

**PRE-PROPOSAL CONFERENCE SUMMARY**  
**VIDEO LOTTERY OPERATION LICENSES**  
**RFP #2009-0101**

**January 12, 2009**

At approximately 10:00 a.m., Mr. Buddy Roogow, Director of the Maryland Lottery, on behalf of the Video Lottery Facility Location Commission (“Location Commission”) and the Maryland Lottery Commission (“Lottery Commission”) welcomed everyone to the Pre-Proposal Conference for the Video Lottery Operation Licenses RFP #2009-0101. The proposals for the licenses will be forwarded to the Location Commission. Mr. Roogow introduced the Procurement Director for the Lottery - Mr. Robert Howells.

Mr. Howells stated this Pre-Proposal Conference is being conducted by the Video Lottery Facility Location Commission for the Video Lottery Operation Licenses. The Location Commission is an entity that was created by the VLT law which was passed by referendum on November 4, 2008. It is a seven member Commission. Three of the members were appointed by the Governor including the chairperson who is Mr. Donald Fry. Two members were appointed by the Speaker of the House and two members were appointed by the President of the Senate. They held their first meeting on December 18, 2008. Part of the VLT law required that the Location Commission be staffed jointly by the Lottery and the Department of Legislative Services. He introduced those present: Paul Dorsey, Director of Policy and Development for the Lottery; Rachel Hise and Ryan Bishop from the Department of Legislative Services; Bonnie Kirkland and Robert Fontaine from the Office of the Attorney General; Marie Torosino; and Ella Pierce, a member of the Location Commission.

Mr. Howells asked that if anyone did not sign in to please do so before leaving and reminded the attendees to sign-in or clip their business card on the sign-in sheet. If there are minority businesses, please indicate this on the sign-in sheet. Mr. Howells indicated that there are a number of MBEs present today and asked them to show a raise of hands, and explained that prime vendors and potential subcontractors should take advantage of this opportunity to network. After the meeting, MBEs should feel free to place business cards or other marketing materials on the side table.

Mr. Howells stated that a Summary of the Pre-Proposal Conference, the Location Commission's complete and final answers to the written questions previously submitted and questions asked at the Pre-Proposal Conference and any amendments to the RFP, if necessary, would be sent to the attendees and to any other entities who were sent the RFP or who are known to have obtained a copy of the RFP. This information will also be published on the e-Maryland Marketplace and Lottery websites.

Mr. Howells reviewed the roles of the Location Commission and Lottery Commission. The Location Commission was created for the purpose of receiving the proposals for the facilities, evaluating those proposals and awarding the facility licenses for the potential

five facility locations. The Lottery Commission has the role of issuing the licenses to the facility operators as well as all the employee licenses and any manufacturers' licenses. The Lottery Commission also has the responsibility for the ongoing regulation of all the licensees and to own and operate the machines and the central system. When proposals are received on February 2, 2009, the Location Commission will perform the evaluation of the proposals for the facility sites. The Lottery Commission will review the applications to qualify the applicants to hold a license and forward their recommendations to the Location Commission as to whether or not the applicants are qualified. The Location Commission will then make a recommendation for the award of the facility license.

Mr. Howells gave an overview of the Agenda for the Pre-Proposal Conference, stated that the Location Commission encourages and welcomes questions, comments and feedback from the vendor community, but please understand that we cannot change State law. The Location Commission had received several written questions prior to the Conference. Although we will attempt to answer some of these questions today, the responses given verbally today by State representatives are not binding upon the State, are for informational purposes only, and are subject to later written clarification. Should substantive issues be raised which cause changes to be made to the RFP, a written Amendment to the RFP will be issued. No changes to the RFP are effective unless contained in a written Amendment issued to all parties.

Mr. Howells stated as we go through the RFP today, please feel free to ask any questions.

**Question:** Will the Location Commission and the Lottery Commission be working together or separately? Will they exchange information during this process?

**Answer:** The Lottery Commission has the primary function of reviewing the applicant's background and fiscal stability to make a determination whether the applicant is qualified to hold a license for a facility. The Location Commission is site specific and will be looking at the facilities proposed for the locations. The Lottery Commission's role is to tell the Location Commission whether or not the applicant is qualified or is not qualified to hold a license. Both Commissions will be sharing information as necessary.

**Question:** No location has been set so far as we speak today or are there potential locations, preferred sites?

**Answer:** There are two specific locations – Baltimore City and Rocky Gap--which are set. The other three locations are open for the Offerors to propose, within certain boundaries as specified in the Law.

**Question:** The questions that were submitted in writing in anticipation of this meeting, should those questions be asked or do you anticipate addressing them as you go through the RFP?

