

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION AUGUST MINUTES

DATE: August 22, 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
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 Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from Scientific Games International
Representative from Pollard Banknote
Representative from GTECH
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, John Morton, and James Stakem.

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 June 27, 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 the 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 12 new instant ticket games for the Commission's approval: Game #115 *Double Take*, Game #117 *Rack Up the Cash*, Game #118 *Tech the Halls (\$1)*, Game #119 *Tech the Halls (\$2)*, Game #120 *Tech the Halls (\$5)*, Game #121 *Tech the Halls (\$10)*, Game #122 *Money Bag Bonus*, Game #123 *Hearts are Wild Tripler*, Game #124 *10X Cash*, Game #125 *Mega Money Multiplier*, Game #126 *Tech the Halls (\$3)*, and Game #127 *Lucky 777*. The Consent Agenda also contains VLT Games and Component Testing, Table Games and Component Testing, and the Consent Agreement with Maryland Live! Casino for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion.

Vice Chair McGraw asked for further explanation of the advertising expense on the *Tech the Halls* series of instant tickets. Mr. Martin responded the Lottery is allocating the cost of our holiday campaign equally across all five *Tech the Halls* holiday tickets.

Chair Robertson Pannell asked if there were any further questions. Hearing none, the Chair requested a motion to approve the 12 new instant ticket games noted above as well as the VLT Games and Component Testing, the Table Games and Component Testing and the Consent Agreement with Maryland Live! Casino. Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

There was further discussion of the above approved Maryland Live! Casino consent agreement and underage gambling violations at the casino facilities.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Steve Lambert said he is the new General Manager on an interim basis. Revenue for July was slighter lower than June, down by 5%. Year over year comparison show revenue up 8%. Table game revenue for the first full quarter was strong.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said July revenue was \$5.8 million and was slightly ahead over last year. August is looking to be their best month at this point.

Mr. Cavilla said two weeks ago the facility submitted to Worcester County preliminary plans for expansion of the facility. The building expansion would be 35,000 square feet. They are in discussion with the County regarding the requirements. The facility does not have the inside layout plans as yet. The facility will be starting construction on the final parking lot repairs. This lot will be used once building expansion construction begins since it that will takes away some parking.

Mr. Cavilla said the facility submitted for the Commission's review a letter regarding their intent to meet the 2.5% investment requirements in the current fiscal year.

This summer they were able to implement a trolley shuttle program with five hotels and it will operate through the fall. They continue to work to further expand the shuttle service for next year.

Commissioner Morton asked about the dollar amount of the 2.5% investment requirement. Mr. Cavilla responded the percentage amount equals approximately \$1.3 million during the next fiscal year.

Commissioner Morton asked whether the expansion to the facility will include table games. Mr. Cavilla responded they are discussing the plans for the expansion which could possibly include additional slot machines, beverage areas, and table games. Expansion construction will begin as soon as approval is received from the County.

Commissioner Marriner asked how any additional traffic would be handled. Mr. Cavilla responded the County is looking at the long term traffic plans, and noted that the traffic improvements that were implemented prior to the opening of the casino have helped traffic issues that had existed in the area.

Maryland Live! Casino

Mr. Travis Lamb said Mr. Norton is currently on vacation and he will be presenting the facility's report. He said the facility had another great month in July with revenue of \$52 million. Year over year comparison was \$35 million. Table games continue to do well with wagering per table of \$4,600.

Upon successful completion of the controlled demonstration, the facility will open its poker room on August 28. Practice days for the employees will be August 23. With the addition of table games and the poker room, the facility has considerably expanded its employee base. The facility will have the largest poker venue in the Northeast and expects to generate significant revenue.

Chair Robertson Pannell asked for further information as to what the facility will be doing to enforce the underage rule. Mr. Lamb detailed what action the casino will take such as additional training for security personnel and use of a greeter at the door for general questions by patrons in order to free up security person to monitor the entrances.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said since the opening of the facility, revenue continues to improve each month. Revenue for July was \$3.5 million.

The progress of the construction of the new conference space has been slightly hampered by bad weather. However, their goal is to still have it completed by November 1.

Mr. Just discussed how they handle checking IDs for any suspected underage persons trying to enter the casino.

Commissioner Morton asked if there were any locations nearby that are competing with Rocky Gap. Mr. Just responded that Nemaocolin Woodland Resort in Pennsylvania is a competitor. Anyone staying at the Nemaocolin resort has to be shuttled to the casino since it is located three miles away. Commissioner Morton asked if Nemaocolin had any advantages over Rocky Gap in terms of regulations. Mr. Just responded that an advantage is that smoking is allowed in the casino. A disadvantage is that the resort only has a casino resort license which limits access to hotel guests, membership holders and patrons of the resort amenities.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Sr. Vice President and General Manager said construction is ongoing. They are working with the Baltimore City Mayor's Office concerning the hiring plans and holding community meetings to address their concerns and answer questions. He said they are looking forward to opening in the third quarter of 2014.

