

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION FEBRUARY MINUTES

DATE: February 26, 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, Jr.
Commissioner E. Randolph Marriner
Commissioner John Morton, III

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 Ocean Downs Casino
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 10:05 a.m. Commissioners present were: Diane L. McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner and John Morton.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Motion 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 January 24, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash made a motion that the minutes be approved, it was seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

COMMISSION SERVICE RECOGNITION

Mr. Kirby Fowler, former Chairman and Commissioner, was presented an award of recognition for his service to the Lottery and Gaming Control Commission. Chair Robertson Pannell thanked him for his service for the past three and one-half years and the leadership that he has provided to the Commission during that time. Mr. Fowler expressed his thanks and appreciation to the Commission.

The other Commissioners made a few comments and the Chair wished him the best for the future and to stay in touch.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains one new instant ticket game for the Commission's approval: Game #103 *Twisted Treasures*. (Exhibit #1). She said the Consent Agenda also contains VLT Games and Component Testing (Exhibit #2) for the Commission's approval. She asked if there were any questions. Hearing none, the Chair requested a motion to approve the new instant game noted above as well as the VLT Games and Component Testing. Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Bill Hayles, Vice President and General Manager, said year over year numbers continue to suffer with gross terminal revenue down in January by 8.4% as compared to December. He thanked the MLGCA staff for their assistance in preparing for the implementation of table game operations at Hollywood Casino. The agency was responsive to all the facility's requests. Chair Robertson Pannell commented she looks forward to seeing table games in operation.

Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, apologized for missing last months meeting due to the inclement weather. He said gross terminal revenue for January was down 6.5% compared to January 2012. The facility is preparing for the summer tourist season. Improvements were made to the parking lot and they will take advantage of the opportunity to offer live entertainment at the facility.

Maryland Live! Casino

Mr. Rob Norton, President and General Manager, said January was a great month for the facility, and gross terminal revenue was \$36 million. They anticipate February to be their best month since opening. They have seen a 10% increase in new players club members and there are various new promotions in place.

They are working closely with MLGCA staff on the implementation of table games at the facility, including the reduction of VLTs and the licensing process. It is the eighth week of dealer school and there are over 550 students in the class. They expect most of them to become part of the Maryland Live! staff. The facility is planning to run the controlled demonstration for table games on April 9 and if approved, is looking at an opening of April 11.

Commissioner Morton asked how many new employees will be hired as a result of the implementation of table games. Mr. Norton responded an additional 1,200 new employees will be hired.

Chair Robertson Pannell offered congratulations on the facility's revenue numbers.

Rocky Gap Casino Resort

Mr. Timothy Cope, President of Lakes Entertainment, said they continue to move forward with renovation plans and anticipate a June opening. They are currently working with MLGCA staff on the employee licensing, the timetable, and the internal controls. The facility will be ready to start accepting machines the second or third week of March. Configuration of the casino floor is underway. They are in their second week of dealer school and anticipate having 10 table games when the casino opens.

He said they are also renovating the 200 hotel rooms and it should be completed the same time as the opening. Plans are underway for adding additional conference space and construction will begin in May. They are on time and on schedule to meet all requirements, and look forward to being successful.

Mr. Cope introduced Mr. Scott Just, who accepted the job as General Manager at Rocky Gap, and Mr. Rob Turano, Director of Security and Compliance, who has been working with MLGCA staff regarding employee licensing and internal controls.

Commissioner Morton asked how many additional employees the casino anticipates hiring. Mr. Cope responded there will be 250 new full time employees, 70 for table games. Commissioner Morton then asked Mr. Hayles the same question. Mr. Hayes responded an additional 100 employees.

Commissioner McGraw asked how many VLTs will be available. Mr. Cope responded there will be 580 VLTs and 10 table games available.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Sr. Vice President and General Manager, said 500 additional table game employees will be hired. The facility received final approval on the exterior design of the building and parking garage last week and is now able to proceed with construction. They are currently reviewing the interior designs.

On February 19, a construction outreach program was held and there were over 50 participants. Demolition will begin shortly on the space where the parking garage will be constructed.

Commissioner Morton commented that approximately 2,000 new jobs will be created with the implementation of the table games and that is a very impressive number.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said he spoke to the Chair regarding setting up bi-monthly education meetings for the Commissioners, and the plan will move forward. There will be no negative impact to the agenda and he will be reaching out to the Commission to identify their interests in different areas of agency. It is on a voluntary basis and will take place every other month starting in April. Commissioner Marriner is involved on the Lottery side, particularly with creative services and advertising. Commissioner McGraw is involved with the IT operations.

