

# Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



Montgomery Park Business Center  
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Tel: 410-230-8800  
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November 3, 2014

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate  
Co-Chair, Legislative Policy Committee  
H-107 State House, State Circle  
Annapolis MD 21401

The Honorable Michael E. Busch  
Speaker of the House  
Co-Chair, Legislative Policy Committee  
H-101 State House, State Circle  
Annapolis MD 21401

Dear President Miller and Speaker Busch:

In accordance with State Government Article §9-1A-34(a) of the Annotated Code of Maryland, the Maryland Lottery and Gaming Control Commission (MLGCC) through the Maryland Lottery and Gaming Control Agency (MLGCA) submits its Annual Report on Video Lottery Facilities ("Licensees") for Calendar Year 2013 ("Report"). This Report captures the operation and finances of the Licensees, crimes that occur within the communities surrounding the Licensees, and the attainment of minority business participation goals by the Licensees as well as their efforts to maintain those goals as specified under SG §9-1A-10(a)(1) and (2).

Enclosed is a copy of the MLGCC's Report for your review and consideration. If you would like additional information, please feel free to contact MLGCA Director Stephen Martino at 410-230-8790.

Sincerely,

Kimberly Robertson Pannell  
Chairman

Enclosure

c: Commissioners, MLGCC  
Stephen L. Martino, Director, MLGCA  
Gina M. Smith, Deputy Director/CFO, MLGCA  
Jaclyn L. Vincent, Assistant Director for Policy and Planning & Chief of Staff, MLGCA  
John Mooney, Assistant Director for Enforcement  
James B. Butler, Director of Legislative and Policy Affairs, MLGCA  
Carole Everett, Director of Communications, MLGCA

# Maryland Lottery and Gaming Control Agency

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## Annual Report on Video Lottery Facilities – Calendar Year 2013 In compliance with SG 9-1A-34(a)

### BACKGROUND:

In the 2008 general election, the voters of Maryland ratified a constitutional amendment authorizing slot machines in five locations in the state (Anne Arundel County, Baltimore City, Cecil County, Allegany County, and Worcester County). Upon approval of this constitutional amendment, the law became effective. Among other things, the gaming law added a new Title 9, Subtitle 1A to the State Government Article (SG) to provide a licensing and regulatory framework for casino operators and associated employees and contractors, and to specify the distribution of the proceeds from slot machine operations.

In a 2012 referendum, voters approved a gaming expansion bill, allowing for table games in all Maryland casinos, as well as extended facility hours. The bill also allowed for a sixth casino in Prince George's County. SG§ 9-1A was amended to include this expansion and to specify the distribution of proceeds from table game operations. Maryland's Video Lottery Facility Location Commission awarded the state's sixth and final casino operator's license in December 2013.

The Maryland Lottery and Gaming Control Commission ("MLGCC") (with assistance from the Maryland Lottery and Gaming Control Agency ("MLGCA")) is responsible for all matters relating to regulation of the licensee. In this regulatory role, the MLGCC oversees all internal controls, auditing, security, surveillance, background investigation, licensing and accounting procedures for each of the facilities.

There are currently four casinos operating: Hollywood Casino Perryville, which opened in September 2010; Casino at Ocean Downs, which opened in January 2011; Maryland Live Casino, which opened in June 2012; and Rocky Gap Casino Resort, which opened in May 2013. Two more casinos are due to open: Baltimore City's Horseshoe Casino will open in fall 2014 and MGM National Harbor will open in Prince George's County in mid-2016.

This Annual Report covers the status, revenue reports, crime statistics, MBE outreach efforts, and MBE participation achievement for each casino during the reporting period.

### STATUS OF FACILITIES:

General statistical data on each casino as of December 31, 2013:

#### **Hollywood Casino Perryville (Cecil County) – Gaming & Leisure Properties, Inc.**

- First casino to open in Maryland; opened to the public September 27, 2010.
- In calendar year 2013, the casino generated \$87,530,263 in gaming revenue.
- Debuted table games on March 6, 2013.
- 1,158 slot machines and 22 table games.
- Number of personnel employed by the facility: 373

#### **Casino at Ocean Downs (Worcester County) - Ocean Enterprises 589, LLC**

- The facility opened January 4, 2011.
- In calendar year 2013, the casino generated \$51,892,470 in gaming revenue.
- 800 slot machines
- Number of personnel employed by the facility: 226

