Maryland Lottery and Gaming Control Commission
Martin O'Malley, Governor

Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION
DECEMBER MINUTES

DATE:	December 18, 2013
TIME:	10 a.m.
PLACE:	Maryland Lottery and Gaming Control Agency Headquarters
PRESENT:	Chair Kimberly Robertson Pannell Vice Chair Diane L. McGraw Commissioner F. Vernon Boozer Commissioner Bert J. Hash Commissioner John Morton 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 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 10:00 a.m. Commissioners present were: Diane L. McGraw, F. Vernon Boozer, Jr., Bert J. Hash, John Morton, and James Stakem. Commissioner E. Randolph Marriner was absent.

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 Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the November 20, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. Hearing none, Vice Chair McGraw made a motion that 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 seven new instant ticket games for the Commission's approval: Game #136 *20 Grand Fortune,* Game #140 *Orioles,* Game #142 S*parkling 7s,* Game #144 *777*, Games #145 *5X Cash Club*, Game #147 *Deluxe Cash Crossword*, and Games #153 *I Heart Crossword.* The Consent Agenda also contains VLT Games and Component Testing, and Table Games and Component Testing for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion.

Commissioner Morton asked if it would be possible for the Commission to be provided with the actual sales results of the instant games. Mr. Martin responded as each game closes, the closed game information is usually included with his report. There were no closed games this month. An instant ticket game may not close until 12 to 24 months after it is launched.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, the Chair requested a motion to approve the seven new instant ticket games noted above as well as the VLT Games and Component Testing, and Table Games and Component Testing. 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. Steve Lambert, General Manager, said November revenue was $6.6 million, which is down slightly from October. Year over year revenue is up 22%. Slot revenue growing again at a steady pace and table games are strong. The facility partnered with various charities throughout Perryville area at Thanksgiving to donate turkeys to those in need.

Chair Robertson Pannell said congratulations on being $1.2 million over last year. Mr. Lambert said thank you and wished everyone a Happy Holiday and Happy New Year.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, was not able to attend today's meeting.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said November revenue was $53.4 million, a 55.5% increase over last year. Table games revenues were $17 million and poker tables were $2.3 million. He highlighted some of the facility's accomplishments for the year: over 1,000 slots traded for table games, added 122 video games, built new building to add poker and table games, over 2,000 jobs created this year, first $500 slot machine in Maryland, first $25 Wheel of Fortune, and over $1 million, outside of taxes and fees, given to local charities and organizations.

Chair Robertson Pannell said congratulations on a good year and for being up by $19 million.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said he is learning what winter weather means in Western Maryland, and it has been a challenge. Snow started earlier than usual this season. Last half of November and December have been a struggle with the weather. New meeting space is open and a Christmas party is scheduled in the space this month.

At the Allegany County Commissioners meeting, a Memorandum of Understanding (MOU) was signed with the local state college to provide annual gross revenue generated by Rocky Gap for full college scholarships for residents.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, General Manager, said exterior construction is moving along well, and they are gaining ground every month. The facility is on target to open in 2014. They continue to fill their senior management positions. He introduced Brian Carr, Vice President of Finance and Noah Hirsch, Vice President of Marketing.

STAFF REPORTS

Director's Report – **Stephen Martino**

Mr. Martino said Mega Millions has been dominating sales since October. The two winning tickets for the $648 million jackpot were sold in California and Georgia. Maryland had a second tier winner of $1 million sold in Annapolis. Year over year, Mega Millions sales are $9.5 million ahead. However, Powerball sales are down $9.4 million compared to last year. Pick 3 sales are down .3% while Pick 4 sales are up .5%. Multi-Match sales down 12% and Racetrax sales are up 8.4%. At end of today's meeting, the Commission will see a brief PowerPoint presentation from the MLGCA's research consultant, The Key Group, which will address Keno sales.

The Video Lottery Facility Location Commission will meet at Montgomery Park on December 20, 2013. Ms. Vincent will provide further details with her report. The Location Commission plans to vote on the Prince George's County casino license. The consultant reports that were provided to the Location Commission are available on the Lottery's gaming website for your review if you are interested. He will inform the Commission of the outcome of that vote.

