

Gambling Control Board Meeting Minutes
April 8, 2010
45 Commerce Drive, Augusta, Maine

Meeting was called to order at 1250. Quorum was obtained at 1305 hours with Mr. Stickney arriving.

Board Members Present: Chairman George McHale, Joe Laliberte and Harry Stickney.
Excused: Richard Arnold and Cushing Samp

Staff Members Present: Exec. Director Robert Welch, Auditor Scott Woods and State Police Detective Don Armstrong.

Legal Counsel: William Stokes, Deputy Attorney General

Chairman McHale welcomed everyone to the Meeting. McHale introduced new Board Member Joe Laliberte from Lewiston. Exec. Director Welch announced that the Clerk Typist who would be assisting the Board has been hired and she is Janine "Gina" Collins. Ms. Collins was excused from the meeting with a death in family out of state, but she will be with us the next meeting. Welch is working to shift some job details to Ms. Collins.

Minutes: The Board reviewed the Minutes from the 2/2/410 meeting. Joe Laliberte asked that the minutes be noted that he was a member of the Board since 2/5/10, but was unable to make the first meeting.

MOTION: To Accept 2/24/10 minutes by Laliberte

Second by Stickney

Approved 3-0.

The minutes for 12/16/09 will be on the next Agenda to get a quorum of Board members who were in attendance.

Executive Director Report: Exec. Director Welch reported on the following matters:

- A) Budget update: the Executive Director position was pulled from a cut and will continue on. The Gambling Control Board gave up \$30,000 that had accrued from less than budgeted payments to Scientific Games. The money would have been swept in June.
- B) Bangor PD response numbers for February and March were handed out. There were 10 calls to 500 Main in February, and 17 in March. Most of the calls were off the gaming floor.
- C) Welch reported that the Oxford County Casino Question would go on the ballot to voters as a single initiative in November. (Peter Martin gave comments later in the meeting).
- D) Welch also reported that the March Report (annual report) was delivered to the Governor's Officer and Legal and Veterans Affairs Committee on 3/2/10.

Financial Update: Scott Woods handed out his updated Weekly Sheet to the Board for review. Woods advised the Board that Hollywood Slots was closed on Easter Sunday as required. Woods also advised that the March Month End figures were on the Web Site.

Update on Licensing Activities: Det. Armstrong reported that there were 6 investigations ongoing. 2 previous reported Theft cases were at the District Attorney's Office.

Armstrong also reported on a compliance inspection held on 4/6/2010 at Hollywood Slots. This inspection concentrated on Security, Bank and Slot Operations Departments. There were no major deficiencies noted.

Unfinished Business: Welch reported on a settlement reached with Scientific Games for liquidated damages to the State from the unscheduled shut down of the floor on New Year's Eve. Bill Stokes reviewed the complaint and explained that we were going to accept the Scientific Games proposed figure to avoid costly litigation.

New Business:

Complaint #032010-01- Welch outlined the case of a 19-year-old female who was summonsed for Theft before she made out her application for licensure. The female answered Question #17 "no" indicating that she had not been the focus of any police investigations. Det. Armstrong also spoke relating to the Board that he para-phrases this particular question to all applicants since it is a rather broad question. The female also gave him a verbal no answer.

Welch recommended a 2-year suspension of license for the female in this case. The 2-year period would mean the female would be 21 years of age and would not need a license to be on the game floor as a beverage server.

MOTION: Suspend the female's license on facts outlined by Welch-Laliberte

Second: Stickney

Vote: 3-0.

Promotional Credits: Request for Review

A request from Hollywood Slots had been made to review the use of taxing promotional credits.

Welch explained that promotional credits are like coupons issued by retailers. Welch further said that promotional credits are non-taxable and have no cash value.

John Osborne, GM of Hollywood Slots, addressed the Board and said that coupons encourage people to come in and play at Hollywood Slots. Osborne said that promotional credits being used as non-taxable income would put Hollywood Slots on a more level field.

William Stokes, Deputy Attorney General, gave an overview of the program and a decision that was reached in March of 2010.

Stokes had written a letter to State Senator Sara Stevens on February 12, 2010 that outlined the history of promotional credits and their status. Stokes remarked that the State Legislature approved promotional credits and directed that they not be counted as part of the gross or net income.

