

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 22, 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

Gina Smith, Deputy Director & CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
J. Philip Metz, Jr., Casino Licensing Manager
Jaclyn Vincent, Director of Gaming Research
Holly Citko, OAG 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 would entertain a motion to approve the Amended Agenda. Motion to approve the Amended Agenda was made by Commissioner Marriner, seconded by Commissioner Morton, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the April 21, 2014 open session minutes as well as the April 21, 2014 closed session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash made a motion that the April 21 open session minutes be approved, it was seconded by Commissioner Morton, and the motion carried by unanimous vote of the Commission.

Commissioner Morton made a motion that the April 21 closed session minutes be approved, it was seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains 13 new instant ticket games for the Commission's approval: Game #160 *Hit \$20,000*, Game #161 *Cash Lines*, Game #162 *Ravens Cash Fantasy*, Game #163 *Jackpot!*, Game #164 *Get Lucky!*, Game #165 *Quick Cash*, Game #167 *Deuce's Wild*, Game #168 *Triple Tripler*, Game #169 *Fantastic 5s Doubler*, Game #170 *Emerald Riches*, Game #171 *Bingo Times 10*, Game #172 *Cloud 9*, and Game #179 *Monopoly*TM. The Consent Agenda also contains VLT Games and Component Testing, Bingo Hall Games and Component Testing, Rocky Gap Casino Resort Consent Agreement, Maryland Live! Casino Consent Agreement, and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Vice Chair McGraw asked if there was an advertising expense associated with the *Monopoly*TM instant ticket game. Mr. Martin responded there is no advertising expense.

The Chair requested a motion to approve the 13 new instant ticket games noted above as well as the VLT Games and Component Testing, Bingo Hall Games and Component Testing, Rocky Gap Casino Resort Consent Agreement, Maryland Live! Casino Consent Agreement, and

Gaming License Application Denials. Motion made by Commissioner Hash, seconded by Vice Chair McGraw and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said revenue for April was \$7.7 million, down 8.8% compared to last year, which is better than March year over year. Slots are down 9% and table games are down 11% for year over year. Poker revenue was one-third of the revenue for last year.

The Celebrity Bar and Grill is the only venue in the area and the facility is making some improvements to this sports bar.

There is a casino sign that can be seen by customers as they drive up to the facility and a large sign that can be seen from the highway. The facility is looking into installing additional signage off of Route 95.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for April was \$3.6 million, down 8.6% for year over year. The casino paid out a large number of jackpots in April. May revenue is trending above last year. The shuttle transportation system service starts tomorrow. The route from the is the West Ocean City parking lot to Marina Street South in West Ocean City to Berlin to Ocean Downs. This will benefit both the casino and the customers.

Live horseracing starts on June 12. It is the track's 65th anniversary and various celebrations will be held. Ocean Downs is one of the sponsors of the Ocean City Air Show that will be held on June 14 and 15. The casino is looking forward to the summer season.

Vice Chair McGraw asked if the shuttle bus route will run from Berlin to Assateague. Mr. Cavilla responded Assateague was dropped as a stop because it would make the route too long and may discourage people from riding.

Maryland Live! Casino

Mr. Tom Coppinger, Vice President of Risk Management, said revenue for April was \$56.5 million, ahead 21.3% for year over year. Slots revenue is slightly down and table game revenues are up year over year. Poker revenue has been consistent, with month over month revenue of \$2.2 million.

The casino served as presenting sponsor with the Community Foundation of Anne Arundel County for The Great Give. This 24 hour on-line fundraiser benefitted over 170 non-profit organizations and \$675,000 was raised.

At Ram's Head Live, the Live! Stars singing competition that began in March will conclude in late June. The winner will receive \$10,000 and 16 hours of studio time.

At the end of May, the first Black Jack Tournament will be held. In June, the Luk Fu Asian restaurant will open. The addition of the new table game pit configuration was completed and opens this Friday.

