



MARYLAND LOTTERY AND GAMING

Annual Report on Maryland Casinos Calendar Year 2015

In compliance with SG §9-1A-34(a)

March 17, 2017

Maryland Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230



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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.

As of December 31, 2015, there were five 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; Rocky Gap Casino Resort, which opened in May 2013; and Horseshoe Casino, which opened in August 2014. MGM National Harbor opened in Prince George’s County on December 8, 2016.

This Annual Report covers the licensee status, revenue reports, crime statistics, MBE outreach efforts, and MBE participation achievement for each casino during the reporting period January 1, 2015 through December 31, 2015.

STATUS OF FACILITIES:

General statistical data on each casino as of December 31, 2015:

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 2015, the casino generated \$77,269,241 in gaming revenue.
 - Slot machines: \$65,275,658
 - Table games: \$11,993,583
- 850 slot machines and 22 table games
- Number of personnel employed by the facility: 343

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

- The facility opened January 4, 2011.
- In calendar year 2015, the casino generated \$55,889,526 in gaming revenue.
 - Slot machines: \$55,889,526
- 800 slot machines and no table games
- Number of personnel employed by the facility: 227

Maryland Live! Casino (Anne Arundel County) – PPE Casino Resorts Maryland, LLC

- The facility opened June 6, 2012.
- In calendar year 2015, the casino generated \$629,732,520 in gaming revenue.
 - Slot machines: \$400,728,150
 - Table games: \$229,004,370
- 3,994 slot machines and 206 table games
- Number of personnel employed by the facility: 2,936

Rocky Gap Casino Resort (Allegany County) – Golden Entertainment, Inc.

- The casino opened May 22, 2013.
- In calendar year 2015, the casino generated \$46,082,331 in gaming revenue.
 - Slot machines: \$39,442,593
 - Table games: \$6,639,738
- 631 slot machines and 18 table games
- Number of personnel employed by the facility: 499

Horseshoe Casino Baltimore (Baltimore City) – CBAC Borrower, LLC

- The casino opened on August 26, 2014.
- In calendar year 2015, the casino generated \$289,452,531 in gaming revenue.
 - Slot machines: \$157,600,245
 - Table games: \$131,852,286
- 2,202 slot machines and 178 table games
- Number of personnel employed by the facility: 1,484

MGM National Harbor (Prince George's County) – MGM National Harbor, LLC

- License awarded by the Video Lottery Facility Location Commission in December 2013.
- The facility opened December 8, 2016.
- The facility will feature approximately 3,300 slot machines and 160 table games.
- Number of personnel expected to be employed by the facility: 4,000

REVENUE:

Total revenue generated by the gaming program in calendar year 2015 and since its inception in September 2010:

DISBURSEMENTS	CALENDAR YEAR 2015	CUMULATIVE TOTAL *
Small, minority and women-owned businesses	\$10,488,188	\$36,604,041
Racetrack Facility Renewal Account	\$6,794,928	\$38,315,109
ML&G (for operational expenses)	\$9,169,922	\$44,565,492
Local Impact Grants	\$38,456,689	\$134,214,818
Horse Racing Purse Dedication Account	\$48,550,451	\$169,850,000
Education Trust Fund	\$394,712,816	\$1,343,547,932
Casino Operators	\$590,253,154	\$1,437,158,391
CASINO REVENUE TOTAL	\$1,098,426,147	\$3,204,255,782
<i>*September 2010 through December 2015</i>		

CRIME:

Total crime statistics by casino for calendar year 2015:

COMPLIANCE CATEGORY	Hollywood Casino	Casino at Ocean Downs	Maryland Live!	Rocky Gap Casino Resort	Horseshoe Baltimore	TOTAL
Excluded persons in casino (VEP)	6	2	51	0	32	91
Internal Theft	1	4	19	0	25	49
Intoxicated patrons evicted	29	57	27	95	75	283
Physical altercations	5	4	43	5	96	153
Theft/Robbery	15	44	115	55	89	318
Unattended children/vulnerable adults	0	2	2	1	6	11
Underage - False ID	0	0	1	1	9	11
Underage - Gambling and/or alcohol	0	2	8	0	9	19
Underage - No Violation	2	1	10	1	19	33
Underage – Violation	0	0	3	0	7	10
TOTALS BY CASINO	58	116	279	158	367	978