**Maryland Live (Anne Arundel County) – Power Plant Entertainment Casino Resorts Maryland, LLC**

- The facility opened June 6, 2012.
- In calendar year 2013, the casino generated \$586,004,454 in gaming revenue.
- 4,341 slot machines and 174 table games.
- Debuted table games on April 11, 2013.
- Number of personnel employed by the facility: 2,804

**Rocky Gap Casino Resort (Allegany County) – Evitts Resort, LLC**

- The casino opened May 22, 2013.
- In calendar year 2013, the casino generated \$23,248,982 in gaming revenue.
- 558 slot machines and 13 table games.
- Current number of personnel employed by the facility: 478

**Horseshoe Casino (Baltimore City) – Caesar’s Entertainment**

- Due to open in fall 2014
- The facility will feature 2,500 slot machines and 130 table games.
- Casino management is currently in the process of hiring for all positions. There will be 1,700 employees when fully staffed.

**MGM National Harbor (Prince George’s County) - MGM**

- License awarded by the Video Lottery Facility Location Commission in December 2013
- The facility is expected to open in mid-2016.

**REVENUE:**

Total revenue generated by the gaming program in calendar year 2013 and since its inception in September 2010:

<b>Disbursements</b>	<b>2013</b>	<b>Cumulative Total*</b>
Education Trust Fund	\$315,098,872.27	\$588,201,195.75
Casino Operators	\$332,598,040.93	\$382,718,917.04
Horse Racing Purse Dedication Account	\$39,692,026.78	\$78,970,340.28
Local Impact Grants	\$31,343,486.93	\$62,205,019.00
Racetrack Facility Renewal Account	\$9,798,204.26	\$22,866,450.63
Maryland Lottery and Gaming Control Agency	\$11,597,315.04	\$22,819,690.19
Small, minority and women-owned businesses	\$8,548,223.70	\$16,965,005.16
<b>CASINO REVENUE TOTAL</b>	<b>\$748,676,169.91</b>	<b>\$1,276,032,855.30</b>

\*September 2010 through December 2013

**CRIME:**

Total crime statistics by casino for calendar year 2013:

<b>2013 Crime Summary</b>					
<b>Compliance Category</b>	<b>Hollywood</b>	<b>Ocean Downs</b>	<b>Maryland Live</b>	<b>Rocky Gap</b>	<b>TOTAL</b>
Underage on Casino Floor	8	10	26	2	46
Intoxicated Patrons Evicted	31	29	38	17	115
Children Unattended in Vehicles	1	2	3	0	6
Excluded Persons in Casino	4	3	7	1	15
Physical Altercations	5	2	49	4	60
Theft/Robbery	11	39	71	21	142
Internal Theft	3	3	10	0	16
Drugs	6	6	21	3	36
Facility Issues	14	9	8	13	44
Miscellaneous	2	8	17	3	30
Totals By Casino	85	111	250	64	510

<b>2013 Response Summary</b>					
	<b>Hollywood</b>	<b>Ocean Downs</b>	<b>Maryland Live</b>	<b>Rocky Gap</b>	<b>TOTAL</b>
Police Response*	92	40	171	17	320

\*These response statistics represent law enforcement agencies' responses to the casinos for certain incidences noted above as well as other non-gaming related matters.

**MBE OUTREACH EFFORTS:**

Direct and indirect Minority Business Enterprise (MBE) Outreach Efforts for each casino during the reporting period from January 1, 2013 through December 31, 2013.

**Hollywood Casino Perryville**

- Attended one Minority Business Vendor Fair/Expo where MBE vendors showcased their products and services.
- Placed an advertisement in the MBE Vendor Fair/Expo exhibitor's booklet informing MBE vendors about the casino.
- Solicited and awarded new MBE vendor contracts to three Maryland Department of Transportation (MDOT) certified MBEs during this reporting period.
- Engaged in one-on-one meetings and/or telephone conversations with MBE vendors to discuss doing business with the casino and their pricing.

**Casino at Ocean Downs**

- Attended three Minority Business Vendor Fairs/Expos where MBE vendors showcased their products and services.
- Placed an advertisement in the MBE Vendor Fair/Expo exhibitor's booklet informing MBE vendors about the casino.
- Assisted an MBE vendor in obtaining additional MBE certifications in order to do business with the casino.