Commissioner Boozer asked for an update regarding the recent security issue that occurred on the casino parking lot. He said that people have approached him and were very concerned about this situation. Mr. Coppinger responded the incident occurred over the weekend. The casino has a large security staff, including off duty police officers, that oversee the parking lot and parking garage areas. This situation occurred in the mall parking lot and involved a customer who had been in the casino. Footage of the incident was reviewed and the people were quickly identified. It was quickly resolved.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said April revenue was \$3.6 million. Thus far, April was one of the top months for the casino. Work continues on the parking lot expansion. They hope to have the improvements completed in June.

Today is Rocky's Gap's one year anniversary. Chair Robertson Pannell extended congratulations on behalf of the Commission.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, General Manager, said at the last hiring event, over 5,200 interviews were held over three days and 1,000 job offers were made. The background investigation and license application process has been started. He feels this is a good position for the casino to be this far out.

Restaurant line ups include Johnny Sanchez' Mexican Restaurant and Guy Fieri's Baltimore Kitchen and Bar.

Carpet has been installed and bases and VLTs are being placed on the casino floor.

The dealer academy is a four hour course held five days a week for 12 weeks and fallout has been minimal. They are getting great attendance and a great commitment from the students. They are looking at a September opening for the casino.

Chair Robertson asked how many employees will be hired. Mr. Barnhill responded it is 1,700 employees with 140 part time. They have received a large number of requests for part time work.

STAFF REPORTS

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

Ms. Smith said lottery sales as of May 18 are down \$36.2 million or 2.3% compared to last year. Revenue is down \$26.1 million or 5.3% compared to last year. Keno and instant ticket sales have risen somewhat but are still running behind last year. Sales of Power Ball are down but Mega Millions sales are up. Racetrax sales continue to grow. Pick 4 sales are up as players continue to reinvest their winnings back into the game. There is a good mix of instant tickets on the street, and we continue to maximize the lottery products.

Chair Robertson Pannell asked about the decline of the Five Card Cash game. Ms. Smith said when the game was implemented, it was not supported with any advertising dollars. Mr. Martin and his team have put together a plan for increasing sales. Five Card Cash will continue to be studied to see what can be done to promote the game.

MLGCA management staff met to work on a product plan for next year to help the Lottery achieve its goals.

Ms. Smith said Horseshoe Casino Baltimore license applications are being received for processing. The Lottery received the 30 PINs the Legislature provided during this past session and is working to fill them.

Ms. Smith said she recently filled the position in the AFO area that oversees accounting, budget, finance, and customer resource center. Ms. Karen Benton is a CPA with over 20 years of experience and has a strong auditing background. She started yesterday and will be an asset to the Agency.

The Gaming employees moved into their new space on the third floor. She would be happy to give the Commission a tour of the new area.

Staff continues working with Mr. LaBoy on the accounting requirements for Instant Ticket Lottery Machines (ITLMs).

Due to the Director being out of town and unable to sign the Auditing Management Letter, a draft of the February financial statement was provided to the Commission. Once the Management Letter is signed, the statement will be reissued in final form.

There was a discussion regarding the VLT manufacturers not meeting the MBE percentage goals that were set and what the agency was doing to insure that the goals are met. Ms. Smith will talk to the Director to discuss the goals and timeframe for processing. She will also discuss further with the Chair to reach an agreement on what information is needed on the MBE report.

Renewal – Auditing and Accounting Services Contract (#2009-14)

Ms. Smith said the Lottery desires to exercise the third and final renewal option for the Auditing and Accounting Services Contract with Stout, Causey and Horning in the amount of \$174,500

for the term July 1, 2014 through June 30, 2015. This is the final renewal option. Staff is recommending approval. Subject to the Commission's approval, this renewal will be submitted to the Department of Budget and Management for its review and approval.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the third and final renewal option for the Auditing and Accounting Services Contract (#2009-14) with Stout, Causey and Horning in the amount of \$174,500. Motion to approve made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of Commission.

Licensing Contract with the Baltimore Ravens Limited Partnership (#2014-11)

Ms. Smith said this is a sole source contract in the Not to Exceed (NTE) amount of \$596,900 for the two and a half year term of May 31, 2014 through November 30, 2016, to provide a license to use the Ravens NFL team marks and logos for an instant ticket lottery game, and Ravens and NFL football related prizes. This contract is similar to the Ravens contracts that were done for the past four years.