2015 RESPONSE SUMMARY:

	Hollywood	Ocean Downs	Maryland Live!	Rocky Gap	Horseshoe	TOTAL
Police Response*	117	270	379	44	1,533	2,343

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

MINORITY BUSINESS ENTERPRISE OUTREACH EFFORTS:

Direct and indirect Minority Business Enterprise (MBE) Outreach Efforts for each casino during the reporting period from January 1, 2015 through December 31, 2015.

Hollywood Casino Perryville

- Attended 12th Annual Maryland Washington Minority Companies Association (MWMCA) Spring Breakfast Meeting & Expo where the casino was also an exhibitor.
- Engaged in one-on-one meetings, either by phone or in person, with MBE vendors regarding new business.
- Attended three minority outreach events at MD Live! where the casino was also exhibitor.
- Spoke with or had e-mail conversations with 15 vendors acquainted with minority outreach events.
- Issued Requests for Proposals (RFP) for Marketing Services, specifically soliciting MBE marketing vendors acquainted with minority business outreach vendor fairs.
- Identified certified MBE vendors through Maryland Department of Transportation's (MDOT) database to assist in our search for vendors with goods and services for our ongoing operations.
- In 2015, engaged the services of eighteen (18) MDOT certified MBE vendors during the casino's ongoing operations phase, six of whom were new vendors for the casino.

Casino at Ocean Downs

- Attended the 12th Annual MWMCA Spring Breakfast Meeting & Expo where the casino was also an exhibitor.
- Attended two (2) minority outreach events at MD Live! where the casino was also an exhibitor.
- Continued relationship with MBE vendor for steel fabrication services on casino's expansion project.
- In 2015, engaged the services of 9 (nine) MDOT certified MBEs vendors during the casino's ongoing operations phase.

Maryland Live! Casino

- Hosted two (2) Minority Business Vendor Fairs for MBEs interested in doing business with casinos and other major companies.
- Developed a media plan for the vendor fairs in which advertisements were placed in various newspapers alerting potential vendors to the various casino opportunities.
- Engaged in one-on-one meetings and /or telephone conversations with MBE vendors to discuss doing business with the casino and their pricing.
- Hosted a Marketing Vendor Fair with MBE vendors, to ensure they had a chance to display their promotional items to the casino's marketing group.
- Attended Small Business Fairs/Expos in search of MBEs vendors.
- Issued a RFP for Marketing Services and solicited over 100 MBE vendors utilizing MDOT's database.
- Participated in two (2) Diversity events discussing the casino's commitment to diversity.
- Continued membership in the West County Chamber and the Anne Arundel County Minority Business Committees.
- Attended the 12th Annual MWMCA Spring Breakfast Meeting & Expo where the casino was also an exhibitor.
- Honored at MWMCA's 12th Annual Meeting & Expo for having the Most Inclusive Purchasing Director.
- Celebrated and honored 15 local Black Heroes and Leaders as part of the casino's Black History month recognition.
- In 2015, engaged the services of twenty-two (22) MDOT certified MBE vendors during the casino's ongoing operations phase.

Rocky Gap Casino Resort

- Attended two (2) 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 as well as their pricing.
- In 2015, engaged the services of six (6) MDOT certified MBE vendors during the casino's ongoing operations phase.

