

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

DATE: March 28, 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 Amended Agenda. Motion to approve the Amended Agenda was made by Commissioner Marriner, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the February 26, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. Vice Chair McGraw said on page 6, Request for Reduction of VLTs at Hollywood Casino, the correct total is 1,148 devices. On page 6, Rocky Gap Conference Space, the new meeting space is greater than what has been eliminated and construction is scheduled to begin in May (not April) and completed by October. Commissioner Hash made a motion that the amended minutes be approved, it was seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains one new instant ticket game for the Commission's approval: Game #104 *Operation Jackpot*. She said the Consent Agenda also contains VLT Games and Component Testing and Table Games and Component Testing for the Commission's approval. She asked if there were any questions. At Vice Chair McGraw's request, Mr. LaBoy provided a further explanation of table games and component testing. The Chair requested a motion to approve the new instant ticket game noted above as well as the VLT Games and Component Testing and Table Games and Component Testing. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Chris Bruno said gross gaming revenue for February was just under \$6 million. This is down 48.4% compared to last year. Table games opened at the beginning of the month. Commissioner Morton asked if the facility encountered any difficulties. Mr. Bruno said that everything went well.

Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said February gross gaming revenue is \$3.4 million, down 1.5% compared to last year. Thus far, March is running behind at 2.3%. People are starting to come back to the Eastern Shore to open homes and businesses back up for the summer. Ocean City tourism anticipates a strong summer this year.

Improvements to the parking lot were completed, and Ocean Downs I preparing for the horse racing season with 48 days of racing this year. Ocean Downs working with Worcester County on the addition of shuttle service to the facility and through Ocean City, which should be implemented shortly.

Commissioner Morton asked whether the expansion of the Ocean City Convention Center will have any impact on Ocean Downs. Mr. Cavilla said the casino will begin looking at entertainment for their property, and the casino does not want to duplicate or displace what events or entertainment the convention center is holding.

Mr. Cavilla said the facility is looking at connecting the casino and clubhouse buildings and construction of a new entryway. He is not sure when construction will begin.

Mr. Martino asked what are the casino's plans for table games. Mr. Cavilla responded table games are under consideration and the facility would have to construct an addition to the building. If placed in the current facility, they would have to remove approximately 400 VLTs and removing that many devices would be detrimental.

Maryland Live! Casino

Mr. Rob Norton, President and General Manager, said February gross gaming revenue was \$38.3 million, which is their highest amount since opening. From a revenue standpoint, Maryland Live! remains the number one casino in the Mid-Atlantic. March is off to a great start.

A BMW giveaway promotion was held on March 30. Construction is continuing for installation of table games and should be completed by next week. Friends and family day will be held on Friday for training of table game staff. There will be two controlled demonstrations, one held on April 5 and the other held on April 9. If approved, table games will go live at midnight on April 11.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said casino construction continues and the facility will receive its temporary occupancy permit next week. They currently have 180 machines in the building and 200 active employees with another 93 attending dealer school. Control demonstration of 588 VLTs and 10 table games is scheduled for May 20. Conference space construction will now begin the first week of May with scheduled completion by November.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Sr. Vice President and General Manager, said they are currently dealing with a legal issue. They do not expect this to impact the opening of the casino in 2014. They are moving forward with grading of the site. On a personal note, he is now officially a resident of Maryland.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said the Commission was provided with an updated lottery sales and revenue sheet through March 24. Sales are \$14,550 ahead of last year with revenue at \$40,281 ahead of last year. This is the first plus week for year over year sales and revenue. He will forward the Commission the next sales and revenue report when it is issued.

More positive sales number for Keno since the new graphic screens launched. There is a monitor in the Sales Division if the Commissioners are interested in seeing the graphics. Communications staff has been hosting Keno parties at retailer locations. We are making positive progress on the Keno front.

