

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION DECEMBER MINUTES

DATE: December 16, 2014

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

Stephen Martino, Director
Gina M. Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Holly Citko, OAG Deputy Counsel
Jaclyn Vincent, Assistant Director for Policy and Planning
Marie Torosino, Executive Associate

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

Kimberly Robertson Pannell, Chairman

Diane L. McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, John Morton, III, James J. Stakem

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 10:02 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, and James Stakem. Commissioner John Morton participated by phone for approximately the first hour of the meeting.

APPROVAL OF THE AGENDA

Chair Robertson said she would entertain a motion to approve the Agenda. Motion to approve the Agenda was made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the November 24, 2014 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Marriner made a motion that the November 24, 2014 open session minutes be approved, it was seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains five new instant ticket games for the Commission's approval: Game #200 *Loteria*, Game #202 *World Championship Poker*, Game #208 *Harley*, Game #209 *Blingo Bingo*, and Game #214 *Baseball Bucks*. The Consent Agenda also contains VLT Games and Component Testing (11/1/14 – 12/2/14), Bingo Hall Games and Component Testing (11/1/14 – 12/4/14), Rocky Gap Casino Resort Consent Agreement, and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell requested a motion to approve the five new instant ticket games noted above as well as the VLT Games and Component Testing (11/1/14 – 12/2/14), Bingo Hall Games and Component Testing (11/1/14 – 12/4/14), Rocky Gap Casino Resort Consent Agreement, and Gaming License Application Denials. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said November revenue for year over year was down 7%. The Thanksgiving and Black Friday week was soft. December is looking well for year over year. Last year they already experienced four bad winter days.

Marketing efforts are moving toward the country-themed New Year Eve's event at the facility. The facility is doing some different things this year than in the past. The buffet restaurant will have a more upscale meal this year.

The casino will be a sponsor for the bull riders event at Royal Farm Arena in Baltimore. They will host a meet and greet with the bull riders at the casino in the Celebrity Bar and Grill.

The facility continues to work with Mr. LaBoy on the slot transition.

Casino at Ocean Downs

Ms. Bobbie Sample, Assistant General Manager, said there was a fire on the property last night in a maintenance shed on the backside of the racetrack. It was not near the casino nor did it cause any interruption to the casino operation. She extended her appreciation to the Ocean Pines, Ocean City and Berlin fire departments for their quick response. The building was a total loss and the cause of the fire is under investigation. There were no injuries reported.

November revenue is down 3.8% compared to last year. December revenue is trending upward at 4%. In November, a food drive was held to benefit the local food pantry. Customers who donated had a chance to spin the prize wheel. Over 3,000 pounds of food was collected and donated. They will do the food drive again during the Christmas holiday.

The casino will open 24 hours from 8 a.m. on December 26 through 4 a.m. on January 5, then go back to their normal operation schedule.

On January 21, Ocean Downs chef will be doing an ice sculpture demonstration to benefit the hospital fundraiser called "Penguin Swim."

The casino will be celebrating their 4th anniversary on January 4.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said November revenue showed positive growth just under 1% at approximately \$53.8 million. This month there was growth in table games, while slots and poker are starting to bounce back.

The casino is focusing on their New Year's Eve event with big drawings and entertainment. Over 500 turkeys were given away at food banks in Anne Arundel County. They participated in Toys for Tots campaign that was sponsored by the Marines.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said November was a good month for revenue. They had seasonably warm temperatures and the golf course was still open. December revenue is not looking as well. The area experienced freezing rain and a wintry mix. This weather takes its toll on people trying to get to the casino.

Construction and upgrades at the facility continue. The air conditioning units on top of casino are being replaced and the spa is being remodeled. Upgrades to the water treatment plant are needed. Improvements to the property will continue for quite some time. It is a long process and they expect it to last at least three more years. Property is facing a challenge with the parking and next year they will request increased parking again.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager said December is starting off well. During the month, the casino held a \$200,000 giveaway promotion and a car giveaway promotion. The \$175,000 Charm City promotion will run through December 21. The casino partnered with the Lottery to give scratch-off tickets to new rewards card members and it was well received. There was a good crowd the day of the Army/Navy game. As their database grows, they are expanding their marketing efforts.