Horseshoe Casino

- Participated as an exhibitor and attended six (6) Minority Outreach Vendor Fairs and Diversity Expos where MBE vendors showcased products and services.
- Hosted the Baltimore City Chamber of Commerce breakfast with Baltimore Mayor Stephanie Rawlings-Blake, where MBE vendors were in attendance.
- Attended four (4) minority vendor meetings where MBE vendors showcased their products and services, and where the casino explained to vendors the various casino business opportunities.
- Conducted several one-on-one meetings with MBE vendors to discuss doing business with the Horseshoe Casino.
- Encouraged interested vendors to register on our national database and complete a vendor profile that is used by the casino's procurement and sourcing professionals across the country.
- Continued evaluating current MBE vendors to identify exceptional performers that could be offered national contracts, one of whom was awarded a national contract based on its 2015 performance with the casino.
- Encouraged all current MBE suppliers that are not MDOT certified to explore the possibility of becoming certified, one of whom successfully completed the process and two of whom have submitted their applications for processing.
- Issued three (3) new RFPs and awarded three new contracts to MBE vendors.
- Hired a full-time Supplier Diversity Coordinator on property to ensure a local focus to our diversity goals.
- In 2015, engaged the services of thirty (30) MDOT certified MBE vendors during the casino's ongoing operations phase, five of whom were new vendors for the casino.

MGM National Harbor

- Hosted and implemented seven (7) Outreach Sessions for contractors, attended by 940 individuals representing 780 companies, focusing on construction bids process.
- Conducted five (5) Business-to-Business Matchmaking events.
- Engaged in one-on-one meetings and telephone conversations with prime vendors and MBEs.
- Utilized MDOT's database to search for certified MBEs for bid opportunities.
- Hosted and implemented three (3) MBE Get Down to Business events that were attended by over 300 MBEs.
- Presented and participated in discussions with Prince George's County NAACP members about contracting and employment opportunities with the casino.
- Coordinated and hosted an event honoring WBE contractors that worked on the casino's construction project.
- Implemented and attended the 1,000th Construction Workers and Site Celebration
- Participated in the National Association of Women in Construction conference.
- Presented and attended area Asian American Workshops and Outreach events seeking MBE participation, and from this implemented the casino's outreach to Asian American contractors.
- Attended the Prince George's County Chamber of Commerce's State of the Chamber Breakfast to engage MBEs about the casino's contracting opportunities.
- Participated in the Baltimore Washington Corridor Chamber of Commerce Multi-Chamber/ Organization Power Networking Breakfast.
- Coordinated a Workforce Information Session at Prince George's Community College, and attended monthly CRC workforce strategic planning meetings to specifically seek out Prince George's County residents.
- Hosted six (6) pre-bid MBE Outreach Sessions for MBE vendors.
- In 2015, engaged the services of 123 MDOT certified MBE vendors during the casino's Architectural & Engineering Phase and the Construction & Development Phase.



GOVERNOR'S OFFICE OF
MINORITY AFFAIRS

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

**Prepared by the Governor's Office of Minority Affairs
Jimmy Rhee, Special Secretary**

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 data and the MBE payment data provided are reported under the appropriate Expense Classification to be properly evaluated to the corresponding MBE participation goal. Only those MBE payment amounts that are verified by payment reports submitted to GOMA directly by the MBE firms are included in this report.¹ 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 August 15, 2016. The reporting period for this report is from January 1, 2015 to December 31, 2015.

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 B.

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).

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 activity in calendar year 2015 related to the following Expense Classifications: Operations Phase and VLT/Table Game Equipment Phase.

The facility's MBE achievement for the Ongoing Operations Phase (excluding the purchase of VLT/Table Games) for calendar year 2015 is as follows:

¹ Consistent with Maryland law, only those firms certified by the Maryland Department of Transportation as MBE firms can be counted towards meeting the MBE participation goal.

**Hollywood Casino Perryville
Ongoing Operations 01/01/15 - 12/31/15**

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 8,838,742.34	\$ 588,138	7%

Table Games & Slots 01/01/15 - 12/31/15

Minority Classification	Total Payments
Overall	\$ 499,084

CASINO AT OCEAN DOWNS

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

The activity in calendar year 2015 for Ocean Downs related to the following Expense Classifications: A&E Phase², Construction Phase and Operations Phase.

