Pannell said thank you for the additional work on this matter. In light of this information, the Commission is still inclined to make no move and to continue to monitor the performance of those VLTs. She has not seen any support from Maryland Live! that this would have a more positive impact for the State. This would have a great impact on the Maryland Education Trust Fund.

After discussion, Commissioner Marriner made a motion to table this decision until closer to the opening of Horseshoe Casino Baltimore, and staff should continue to monitor operation of the machines. Motion was seconded by Commissioner Stakem. Chair Robertson Pannell said the motion was made and seconded and called for a vote. Motion carried by unanimous vote of Commission.

Amended Regulations - Gaming Provisions

Proposed regulation to be amended – COMAR 36.03.07 Mandatory Exclusion.

The proposed amendments to the Mandatory Exclusion chapter of regulations would allow the Director more discretion in the placement of individuals on the mandatory exclusion list, adds playing video lottery terminals and table games to the prohibited acts, and modify facility reporting on the subject. Also, there is an additional correction to the regulation as submitted: on page 5, line 29, it should say "Regulation .05". Staff is requesting the Commission's approval of the proposed amendments with that additional correction.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the amendment to COMAR 36.03.07 along with the additional correction. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Regulations – Electronic Gaming Devices

Chair Robertson Pannell said at the December Commission meeting there was discussion regarding withdrawing proposed COMAR 36.06.01 through 36.06.05 - Electronic Gaming Devices, and replacing them with new proposed COMAR 36.06.01 through 36.06.06 - Electronic Gaming Devices. At last month's meeting, the Chair recommended that staff provide more information regarding the minimum value definition and fees. She had also asked staff to provide to the Commission current information concerning prize payouts in place in Florida, Iowa, and Wisconsin from zero dollars to \$50. She reminded the Commissioners to look at the regulation that staff prepared last month and that was recirculated to them.

Mr. LaBoy said as an update, additional meetings were held with the individuals regarding these regulations. Some ideas were discussed of the areas in the regulation that are most damaging to their businesses.

Mr. Kevin O'Keeffe, lobbyist for the Maryland Amusement Machine Operators Association (MAMOA) said there are a few members of the industry present today. He thanked the Commission for what it has done in moving this forward. They will continue to work with the Lottery staff. He met in January with legislative leaders and Speaker of the House. This is a shrinking industry, and these members of the industry are hard-working business people. He feels they are not getting a fair shake. He said there is no reason to change what was said at last months' meeting. He feels that these regulations not move forward and they will continue to negotiate with staff.

Chair Robertson Pannell said that the Commission is not here to determine changes in State law. The law has been passed. It is the Commission's job is to pass regulations as required by State law. Concerns will be able to be expressed to the legislature during the public comment period.

Commissioner Marriner made a motion to approve the amended regulations as submitted, and the motion was seconded by Commissioner Stakem.

There was a lengthy discussion regarding these regulations between the Commission, staff and Mr. O'Keeffe.

Chair Robertson Pannell said a motion was made and seconded to approve the amended regulations as submitted. She then called for a vote. Motion passed by unanimous vote of the Commission.

Chair Robertson Pannell thanked Mr. O'Keeffe and Mr. LaBoy for their work on these regulations.

Lottery – John A. Martin, Assistant Director

Mr. Martin said he reviews the Keno figures weekly. He does not know yet how the Keno market will be affected by the casinos already in operation and those that remain to open. It will be a continuing challenge. He will keep the Commission updated as any new concepts are developed.

On January 20, the Medal Madness all games promotion launched. Players can win in several ways when purchasing terminal game tickets by receiving an instant play voucher, or a Gold, Silver, or Bronze image in which all three are collected and submitted to the Lottery for entry in the grand prize drawing in March. A new option this year is to raise awareness of both the promotion and the Lottery's Facebook page. Advertising support will air in the Baltimore and Washington markets.

Effective January 22, Powerball's Power Play option changed to a multiplier with 2, 3, 4, and 5 multiplier options.

The Annual Polar Bear Plunge is scheduled for January 25 at Sandy Point State Park. The Communications Division will be on site selling tickets and promoting Lottery games. They also will be on site at the Timonium Motorcycle Show from February 7 to 10.

Chair Robertson Pannell asked what is the usual time period between the original activation game date and the last activation game date for instant ticket games. Mr. Martin responded it varies by price point, initial order quantities and sell through dates but can range from six months to two years.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission. He said the Commission was provided with copies of notices of violations of gaming law that were sent to Hollywood Casino Perryville, Maryland Live! Casino and Casino at Ocean Downs for alleged violations of gaming law. The casinos were sent settlement letters outlining their option to resolve the violations of the gaming law.

Capt. Mooney said as you recall, several weeks ago it was reported that a very young child was left in a car for eight hours while the mother gambled at Maryland Live! Casino. However, there is one success story with a different set of facts. In Perryville, a customer and her young child tried to enter the casino and were turned away. A short time later, a security guard noticed the same customer come back into the casino without the child. Surveillance was able to locate the vehicle and noticed the child inside. Security went out to check and as a result of their quick action, the child was only left alone in the vehicle for a short period of time.

At Maryland Live Casino! the person did not try to enter the casino with the child. Therefore, security and surveillance did not know that a child was in the car whose windows were covered, and child was in the car for eight hours before being noticed. The woman was arrested.

Capt. Mooney also discussed an issue with underage individuals entering Maryland Live! Casino. At Maryland Live! underage individuals are entering the casino by jumping over a railing at the entrance. There have been four to five incidents this year where underage individuals entered the casino by jumping over the railing/barrier. Maryland Live! has been advised that in the future they will be fined for any underage individuals jumping over the railing and gambling. A problem has been identified and Maryland Live! needs to address it. There will be no more free passes.

There was further discussion regarding underage individuals trying to enter the casinos. Legislation is being introduced that would deal with underage individuals trying to enter the casinos and would subject them to a range of fines.

Mr. Norton commented on their facility's policy that is in place for underage individuals trying to enter the casinos.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the Prince George's County VLT operation license was awarded to MGM Resorts by the Location Commission. She extended her thanks to the staff for all their help. No contests of the award were made by the other bidders. The Location Commission's work is now completed.

Ms. Vincent gave a brief legislative update. She said many bills are being tracked this session. Next month she will have a report as part of their packets.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said the OAG's report was provided to the Commission. He has no additional information to add.

PUBLIC COMMENTS

Rob Norton, Maryland Live! Casino, further addressed the Commission on the underage issue. He also addressed the Agency's decision regarding the facility's VLT reduction request.

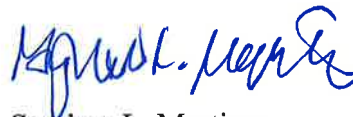
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, February 27.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn. Motion made by Commissioner Marriner, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. Meeting adjourned at 12:11 p.m.

Respectfully submitted,



Stephen L. Martino