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

Ms. Smith said with the closing of the calendar year, 1099s will be mailed to lottery retailers and W2Gs will be mailed to lottery winners by the end of January.

Chair Robertson Pannell asked for further explanation of item two on page six under the VLT Program regarding the VLT master contract with the manufacturers. Ms. Smith responded the master contract contains a clause that the State does not pay for maintenance fees when the machines are off the floor. When opening Rocky Gap, VLTs were moved from other casinos to that facility. The machines were off the gaming floor for an extended period of time. The vendor is claiming that they should be paid the daily maintenance fees for those machines that were transferred from other facilities through the time that the machines were in operation on the gaming floor. This claim is under review and she will keep the Commission updated.

Chair Robertson Pannell said she and Commissioner Morton met to discuss the budget report and they will discuss it further a later time.

Chair Robertson Pannell said in the MBE participation report, it appears that some of the VLT manufacturers are not meeting their MBE goal percentages, and asked what the MLGCA is doing to ensure they meet their goals. Ms. Smith said these percentages are based on the information available at the time of the report preparation. The information from the subcontractors is sometimes not received in a timely manner. We have an individual who follows up on these reports. The MBE goals are consistently monitored for compliance.

Vice Chair McGraw asked about required cyber training via the web. Ms. Smith responded she will see if the Commissioners are being sent these e-mail notifications through their Maryland Lottery e-mail account.

Renewal/Modification – Instant Ticket Vending Machines (#2008-26)

The Lottery wishes to exercise the one-year renewal option number one in the amount of $1.5 million to provide for the continuing maintenance and repair of the ITVMs currently in operation at retailer locations as well as to modify the contract to allow for the purchase of the balance of 150 ITVMs during the term of the first renewal option or any subsequent renewal option, if exercised. The contractor has agreed to provide those ITVMs at the same price as contained in the original contract. Staff recommends approval. This renewal/modification will be submitted to the Board of Public Works at its January 8 meeting.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to approve Renewal/Modification – Instant Ticket Vending Machines (#2008-26). Motion made by Commissioner Morton, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Modification – Instant Ticket Games and Related Services Primary Contract (#2013-01P)

This modification allows the MLGCA to add a technical enhancement to the contract by incorporating the "WebPlay™" proprietary game and play style, and increase the Not to Exceed (NTE) amount for the contract by $3,270,679. The NTE amount is over the four year period of the initial term of contract. Staff recommends approval. The modification will be submitted to the BPW at its January 8 meeting.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to approve Modification – Instant Ticket Games and Related Services Primary Contract (#2013-01P). Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Modification – On-Line Gaming System Contract (#2005-11)

This modification will provide the MLGCA with a license to use the Major League Baseball® and the Baltimore Orioles® baseball team marks and logos for an instant ticket lottery game, supporting marketing materials at retailer locations selling the tickets and advertising for the tickets, as well as Orioles and Major League Baseball related prizes to be awarded to winners of the instant ticket game and related second chance promotion. The amount of the modification will be approximately $468,160. Staff recommends approval. The modification will be submitted to the BPW at its January 22 meeting.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to approve Modification – On-Line Gaming System Contract (#2005-11). Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Gaming – **Charles LaBoy, Assistant Director**

Mr. LaBoy said staff continues to work with the instant bingo hall operators in Allegany and Calvert Counties and the manufacturers to meet the December 31 deadline for submission of license applications and regulatory plans.

Staff is working on the Veterans' Organization Instant Ticket Lottery Machine RFP. The bids have been received and are undergoing review and evaluation. He hopes to be able to come to a conclusion on that shortly.

On December 5, staff completed a walk through at Caesars Horseshoe Casino construction site. It is coming along very well. They met with members of the management team and reviewed the regulatory provisions and the timeline. Regular meetings are being held every two weeks to insure progress continues.

At the December 6 Commission Audit Committee meeting, the Committee met with a representative of the accounting firm that audits the MLGCA, the third quarter audits were reviewed, and the 2014 audit plan was reviewed and approved.