There was a discussion on the negotiation of the contract price, advertising and value of prizes.

Ms. Smith said staff recommends approval. This Contract will be submitted to the Department of Budget and Management for inclusion on the Board of Public Works Agenda of May 28.

Chair Robertson Pannell said she would entertain a motion to approve the Licensing Contract with the Baltimore Ravens Limited Partnership (#2014-11) in the NTE amount of \$596,900. Motion to approve made by Commissioner Marriner, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said his report contains the slots update for the instant bingo halls. Progress is being made to get the 13 entities in Anne Arundel and Calvert Counties up to speed on license submissions, internal controls, and surveillance and security plans. All information is due by June 2. If not completed, the current machines in place will shut down. All properties said they will have the information returned by the due date.

Horseshoe Casino Baltimore is making good progress toward their opening. They are getting to the point where the VLTs are being installed on the floor. GTECH is working on connecting the bases to the central system. Numerous ongoing activities are taking place to prepare for the opening of Horseshoe Casino Baltimore.

Various audits have been completed and submitted to the Commission Audit Committee while others are still in the process of being completed. He is currently recruiting for an Audit Manager position. An offer was made for the Staff Auditor position at Ocean Downs, but it was not accepted. Therefore, additional interviews will be scheduled to fill this position.

Title 31 training was held on April 23. The Audit and Electronic Gaming Device Operations staff as well as Commission Chair Robertson Pannell and Commissioner Morton attended the training session. Training was well received by the audit staff and they are already taking advantage of the knowledge obtained.

The Director of Electronic Gaming Device Operations position was offered to, and accepted by, Jennifer Wetherell. She has been serving in an acting capacity since October 2013. She will continue to serve as the Responsible Gambling Coordinator until that position is filled.

The VLT Voluntary Exclusion Program (VEP) added 25 new participants for a total of 486. The Lottery VEP added nine new participants for a total of 52. Both programs continue to grow.

Commissioner McGraw noted the varying amounts of equipment at the bingo halls, and asked is that due to the size of the location. Mr. LaBoy responded the number of devices vary from property to property. The largest property has 200 devices while the smallest property has as few as four. Some of the properties are for profit while others are non-profit. There is a significant difference in operations of each facility. Staff is assisting the smaller properties with the process. It is a challenge to meet all the requirements.

Chair Robertson Pannell asked if the highlighted area in the status report is information that staff is awaiting. Mr. LaBoy responded it is and he anticipates receiving all the information. Staff is in contact with the properties on a weekly basis and visits have been also made to the properties. Staff is making itself available as a resource to help the facility to be in compliance. He will have a significant update on this next month.

Proposed Amended Regulation – Table Games

The proposed amendment to COMAR 36.05.04 – Blackjack Rules would include an additional pay table for a Three Card Poker Wager. The proposed amendments to COMAR 36.05.09 – Four Card Poker Rules, COMAR 36.05.11 – Mississippi Stud Rules, COMAR 36.05.14 – Three Card Poker Rules, and COMAR 36.05.16 – Ultimate Texas Hold ‘Em Rules all would include additional rules and pay tables for a Six Card Bonus Wager.

Mr. LaBoy gave a further explanation of the proposed changes to the regulations.

There was a discussion of dealer error concerning payouts, review of the surveillance films, types of customer complaints filed, and the process for responding to complaints.

There being no further discussion, Chair Robertson Pannell said she would entertain a motion to approve proposed amendments to COMAR 36.05.04, 36.05.09, 36.05.11, 36.05.14, and 36.05.16. Motion made by Commissioner Morton, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said the enhanced Racetrax betting options started April 21, and the first month performed well. The Exacta and Supertrifecta bets were well received by players. A Racetrax 6 for \$5 promotion is wrapping up this weekend. A better test of any sales increases will be next month when there is no longer a game promotion running. Next week, four new instant tickets will be launched: *Star-Spangled Cash*, *Bonus Crossword* (which has an interactive app for added play), *Show Me the Money*, and *Twisted Bingo*.

On June 23, the enhanced “My Lottery Rewards” program begins accepting terminal game non-winning tickets. To acquire new members, a direct mail test will be conducted in July. If successful, a subsequent direct mail drop will be done in the fall. He will keep the Commission informed of the progress.