The Commission was provided with an updated lottery sales and revenue sheet through February 24. Sales show an increase of \$2.4 million over last year. However, revenue is down by \$12.7 million compared to last year. Pick 3 game continues to under perform. Payouts and increased retailer commissions come from the revenue bottom line. We are

coming up against the \$656 million Powerball jackpot from last year that was won on March 30. When we come back in March, sales may be on the negative side

Mr. Martino said Mr. LaBoy, Capt. Mooney and Mr. Eaton will have the opportunity to travel to Ohio next week to observe the controlled demonstration and opening of the Horseshoe Casino in Cincinnati.

A Lottery exhibit of 40 Years/40 Stories will be on display at the Museum of Industry. Ms. Everett and her group worked on this effort.

The April Commission meeting is scheduled for Thursday, April 25. Mr. Martino will be out of town that day and asked if the meeting could be changed to Friday, April 26. The date will be confirmed with the Commission.

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

Ms. Smith said her report was provided to the Commission. She said since last the meeting, the Lottery appeared before the Legislature for its budget hearing and only one recommended cut was made. We are waiting for their decision and at the same time we also will be getting our deficiency request for the funding of the additional 44 VLT positions that were approved.

Recruitment for all positions continues and the Licensing Division is almost fully staffed. She is working with Mr. LaBoy on positions on the audit side to be ready when table games are implemented.

She said included with her report is the IT Department's report. The migration to Google Mail was successful. All personnel will be trained by the week of February 18.

Work continues with Scientific Games to discuss implementation of Properties Plus.

Commissioner Morton thanked Ms. Smith for the quarterly report she is providing to the Commission and would like to discuss it with her further. Ms. Smith said she will meet with him to discuss the report in further detail.

Ms. Smith said included with her report was the RFP for Advertising, Digital, Web and Social Media, and Research Services (#2013-02). The current contract expires July 31, 2013 and no further renewal options are available. She presented the RFP to the Commission for their review and approval.

Commissioner Marriner said in Section 7.3.8.1A it requests audited financial statements and asked if this could be changed to a review of the statements. Creative Service agencies do not normally have audits. Ms. Smith responded it should not be a problem to make the change.

There being no further discussion, Chair Robertson Pannell said she would entertain a motion to approve the RFP for Advertising, Digital, Web and Social Media, and Research Services (#2013-02) subject to the pending change to section 7.3.8.1A requiring audits of

financial statement changed to a review, not a submission. Commissioner Marriner made a motion to approve, it was seconded by Vice Chair McGraw, and the motion passed by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said his report was provided to the Commission. Progress continues on the implementation of table games.

Request for Reduction of VLT's – Hollywood Casino at Perryville

Hollywood Casino Perryville submitted a request seeking an amendment to their license to allow for the permanent reduction of 500 VLTs in two phases with phase one consisting of a reduction of 342 VLTs and the second phase consisting of a reduction of 158 VLTs. Staff has reviewed the request and recommends approval of an amendment of Hollywood Casino's operation license for a permanent reduction of 342 VLTs, bringing their new total to 1,148 VLTs contingent on promulgation of the regulations approved by the Commission in December 2012. Phase one will preclude the State from having to purchase or lease additional VLTs for the Rocky Gap facility and will allow for the placement of table games at Hollywood Casino Perryville and is determined to be in the best interest of the State. Staff recommends no action at this time on the second phase of the permanent reduction of 158 VLTs.

After discussion by the Commission, Chair Robertson Pannell said she would entertain a motion to approve the reduction of 342 VLTs at Hollywood Casino with no action taken at this time for the reduction of the 158 remaining VLTs. Motion made by Commissioner Morton, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

Rocky Gap Conference Space

Statutes require that Rocky Gap submit evidence satisfactory to the Commission that replacement work has begun to provide meeting space equal to or greater than the eliminated meeting space before being authorized to begin table game operations. Rocky Gap has submitted their conference space plans for review and consideration. The new meeting space is greater than what has been eliminated and construction is scheduled to begin in May and completed by October. Included with the packet are letters of support from the Allegany County Delegation and the Board of Commissioners of Allegany County.

Mr. Cope said they are well underway with the conference space plans. There will be more meeting space than previously provided. They will be able to provide breakout meeting rooms and a large ballroom space for 700 to 800 people. This is a big addition to Rocky Gap.

Mr. LaBoy said staff recommends approval of the conference space plans and recommends that any significant deviations from the plan be brought before the Commission for review and consideration. There being no further discussion, Chair Robertson Pannell said she

would entertain a motion to approve the Rocky Gap conference space plans with any deviation being brought to the attention of the Commission. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion passed by unanimous vote of the Commission.