Electronic Gaming Device Operations Division staff approved a plan to incorporate 471 game conversions to Hollywood Casino at Perryville and Casino at Ocean Downs to refresh their gaming floors. This is the first update at these properties since their openings.

Mr. LaBoy said the Casino Voluntary Exclusion Program (VEP) added 24 new applicants, bringing the total to 368. The Lottery VEP added 5 new applicants, bringing the total to 32.

Maryland Live! Casino VLT Reduction Request

As requested at the November Commission meeting, this item was being tabled until the December meeting. The charts have been updated to include information for November. Maryland Live! is requesting a slot reduction of 57 Interblock devices to make room for table games. The report reflects the updated financial data. There has been some progress made on this item with the facility. Staff has had continued discussions with the facility to come to a successful resolution. Maryland Live! Casino would like to comment.

Mr. Norton said the facility has been working with staff for a solution, and in anticipation, the facility hopes to be able to resolve this by next month. Mr. LaBoy said staff is requesting tabling this item until the January Commission meeting.

Proposed Regulations – Minimum Internal Control Standards

Proposed regulation to be amended – COMAR 36.03.10.16 Internal Audit Department Standards.

This proposed regulation would be amended to include semi-annual audits of the facilities' table game operations that are required to be performed by the facility operator's audit department. Staff is requesting the Commission's approval of the proposed revised COMAR section.

Chair Robertson Pannell said she would entertain a motion to approve the amendment to COMAR 36.03.10.16. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

Commissioner Morton asked if the MLGCA reviews the facilities' internal audits. Mr. LaBoy responded the facilities submit their audits to MLGCA and staff reviews them.

Proposed Regulation – Video Lottery Terminals

Proposed amendments to regulation COMAR 36.04.02.01 Purchase or Lease of Video Lottery Terminals; Manufacturer Incentives.

This proposed amended regulation would amend current § F to correct an error and would correct the designations of §§ E through H. Staff is requesting the Commission's approval of the proposed amendments.

Chair Robertson Pannell said she would entertain a motion to approve the amendment to COMAR 36.04.02.01. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion passed by unanimous vote of Commission.

Proposed Regulations – Table Game Equipment

Proposed amendments to regulations COMAR 36.05.02.13 Dice – Receipt, Storage, Inspection and Removal, and COMAR 36.05.02.16 Cards – Receipt, Storage, Inspection and Removal.

Proposed amendment to COMAR 36.05.02.13 - Dice would make optional the present requirement that a security department employee sign an envelope or container containing specified dice if the dice is to be destroyed or cancelled the same day it is collected. The purpose of this amendment is to allow facilities to propose alternative methods of documenting the collection of cards from gaming tables based on their operations. The proposed amendment to this regulation would also make it stylistically consistent with similar provision pertaining to decks of cards in COMAR36.05.02.16M.

Proposed amendment to COMAR 36.05.02.16 - Cards would make optional the present requirement that a security department employee sign an envelope or container containing a damaged deck of cards, deck of cards required to be removed that gaming day, and all extra decks in the card reserve with broken seals, if the deck is to be destroyed or cancelled the same day it is collected. The purpose of this amendment is to allow facilities to propose alternative methods of documenting the collection of cards from gaming tables based on their operations.

Staff is requesting the Commission's approval of the above proposed amendments to COMAR.

Chair Robertson Pannell asked if there was any further discussion.

Vice Chair McGraw questioned page 2 line 26 of the card regulations where it states "a supervisor or above…", whereas other lines reference "a security department employee…" It was decided to pull these regulations for further review by Staff and then present them to the Commission at a later meeting.

Regulations – Electronic Gaming Devices

Regulations proposed to be withdrawn – COMAR 36.06.01, .02, .03, .04 and .05 Electronic Gaming Devices. Proposed new regulations COMAR 36.06.01, .02, .03, .04, .05, and .06 Electronic Gaming Devices.