For the month of April, Lottery sales of corporate account retailers were doing well.

In the next few weeks look for the Lottery at the Beer, Bourbon and Barbeque at National Harbor on June 6 and 7, with a live lottery drawing being held there on June 6, Hon Fest in Baltimore on June 14 and 15, and the African American Heritage Festival in Baltimore on June 21 and 22.

Vice Chair McGraw asked if the Lottery will be present at the Ocean City Air Show in June. Mr. Martin responded we are not. He will check with the Communications Division to see if they were aware or approached about the event. This could be an opportunity for next year.

Proposed Emergency Regulation – Lottery Provisions – Special Operation Licenses for Instant Ticket Lottery Machines

Proposed COMAR 36.02.09 establishes the Special Operation Licenses for Instant Ticket Lottery Machines (ITLMs) located in approved Veterans’ Services Organizations as required by the Legislature. Staff is requesting the Commission’s approval of the new COMAR section on an emergency basis.

Vice Chair McGraw asked if the payout of prizes for the ITLMs will be part of the child support intercept program similar to the intercept of lottery winnings. Mr. Martin responded payouts \$600 and above can be intercepted.

Chair Robertson Pannell said she would entertain a motion to approve proposed COMAR 36.02.09. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis COMAR 36.02.09 approved today by the Commission. Motion made by Commissioner Hash, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

Enforcement – J. Philip Metz, Jr., Casino Licensing Manager

Mr. Metz said Capt. Mooney's report was provided to the Commission and that he had no information to add.

Manufacturer Qualification Hearing – Multimedia Games, Inc.

Mr. Metz said Multimedia Games, Inc. filed an application for a manufacturer license. He read the executive summary into the record that included an introduction, findings, applicants and principal entity information, principal qualifiers, and conclusions and opinions. It is the opinion of MLGCA staff that the applicant and its principal entities and principals are qualified to be approved for a manufacturer license.

Chair Robertson Pannell asked if there were any other questions for Mr. Metz, the applicant, or the public. Commissioner Stakem asked how many states Multimedia Games is licensed in. Ms. Vincent from Multimedia Games responded approximately 15 states.

The Chair asked if there was any further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to find that Multimedia Games, Inc., its principals and its principal entities have established by clear and convincing evidence that they meet the application qualification for a manufacturer license under the Gaming Law. Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a Decision Statement on behalf of the Commission that reflects the Commission's decision today, and to transmit the Decision Statement to the Applicant. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Proposed Merger Agreement between Gaming Partners International Corporation and GemGroup, Inc.

Mr. Metz said in March 2014, the MLGCA received official notification of the proposed Merger Agreement between Gaming Partners International Corporation (GPIC) and GemGroup, Inc. GPIC is a principal entity (owner) of licensed manufacturer Gaming Partners International USA, Inc. (GPI USA). GemGroup, Inc. is principal entity (owner) of licensed manufacturer Gemaco, Inc. He read the executive summary into the record which included an introduction, referral background information, proposed merger information and conclusion. It is the opinion of MLGCA staff that the proposed merger and its transfer of GemGroup, Inc. and Gemaco, Inc.'s interests be approved.

Chair Robertson Pannell asked if there were any other questions for Mr. Metz or the applicants, or any public comment. There were none. Chair asked if there was any further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to approve the proposed Merger Agreement between Gaming Partners International Corporation and GemGroup, Inc. Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Gaming Research – **Jaelyn Vincent, Director**

Ms. Vincent said all legislation has been signed by the Governor. She is starting preliminary work on legislation for next year.

Office of the Attorney General – **Robert Fontaine, Principal Counsel**

Mr. Fontaine said the OAG's report was provided to the Commission, and that he had no information to add.

PUBLIC COMMENTS

There were no public comments.

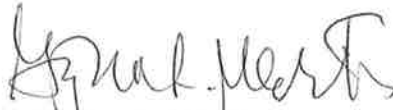
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, June 26.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission. Meeting adjourned at 11:32 a.m.

Respectfully submitted,


Stephen L. Martino