

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

Annual Report on Video Lottery Facilities – Calendar Year 2012 In compliance with SG §9-1A-34(a)

Background:

In the 2008 general election, the voters of Maryland ratified a constitutional amendment authorizing video lottery terminals (“VLTs” or “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 (“VLT law”). 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 VLT 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.

As part of the licensing and regulatory framework, Maryland’s VLT law established the Video Lottery Facility Location Commission (“Location Commission”), whose task is to award the six casino operator licenses. The law requires the Location Commission to award licenses through a “competitive process consistent with the process for competitive sealed proposals” under the state procurement law. The statute specifies some basic criteria for applications for casino operation licenses. The Location Commission is required to refer the name and all relevant information concerning each applicant to the Maryland Lottery and Gaming Control Commission (“MLGCC”), which then determines whether the applicant is qualified to hold a casino operation license.

After the award of a casino operator license, the MLGCC (with assistance by the Maryland Lottery and Gaming Control Agency (“MLGCA”)) is responsible for all matters relating to regulation of the licensee. In this regulatory role, the MLGCA oversees all internal controls, auditing, security, surveillance, background investigation, licensing and accounting procedures for each of the facilities.

VLT operations began in September 2010 at Cecil County’s Hollywood Casino Perryville; in January 2011 at Worcester County’s Ocean Downs Casino; in June 2012 at Anne Arundel County’s Maryland Live Casino; and in May 2013 at Rocky Gap Casino Resort. Baltimore City’s Horseshoe Casino is expected to open in mid-2014. Three bids were recently submitted for a casino operator’s license in Prince George’s County and a license is expected to be awarded in late-2013.

Status of Facilities:

Hollywood Casino Perryville (Cecil County) - Penn Cecil Maryland, Inc.

- First casino to open in Maryland; opened to the public September 27, 2010.
- In calendar year 2012, the casino generated \$98,608,997.15 in gaming revenue.
- Debuted table games at its facility on March 6, 2013.
- The facility currently has 1,148 slots machines and 20 table games.
- Current number of personnel employed by the facility: 378

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

- The facility opened January 4, 2011.
- In calendar year 2012, the casino generated \$49,919,419.21 in gaming revenue.
- Current number of slot machines in facility: 800
- Current number of personnel employed by the facility: 218

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

- The facility opened on June 6, 2012.
- In calendar year 2012, the casino generated \$229,789,283.75 in gaming revenue.
- The casino debuted its table games on April 11, 2013
- The facility currently has 3,991 slot machines and 122 table games.
- Current number of personnel employed by the facility: 2,363

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

- The casino opened on May 22, 2013.
- The facility currently has 554 slot machines and 10 table games.
- Current number of personnel employed by the facility: 531 (150 of these positions are seasonal)

Horseshoe Casino (Baltimore City) – CBAC Gaming, LLC

- The casino is due to open in mid-2014.

Finance:

Total revenue generated by the gaming program since its inception in September 2010:

STATE TOTAL	\$839,418,096.60
Education Trust Fund	\$401,131,988.20
Casino Operators	\$291,556,835.40
Horse Purse Dedication Account	\$56,579,654.37
Local Impact Grants	\$44,460,537.09
Racetracks Facility Renewal Accounts	\$17,389,529.31
Maryland Lottery and Gaming Control Agency	\$17,173,951.48
Small, minority and women-owned businesses	\$12,126,601.00

Crime:

Total crime statistics by category for calendar year 2012:

2012 Crime Summary				
Compliance Category	Hollywood	Ocean Downs	Maryland Live	TOTAL
Underage on Casino Floor	3	7	20	30
Intoxicated Patrons Evicted	19	32	55	106
Children Unattended in Vehicles	0	1	0	1
Excluded Persons in Casino	2	1	3	6
Physical Altercations	2	5	26	33
Theft/Robbery	24	18	40	82
Internal Theft	0	0	8	8
Drugs	4	0	6	10
Facility Issues	25	10	14	49
Miscellaneous	13	11	39	63
Totals By Casino and Year	92	85	211	388

2012 Response Summary				
	Hollywood	Ocean Downs	Maryland Live	TOTAL
Police Response*	72	50	115	237

*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 Compliance: Governor's Office of Minority Affairs (GOMA) report attached.