Horseshoe employees continue to reach out and volunteer their time in the Baltimore community.

STAFF REPORTS

Director's Report - Stephen Martino

Mr. Martino said an updated sales and revenue report through December 14 was provided to the Commission. Lottery sales are 1.7% or \$13.4 million ahead compared to last year. Scratch-offs sales are up \$32 million or 16% for year over year. Sales of Keno are down 12% and Racetrax is down 8.1% for year over year. Mega Millions and Powerball sales are down for year over year. There was a large Mega Millions jackpot this time last year. Mega Millions revenue is down 12% and Powerball revenue is down 40%. These games depend on jackpot prizes. Some changes to these two games may be coming next year. Total game revenue is down 3.2% or \$7.7 million compared to last year.

The Commission was provided with a dashboard sheet that is compiled weekly by Pollard Banknote on the performance of instant tickets. Weekly tracking sales by price point for year over year shows \$1 tickets are down 4%; \$2 tickets are down 9%; \$3 tickets are down 9%, \$5 tickets are up 34%; \$10 tickets are up 11%; and \$20 tickets are up 10%.

A sales goal was set for FY2015 of \$1.776 billion and currently, sales are \$38.5 million under that goal.

The Lottery/Casino dashboard sheet was provided and shows casino revenue numbers for November 2014 at the highest ever for the State at \$90.1 million. The combined lottery and

casino gaming revenue to the State for November 2014 is \$84.2 million which exceeds last year by \$4 million.

Mr. Martino said he provided to the Commission a press release that was issued by the Lottery yesterday regarding the Monopoly™ Millionaires' Club. The 23 states that participated in the Monopoly™ Millionaires' Club voted on December 15 to suspend the game after the December 26, 2014 drawing. The game launched on October 19, 2014, and has not performed as anticipated, and it is costing states to fund the jackpot liability. Numerous conference calls have been held to decide how to fund the game and where to go from here. SGI, the vendor, is working on retooling the game. Maryland Lottery was one of the 23 states selling the game and was ranked fourth in per capita sales. It was a necessary business decision to suspend the game. We are working to inform retailers and players. Prize commitments will be honored for the 182 day claiming period.

Commissioner Marriner asked if there was insurance to cover Maryland's losses. Mr. Martino responded the option of insurance was offered. Maryland elected to purchase that insurance and will continue to do so. Maryland was able to accommodate that in its budget. Other states did not want to or were not flexible.

Vice Chair McGraw asked what will happen to the television game show. Mr. Martino responded a commitment was made for the first six shows. Those players, 12 from Maryland, will go to Las Vegas for participation in the game show. Where the show goes from there will need to be voted upon.

Chair Robertson Pannell what television station will air the game show. Mr. Martino responded WBAL-TV Channel 11 will air the show at 7 p.m. on Saturdays.

Chair Robertson Pannell asked if there has been any reaction from the public. Mr. Martino responded not as yet. He will continue to keep the Commission informed of the discussions, progress, and decisions that are made.

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

Ms. Smith said the Commission was provided today with a draft copy of the October and November financial statements. She is moving forward toward finalization of the CAFR and it should be completed by the end of the week. She will provide a copy to the Commission next month.

As the calendar year ends, work begins on generating 1099s and W2Gs that are due to retailers and winners by the end of January.

E-Licensing System for Casinos, Casino Employees and Vendors (#2015-05)

This is a sole source contract for a one year term in the not to exceed (NTE) amount of \$569,025 awarded to The Consultant's Consortium, Inc., dba TCC Software Solutions (TCC). This contract will provide the deployment and enhancement of the Lottery's E-Licensing System to include all licensing processes and gaming applications for principals, vendors, renewals, manufacturers and contractors. TCC implemented the financial management system for the Lottery in October 2009 as well as provided the definition, design, and implementation of

additional functionality that included licensing data, billing, and investigation for the Licensing Division. She provided additional background on this system.

After discussion by the Commission, Chair Robertson Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to approve the sole source contract for a one year term to The Consultant's Consortium, Inc., dba TCC Software Solutions in the NTE amount of \$569,025. Motion made by Commission Morton, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Ms. Smith said the sole source contract will be submitted to Department of Information Technology (DoIT) for inclusion on the January 7 Board of Public Works schedule.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said his report includes a copy of Cummings Associates report on the Optimum Number of Gaming Machines at the Hollywood Casino in Perryville, Maryland that will be presented to the Commission by Mr. Will Cummings.