These regulations were originally approved by the Commission in 2012. Staff is requesting that those regulations be withdrawn and replaced with the new regulations. Since last year, staff has met with industry representatives and technology experts to become more familiar with the amusement device industry and standardized through North America. SB864 required the MLGCA to (1) determine if an electronic gaming device is legal and is being operated in a lawful manner; (2) certify and regulate the operation, ownership and manufacture of electronic gaming devices; (3) adopt regulations that define lawful and unlawful electronic gaming devices, approve and license electronic gaming devices, approve and license owners, operators, and manufacturers of electronic gaming devices, establish procedures for the license application an renewal processes, and establish license fees that are sufficient to cover the direct and indirect costs of licensure.

Mr. LaBoy then reviewed the proposed regulation and explained differences between the regulations to be withdrawn and the proposed new regulations.

There was extensive discussion regarding the amended regulations particularly with regards to the $10 minimum for non-cash merchandise or prizes and the applications fees and the definitions of electronic gaming device, skills-based amusement device and skill.

Comments were then taken from members of the electronic gaming device industry who were present. Mr. Kevin O'Keeffe, attorney and lobbyist or the Maryland Amusement Machine Operators Association (MAMOA), gave an overview of the organization. He introduced some of operators who were present at the meeting and how long they have been in business. He said they are small business owners and these regulations could put the out of business. They disagree with the $10 minimum prize value. In looking at the Lottery's website for "My Lottery Rewards", those redemption prizes are greater than $10. Regarding the $50 per machine fees, he said some machines do not earn $50 a week or a month.

Mr. Larry Bernshtein said he appreciates the time they were able to spend with Ms. Vincent, Mr. LaBoy, and Mr. Fontaine in discussing these regulations. He does not believe it was the intent of SB864 to destroy the industry. They are afraid for their businesses because they do not know the impact.

Mr. Martino said Ms. Vincent, Mr. LaBoy and Mr. Fontaine have worked diligently on these regulations, deliberating on these difficult issues. In December 2012, the Commission had a statutory obligation to promulgate the regulations. Staff has held numerous meetings with the industry representatives. If we do not move forward with the statutory obligation to promulgate these regulations, the Agency can be cited with a negative legislative audit finding. We have made a good faith attempt to put into effect the legislative intent.

Ms. Vincent said there is still a great deal of time before the newly proposed regulations would become law. If these regulations are approved today, they are then published in the *Maryland Register* and there would be an opportunity for public comments, and AELR review as part of the regulatory approval process.

The Commissioners then held extensive discussion regarding their views on the new proposed regulations.

After the discussion, Commissioner Hash made a motion to withdraw COMAR 36.06.01, .02, .03, .04, and .05 and approve new COMAR 36.06.01, .02, .03, .04, .05 and .06. Motion was seconded by Commissioner Stakem. Vote was taken. Commissioners Hash and Stakem voted yes. Chair Robertson Pannell, Vice Chair McGraw, Commissioners Boozer and Morton voted no. Commissioner Marriner was absent. The motion did not pass.

Commissioner Morton said this does not represent any judgment on the work that was done by the staff. They did a great job. There are still some issues and problems that are of concern to the Commission.

Chair Robertson Pannell recommended staff do additional research on the minimum value definition and the fees, and present this to the Commission at the February meeting.

Lottery – **John A. Martin, Assistant Director**

Mr. Martin said his report was provided to the Commission. Last night the $648 million Mega Millions jackpot was hit. The winning tickets were sold in California and Georgia. Maryland had one $1 million winner and 680,000 winners of various lower tier prizes.

Enforcement – **Capt. John Mooney, Assistant Director for Enforcement**

Capt. Mooney said the Commission was provided with a copy of his report.

The Commission discussed the incidents of underage patrons in November at Maryland Live! Casino, additional training of security staff, the brief power outage at Rocky Gap, and the current vacancies in Licensing Division.