**Answer:** You do not have to ask those questions again. A number of questions were received prior to the Pre-Proposal Conference. As the RFP is reviewed, I will try to

indicate that a question was received on a certain topic even if we do not have the answer yet. All of the questions will be responded to in writing

**Question:** Who will have ownership of the actual facility?

**Answer:** The facility operator - the licensee will control the facility.

**Question:** The licensee may not necessarily be the owner of the actual facility. Who is going to be the owner?

**Answer:** The licensee will be in control of the facility. Their method of ownership is something that will be explained in their proposals and will be reviewed by the Commission. It is conceivable the licensee could either lease or own the site.

**Question:** Who will have the right to go out and obtain the other working entities that the operator needs such as janitorial services, actual operators, etc.?

**Answer:** The license holder will operate the entire facility and be in control of the facility. It will be their responsibility.

**Question:** Who will own the machines?

**Answer:** The State Lottery Commission will either own or lease the machines.

**Question:** If the State owns or leases the machines, will they own/lease them with or without maintenance.

**Answer:** Maintenance will be included with the lease or ownership of the machines.

Mr. Howells stated if there are any site specific questions with regards to the Baltimore City or Rocky Gap locations, those questions will be deferred to Baltimore City or to DNR and MEDCO. We have received questions in writing that are site specific to those locations. If there are any additional questions, please see me after the meeting.

Mr. Howells then began review of each Section of the RFP

## **SECTION I. INTRODUCTION**

**Question:** Previously a statement was made that you cannot change State law. Could you elaborate on that statement?

**Answer:** We want your questions and feedback. RFPs can be amended based on the questions received, and sometimes are, but we are a State agency and have to operate under State law. If you ask a question about why does the law say this and why do we have to do it this way, quite simply the answer is, it is the law and we cannot change it.

**Question:** What is the definition of “within two miles”? Is that the property line or the gaming floor?

**Answer:** We will provide a written response to that question.

**Question:** Does it require two applications if we are submitting them for two locations in a jurisdiction? Would there be two license fees?

**Answer:** You would submit a single proposal and in that proposal you would submit one application and separately describe the two locations. The Initial License fee would be based on the maximum number of VLTs being proposed, for either site.

**Question:** Can you define ownership for purposes of this section?

**Answer:** That question was previously received in writing and it will be responded to in writing.

**Question:** Can you explain further the 10 year renewal period for the operation license?

**Answer:** I don't think we can explain it any further. That is what is stated in the law.

**Question:** It was stated in the RFP that an application needs to be submitted one year prior to the renewal. As an operator, should we expect a large capital expenditure in year 16?

**Answer:** It says in the law that a fee as provided by the Legislature may be charged.

**Question:** Will you offer any guidance?

**Answer:** We can not give any guidance at this time other than what is stated in the Law.

**Question:** Is the 15 year term statutory?

**Answer:** Yes, it is in the law, as is the 10 year renewal.

**Question:** If you went through multiple locations and you maxed out the 4,750 slots for one location, would that cover any other locations or would you have to put the money down on each location. If you can only be awarded one site, would that 4,750 on one site be able to cover the other four applications or two applications?

**Answer:** If you are going to submit a proposal for the five different locations, then you need to submit an initial license fee for each of those five locations because it is based on the maximum number machines in each location. If you are going to submit for two sites within one location, then you need to submit a fee for the maximum number of machines that you were asking to be licensed for. If, for example, you said for one site you would propose putting in 2,000 machines and for another site you would propose putting in 1,000 machines, you have to pay the fee on the 2,000 machines.

**Question:** Where will the game decisions be made for each unit? Is that at the control system or a random number generator? The spin of the handle is that done at the box or is that done at the central system?

**Answer:** This question will be deferred and answered in writing.

**Question:** We understand that it is a technical question and you are not prepared to answer it at this time. You are asking us to make a submission to build a facility that will have random generating equipment in it that will drive how well our facility performs. Can you give us any guidance as to what the nature of the games will be, as to what the timing will be? Can you give us any comfort that we, as operators, are asked to operate games that may not be competitive that we can withdraw from the process?

**Answer:** The VLTs will be acquired through an RFP process handled by the Lottery Commission. The distribution, the type of machines that will be determined or provided to each location will be made with the advice of the facility operator. The final determination as to what machines will be put into each facility has not been made as yet and will not be made until the determination of the costs.

**Question:** Would it be reasonable then for an operator to withdraw that location if the determination by the Lottery Commission of the types of games might not be adequate and meet the operator's projections?