Mr. LaBoy said the next Audit Committee meeting is scheduled for January 6 to review the 2015 Audit Plan. Movement of gaming devices between the properties continues in preparation for asset turnover by March 31, 2015. A Maryland Alliance for Responsible Gambling (MARG) meeting is scheduled for December 18 at Horseshoe Casino Baltimore.

VLТ Reduction Request – Hollywood Casino Perryville

Mr. LaBoy said that Hollywood Casino Perryville has submitted a request to remove no more than 308 VLTs in an attempt to accomplish a rightsizing of their floor.

Mr. LaBoy introduced Mr. Will Cummings from Cummings Associates who was requested to conduct a study to determine the optimum number of gaming machines at Hollywood Casino Perryville to maximize revenues for the State. Mr. Cummings then showed to the Commission and those present the PowerPoint presentation. The report indicates that the optimal number of VLTs at Hollywood Casino Perryville is between 658 and 1,058, depending on the VLT cost with the long-term number gravitating towards 658 if every machine was eventually replaced with a new machine. In the model, any reduction of VLTs results in a short-term negative effect on State proceeds but may be offset to some extent by improved economic efficiency and better adaptability to market conditions. The short-term negative effect on State proceeds for a 308 VLT reduction is estimated to be \$1.2 million. Mr. Cummings said that Hollywood Casino was previously provided with a copy of this report. Mr. Heiskell from Hollywood Casino said they agree with the long-term effects in terms of what is going to happen with revenue. He spoke about the strategic plans for the immediate short-term capital investment in their facility to make the property better.

There was continued extensive discussion by the Commission on the long-term and short-term effects that this VLT reduction would cause and the impact on revenue and the State. The facility operators present were given an opportunity to also speak about their facilities and if they were considering any possible future requests for VLT reductions.

Mr. LaBoy said staff believes that the best interests of the State lie in maximizing sustainable revenues over the long-term by maintaining the financial viability of Hollywood Casino and to provide appropriate incentives for reinvestment in their facility and promotion of their gaming products to enhance overall revenue performance. Staff has negotiated a reinvestment strategy with Hollywood Casino to allow for an annual reinvestment of \$2,000 per VLT reduced in capital, marketing and promotions subject to a review in 2016 pending changing market conditions with the introduction of the gaming facility in Prince George's County. The reduction of 308 VLTs will be temporary to allow the property one year to fine tune the reduction at which point the total number that have been removed from the floor shall become a permanent reduction. Hollywood Casino shall be responsible for any and all costs associated with the removal of VLTs in accordance with approved regulations.

Commissioner Marriner motioned that the Commission table the slots reduction request for 60 days to allow the new Administration to weigh in on the issue given the looming budget deficit.

Commissioner Boozer motioned to approve the VLT reduction request made by Hollywood Casino Perryville to remove not more than 308 VLTs. Commissioner Hash seconded this motion. The Chair then opened the floor for further discussion by the Commission.

The Commissioners expressed their opinions and reasons as to whether they were in agreement with the VLT reduction request. Some Commissioners expressed their concerns in making a decision on this reduction before there was time to consider its implications.

Upon completion of the discussion, Chair Robertson Pannell said there is a motion on the floor to approve the VLT reduction request made by Hollywood Casino at Perryville to remove not more than 308 VLTs. The motion had been seconded and the Chair called for a vote. Vice Chair McGraw and Commissioners Stakem, Hash, and Boozers voted in agreement. Chair Robertson Pannell and Commissioner Marriner voted against this request. The motion carried by a three to two vote in favor. Commissioner Morton was no longer participating in the meeting via phone during this time.

Amended Regulation – General – Unclaimed Video Lottery Terminal Jackpot

Proposed amendment to COMAR 36.03.01.03 would clarify the definition of an unclaimed jackpot and match the regulation to the historical practice of the Agency to distribute it as proceeds to the various funds described in SG §9-1A-27 (e.g., local impact grants, Purse Dedication Fund, Education Trust Fund), rather than distribute it to the State's General Fund. Staff is requesting the Commission's approval of the proposed amendment to COMAR.

