

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

DATE: June 27, 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

Stephen Martino, Director
Gina Smith, Deputy Director & CFO
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 10:04 a.m. Commissioners present were: Diane L. McGraw, F. Vernon Boozer, Bert J. Hash, Jr., and E. Randolph Marriner. John Morton 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 Boozer, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the May 23, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. The minutes were amended for a typographical error and a date correction. There being no further changes, Commissioner Marriner made a motion that the amended minutes be approved, it was seconded by Commissioner Hash, 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 #109 *Nifty \$50s*, Game #110 *24 Karat Cash*, Game #111 *Funky 5s*, Game #112 *Hit the Jackpot*, Game #113 *Wild Turkeys*, Game #114 *Rainbow Blackout Bingo*, and Game #116 *\$100,000 Richer*. She said the Consent Agenda also contains VLT Games and Component Testing for the Commission's approval. She asked if the Commissioners wanted to remove any items for 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. 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. Bill Hayles, Vice President and General Manager, said May revenue continues to show year over year decline and should change as they move forward. However, May

slots revenue was up slightly from the previous month. Table game revenues show a decline compared to April. The facility is considering submitting a request to add two more poker tables to the gaming floor. June revenue numbers are somewhat soft thus far. People are visiting other places at this time of the summer season.

Mr. Hayles said this will be his last attendance at Commission meetings in Maryland. He has been assigned to another position within the company. He thanked the Commission for their support and encouragement over the few years that he has been here.

Chair Robertson Pannell congratulated him on his new position and thanked him for all his dedication and hard work over the last couple of years.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, was unable to attend today's meeting.

Maryland Live! Casino

Mr. Rob Norton, President and General Manager, said revenue for May for both slots and table games combined was \$55 million, their best month thus far. Slots revenue was \$37.5 million and table game revenue was \$17.6 million. Table game revenues topped operations on the east coast and Nevada. June is off to a good start. The facility is also seeing a softer trend with the summer season.

In June, they held the annual WBE/MBE program and more than 100 companies were in attendance. Penn National, Ocean Downs and Rocky Gap as well as the Maryland Lottery and Gaming Control Agency also participated. In July, they are rolling out the \$1 million Summer Spell Check promotion. Players collect letters to win various prizes.

The dealer school started with over 100 students in the program. Construction of the poker room is on schedule.

Mr. Norton relayed a story of three security team members that came to the assistance of a customer who was having a major medical emergency. Rhonda Johnson, Adam Buckingham and Michael Hayes took action and started to administer CPR until the EMTs arrived. Mr. Norton wanted to share this with the Commission, and give special recognition to these officers.

Chair Robertson Pannell said congratulations on their revenue and glad that the assistance to the customer was effective.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said the casino officially opened at the end of May. June is looking good for them as they build momentum. There are currently 400 employees on

site, of which 350 are full-time. They are working through the completion of the employee gaming licenses.

A question was asked about the facility's plans for advertising. Mr. Just responded there was a major mailing done this past Monday. At this point, room reservations are at 150 per day, which is about they expected.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Sr. Vice President and General Manager said the construction process is moving along well. On May 29, a ground breaking event was held, and the foundation has been poured. He expects the timeline to move along as anticipated.

Mr. Barnhill said he and others attended the Video Lottery Facility Location Commission meeting on June 25, to request an amendment to their original proposal regarding the reduction of the number of VLTs, addition of table games and poker tables, a change to the facility name and a change in the holder of the video operation license.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said the Commission was provided with an updated sales and revenue report. As of June 23, sales are \$30 million or 1.7% below last year. Revenue is \$10 million or 1.9% below last year. Bureau of Revenue Estimates shows that we are \$33,000 ahead of where we are expected to report. We are still on track for the revenue the State expects from the Lottery.

Going into the new fiscal year, the Lottery will be incorporating some initiatives in Keno and the Maryland Lottery Rewards program. RFPs were completed for the advertising and instant ticket contracts.

Total slots and table game revenues for the casinos for May was \$69.1 million.

Mr. Martino said the Commission was provided with a Dashboard Item sheet that was created and will serve as a reference sheet. It includes information on both the Casinos and the Lottery. An update will be provided each month.