VENDOR REPORTS

Scientific Games International

Mr. Steve Smith, General Manager, said SGI has been in the process of performing software testing for the implementation of the matrix change to the Mega Millions game. SGI continues to work on the software release schedule for the next 12 months. He invited the Commissioners to visit the SGI facility whenever they have an opportunity.

Pollard Banknote Limited

Ms. Julin Shaw said the \$2 and \$10 instant games outpaced last year's sales. The *40 Rubies* instant ticket promotion, in celebration of the Lottery's 40th anniversary, was successful in driving \$10 sales. It exceeded the average game performance for all FY13 \$10 instant games by 40% and resulted in a 13% participation rate in the second chance cash giveaways.

Pollard has officially been awarded the new contract for the printing of instant tickets for the Maryland Lottery.

Chair Robertson Pannell extended the Commission's congratulations to Pollard on the new contract award.

GTECH

Ms. Carmen Vegas said GTECH continues to support the casino facilities with its central monitoring system.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said he would like to take this opportunity to welcome a new Commission member. Commissioner James Stakem is from Allegany County and was a former County Commissioner and teacher. Commissioner Stakem said he is looking forward to working with the Commission and Agency staff.

Mr. Martino said the FY2013 year-end review sheet provided to the Commission contains highlights for both lottery and casino gaming. The State of Maryland, including the General Fund and Education Trust Fund, received more than \$829.5 million in revenue generated from both traditional lottery and casino gaming. This is an increase of 27.6% over the previous the fiscal year. There was a significant increase in year over year casino revenue of 27.6% with the opening of Maryland Live! Casino as well as the addition of table game operations at the facilities. For FY2013, traditional lottery sales were down

2.2% for the first time in 16 years. Staff is working to make sure we maximize sales this fiscal year.

As of August 18, total lottery sales are down 4.45% or \$10 million, while total revenue is up 13% or \$8.4 million.

Mr. Martino said he expects to have the background investigations for the three proposals for the Prince George's County site completed and presented to the Lottery Commission in September; however, it will not be in time for the September 19 meeting. He will be in contact with the Commission to schedule a special meeting for this presentation.

Mr. Martino said staff is close to issuing the RFP for Instant Ticket Lottery Machines at Veterans' Organizations. It is currently with the Department of Budget and Management for review and as soon as it is approved it will be issued. Commissioner Boozer has agreed to serve on the Evaluation Committee to review any proposals that are submitted in response to the RFP

At the September Commission meeting there will be two casino reorganization issues on the agenda to present to the Commission. Further information will be provided to the Commission prior to the meeting.

The FY2014 Data Dashboard sheet continues to be a work in progress. Mr. Martino would appreciate the Commission's feedback on any particular data they wish to see on the sheet. It can be expanded to two sides to accommodate as much data as possible. Ms. Vincent may be reaching out to the Commission by e-mail for their thoughts. Commissioner Morton said the Data Dashboard sheet is very helpful and asked that budget information be added.

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

Ms. Smith said her report was provided to the Commission. She said her report contains the spending figures for FY2013. Final closing figures should be available next month when the FY13 books are closed.

The April and May financial statements that the Commissioners received this month will be the last financial statements received until October or November because of their conversion to GAAP. The auditors will not release the June financial statement until GAAP is completed, and GAAP is due October 1.

The request for additional office space for the Gaming employees was presented to the Board of Public Works on the August 21 by the Department of General Services (DGS) as the Lottery's control agency. The request was approved. DGS will be meeting with Montgomery Park to start the renovation of the space. As construction progresses, she would be happy to show the Commissioners the space.

IT Staff will be working over the Labor Day weekend on the Unisys system upgrade. Two new IT employees have been hired to provide support to the operation of the network, server administration, and desktop support.

With the matrix change to the Mega Millions game, subscription data on her report will show zero until November. Mailings were done to the subscribers and to date only 42 subscribers have requested refunds.

Modification – Instant Ticket Games and Related Services (#2006-01)

This modification would increase the not to exceed amount by \$13.6 million and extend the contract for Pollard Banknote, the Primary Contractor, for a period of two years until August 31, 2015, for payment purposes only. This will accommodate monthly payments to Pollard Banknote for the existing ticket inventory that will be sold after the currently scheduled Contract expiration on August 31, 2013. The modification was submitted to the Board of Public Works at its August 21 meeting, but due to scheduling issues will not be approved and signed by the Director pending it being presented to the Commission for review and approval.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the Modification to the Instant Ticket Games and Related Services Contract (#2006-01) for Pollard Banknote. Motion to approve made by Commissioner Marriner, seconded by Commissioner Boozer, and motion passed by unanimous vote of Commission.