- Worked with an existing vendor in obtaining MDOT MBE certification.

#### **Maryland Live**

- Attended one Minority Business Expo where MBE vendors showcased their products and services.
- Hosted two Minority Business Vendor Fairs and engaged the services of an MBE vendor in locating other MBE vendors interested in doing business with the casino.
- Developed a media plan for each Minority Business Vendor Fair from which advertisements were placed in minority owned newspapers alerting potential vendors to the casino's business opportunities.
- Engaged in one-on-one meetings and/or telephone conversations with MBE vendors to discuss doing business with the casino and their pricing.
- Encouraged lease holders at the casino to solicit MBE vendors for their respective goods and services.

#### **Rocky Gap Casino Resort**

- Established vendor relations with ten MDOT certified MBE vendors for the A&E and Construction Phases of the Rocky Gap Construction Project.
- Established vendor relations with fifteen MDOT certified MBE vendors for the Ongoing Operations Phase of the casino.
- Issued a Marketing Request for Proposal and solicited over 175 MBE vendors.
- Attended two Minority Business Vendor Fairs/Expos where MBE vendors showcased their products and services.
- Engaged in one-on-one meetings and/or telephone conversations with MBE vendors to discuss doing business with the casino and their pricing.

#### **Horseshoe Casino**

- Attended three Minority Business Vendor Fairs/Expos where MBE vendors showcased their products and services, and where the casino was also an exhibitor.
- Participated in three Diversity Events discussing the casino's commitment to diversity and inclusion.
- Hosted two Supplier Diversity Sessions for vendors interested in doing business with the casino.
- Served as the Title Sponsor for the 2013 Top 100 MBE Awards.
- Leased space within the casino to a minority business to market its goods as well as the goods of other minority businesses.
- Informed a minority business about the ability to secure a loan with VLT Fund Managers who manage the VLT Small, Minority, and Women-Owned Businesses Investment Account, and through which the minority business ultimately was qualified and approved for the loan.
- Encouraged lease holders at the casino to solicit MBE vendors for their respective goods and services.

#### **MGM National Harbor**

- Hosted 2 Vendor Information Events for vendors interested in doing business with MGM National Harbor during the A&E and Construction Phases of the Project. Representatives from MDOT's Office of Minority Business Enterprise and Prince George's County Office of Central Services participated in event breakout sessions to respond to their respective MBE certification processes.
- Attended Small Business Vendor Fairs/Expos.
- Engaged in one-on-one meetings and/or telephone conversations with MBE vendors to discuss doing business with MGM National Harbor.
- Created an MGM National Harbor database for interested vendors to register and complete a vendor profile.
- Established messaging channels via website postings and email blasts to community organizations and local partners alerting vendors about doing business with MGM National Harbor.
- Utilized MDOT database, online research, and the local Prince George's County certified database to identify vendors.
- Engaged the services of seven MDOT certified MBEs in 2013.

#### **MBE PARTICIPATION ACHIEVEMENT:**

The attached compliance report from the Governor's Office of Minority Affairs (GOMA) captures the MBE participation achievement by facility.



GOVERNOR'S OFFICE OF  
MINORITY AFFAIRS

**Video Lottery Terminals (VLT) Facilities  
MBE Compliance Status Report**

**Prepared by the Governor's Office of Minority Affairs  
Zenita Wickham Hurley, Special Secretary**

**Revised October 7, 2014**

## **BACKGROUND**

### Statutory Requirements

Pursuant to Subtitle 1A, Title 9, Section 10 of the State Government Article, Annotated Code of Maryland (SG), the Governor's Office of Minority Affairs (GOMA) is charged with monitoring licensees' compliance with subsection (a)(1) and (2) of SG§ 9-1A-10 and reporting to the Maryland Lottery and Gaming Control Commission (Commission) at least every 6 months on the compliance of licensees with subsection (a)(1) and (2) of SG§ 9-1A-10.<sup>1</sup> GOMA hereby submits this revised<sup>2</sup> Video Lottery Terminals (VLT) Minority Business Enterprise (MBE) report on the minority business participation. Unless otherwise noted, the report includes data for the period January 1, 2013 through December 31, 2013.<sup>3</sup>

### MBE Participation Goals

In April 2013, the Commission, in consultation with GOMA, local jurisdictions, and other State agencies, as appropriate, finalized a goal-setting process that is narrowly tailored and consistent with constitutional standards based on the actual work a licensee proposes to do and the availability of certified MBEs to perform the work. Pursuant to this process, certain Expense Classifications (i.e., categories or phases of work) were identified for which separate MBE participation goals are to be established. A list of the Expense Classifications for evaluating MBE participation goal achievement and the MBE participation goals issued to date are attached hereto as Exhibits A and B respectively.