NASPL's *Insights Magazine* published an article on the Lottery's 40th Anniversary. We appreciate NASPL running that article. A copy was provided to the Commission.

Six Lottery employees were retiring and he provided a list of who they are, how long they have been with the Lottery, and their total years of state service. All but one employee has spent their entire state employment with the Lottery. We wish them well on their retirement.

The Commission was sent an e-mail by Ms. Torosino to reschedule the September, November and December Commission meetings due to conflicts that have arisen. The meetings will now be on September 19, November 20, and December 18. A confirmation will be sent to the Commissioners.

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

Ms. Smith said her report was provided to the Commission. She said she is in the process of the year-end close out of the budget. Once that is completed, the financial statements will be converted to GAAP.

The Mega Millions game will be undergoing changes to the matrix. Work will begin with the existing Mega Millions subscribers regarding their options as to whether they wish to continue their existing subscription or request a refund. In the near future, processing of renewals will be stopped until the change occurs in October. Letters will be sent to the existing subscribers next week.

Instant Ticket Games and Related Services Contract (#2013-01)

The RFP for a new replacement contract was issued on January 29 with proposals due by April 5. Proposals were then reviewed by the Evaluation Committee. Ms. Smith extended her thanks to Commissioner Hash for his participation as part of the Evaluation Committee. All the effort and time he contributed in this lengthy process was appreciated. The primary contract was awarded to Pollard Banknote Ltd. Partnership and two secondary contracts were each awarded to Scientific Games International, Inc. and GTECH Corp. Subsequent to the Commission's approval, the contracts will be submitted to the Department of Budget and Management for inclusion on the Board of Public Works agenda. The new contracts will commence on September 1 and will be for a period of four years with one three-year renewal option.

Commissioner Hash said he learned quite a bit about the RFP process. Thank you for the opportunity to participate.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the Instant Ticket and Related Services Contract (#2013-01) for Pollard Banknote as primary contractor and SGI and GTECH as secondary contractors. Motion to approve made by Commissioner Hash, seconded by Commissioner Boozer, and motion passed by unanimous vote of Commission.

Advertising, Digital, Web and Social Media, and Research Services Contract (#2013-02)

The RFP for a new replacement contract was issued on February 28 with proposals due by April 26. Proposals were then reviewed by the Evaluation Committee. Four contracts consisting of four functional areas were awarded as follows:

Functional Area I Creative Services – Contract awarded to Gray Kirk/VanSant Advertising, Inc. The contract will commence on or about August 1 for a term of three years plus the option of two additional one-year renewal periods.

Functional Area II Media Services – Contract awarded to Media Works, Ltd. The contract will commence on or about August 1 for a term of three years plus the option of two additional one-year renewal periods.

Functional Area III Digital, Web and Social Engagement Design, Delivery and Hosting Services – Contract awarded to Gray Kirk/VanSant Advertising, Inc. The contract will commence on or about August 1 for a term of three years plus the option of two additional one-year renewal periods.

Functional Area IV Research Services – Contract awarded to The Key Group, Inc. The contract will commence on or about August 1 for a term of three years plus the option of two additional one-year renewal periods.

Ms. Smith thanked Commissioner Marriner for being part of the Evaluation Committee. His input was very helpful. Commissioner Marriner said it was his pleasure and it was a great evaluation team.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the Advertising, Digital, Web and Social Media, and Research Services Contract (#2013-02). Motion made by Vice Chair McGraw, seconded by Commissioner Hash and motion passed by unanimous vote of Commission.

Chair Robertson Pannell thanked Commissioners Hash and Marriner for their work on these procurements.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said included in the Commission’s packet were staff’s observations of Rocky Gap’s controlled demonstration held on May 20. Staff has reviewed and worked with Rocky Gap to deal with these issues. On May 22, Rocky Gap was issued a video lottery operation license.

The VLT Audit Division has been working on various audits at Hollywood Casino Perryville and Maryland Live! Casino.

Mr. Michael Eaton has been promoted to the position of Director of Audit and Regulatory Compliance. Auditors have been hired for both Maryland Live! and Rocky Gap Casinos. Recruitment is currently underway for an auditor as part of the Lottery audit team.