Table games successfully launched at Hollywood Casino Perryville after the controlled demonstration was held. He credited Mr. LaBoy, Mr. Eaton and the auditors who ensured that the internal controls were followed. The opening of table games at Perryville went as he hoped and will generate more revenue for the facility and the State. Commissioner Marriner was in attendance at the controlled demonstration.

Capt. Mooney and the Licensing Division have been processing the employee licensing applications for all facilities as quickly as possible.

Mr. Martino said at the end of 2012, Penn National made an announcement that they were going to split the company. Currently, Penn National is the operating company for the casino. He met with them at the end of 2012, and they were working on the documents. Yesterday he received an e-mail from the company, and they expect to begin processing all the documents today or tomorrow. This will come before the Commission for their approval at a future meeting.

Commissioner Morton asked if Caesars is doing same thing. Mr. Martino said he met with representatives from Caesars regarding moving Baltimore into the new publicly traded Caesars Global Investments. He will be meeting with them again next week.

Mr. Martino said he recently met with representatives from MGM. The Lottery is prepared to receive their background information applications in response to the RFP for VLT Operation License in Prince George's County. Under the terms of RFP, anyone who intends to respond to the RFP can file their background investigation applications prior to the May 10 due date of the proposals.

Mr. Martino commented that if the Commissioners have an opportunity, they should visit the Baltimore Museum of Industry on Key Highway to see the outstanding exhibit of the 40th anniversary of the Maryland Lottery. The exhibit was put together by Ms. Everett and the Communications group. A birthday party celebration will be held sometime in May.

Yesterday, a member from the Ravens organization brought the Vince Lombardi Super Bowl trophy to the Lottery. Employees were given the opportunity to have their picture taken with the trophy. The Lottery values its relationship with the Ravens and looks forward to another sponsorship next year.

Commissioner Morton asked for a summary of any significant activities from the General Assembly as it relates to the Lottery and gaming activities. Mr. Martino responded that Mr. Butler will provide a briefing later in the meeting.

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

Ms. Smith said her report was provided to the Commission. She said recruitment continues for various Lottery and Gaming positions.

She continues to work with SGI on the implementation of Properties Plus. Launch date is scheduled for June 3.

She is working with IT on recruitment for a Network Specialist position as well as reclassifying a vacant position to a Network Specialist Supervisor position.

Research continues for new help desk software. This will allow better control and management of user support workload.

A copy of the Comprehensive Annual Financial Report (CAFR) was provided to the Commission. Ms. Smith then gave a brief explanation to the Commissioners. More copies are available if needed.

Commissioner McGraw asked if there is an issue with SGI and sales staff regarding the installation schedule. Ms. Smith said with the volume of agents and new applications there

is area for improvement. Mr. Gallagher is meeting with SGI to lead that effort. A list of items will be developed for review.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said on March 6 Hollywood Casino Perryville held a controlled demonstration for table games and it was successfully completed. Staff recommended issuance of the license and they have been operating without any issues since then. There are 20 table games and 110 to 120 new employees were hired.

Maryland Live! Casino will hold two controlled demonstrations, one on April 5 and the other on April 9. There will be 122 tables and the projected opening is April 11. Ms. Torosino will contact the Commissioners to see if they are interested in attending the controlled demonstrations at Maryland Live!

Rocky Gap has begun receiving VLTs and will begin moving the devices onto the gaming floor. Device installation is scheduled for April 1 with internal testing on April 8. Projected casino opening is in May.

The Voluntary Exclusion Program currently has 196 participants. However, with the addition of new participants during the past week, the program has reached over 200 participants.

Chair Robertson Pannell commented that Maryland Live! will open with only 122 table games and asked about the remaining table games. Mr. LaBoy responded they will not include poker when they open the table games. They are currently building out a poker room and another controlled demonstration will be held when it is completed.