### GOMA's Review Process and Reporting Information

Licensees submit monthly facility expenditure data reports to GOMA. The expenditure data comes from various reports generated directly from the Licensee's financial systems including check register reports. GOMA also receives MBE payment reports directly from the MBE firms. Both the Licensees and the MBE firms submit monthly payment data. The Licensees' expenditure

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<sup>1</sup> Historically, GOMA, on behalf of the Commission, has taken the lead in compiling and reporting the licensees' minority business enterprise data. The Commission and GOMA have agreed to transfer the responsibilities of compiling and verifying the licensees' minority business enterprise data from GOMA to the Commission starting in calendar year 2015.

<sup>2</sup> GOMA submitted an initial report on September 15, 2014. After the initial report was submitted, GOMA sent to the Licensees a copy of the expenditure data reporting, including the exclusions and MBE payments, for their review and acknowledgement. This report includes revisions based on feedback from the Licensees and GOMA's internal review.

<sup>3</sup> This report does not include information regarding the Licensees' efforts to achieve minority business participation. The Commission is responsible for monitoring these efforts and collects this information directly from the Licensees.

data and the MBE payment data provided are reported under the appropriate Expense Classification to be properly evaluated against the corresponding MBE participation goal. For the Rocky Gap and Horseshoe facilities, GOMA's previous report did not include data for payments related to the Construction and Architectural/Engineering Phases that were made prior to calendar year 2013. For these two Licensees, the information presented for these two Phases is cumulative from the beginning of the project. With respect to the ongoing Operations and VLT/Table Games Equipment Phases, this report includes payments made during the reporting period (January 1, 2013 through December 31, 2013). Only those MBE payment amounts that are verified by payment reports submitted to GOMA directly by the MBE firms are included in this report.<sup>4</sup> Any MBE payment not verified by the report's closing date will be reflected as part of a restatement in a subsequent report. For purposes of this report, the closing date is October 2, 2014.

The Commission, in consultation with GOMA, has approved a list of expenditures to be excluded from the Licensee's total expenditure amounts. A determination of the allowed exclusions from each Licensee's expenditures reports was made by GOMA based on the Licensee's description of the products or services. A list of current approved exclusions is attached hereto as Exhibit C.

### **MBE PARTICIPATION ACHIEVEMENT**

This report includes information regarding the following Licensees: (1) Hollywood Casino Perryville (Hollywood Casino); (2) Casino at Ocean Downs (Ocean Downs); (3) Maryland Live Casino (Maryland Live); (4) Rocky Gap Casino Resort (Rocky Gap); (5) Horseshoe Baltimore Casino (Horseshoe); and (6) MGM National Harbor (MGM).<sup>5</sup>

#### Hollywood Casino Perryville

Hollywood Casino is located in Cecil County. The facility opened on September 27, 2010. Hollywood Casino features slot machines, table games, restaurants and parking facilities.

The only activity in calendar year 2013 related to the following Expense Classifications: Operations Phase and VLT/Table Game Equipment Phase.

The facility's MBE achievement for ongoing Operations Phase (excluding the purchase of VLT/Table Games) for calendar year 2013 is as follows:

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<sup>4</sup> Consistent with Maryland law, only those payments made by MBE firms certified by the Maryland Department of Transportation can be counted towards meeting the MBE participation goal.

<sup>5</sup> MBE participation by specific MBE classification is only reported if the Commission issued subgoals for that Licensee activity.

**HOLLYWOOD CASINO  
ONGOING OPERATIONS (1/1/13-12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$6,657,298	\$271,312	4.08%

On March 13, 2013, Hollywood Casino began offering table games. The total expenditures in calendar year 2013 for the VLT/Table Games Equipment Phase are \$180,113. There was no MBE participation reported for this phase of work.