Staff has been working with Maryland Live! Casino on the rollout of their poker room. He anticipates receiving a request from the facility for additional VLT floor reconfigurations associated with this project.

Ms. Shera Crawford has been promoted to the position of VLT Supervisor. Mr. LaBoy will begin the recruitment process to fill her vacant position.

The Casino Voluntary Exclusion Program (VEP) added 20 new participants, bringing the total to 241. Since the launch of the Lottery VEP, there are currently eight participants in the program.

Request for Operation of Poker Table Games at the Maryland Live! Casino

Maryland Live! Casino is in the process of constructing a two floor poker room that would accommodate 52 table games. The information for table game operations was previously provided to the Commission. Staff has reviewed all areas and determined the facility is in compliance with the regulations. The facility is seeking approval of table game operations and will perform a controlled demonstration on August 26. Pending final approval the poker room would open to the public on August 29. Staff recommends approval of the table game operations contingent on the finalization of the table game regulations, successful completion of the controlled demonstration and other items as required by the Commission.

After additional discussion, Chair Robertson Pannell said she would entertain a motion to approve Maryland Live! Casino's request for operation of poker table games at the property contingent on the finalization of the table game regulations, successful completion of the controlled demonstration and other items as required by the Commission. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion passed by unanimous vote of the Commission.

Proposed Emergency Regulations – Table Games

COMAR 36.05.03.15 Table Game Taxes and Gross Table Game Revenue. This regulation would be amended to allow for payment of table game taxes within two days to allow the gaming facilities more time to conclude their revenue audits of table game operations prior to payment to prevent recurring revisions and adjustments. Additionally, the revenue formula has been modified to account for the allowance of tax free promotional play on table games in accordance with HB 1155.

COMAR 36.05.09.12 Payout Odds; Envy Bonus; Rate of Progression (Four Card Poker). This regulation would be amended to incorporate pay table changes and to provide for an additional progressive tier.

COMAR 36.05.11.12 Payout Odds; Envy Bonus; Rate of Progression (Mississippi Stud). This regulation would be amended to incorporate pay table changes and to provide for additional payable options.

Mr. LaBoy said staff recommends withdrawal of COMAR 36.05.03.15, 36.05.09.12, and 36.05.11.12 and that they be replaced with revised regulations 36.05.03.15, 36.05.09.12, and 36.05.11.12.

After discussion, Chair Robertson Pannell said she would entertain a motion to withdraw COMAR 36.05.03.15, 36.05.09.12, and 36.05.11.12. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve revised COMAR 36.05.03.15, 36.05.09.12, and 36.05.11.12. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion passed by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis amended COMAR 36.05.03.15, 36.05.09.12, and 36.05.11.12 that were approved today by the Commission. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Veterans' Organization Instant Ticket Lottery Machine and Related Services RFP (#2014-02)

In accordance with the provision of SB 1, staff has developed an RFP to seek proposals from bidders to provide the design, development, installation, implementation, operation and maintenance of a central monitor and control system; to provide instant ticket lottery machine design, development, installation, implementation, support, supplies and maintenance at Veterans' organizations as specified in Lottery Law; and to provide the instant ticket design, instant ticket planning, production, security, storage, and delivery of instant tickets to the Veterans' organizations. It is anticipated that the RFP will be issued on July 16, a pre-proposal conference being held on July 29, with a due date of proposals on August 27.

Staff recommends approval of the RFP contingent upon review and approval by Procurement, the Office of the Attorney General, the Department of Budget and Management and/or the Department of Information Technology, and to authorize staff to make any necessary changes prior to the issuance of the RFP.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve staff's above recommendation for the Veterans' Organization Instant Ticket Lottery Machine and Related Services RFP (#2014-02). Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said his report was provided to the Commission. He said the new *Keno with J.O.* promotion is scheduled to run from July 8 to August 4. The agency had the opportunity to have Jonathan Ogden appear at the Lottery yesterday, and he was well received by staff. Players making a Keno purchase of \$5 or more will receive a Bonus coupon ticket with an eight digit code. Over a four week period, drawings will occur for various cash prizes, autographed footballs and helmets, and game tickets/on field passes to the Ravens game on November 24, at which Mr. Ogden will be honored for his induction into the Hall of Fame. Radio and marketing support will run statewide from July 8 to August 4.