Regulations – Table Games – Pai Gow Tiles Rules – COMAR 36.05.15

Mr. LaBoy said the Commission was provided with the proposed table game regulations, which are a chapter of rules for the table game of Pai Gow Tiles. Currently, Hollywood Casino is not anticipating offering this game, but Maryland Live! will at some point in time. A handout was provided to describe the game of Pai Gow Tiles. After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve new COMAR 36.05.15 - Pai Gow Tiles Rules and to authorize staff to clean up non-substantive errors such as typographical errors, misspellings and incorrect cross-references prior to submitting the regulations to AELR. Motion made by Commissioner Marriner, seconded by Commissioner Boozer and motion passed by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to permit Lottery staff to submit COMAR 36.05.15 approved today on an emergency basis. Motion was made by Commissioner Marriner, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Commissioner Morton requested the Mr. LaBoy track how much money the State will be saving by moving VLT devices around. There is an actual benefit savings from redeployment of VLT devices and return of electronic table games back to manufacturers. Mr. LaBoy said he will provide updates.

Lottery – John A. Martin, Assistant Director

Mr. Martin said his report was provided to the Commission. He said the Keno Sprinkler promotion runs from March 11 to April 8, and the new Keno graphics will roll out the week of March 4 to all retailer locations. At the end of March, Lottery will launch its annual Orioles' promotion. They are working with the Baltimore Orioles on the annual sponsorship program that will be similar to sponsorships in recent years. The product focus in this year's sponsorship will be the Five Card Cash game.

Price is Right instant ticket advertising is airing on television, radio and digital and runs through March 10. This instant ticket also has a second chance component associated with it and the ticket is off to a good start.

The SalesMaker program will begin on March 21 with two of the five sales regions. The Sales staff will meet with corporate chain accounts to provide them with an annual business review to help improve their business for the year ahead.

The Lottery's 40th Anniversary exhibit at the Baltimore Museum of Industry opened to the media on March 1. On March 2, a live Pick 3/Pick 4 drawing was held at the Museum. The first 40 Rubies instant ticket second chance contest winners were also announced—one \$40,000 winner and three \$4,000 winners.

Chair Robertson Pannell asked for comments on the Keno focus groups. Mr. Martin said three evenings of Keno focus groups were held. The groups focused on regular players and light/lapsed players from across the State. The purpose of the focus groups was to look into player perceptions of Keno and ways to increase sales. He felt it was a positive outcome.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission. He said interviews for two compliance positions at Hollywood Casino Perryville and two compliance positions at Maryland Live! will take place this week. The announcement for compliance positions at Rocky Gap will be posted shortly. The 16 positions in the Licensing Division have been filled.

Capt. Mooney said he has six manufacturing license applications to present to the Commission. The six companies have applied for a license under the Gaming Law in Maryland. He is requesting that the licenses be approved using alternative licensing standards to expedite the process and allow table games to open as soon as possible. The six applicants are: Gaming Partners International, Gemaco, Genesis Gaming Solutions, Inc., TCS John Huxley America, Inc., TCS John Huxley Europe, Ltd., and The United States Playing Card Company. The manufacturers were notified of the hearing and some of the manufacturer representatives are present.

Capt. Mooney said an executive summary was prepared on each manufacturer. The Eligibility – Alternative License Standards paragraph is the same for each manufacturer and he read that paragraph into the record.

Manufacturer Qualification Hearing for Gaming Partners International (GPI)

Capt. Mooney read the executive summary into the record. GPI filed an application in January 2013. They are currently licensed in the following jurisdictions: Missouri, Mississippi, Louisiana, Kansas and Pennsylvania. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Manufacturer Qualification Hearing for Gemaco

Capt. Mr. Mooney read the executive summary into the record. Gemaco filed an application in January 2013. They are currently licensed in the following jurisdictions: Missouri, Mississippi, Louisiana, Pennsylvania, Illinois, and Wisconsin. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Manufacturer Qualification Hearing for Genesis Gaming Solutions, Inc.

Capt. Mooney read the executive summary into the record. Genesis Gaming Solutions filed an application in January 2013. They are currently licensed in the following jurisdictions: Louisiana, Kansas, Pennsylvania, Illinois, and Missouri. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Manufacturer Qualification Hearing for TCS John Huxley America, Inc.

Capt. Mooney read the executive summary into the record. TCS John Huxley America filed an application in February 2013. They are currently licensed in the following jurisdictions: New Jersey, Pennsylvania, Nevada, and New York. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Manufacturer Qualification Hearing for TCS John Huxley Europe, Ltd.