Casino at Ocean Downs

Ocean Downs opened on January 4, 2011. The facility is located at the Ocean Downs Racetrack in Worcester County.

The only activity in calendar year 2013 for Ocean Downs related to the following Expense Classifications: Operations Phase for slot machine play.<sup>6</sup>

The facility's MBE achievement for ongoing Operations Phase for calendar year 2013 is as follows:

**OCEAN DOWNS  
ONGOING OPERATIONS (1/1/13-12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$4,693,695	\$335,980	7.16%

Maryland Live Casino

Maryland Live, located in Hanover's Arundel Mills commercial district, opened on June 6, 2012. This facility features slot machines, table games, a live music venue, several restaurants and parking facilities.

The activity in calendar year 2013 included in this report<sup>7</sup> relates to the following Expense Classifications: Operations Phase and VLT/Table Game Equipment

<sup>6</sup> Ocean Downs does not currently offer table games.

<sup>7</sup> During our review, GOMA discovered that Maryland Live had also made payments for the initial construction (Construction Phase) in calendar year 2013. While the check register for the period January through May had been submitted to GOMA, the check register for the period June through December 2013 was not received until August 26, 2014. The check registers submitted

Phase. In 2013, Maryland Live made renovations to its facilities to offer table games. The Commission determined that this renovation project was not significant enough to warrant the development of separate architectural/engineering and construction MBE goals. As a result, the costs related to this renovation were included in the ongoing Operations Phase.

The facility's MBE achievement for ongoing Operations Phase (excluding the purchase of VLT/Table Games) for calendar year 2013 is as follows:

**MARYLAND LIVE CASINO  
ONGOING OPERATIONS (1/1/13-12/31/13)**

Net Expenditures (Expenditures minus exclusions)	MBE Payments	MBE Participation
\$71,700,515	\$7,645,505	10.66%

Maryland Live began offering table games on April 11, 2013. The total expenditures in calendar year 2013 for the VLT/Table Games Equipment Phase total \$3,046,515. There was no MBE participation reported for this phase of work.

Rocky Gap Casino Resort

Rocky Gap, located in Cumberland, opened on May 22, 2013. This facility features slot machines, table games, restaurants, a hotel, a golf course and an expanded convention center.

The activity in calendar year 2012 and 2013 related to all Expense Classifications: Development Phase (reported with Construction Phase), A&E Phase, Construction Phase, Pre-Opening Phase (reported with Construction Phase), and VLT/Table Game Equipment Phase.

As part of the VLT license application, Rocky Gap proposed capital improvements for this location including the casino, restaurants, hotel, and convention center. Because the expenses related to these venues were included in the Licensee's proposal, the Commission determined that all of the construction costs (including related costs such as architectural and engineering) associated with these venues are subject to MBE requirements and are reported

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show approximately \$11 million in payments made in 2013. Further, GOMA received reports from MBE firms relating to the initial construction totaling over \$620,000. Because of the significant amount of verification required to review all of the prior entries relating to the initial construction phase in light of the recent revisions to the list of excluded expenditures and the delay in getting the data, cumulative data regarding MBE participation for the Construction Phase will be submitted in a later report.

herein. Because the renovation of the convention center was considered a significant construction project that occurred after the opening date, the Commission determined that expenditures related to this project should be reported separately. The Commission also determined that, with respect to ongoing operations, only those expenditures associated with the casino's operations are subject to MBE requirements and are to be reported.

Expenditures for prior years specifically related to Rocky Gap's Architectural/Engineering, Development and Construction Phases were not included in the prior report since complete data had not yet been submitted to GOMA at the time the report was issued. Thus, cumulative expenditures for these phases have been included in this report. GOMA is now providing information regarding the following Expenditure Classifications:<sup>8</sup>

- Casino (initial construction) - Architectural/Engineering Phase (cumulative expenditures related for the initial renovation);
- Casino (initial construction) - Construction Phase (including cumulative development and construction and pre-opening expenditures);
- Convention Center (renovation/significant construction project) - Architectural/Engineering Phase (expenditures in CY2013);
- Convention Center (renovation/significant construction project) - Construction Phase (expenditures in CY2013); and
- VLT/Table Game Equipment Phase (expenditures in CY2013).