In September of 2009, the Board approved the use of the promotional credits after confusion about the Executive Director having power to approve them.

The Board approved the promotional credits to be used after 10/1/09 only if they were taxed. The issue was if the Board's Central Monitoring System could capture the credits "in real time using on line inquiry" that was required by Maine Statute.

The Central Monitoring System captures final data for the day.

In the letter to Rep. Stevens in February of 2010, Stokes advised that creating a separate column to represent the promotional credits would be expensive. At that time the Attorney General's Office felt that the Central Monitoring System was not capable of capturing the data.

A meeting was held on 3/9/2010 with the legislative delegation from Bangor. Information was presented to Stokes that the information on promotional credits was being captured and reported separately.

Stokes said that the Auditor was able to identify promotional credits from the Central Monitoring System reports.

Scott Woods, State Gambling Control Board Auditor, said that he daily checks the Central Monitoring Report with the reports submitted by the Slot Operator. Woods said that the credits are in \$5 increments and he separates promotional credits and machine variances to see the amount of promotional credits used. Woods said that he is able to daily identify the promotional credits.

Stokes continued that he went back to his office after the 3/9/10 meeting and drafted his opinion into a letter dated 3/17/10 stating that the transactional data is being electronically captured by the Central Monitoring System even though it requires a manual manipulation of the data to arrive at the final numbers.

Stokes feels that the Board would be within its authority to approve the use of promotional credits. The information is being captured and would do a disservice to legislation to stop using them just to have another column added to the report.

Board member Laliberte asked Scott Woods how long it took him to reconcile the reports to show promotional credits used. Woods advised about an hour.

Board member Laliberte asked John Osborne if any other state restricts the use of the promotional credits. Osborne reported that Maine is unique at taxing slot revenue at 1% on Gross and 39% on net income. The tax structure makes it difficult to take out credits.

Bill Stokes further stated that real time monitoring is the ability to go into machines and check machine status, not financial reporting.

MOTION — Motion of allow the use of promotional credits as outlined in the 2/10/10 and 3/17/10 letter of opinion by William Stokes. (NOTE: Motion revised further in meeting under Public Comments – Commissioner Jordan)- Joe Laliberte
Second – Stickney

Vote: Approved 3-0

Chairman McHale thanked Mr. Stokes for his hard work and said that the legislative intent on promotional credits is clear.

Public Comments:

1. Peter Martin representing Black Bear Entertainment said that Oxford County Casino would go out as a singular issue on the November Ballot. Martin explained the actions following the public hearing in front of Legal and Veterans Affairs Committee regarding teaming up with the Passamaquoddy Tribe and Hollywood Slots. Martin said that in the Oxford County Bill they are writing off the 1% on gross wagering and the tax is mystifying.
Martin reported that the request for a competing measure was to no avail and Oxford County would go forward on their own.
2. DPS Commissioner Jordan brought to the Board's attention that the motion on promotional credits should make Stoke's 3/17/10 letter as the controlling document.
MOTION- Make the 3/17/10 letter the controlling document regarding promotional credits by Laliberte
Second by Stickney
Passed: 3-0.
3. Maine Representative Sara Stevens wanted to thank everyone who worked on the promotional credits issue.
4. Mr. Fritz Spencer of the Christian Civic League Record asked if Penn National had ever been investigated regarding ties to organized crime? He was advised that they had been to obtain license. Mr. Spencer said that he has information from the Internet that Mr. Steve Wynn is related to organized crime. Mr. Spencer was advised that Mr. Wynn was never employed by Penn National Gaming.
5. Mr. John Osborne of Hollywood Slots addressed the Board to advise that Hollywood Slots had been selected by the VFW as the best employer in the State of veterans. Osborne also explained that Facilities Supervisor Mike Morris had been recognized as the best supervisor of veterans.

The next meeting date was selected as 5/19/10 at 1230.

Mr. Laliberte wanted it noted that he felt that the 1% tax on gross income should not be looked upon as a negative.

MOTION: to adjourn - Laliberte,
Second – Stickney
Vote: 3-0

Meeting was adjourned at 2:00 P.M.

Respectfully Submitted,

Robert Welch