Chair Robertson Pannell asked if there were any further questions or discussion. Hearing none, the Chair said she would entertain a motion to approve proposed amendment to COMAR 36.03.01.03. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said at this time he had nothing new to report, and wished the Commission a Happy Holiday.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said his report stands as written.

Instant Bingo Facility Operation Licenses

Mr. Mooney said the Agency conducted a suitability background license investigation of the following applicants and their respective principal employees in connection with their application for an Instant Bingo Facility License in Anne Arundel and Calvert Counties:

A & A Gaming, LLC – Robert Abner and Shawn Abner

Annapolis Elks Lodge #622 – Christopher Woods

Arundel Amusements, Inc. – Ernest Litty and Randy Clemens

Chesapeake Amusements, Inc. – Frederick Donovan II, Gerald Donovan, Wesley Donovan, and Mary Lanham

Cummins-Behlke American Legion Post #226 – Diane Francisco

Delta Bingo Holdings, Inc. – Craig Romak, John Cameron, Carol Newman, and Vanessa Romak

Eagle Amusements, Inc. – Gary Lockett

Stallings-Williams American Legion Post #206 – Andrew Charland

Wayson's Properties, Inc. – Boone Wayson, Donald Wayson, Eloise Shephard, Mary Lou Waller, and Anna Kwiatkowski

Mr. Mooney read into the record the Executive Summary that included an introduction, names of the facilities and their principals, findings, and conclusions. It is the opinion of MLGCA staff that each applicant and their respective individual principals have established by clear and convincing evidence their qualifications for an Instant Bingo Facility Operation License.

Chair Robertson Pannell asked if there were any questions. There were none. 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 grant the instant bingo facility license to each of the nine facility applicants listed above. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a decision statement for each license and to transmit the decision statement to each licensee on behalf of the Commission. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission with the Chair abstaining from the vote.

Manufacturer License Renewal Hearing – GTECH S.p.A.

Mr. Mooney said GTECH S.p.A. filed an application with the MLGCA for the renewal of its manufacturer license. GTECH S.p.A. was initially approved for a manufacturer license by the Commission in December 2009. He read the Executive Summary into the record that included and introduction, financial suitability review, and conclusion and opinion. It is the opinion of MLGCA staff that the applicant is qualified to be approved for renewal of its manufacturer license.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney. There were none. 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 GTECH S.p.A has established by clear and convincing evidence that it meets the application qualification for renewal of its manufacturer license under the Gaming Law. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Policy and Planning – Jaclyn Vincent, Assistant Director

Ms. Vincent said at this time she had nothing new to report.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said at this time he had nothing new to report.

PUBLIC COMMENTS

There were no public comments.

CLOSED SESSION

Chair Robertson Pannell said that pursuant to General Provisions Article §3-305(b)(14), she would entertain a motion to move to a closed session to discuss, before a contract is awarded or bids are opened, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process pertaining to the RFP for Lottery Central Monitoring and Control System (#2015-01). Motion was made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion passed by unanimous vote of the Commission. See attached Statement for Meeting in Closed Session. The meeting moved to a closed session at 12:09 p.m.

In addition to the six Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, Charles LaBoy, John Martin, John Mooney, Jaclyn Vincent, Robert Fontaine, Holly Citko, and Marie Torosino. The meeting returned to open session at 12:36 p.m.

Chair Robertson Pannell announced that during the closed session, the Commission discussed the content of and approach taken by the draft RFP for Lottery Central Monitoring and Control System (#2015-01). There were no actions taken in closed session.

COMMISSION ACTION ITEM

Request for Proposal – Lottery Central Monitoring and Control System (#2015-01)

Chair Robertson Pannell said the Commission heard the report presented during the closed session and the recommendation for approval. She said she would entertain a motion to approve the draft Request for Proposal for Lottery Central Monitoring and Control System (#2015-01). Motion made by Commissioner Hash, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

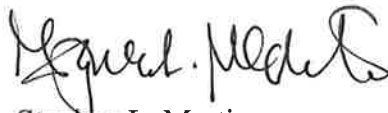
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, January 22.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell adjourned the meeting at 12:37 p.m.

Respectfully submitted,



Stephen L. Martino