My Lottery Rewards commercials will air beginning on July 4. He further explained the *My Lottery Rewards* program. Both television and radio advertising would run statewide.

On June 12, Ms. Leslie Mitchell started as Senior Merchandising Coordinator. She formerly worked in retail merchandising at Petco.

Communications Division will be onsite at the following events – July 12 at the Ironbirds Game in Aberdeen where a drawing will be held for a *40 Rubies* winner, and at the Maryland State Fair where a live lottery drawing will take place.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission.

Operators Qualification Hearing – CBAC Borrower, LLC

Capt. Mooney read the executive summary into the record. CBAC Gaming, LLC currently holds the license to the Baltimore Casino. CBAC Gaming, LLC created wholly-owned subsidiaries call CBAC Holding Company, LLC and CBAC Borrower, LLC to facilitate financing. CBAC Gaming has submitted the required applications to have CBAC Borrower, LLC to be the holder of the Operator's License for the Baltimore Casino. CBAC Holding Company will be a principal entity of CBAC Borrower, LLC.

Capt. Mooney said it is the opinion of MLGCA staff that CBAC Borrower, LLC is qualified for a Video Lottery Operation License and that CBAC Holding Company, LLC is qualified as a Principal Entity. Staff recommends that the operation license of CBAC Gaming, LLC be transferred to CBAC Borrower, LLC.

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 to find that CBAC Borrower, LLC has established by clear and convincing evidence its qualifications for a video lottery facility operation license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to transfer the operation license of CBAC Gaming, LLC to CBAC Borrower, LLC. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to find that there is clear and convincing evidence that CBAC Holding Company, LLC is qualified as a Principal Entity under the Gaming Law. Motion made by Commissioner Hash, seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

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

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the Location Commission met on June 25. Commissioner Barbara, who was an initial Commission member, resigned his appointment. His vacancy was filled by new appointee Mr. Mike Miller, a principal of Arundel Corporation and Commercial Real Estate. Commissioner Miller was present at the June 25 Location Commission meeting.

Over the next few months, the Location Commission will be evaluating the three proposals that were submitted in response to the RFP for a Video Lottery Operation License in Prince George's County. They also will be conducting site visits and holding public hearings in early to mid-October. The goal is to award the license by the end of the year.

Ms. Vincent said CBAC Gaming submitted an amended proposal to the Location Commission to reduce the number of VLTs from 3,750 to 2,500 VLTs, to add 100 table games and 30 poker tables, to change the brand name from Harrah's to Horseshoe Casino and change to the holder of the video operation license from CBAC Holding to CBAC Borrower. The Location Commission approved the amendments as requested by CBAC and would issue their Decision Statement upon notification by the Lottery Commission that all necessary requirements have been satisfied.

Ms. Vincent then called on Mr. Butler, Director of Legislative and Policy Affairs. Mr. Butler said the Commission was provided a copy of the Annual Report on Video Lottery Facilities for Calendar Year 2012 for their review. A member from the Governor's Office

of Minority Affairs (GOMA) will be present at the August Commission meeting to answer any questions regarding the MBE portion of this report. He requested the Commission's approval of this annual report.

Chair Robertson Pannell asked if there were any further questions. Hearing none, she said she would entertain a motion to approve the Annual Report for Video Lottery Facilities for Calendar Year 2012. Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

Office of the Attorney General – Holly Citko, Deputy Counsel

Ms. Citko said the OAG's report was provided to the Commission and that she had nothing further to report.

PUBLIC COMMENTS

There were no public comments made.

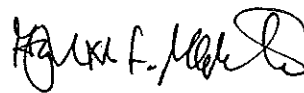
DATE AND TIME OF NEXT MEETING

The next Commission meeting is scheduled for 10 a.m. on Thursday, August 22. There will be no meeting in July.

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 11:15 a.m.

Respectfully submitted,



Stephen L. Martino