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<sup>8</sup> For all phases except ongoing operations, GOMA received reports for these expenditures that included actual payments made through check register detail. The information came from various accounting systems from Lakes Entertainment, the Licensee's parent office in Minnesota. Payments made relating to Architectural/Engineering and Construction Phases were only made through the Licensee's parent office in Minnesota. For Ongoing Operations, the Licensee uses an on-site accounting system that captures expenditures of all areas of the property's operations (e.g. casino, hotel, golf course, and convention center). All areas are combined and reported together; thus, there is no separate reporting structure in the system for each operational area. During GOMA's review of the expenditure data in preparation for this report, it was determined that the information submitted to GOMA for the Ongoing Operations Phase reflected accounts payable information, not actual payments. In addition, the accounts payable information was submitted net of exclusions. Further, beginning in August 2013, invoices for facility-wide purchases and services (serving not only the casino but other resort facilities such as the hotel) were applied by the Licensee to the casino operations using a manual monthly proration process to allocate costs. The monthly data was reported in summary format in this manner, showing the allocation of the totals of various departments to the casino operations. Because GOMA cannot verify the completeness and accuracy of this data, it is not including this phase in the report. GOMA received Rocky Gap's check register for the applicable period on September 26, 2014. However, this data reflects payments from the complete facility operations. GOMA and the Commission are currently in discussions with Rocky Gap staff to obtain the required expenditure data for Casino-only operations. Once this information is received and validated, GOMA will include operations information in its next report to the Commission.

**ROCKY GAP CASINO RESORT**

**CONSTRUCTION – INITIAL CONSTRUCTION (cumulative up to 12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$17,850,840	\$1,530,927	8.58%

**ARCHITECTURAL/ENGINEERING – INITIAL CONSTRUCTION (cumulative  
up to 12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$524,398	\$0	0%

**CONSTRUCTION – CONVENTION CENTER (cumulative up to 12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$3,177,938	\$194,022	6.11%

**ARCHITECTURAL/ENGINEERING – CONVENTION CENTER (cumulative up  
to 12/31/13)**

<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation</b>
\$254,028	\$9,472	3.73%

On May 22, 2013, Rocky Gap opened with VLTs and table games. The total expenditures in calendar year 2013 for the VLT/Table Games<sup>9</sup> Equipment Phase are \$72,788. There was no MBE participation reported for this phase of work.

Horseshoe Baltimore Casino

On July 21, 2012, the Video Lottery Facility Location Commission awarded a VLT license to CBAC Gaming, LLC. The Baltimore City facility, which opened on August 26, 2014, includes slot machines, table games, live music venue, restaurants, and parking facilities.

<sup>9</sup> Rocky Gap purchased equipment for table games in 2013. Because the Licensee's current VLT machines are owned or leased by the State of Maryland, this phase only includes expenditures related to the equipment for table games.

The activity in calendar year 2013 related to the following Expense Classifications: the Development Phase (reported with Construction Phase), the A&E Phase, the Pre-Opening Phase (reported with Construction Phase), the Construction Phase and VLT Table/Game Equipment Phase. Expenditures made in calendar year 2012 were not included in GOMA's prior report since complete data had not yet been submitted to GOMA. Thus, expenditures for the noted Expense Classifications include expenditure data for calendar years 2012 and 2013 but do not include 2014 when most of the construction activity occurred.

The facility's MBE achievement for the Architectural/Engineering Phase, the Construction Phase and VLT Table/Game Equipment Purchase, for calendar years 2012 and 2013 (cumulative from the beginning of the project), are as follows:

**HORSESHOE BALTIMORE CASINO  
ARCHITECTURAL/ENGINEERING (cumulative up to 12/31/13)<sup>10</sup>**

<b>Minority Classification</b>	<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation Goal/Subgoal</b>	<b>MBE Participation Achieved</b>
Overall	\$6,715,149	\$89,226	22%	1.33%
African-American		\$0	6%	0%
Hispanic-American		\$0	2%	0%
Women		\$89,226	9%	1.33%

<sup>10</sup> The Commission issued the MBE participation goal for the Architectural/Engineering Phase on June 4, 2014.