New Contract – 2013 Maryland State Fair – Sponsorship Agreement (#2014-03)

This is a new sole source contract with SponsorSource, Inc. in the amount of \$48,000 for the term August 23 to September 2, 2013 for the Lottery's rental of space and other sponsorship amenities for the 2013 Maryland State Fair. This contract is similar to the contracts done over the past several years for prior State Fair events. Subject to the Commission's review and approval, this contract will be submitted to the Department of Budget and Management for its review and approval.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the Maryland State Fair Sponsorship Agreement (#2014-03). Motion to approve made by Commissioner Marriner, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the controlled demonstration for the poker room expansion at Maryland Live! Casino will take place on August 26. There will be 52 poker games. Staff will be at the property today overseeing the preparations.

Staff has been meeting with the instant bingo operators in Anne Arundel and Calvert Counties as well as the instant bingo machine manufacturers to discuss the regulatory

requirements and obtain machine information. Staff will assist the operators in their filing of the required plans and provide the technical standards for the testing of the machines.

Several audits have been completed or are in process of being completed by the Audit Department. Two auditors were recently hired and will be based at Lottery headquarters. The Audit Committee met on August 6 to discuss updates to the audit plan, review completed audits, and review facility financial statements.

Electronic Gaming Device Operations Department has been working with Maryland Live! Casino overseeing the VLTs scheduled to be in operation by the end of the month which will conclude the table game reorganization plan that began in January.

The Casino Voluntary Exclusion Program (VEP) added 23 new participants, bringing the total to 271. The Lottery VEP added five new participants, bringing the total to 14.

Proposed Emergency Regulation – Video Lottery Facility Minimum Internal Control Standard

COMAR 36.03.10.29 Deposit of Counter Checks. This regulation would be amended to account for the deposit of counter checks above \$5,000 and to allow for the deposit of counter checks as follows: 14 days for a check of \$1,000; 21 days for a check between \$1,000 and \$2,500; and 45 days for a check in excess of \$2,500. Staff is requesting the Commission's approval of the revised COMAR section on an emergency basis.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the amendments to COMAR 36.03.10.29. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion passed by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis the amendments to COMAR 36.03.10.29 approved today by the Commission. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Proposed Regulation – Responsible Gaming

COMAR 36.01.03 Voluntary Exclusion and Responsible Gaming. This regulation would be amended to include a provision that requires an applicant to the VEP to sign a statement that acknowledges that the individual may be subject to criminal charges if during their exclusion period they enter a video lottery facility. There is also a clarification that proceeds of any redeemed items may be contributed to the Problem Gambling Fund instead of the Unclaimed Prize Fund.

COMAR 36.03.06 Enforcement of Voluntary Exclusion Program. This regulation would be amended to clarify that an individual in the VEP is not permitted to enter a video lottery facility, play a VLT or table game or claim a jackpot and to allow for the disclosure of information to a law enforcement officer or a person who is legally authorized to be

involved in the criminal prosecution of an individual on the voluntary exclusion list. Staff is requesting the Commission's approval of the revised COMAR sections.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve amendments to COMAR 36.01.03 and 36.03.06. Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion passed by unanimous vote of Commission.

Proposed Emergency Regulation – Table Games

COMAR 36.05.04 Blackjack Rules. This regulation would be amended to incorporate a House Money Wager.

COMAR 36.05.05 Craps. The regulation would be amended to incorporate a Bonus Craps Wager which includes an All Small Wager, an All or Nothing at All Wager and an All Tall Wager.

Staff is requesting the Commission's approval of the amendments to COMAR 36.05.04 and 36.05.05 on an emergency basis.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the amendments to COMAR 36.05.04 and 36.05.05. 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 approve on an emergency basis the amendments to COMAR 36.05.04 and 36.05.05 approved today by the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Casino at Ocean Downs – Capital Spending Requirement

Casino at Ocean Downs is planning a substantial expansion of its facility. They have submitted a letter indicating their intent to meet the 2.5% investment requirement in the current fiscal year. Staff is recommending the Commission's approval of the investment plan contingent on the review and approval of the budget

Chair Robertson Pannell asked if there were any further questions. Hearing none, she said she would entertain a motion to approve the investment plan of the Casino at Oceans Downs contingent on the review and approval of the budget. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission.