Mr. LaBoy said he is currently recruiting for a Table Game Audit Supervisor and a Table Game Auditor. Interviews were held for a Table Game Auditor at Maryland Live!, but none of the candidates met our requirements. The Table Games Supervisor will serve in that capacity at Maryland Live! Casino which will give him more time to bring another person on board. He will be recruiting shortly for the Rocky Gap positions. Agency is still waiting for approval from the Department of Budget and Management for the VLT audit supervisor position and three additional staff positions to oversee bingo halls and VFW activity. Regulations have not been approved as yet and meetings are being held with the bingo hall operators.

Commissioner Morton asked what is the cost that was realized by moving VLTs from Hollywood Casino Perryville to Rocky Gap Casino. Mr. LaBoy responded it was a \$6 million savings. There was a \$2 million budget item for converting software and components to make sure devices moving from Hollywood to Rocky Gap have the same type of component to integrate with the system at the property. However, the cost was only \$1.6 million, a savings of approximately \$400,000.

Request for Reduction of VLT's – Maryland Live! Casino

Mr. LaBoy said Maryland Live! Casino submitted a request seeking an amendment to their license to allow for the permanent reduction of 413 VLTs, bringing their new total to 4,337 VLTs. Staff has reviewed the request and recommends approval of an amendment to the Maryland Live! Casino operation license for the permanent reduction. The reduction will preclude the State from having to purchase or lease additional VLTs for the Rocky Gap facility and allow for the placement of table games at the Maryland Live! Casino. It is determined to be in the best interest of the State. As the plan to relocate 286 VLTs to other licensed facilities within the State and return the balance of VLTs to the manufacturers at no cost to the State, there are no anticipated reduction costs for the Maryland Live! Casino.

After review and discussion by the Commission, Chair Robertson Pannell said she would entertain a motion to approve the reduction of 413 VLTs at Maryland Live! Casino. Motion made by Commissioner Morton, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

Emergency Regulations – Table Games – Ultimate Texas Hold'Em – COMAR 36.05.16 and Mini Baccarat Rules – COMAR 36.05.17

Mr. LaBoy said the Commission was provided with the two chapters of new regulations for the table games of Ultimate Texas Hold'Em and Mini Baccarat. These regulations were reviewed by staff and staff recommends the Commission's approval of these regulations on an emergency basis.

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve 36.05.16 and 36.05.17 as presented. Motion was made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Emergency Regulation – Gaming Provisions – Enforcement – COMAR 36.03.04

Mr. LaBoy said this chapter has been revised to allow the Director to designate staff to serve on a review board that reviews investigations of alleged violations of rules and regulations and make recommendations to the Director for addressing the violations. This regulation will replace the regulation approved by the Commission at the December 2012 meeting. Staff requests that the Commission withdraw COMAR 36.03.04 and replace it with the revised COMAR 36.03.04.

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve 36.03.04 as presented. Motion was made by Commissioner Marriner, seconded by Commissioner Morton, and the motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to repeal 36.03.04 approved by the Commission at the December 2012 meeting. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to permit Lottery staff to submit regulations 36.03.04, 36.05.16, and 36.05.17 approved today on an emergency basis. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said his report was provided to the Commission. He said four weeks ago Keno sales had a year to year comparison in the negative of \$1 million. Three weeks ago, a new graphics package was introduced and it fell to \$950,000. Two weeks ago, Keno parties started being held at retailer locations and it went down to a \$95,000 deficit. The increased graphics, Keno parties and Keno Sprinkler promotion have helped turn things around in Keno.

Development continues for the Lottery player loyalty program. We are the sixth state in the country to introduce this type of program. It has done extremely well in other states. He will keep the Commission updated.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission. He said the Licensing Division will conduct interviews for a vacant Lead position and two financial investigator positions. Regarding Casino Compliance vacancies, there is one at Hollywood Casino Perryville, two at Maryland Live! Casino and seven at Rocky Gap Casino Resort. Interviews will be conducted for those positions within the week.

The Licensing Division has been working since January on the licenses for table games. They reviewed 1,600 applications.