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

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

May 28, 2013

Pursuant to Subtitle 1A, Title 9, of the State Government Article, Annotated Code of Maryland, the Governor's Office of Minority Affairs (GOMA) submits the following Video Lottery Terminals (VLT) Minority Business Enterprise (MBE) Compliance update for the five currently active VLT facilities. The previous report submitted by GOMA to the Maryland Lottery and Gaming Control Commission (Commission) dated October 16, 2012, included VLT MBE activity through June 30, 2012. This report includes:

- a. MBE payment activity for the Cecil County and Worcester County VLT facilities covering the six month period since the last report, i.e., from July 1, 2012 through December 31, 2012, for ongoing operations;
- b. Cumulative MBE payment activity for ongoing operations at the Cecil County and Worcester County VLT facilities through December 31, 2012;
- c. MBE payment activity through December 31, 2012 for the design, development, construction, and startup operations of the Anne Arundel County VLT facility;
- d. Cumulative MBE payment activity for ongoing operations at the Anne Arundel County VLT facility;
- e. Current status of design and construction for the Baltimore City VLT facility; and,
- f. Current status of design and construction for the Allegany County VLT facility.

Licensees submitted total project expenditure data reports to GOMA. MBE payment amounts reflected in this report are documented by monthly payment reports submitted to GOMA by the respective MBEs.

For the expenditure data reported by each licensee, certain expenditures were exempted from the total expenditure figures used to calculate the MBE percentages in the charts below, e.g., government taxes, fees, and permits, licensee's employee-related expenses, and contingency funds.

Under Maryland law, the Commission is required to comply with the requirements of Title 14, Subtitle 3 of the State Finance and Procurement Article relating to 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.

Hollywood Casino Perryville - Penn National Gaming (PNG)

The Cecil County VLT facility has been open for business since September 2010. GOMA began monitoring MBE payment activity related to ongoing operations as of March 1, 2011. Expenditures for startup operations were tracked by PNG as part of the construction phase and were reported by PNG to GOMA as part of the total project expenditures through February 2011.

PNG's cumulative MBE payment activity since the ongoing operations phase began in March 2011 is as follows:

ONGOING OPERATIONS (3/1/11 – 12/31/12)

Minority Classification	MBE Payments	MBE Participation
Overall	\$1,209,144.80	5.91%
African American	\$95,220.35	0.47%
Women	\$432,531.79	2.11%
Other MDOT certified	\$681,392.66	3.33%

Total ongoing operations expenditures were \$20,457,918.15 based on accounting reports submitted by PNG. PNG has engaged the services of 18 MBE firms since March 1, 2011.

The following chart summarizes PNG's MBE achievement based on actual payments to MBEs for the six-month period beginning July 1, 2012:

ONGOING OPERATIONS (7/1/12 – 12/31/12)

Minority Classification	MBE Payments	MBE Participation
Overall	\$242,648.16	5.09%
African American	\$10,169.61	0.21%
Women	\$138,810.19	2.91%
Other MDOT certified	\$93,668.36	1.96%

Over the six-month period, total ongoing operations expenditures were \$4,770,806.31 based on accounting reports submitted by PNG. PNG engaged the services of 10 MBE firms during this six-month period.

Casino at Ocean Downs - Ocean Enterprise 589 LLC – (OE589)

The Worcester County VLT facility has been open for business since January 2011. Startup operations expenditures were captured and reported by OE589 to GOMA along with the rest of the development and construction activity through March 2011. GOMA began monitoring MBE activity related to ongoing operations as of April 1, 2011.

OE589's cumulative MBE activity since the ongoing operations phase began is as follows:

ONGOING OPERATIONS (4/1/11 – 12/31/12)

Minority Classification	MBE Payments	MBE Participation
Overall	\$490,899.14	3.63%
African American	\$299,869.77	2.22%
Women	\$191,029.37	1.41%
Other MDOT certified	\$0.00	0.00%

Total cumulative operations expenditures for this period were \$13,533,730.16. OE589 has engaged the services of 7 MBE firms since April 1, 2011.