The facility's MBE achievement for A&E, Construction and Ongoing Operations Phase for calendar year 2015 is as follows:

**Casino at Ocean Downs
Ongoing Operations 01/01/15 - 12/31/15**

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 5,914,740	\$ 745,864	13%

A&E (Casino Expansion) 01/01/15 - 12/31/15

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 23,191	\$ -	0%

Construction (Casino Expansion) 01/01/15 - 12/31/15

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 462,160	\$ 5,633	1%

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.

² Ocean Downs has begun the initial phase of constructing a building that will be connected to the casino.

The activity in calendar year 2015 included in this report relates 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 2015 is as follows:

Maryland Live Casino
Ongoing Operations 01/01/15 - 12/31/15

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 69,623,079	\$ 11,724,311	17%

Table Games & Slots 01/01/15 - 12/31/15

Minority Classification	Total Payments
Overall	\$ 36,016,113

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 2015 relates to the Ongoing Operation Phase.

Rocky Gap Casino Resort
Ongoing Operations 01/01/15 - 12/31/15

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 5,444,095	\$ 74,546	1%

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.

The activity in calendar year 2015 relate to the Ongoing Operation Phase.

**Horseshoe Baltimore Casino
Ongoing Operations 01/01/15 - 12/31/15**

Minority Classification	Total Payments	MBE Payments	MBE Participation
Overall	\$ 29,547,962	\$ 2,706,827	9%

Table Games & Slots 01/01/15 - 12/31/15

Minority Classification	Total Payments
Overall	\$ 7,680,632

MGM NATIONAL HARBOR

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

The activity in 2015 is related to the following Expense Classifications: A&E Phase, Development Phase (reported with Construction Phase), and Construction Phase.

**MGM National Harbor
Architectural & Engineering 01/01/15 - 12/31/15**

Minority Classification	Total Payments	MBE Payments	MBE Participation Goal	MBE Participation
Overall	\$26,706,675	\$6,297,984	19%	24%
African American		\$1,684,396	6%	6%
Hispanic-American		\$2,318,740	2%	9%
Women		\$753,896	9%	3%

Construction Related 01/01/15 - 12/31/15

Minority Classification	Total Payments	MBE Payments	MBE Participation Goal	MBE Participation
Overall	\$317,597,843	\$81,959,720	26%	26%
African American		\$23,450,107	7%	7%
Asian-American		\$1,376,625	4%	0.43%

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:

- Obtain planning approvals, environmental approvals and other governmental approvals
- Engage consulting services relating to new project (e.g., attorney's fees, accounting firms, title firms, etc.)
- Select architecture and engineering firm.
- Select construction manager or prime contractor.
- Consultants engaged for purposes of responding to the Request for Proposals for the VLT license
- Obtain Insurance 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 design, construction and close-out, including, without limitation, the following:

- Pre-design phase
- Schematic Design phase (includes conceptual site plans, preliminary building plans, sections, elevations and/or other drawings).
- Design Development phase (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 phase (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 phase 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:

- Solicit and review construction bids
- Construct new 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.
- Install of interior/exterior signage.
- Perform landscaping services.
- Obtain building and other permits as required.
- Manage change orders.
- Negotiate certificates of substantial completion.
- Manage construction close out.

Pre-Opening Operation Phase

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

- Initiate marketing for new facility
- Food and beverages
- Conduct open house for community participants, press, etc.
- Supplies (e.g., janitorial, office)
- Computer equipment and software
- Transportation Vehicle
- 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.

On-Going 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, A/V, 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 game equipment. Examples of these expenses include the following:

- Purchase of Video Lottery Terminal Machines
- Purchase of Table Games and equipment
- Transport gaming equipment to Casino facility
- Maintenance and Service of gaming equipment
- Warehouse and storage of gaming equipment

Exhibit B (as of 9/5/14)

Exclusions	Description
Federal/State/Local Payments	This exemption includes all payments made to governmental entities including taxes, VLT license fees, alcohol 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 loan servicing including interest. Other banking fees such as credit card, 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	All political contributions are exempt.
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 Lottery Commission.