Approval of Maryland Live! Security Minimum Staffing and Standard Operating Procedures and Approval of Maryland Live! Surveillance Minimum Staffing and Standard Operating Procedures

Capt. Mooney said updated security and surveillance staffing and operating procedures adding table games were submitted by Maryland Live! Casino. Staff found them to be well-written for the addition of table games and recommends the Commission's approval upon their review.

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve Maryland Live! Casino's Security Minimum Staffing and Standard Operating Procedures. Motion was made by Vice Chair McGraw, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve Maryland Live! Casino's Surveillance Minimum Staffing and Standard Operating Procedures. Motion was made by Vice Chair McGraw, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

Investigative Services for Video Lottery Terminal Licensing – Contract #2009-07 – Renewal Option #3

Capt. Mooney said the original contracts with Spectrum Gaming Group (Primary Contractor) and MDB International (Secondary Contractor) were for a two year term with three one-year renewal options. The first and second renewal options were previously exercised. Staff recommends the approval of the third and final renewal option in the amount of \$1 million for the term May 2013 to May 2014 for both the primary and secondary contracts. The Board of Public Works approved the funding for the contracts on March 6. However, the Contracts were not executed pending approval of the Commission.

After review and discussion, Chair Robertson Pannell said she would entertain a motion to approve the third and final option to the Investigative Services for Video Lottery Terminal Licensing Contract #2009-07 for Spectrum Gaming Group (Primary Contractor) and MDB International (Secondary Contractor). Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the Pre-proposal Conference for the RFP for the Video Lottery Operation License in Prince George's County went well. Location Commission Chairman Fry met with staff regarding the development of the Research RFP. Staff is working on the technical specifications. We are reaching out to Indiana and Massachusetts Gaming Commissions for examples of their research RFPs. A draft should be completed by next week and she is working on a timeline. Mr. Butler will give the Commission an update on legislation.

She will present a PowerPoint presentation to the Commission after the meeting regarding going to an electronic system of providing Commission material on an iPad.

Mr. Butler provided an update to the Commission on various bills including video lottery employee licensing--crimes of moral turpitude and video lottery license renewals for operators, manufacturers, vendors and employees.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said his report was provided to the Commission and he has no further information to add.

COMMISSION ACTION ITEM

Request for Operation of Table Games at Maryland Live! Casino

Mr. LaBoy said Maryland Live! Casino is seeking an amendment to their license for the operation of table games. The controlled demonstrations are scheduled for April 5 and April 9 from 8 a.m. to 4 p.m. Pending final approval by the Commission, the facility will open to the public on April 11. Maryland Live! Casino 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 table game regulations, on the successful completion of the controlled demonstrations, 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 Maryland Live! Casino's request for table game operations contingent on final approval of the regulations, successful completion of the controlled demonstrations, and any other staff requirements, and to delegate staff to issue the license. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

PUBLIC COMMENTS

There were no public comments.

CLOSED SESSION

Chair Robertson Pannell said that pursuant to State Government Article §10-508(a)(7) and (8), she would entertain a motion to move to a closed session to consult with counsel to obtain legal advice and to consult with staff, consultants, or other individuals about pending or potential litigation. Motion was made by Commissioner Morton, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a)(7) and (8). The meeting moved to a closed session at 11:22 a.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, Michael Eaton, Jennifer Wetherell and Marie Torosino. The meeting returned to open session at 11:40 a.m.

Chair Robertson Pannell announced that during the closed session the Commission discussed potential litigation concerning the Baltimore City facility and related issues.

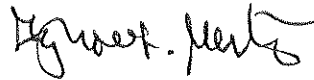
DATE AND TIME OF NEXT MEETING

The next Commission meeting is scheduled for 10 a.m. on Friday, April 26.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn. Motion made by Commissioner Marriner, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. Meeting adjourned at 11:45 a.m.

Respectfully submitted,



Stephen L. Martino