The following chart summarizes OE589's MBE achievement for the six-month period beginning July 1, 2012:

ONGOING OPERATIONS (7/1/12 – 12/31/12)

Minority Classification	MBE Payments	MBE Participation
Overall	\$122,818.61	3.56%
African American	\$91,668.40	2.66%
Women	\$31,150.21	0.90%
Other MDOT certified	\$0.00	0.00%

Over this period, total operations expenditures were \$3,449,059.51. OE589 engaged the services of 2 MBE firms during this 6-month period.

Maryland Live Casino – Power Plant Entertainment (PPE)

The Anne Arundel County VLT facility - Maryland Live - is now engaged in the ongoing operations phase since doors were opened to the public on June 6, 2012. Total actual expenditures for the project from issuance of the license through December 31, 2012 are reported to be \$237,730,937 for the Construction phase and \$8,395,440.61 for the Architecture and Engineering (A&E) phase. PPE has engaged the services of 71 MBE firms for the construction phase and 6 MBEs for A&E phase since the project began.

MBE payment activity for A&E through December 31, 2012 is as follows:

ARCHITECTURAL AND ENGINEERING THROUGH 12/31/12 (MBE PAYMENTS)

Minority Classification	MBE A&E Payments	MBE Participation
Overall	\$861,648.57	10.26%
African American	\$34,666.32	0.41%
Women	\$757,982.25	9.03%
Other MDOT certified	\$69,000.00	0.82%

MBE payment activity for construction and startup operations through December 31, 2012 is as follows:

CONSTRUCTION/STARTUP THROUGH 12/31/12 (MBE PAYMENTS)

Minority Classification	MBE Construction Payments	MBE Participation
Overall	\$61,108,653.62	25.70%
African American	\$34,438,043.73	14.49%
Women	\$18,838,251.21	7.92%
Other MDOT certified	\$7,832,358.68	3.29%

Maryland Live Casino - Ongoing Operations

Based on information contained in accounting reports submitted by Maryland Live in January, the total ongoing operations expenditures for the period from June 6, 2012 (opening date) through December 31, 2012 were \$25,183,019.25. Based on payment reports received by GOMA between opening and December 31, 2012, a total of eight (8) MBEs were used by Maryland Live. The following chart summarizes MBE achievement based on actual payments to MBEs for the six-month period beginning June 6, 2012:

ONGOING OPERATIONS (6/6/12 – 12/31/12)

Minority Classification	MBE Payments	MBE Participation
Overall	\$501,902.93	1.99%
African American	\$501,902.93	1.99%
Women	\$0.00	0.00%
Other MDOT certified	\$0.00	0.00%

Horseshoe Baltimore Casino - CBAC Gaming LLC (CBAC)

The Baltimore City VLT facility is currently in the early stages of project development and construction. CBAC has identified The Whiting Turner Contracting Company (WT) as the construction manager and since October 2012, multiple construction bid packages have been issued by WT. Based on a report received from CBAC that summarized project activity as of December 31, 2012, CBAC reported that it had awarded two (2) A&E contracts and one (1) development contract. CBAC also reported that no construction contracts had been awarded by the end of calendar year 2012.

Rocky Gap Casino - Lakes Entertainment - Evitts Resort, LLC (Lakes)

The Allegany County VLT facility selected Kraus-Anderson Construction Company (Kraus) to handle the construction work associated with the Rocky Gap VLT facility. A pre-bid meeting was held on June 28, 2012 at the Rocky Gap VLT site. Actual work on the Allegany County VLT facility began in late November 2012, shortly after Kraus received bids on October 30, 2012. The existing lodge was renovated to include space for the new casino. The work includes expansion of the parking facilities surrounding the lodge. Replacement of the existing conference space will take place after the facility opens. The facility opened on May 22, 2013. The first MBE report was received from Lakes on December 14, 2012 as the project was just getting underway. As of December 31, 2012, no MBE payments had been reported.