Capt. Mooney read the executive summary into the record. TCS John Huxley Europe filed an application in February 2013. They are currently licensed in the following jurisdictions: New Jersey, Pennsylvania, Nevada, and New York. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Manufacturer Qualification Hearing for The United States Playing Card Company

Capt. Mooney read the executive summary into the record. The United States Playing Card Company filed an application in January 2013. They are currently licensed in the following jurisdictions: Kansas, Louisiana, Pennsylvania, and Mississippi. The applicant currently holds similar and valid licenses as those required by the Commission in the aforementioned states and is eligible to be licensed through the alternative licensing standards set forth in the Gaming Law. It is the opinion of MLGCA staff that the applicant is qualified to be approved for a manufacturer license.

Capt. Mooney asked if there were any questions from the Commission.

Capt. Mooney was asked whether any of the companies had their license revoked in any other state, and responded all the companies are in good standing.

It was pointed out that TCS John Huxley America and Europe do not include an expiration date for the expiration of their licenses from other states. Ms. Marie Jones, representative from Huxley, said she will provide staff with the expiration dates.

Chair Robertson Pannell asked if there are any other questions for Capt. Mooney, the applicants, or the public. 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 find that Gaming Partners International is qualified for a manufacturer license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that Gemaco is qualified for a manufacturer license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that Genesis Gaming Solutions, Inc. is qualified for a manufacturer license under the Gaming Law. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that TCS John Huxley America, Inc. is qualified for a manufacturer license under the Gaming Law. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that TCS John Huxley Europe, Ltd. is qualified for a manufacturer license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that The United States Playing Card Company is qualified for a manufacturer license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, 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 as to each Applicant, and to transmit the Decision Statement to each Applicant. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Capt. Mooney said staff has reviewed the updated Security Minimum Staffing and Standard Operating Procedures and the Surveillance Minimum Staffing and Standards Operating Procedures relative to adding table games at Hollywood Casino Perryville. Staff recommends the Commission's approval. Chair Robertson Pannell said she would entertain a motion to approve the above mentioned procedures. Motion made by

Commissioner Marriner and seconded by Commissioner Morton, and motion passed by unanimous vote of Commission.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said his report was provided to the Commission. He said a Notice of Appeal was received from HarborWest in terms of the Baltimore City Court of Special Appeals. They are reviewing the appeal and he will report more on that next month.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the Video Lottery Facility Location Commission approved the RFP for the Video Lottery Operation License in Prince George's County on January 31. The RFP was issued on February 6, a Pre-Proposal Conference is scheduled for on February 27, and proposals are due by May 10.

Commissioner Marriner asked if a bidders list would be available. Ms. Vincent responded after the closing deadline, a bidders list will be issued.

COMMISSION ACTION ITEM

Request for Operation of Table Games at Hollywood Casino at Perryville

Mr. LaBoy said Hollywood Casino Perryville is seeking an amendment to their license to allow for the operation of table games. The control demonstration is scheduled for March 5 from 6 to 10 p.m., and pending final approval by the Commission, they will open to the public on March 7. Hollywood Casino at Perryville may not commence table game operations until the Commission has issued an amended operation license after determining that the casino complies with 14 items. He read the 14 items into the record.

Staff recommends approval contingent on final approval of the regulations by AELR, contingent on the successful completion of the controlled demonstration, and any other items that staff may require from the facility

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve Hollywood Casino Perryville's request for table game operations contingent on final approval of the regulations, successful completion of the controlled demonstration, and any other staff requirements. Motion made by Commissioner Morton, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to delegate staff to issue the license. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

Mr. Hayles thanked the Commission for expediting this process.

If any Commissioners are interested in attending the controlled demonstration at Hollywood Casino, please contact Ms. Torosino.

PUBLIC COMMENTS

Mr. Larry Bershstein, President of MAMOA thanked Ms. Vincent and Mr. Fontaine for meeting with him yesterday on the regulations that will affect the bingo operators.

CLOSED SESSION

Chair Robertson Pennell said that pursuant to State Government Article §10-508(a)(1)(ii), she would entertain a motion to move to a closed session to discuss a personnel matter that affects one or more specific individuals. Motion was made by Commissioner Morton, seconded by Commissioner Marriner, and motion passed by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a)(1)(ii). The meeting moved to a closed session at 12:05 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, James Butler, and Marie Torosino. The meeting returned to open session at 12:22 p.m.

Chair Robertson Pannell announced that during the closed session, the Commission discussed exploring the process of annual goal setting between the Commission and the Director. No action was taken.

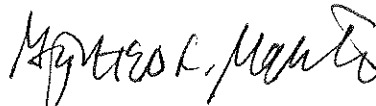
DATE AND TIME OF NEXT MEETING

Chair Robertson Pannell said the next Commission meeting is scheduled for 10 a.m. on Thursday, March 28.

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 Marriner, and motion passed by unanimous vote of the Commission. Meeting adjourned at 12:23 p.m.

Respectfully submitted,


Stephen L. Martino