Maryland Live! Casino – VLT Reduction Request Amendment

At its March 2013 meeting the Commission approved Maryland Live! Casino's request for a VLT reduction of 413 VLTs, bringing their authorized number of VLTs to 4,337. The casino has submitted a request to amend their original reduction request to account for an overage of four VLTs that were the result of, "assumptions made at the time of the request [that] have not come to fruition." Approval of this request would result in a revised VLT count of 4,341 for the casino. The four VLTs are currently in a storage facility. Staff is recommending the Commission's approval of the amendment to Maryland Live! Casino's VLT reduction request.

Chair Robertson Pannell asked if there were any further questions. Hearing none, she said she would entertain a motion to approve the amendment to Maryland Live! Casino's VLT reduction request. Motion made by Commissioner Morton, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said the *Keno with J.O.* promotion that ran from July 8 to August 4 was a success. Nearly two million eligible tickets were purchased, triggering bonus match-up coupons. *Champion Baltimore Ravens* \$2 instant ticket launched July 29. A second chance contest has been created where players enter non-winning scratch-offs into the *My Lottery Rewards* database for chances to win 2014 Ravens season tickets.

The Ravens Mega Power Promotion will begin on August 26. This is similar to last year's Redskins Mega Power promotion. Players that purchase Mega Millions with Megaplier or Powerball with Power Play tickets receive a game ticket with the Ravens logo. Players can then enter non-winning tickets to win a variety of prizes.

My Lottery Rewards program is going well. Currently there are 17,000 members and it continues to grow. Players accumulate points based on non-winning scratch-off tickets that can be redeemed for a variety of prizes.

The Maryland State Fair will run from August 23 to September 2. A live lottery drawing will be held at the State Fair on August 23. Maryland Lottery Day is scheduled for August 31.

Denial of Lottery Retailer License Applications

Mr. Martin said the Commission was provided with information on the denial of four applications for lottery retailer licenses. Each applicant was given the opportunity to request a reconsideration meeting with the Director or his designee. Each applicant failed to timely submit a written request for the reconsideration meeting. Mr. Martin requested that the Commission adopt as final the Director's denial of these applications for lottery retailer licenses.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to adopt the Director's recommendation to deny the following applicants' requests for lottery retailer licenses: Saroya Group of Companies LLC, T/A World Tek; Joppa Amoco, Inc., T/A Joppa Amoco; Iffat, Inc., T/A Dollar Party; and R & K Fuel Services, Inc., T/A Reisterstown Gulf. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion passed by unanimous vote of Commission.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

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

VLG Gaming License Denials

Capt. Mooney provided the Commission with a spreadsheet with the names of 36 gaming license applicants being recommended for denial based on the applicant's criminal history or failure to cooperate with, or provide requested information to, a background investigator. However, one applicant on the list has requested that his application be withdrawn at this time, so that individual is not being recommended for denial. Capt. Mooney then gave a detailed explanation of the application and denial process for video lottery employee gaming licenses. He advised the Commission that a group of recommended gaming license denials would likely be on the Commission's agenda monthly.

After discussion by the Commission, Chair Robertson said she would entertain a motion to adopt as final the recommendation of the Director for denial of the specified gaming license applications for the applicants' failure to establish their qualifications by clear and convincing evidence. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion passed by unanimous vote of Commission.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the Location Commission will be conducting site visits and holding public hearings in early to mid-October for public comments concerning the Prince George's County video lottery facility location site.

In June, Mr. Butler provided the Commission with a copy of the Annual Report for Video Lottery Facilities for Calendar Year 2012. A representative from GOMA was unable to attend the June meeting to answer any questions regarding the MBE portion of the report. However, they are present today to answer questions. There were no questions for GOMA.

Commissioner Morton asked if a consultant has been identified for evaluation of the three proposals for the Prince George's County location. Ms. Vincent responded that a kick-off meeting with the consultant to assist the Location Commission with the review of the proposals is scheduled for next week.

Office of the Attorney General – Robert Fontaine Principal Counsel

Mr. Fontaine said the OAG's report was provided to the Commission. He introduced the new Assistant Attorney General (AAG), Diane Bustos. Ms. Bustos said she looks forward to working with the Agency.

PUBLIC COMMENTS

There were no public comments made.

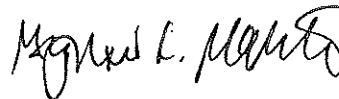
DATE AND TIME OF NEXT MEETING

The next Commission meeting is scheduled for 10 a.m. on Thursday, September 19.

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 Boozer, and motion passed by unanimous vote of the Commission. Meeting adjourned at 12 noon.

Respectfully submitted,



Stephen L. Martino