Approval of Acquisition of Manufacturer Licensee Diamond Game by Amaya Americas Corporation and Qualification of Principal Entities

Capt. Mooney read the executive summary into the record. He said in July 2013, Amaya Gaming Group, Inc. (Amaya), submitted a Principal Entity Disclosure application to the Commission to be deemed qualified as a principal entity. Amaya is the parent corporation of Amaya Americas Corporation (AAC). Amaya is in the process of purchasing Diamond Game Enterprise (Diamond) through its subsidiary AAC. Diamond currently holds a manufacturer license in Maryland. Under the transaction, Diamond would be 100% owned by AAC, but Diamond would retain its manufacturer license. AAC's acquisition of Diamond is contingent upon the Commission's approval of AAC and Amaya because they would be principal entities (owners) of Diamond. Capt. Mooney noted that Staff is removing the name Wesley Clark, one of the principals, from the current list of approvals because Mr. Clark's background check is incomplete.

Capt. Mooney said it is the opinion of MLGCA staff that the principal entities, subsidiaries, and the institutional investor meet the Gaming Law's relevant qualifications standards, and that the four principal employees be approved for principal employee gaming licenses. It is also the opinion of MLGCA staff that the proposed acquisition of Diamond by AAC meets and is consistent with the Gaming Law. Staff recommends approval of these proposed transactions.

Chair Robertson Pannell asked if there were any other questions for Capt. Mooney 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 (1) to approve Amaya Gaming Group, Inc.'s purchase of Diamond Games Enterprise through its subsidiary Amaya Americas Corporation, and (2) to find that Amaya's principal entities (Amaya Gaming Group, Inc., and Amaya Americas Corporation), principals (David Baazov, Daniel Sebag, Divyesh Gahdia, and Harlan Goodson), and institutional investor (Fiera Capital Corporation) meet qualification requirements under the Gaming Law. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion passed by unanimous vote of the Commission.

Proposed Transaction Agreement between Apollo VIII and AGS Partners, LLC

Capt. Mooney read the executive summary into the record. He said in September 2013, the MLGCA received official notification of the proposed Transaction Agreement between Apollo Fund VIII (Apollo) and AGS Partners, LLC (AGS). Upon receiving the notification, MGLCA staff directed Apollo to submit Principal Entity Disclosure Forms for the following entities:

- Apollo Fund VIII
- AP Gaming Acquisition, LLC
- AP Gaming I, LLC
- AP Gaming, Inc.
- AP Gaming II, Inc.
- AP Gaming Holdings, LLC

- AP Gaming Holdco, Inc.
- Apollo Gaming Holdings, L.P.
- Apollo Gaming Holdings GP, LLC

This transaction is not expected to result in any significant change in AGS' structure, operations or management. The currently licensed vendors will remain and most, if not all, of the individuals within those entities will continue to manage the AGS gaming operations in the same manner as they did before this transaction. Capt. Mooney said it is the opinion of MLGCA staff that this proposed transaction, and its transfer of AGS's interests, meets and is consistent with the Gaming Law. Staff recommends approval of the proposed transaction.

Chair Robertson Pannell asked if there were any other questions for Capt. Mooney 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 (1) to approve the proposed Transaction Agreement between Apollo Fund VIII and AGS Partners, LLC. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion passed by unanimous vote of the Commission.

Gaming Research – **Jaclyn Vincent, Director**

Ms. Vincent said on December 6 the consultants presented their findings to the Location Commission and the three Prince George's County applicants were given an opportunity to respond. On December 12, a public conference call was held with the consultants and applicants. This gave the Location Commission an opportunity to ask additional questions. The Location Commission will meet on December 20 to award the Prince George's County operation license. All the consultants' reports are on-line on the gaming website.

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.

At 12:35 p.m., the Commission took a short break before the Key Group made their presentation. The meeting resumed at 12:42 p.m.

PRESENTATION OF LOTTERY SALES ASSESSMENT STUDY BY THE KEY GROUP

Mr. Martin said the Commissioners were provided with copies of the presentations prior to the meeting. He then introduced Mr. Scott Martinique.

Mr. Martinet presented the Power Point presentation that included the study objectives, methodology, the study results, key findings, and insights and conclusions.

After further discussion by the Commission regarding the research, Chair Robertson Pannell thanked Mr. Martinet for the report.

PUBLIC COMMENTS

No public comments were made.

DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, January 23.

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 passed by unanimous vote of the Commission. Meeting adjourned at 12:59 p.m.

Respectfully submitted,

Stephen L. Martino