**CONSTRUCTION (cumulative up to 12/31/13)<sup>11</sup>**

<b>Minority Classification</b>	<b>Net Expenditures (Expenditures minus exclusions)</b>	<b>MBE Payments</b>	<b>MBE Participation Goal/Subgoal</b>	<b>MBE Participation Achieved</b>
Overall	\$57,000,610	\$10,212,657	24%	17.92%
African-American		\$2,562,021	7%	4.49%
Asian-American		\$918,525	4%	1.61%

On August 26, 2014, Horseshoe opened with VLTs and table games. The total expenditures in calendar year 2013 for the VLT/Table Games Equipment Phase are \$2,098,930. There was no MBE participation reported for this phase of work.

**MGM National Harbor**

On December 23, 2013, the Video Lottery Facility Location Commission awarded a VLT license to MGM National Harbor, LLC (MGM). The proposed facility, located in Prince George’s County, will include slot machines, table games, hotel, restaurants, retail, and entertainment venues.

In 2014, MGM submitted two expenditures reports to GOMA – one in June and another one in July. On numerous occasions, GOMA and the Commission requested information regarding development and architecture/engineering costs incurred<sup>12</sup> during and prior to calendar year 2013 and the corresponding MBE payment verification. Although some information was submitted in mid-August, the information was not complete or verifiable. Because GOMA has not received complete and accurate expenditure data and confirmation of MBE payments directly from the MBE firms, expenditures paid before or during calendar year 2013, which are to be included as part of the Architectural/Engineering and Construction Phases, will be included in the next report.

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<sup>11</sup> The Construction Phase includes development and pre-opening operation costs paid in 2012 and 2013. The Commission issued the MBE participation goal for the Construction Phase on May 22, 2013.

<sup>12</sup> MGM’s first report indicated some development costs paid in 2012 and the second report had expenses paid in 2011.

## **Exhibit A**

### **EXPENSE CLASSIFICATIONS**

#### **Development Phase**

*All expenses related to the casino development paid prior to the Architectural/Engineering and Construction Phases including, without limitation, the following scope of work:*

- Planning approvals, environmental approvals and other governmental approvals
- Consulting services relating to new project (e.g., attorney's fees, accounting firms, title firms, etc.)
- Costs associated with the selection of consultants (e.g. architect, construction manager)
- Consultants engaged for purposes of responding to the Request for Proposals for the VLT license (other than architect and design team)
- Insurance and bonding

NOTE: For review and evaluation of MBE participation, this Phase is reported with the Construction Phase.

#### **Architecture and Engineering (A&E) Phase**

*All work performed by the architect's team (including all sub-consultants) during development, design, construction and close-out, including, without limitation, the following scope of work:*

- Pre-design
- Schematic Design (includes conceptual site plans, preliminary building plans, sections, elevations and/or other drawings).
- Design Development (includes further development of the floor plans, sections, elevations, typical construction details, and equipment layouts and development of specifications for major building materials and systems).
- Construction Documentation (includes floor plans, enlarged plans, wall sections, ceiling plans, power/communication plans, finish plans, elevations, details and written specifications to further establish the quality levels of materials and systems required for the project).
- Oversight during construction and close-out
- Commissioning

### **Construction Phase**

*All work performed by the owner, construction manager, prime contractor and their subcontractors for the construction of the new casino facility and close-out, including, without limitation, the following scope of work:*

- Solicitation and review of construction bids
- Construction of building structures and installation of building systems and major equipment, site preparation, utilities, and related outside construction, and installation of major equipment such as electrical, mechanical, fire detection, plumbing, security, and audio visual.
- Installation of interior/exterior signage.
- Landscaping
- Building and other permits as required.
- Construction close-out.

### **Pre-Opening Operation Phase**

*All operations expenses paid prior to opening date including, without limitation, the following:*

- Marketing and public relations
- Food and beverage
- Outreach events
- Pest Control
- Supplies
- Computer equipment and software
- Transportation Vehicles
- Uniforms
- Furniture, Fixtures and Equipment (excluding VLT Machines and table games equipment)
- Cashiering and count room equipment
- Smallwares and Equipment

NOTE: For review and evaluation of MBE participation, this Phase is reported with the Construction Phase.

### **Ongoing Operations Phase**

*Operations expenses paid from opening date. Examples of these expenses include the following:*

- Marketing and public relation events
- Pest Control
- Janitorial Services
- Maintenance of the facility and its systems (e.g., electrical, mechanical, HVAC, computer, communications, AV, security)
- Renovations
- Supplies (e.g., office/janitorial)
- Ongoing replacement/maintenance of VLT/table game equipment
- Ongoing consulting services related to Casino operations (e.g., IT, attorneys, accountants, security)
- Services or supplies related to food service and retail operations controlled by licensee (not through lease agreements).
- Uniforms

### **Video Lottery Terminal (VLT)/Table Game Equipment Phase**

*Expenses paid related specifically to the purchase of VLT and table games equipment. Examples of these expenses include the following:*

- Purchase of Video Lottery Terminal Machines
- Purchase of Table Games and equipment
- Transportation of gaming equipment to VLT facility
- Maintenance and service of gaming equipment
- Warehouse and storage of gaming equipment

## **Exhibit B**

### **MBE Participation Goals**

#### **Horseshoe Casino**

Construction (includes development and pre-opening phases):

MBE participation goal (overall): 24%

African-American subgoal: 7%

Asian-American subgoal: 4%

Architectural/Engineering:

MBE participation goal (overall): 22%

African-American subgoal: 6%

Hispanic-American subgoal: 2%

Women subgoal: 9%

Ongoing Operations:

MBE participation goal (overall): 20%

No subgoals

#### **Maryland Live**

Architectural/Engineering:

MBE participation goal (overall): 19%

African-American subgoal: 6%

Hispanic-American subgoal: 2%

Women subgoal: 9%

#### **MGM National Harbor**

Architectural/Engineering:

MBE participation goal (overall): 19%

African-American subgoal: 6%

Hispanic-American subgoal: 2%

Women subgoal: 9%

### Exhibit C (as of 10/7/14)

Exclusions	Description
Federal/State/Local Payments	This exemption includes all payments made to governmental entities including taxes, VLT license fees, other permit and fees, etc.
Public Utilities (Ground, Water, Sewage, Electricity, Telephone (Local and Long Distance), and Natural Gas)	This exemption includes utility expenses paid to regulated utilities such as electricity, natural gas and metered water. It includes energy choice electric and gas vendors. It includes local and long distance carriers. It does not include other utility-type expenses such as purchase of propane gas, cable, cell phone services, television, and internet services. These other expenses are not excluded costs and are subject to MBE requirements.
Licensee only - Employee Wages, Benefits, Expense Reimbursement	This exemption includes all expenses paid for core payroll benefits such as salaries, insurance (e.g., health, workers' compensation, life), retirement plans and profit-sharing plans for employees. It also includes all reimbursements made directly to employees. All other employee-related costs paid to third parties (e.g. relocation costs, training and travel) are not excluded costs and are subject to MBE requirements.
Professional Association and Union Fees	This exemption includes all membership fees paid by the licensee for professional associations. It includes both association fees and union dues for the licensee and its employees.
Banking Services (Loan Fees, Principal and Interest)	This exemption only includes fees for payment of principal and interest. Other banking fees such as credit card, loan origination costs, general banking, ATM, and cash handling are not excluded costs and are subject to MBE requirements.
Individual Engagement Fees for Talent and Professional Sport Figures	For purposes of this exemption, talent includes musicians, bands, and all types of artists of any medium.

Professional Sport Teams - Sponsorships and Membership Fees	This exemption includes advertisement, seats to events, and other sponsorship-type activities as long as payment is made directly to the professional sport team or stadium/sport facility owner (e.g. Maryland Stadium Authority).
Brand Licensing Fees	This exemption includes licensing fee for brands and other intellectual property rights such as music streaming fees.
Charitable and Non-Profit Donations	This exemption includes payments made to charitable and non-profit entities.
Political Contributions	This exemption includes all political contributions.
Payments for Legal Settlements, Claims and Judgments	This exemption includes fees paid to the court or entities/individual to settle legal claims. It also includes payments made for garnishments.
Contingency Fund	For the initial construction of the facility or any significant construction project, the general contingency fund will not be included for goal setting purposes only. Any expenditure made from the contingency fund will be subject to MBE requirements.
Purchase Price for Real Estate , Lease Payments	This exemption includes all real estate transactions and real estate leases. Allowances paid under real estate leases are also excluded.
Other	Any other exclusion approved by the Maryland Lottery and Gaming Control Commission.