**Answer:** We have received written questions in that area and will respond in writing.

**Question:** Will the responses be received before February 2, 2009?

**Answer:** Yes, probably by the end of this week.

**Question:** So that would also include the recycling of those machines over the 15 year life of the license?

**Answer:** Yes.

**Question:** Will the written responses be e-mailed also?

**Answer:** Yes. They will be e-mailed, and posted on eMarylandMarketplace and the Lottery's website

**Question:** Regarding the acquisition of the VLTs could that be a multiple vendor award?

**Answer:** We cannot answer that at this time. It is a possibility, but we have not made that determination as yet.

**Question:** With respect to machine selection, does the Lottery Commission control that?

**Answer:** Facility Operators will be included in the process of the VLT machine selection. It will be joint process. Vendors will be offering a wide selection of VLT machines.

That will not necessarily be determined until there is an operator to advise on the selection of the machines. We realize that facility operators are looking for the best possible machines out there that are going to attract the most customers.

**Question:** Have you decided on what the payback percentage is going to be or have you decided if you go out for machines what the percentage of participation games split on that or if you have a multi-progressive meter what the split on that will be for what that will be for the \_\_\_ \_\_\_ meter to what State is going to pay to what the vendor takes, is that been do you have that finite amount of statewide progressive for games similar to Mega Bucks, something like that?

**Answer:** The minimum payout percentages either for machines or for the facility is described in the statute. The Lottery Commission does have some flexibility in that to promulgate regulations.

**Question:** When you enter into an agreement with the vendor, are you allowing progressive or not allowing progressive machines?

**Answer:** We contemplated the progressives. As to the split and determination of it, I think that has to wait until the proposals are received. However, we are as interested as you are in being as flexible as possible to allow the highest possible return to the State. I don't think we can get much more specific than that to the level that you would probably like in answering this question.

**Question:** Is the Baltimore City site set or is it flexible?

**Answer:** The Baltimore City site is required by law to be on city owned property that has been designated.

**Question:** Regarding the VLTs and the other equipment, what can the applicants assume while they are putting together their financial proposals if there will be any charge backs to the applicants based on the procurement of the equipment, central system, games?

**Answer:** We have received written questions in that area and will respond in writing.

Mr. Roogow stated he wanted to be a little clearer on the VLT machines. In your proposals, you can submit what you think the term would be and what kind of machines you are requesting that might be provided.

**Question:** The Lottery is going to own or lease the machines and the software. Does that include the back end accounting system or marketing system or third party system?

**Answer:** The player tracking system will be operated by the facility. The Lottery will control the central monitoring system.

**Question:** But you will have to purchase the vendors system?

**Answer:** No, the central system will be the Lottery Commission's own accounting system.

**Question:** But each vendor per say has a marketing system that will be for the owner to have the ability to pick the system they would like to use, could you procure that or the State will not procure that marketing system? That is sometimes entwined with the accounting system as well?

**Answer:** There must be communication between the systems. The State will not secure a marketing system.

**Question:** So the facility owner will be responsible for their own marketing system?

**Answer:** Yes.

**Question:** It was stated that the Lottery Commission shall provide consumers with a record of their spending levels, if marketing measures are used to track consumer spending at the facilities. That seems to indicate that the Lottery Commission will have access to the marketing system. How is the Lottery going to be sending out those spending levels?

**Answer:** If you can tell us, we can make regulations that say you have to hand it over to them if they ask for it.

**Question:** You say the Lottery Commission shall do this?

**Answer:** We have the terminology (technology?) to do that through provision of the information, the facility operator through their own system.

**Question:** Will that be something that every consumer has to receive or is that going to be an optional report that they can request? Every patron who is in the marketing system, will they necessarily receive that or is that something they can opt to receive?

**Answer:** That was provided through the State government.

**Question:** The record of the spending levels. Patron opt in?

**Answer:** It would be public information.

**Question:** Who is responsible for the certification of the games and equipment?

**Answer:** The Lottery is responsible to find the best possible way to certify those machines.

**Question:** Will the provider of the VLTs be required to have minority participation. Will the facility operator also be required to have minority participation?

**Answer:** Yes and further details are in the Minority Business Enterprise section of the RFP. The procurement of the VLTs and central system will be done according to normal State Procurement procedures and will comply with all State Procurement laws and requirements including MBE. The specific goals have not yet been set.

**Question:** If the Offeror were to apply for less than the statutory amount of machines in a location, is that acceptable?

**Answer:** Yes, and that will be part of the evaluation process.

**Question:** What would the process be, for example, if an applicant would apply for only 1,000 machines in Cecil County, for the other 1,500 machines? If we came back to the Lottery Commission 18 months later after the facility opens, what would be the process?

**Answer:** The Lottery Commission reserves the right to decide what to do with the machines. They could all be allocated. If they are not all allocated, then more could be provided.

**Question:** So using that example, if we applied for 1,000 machines and submitted the \$6 million license fee then the risk on the operator is that they may not get anymore?

**Answer:** You may not be only applicant. If another applicant comes forward with a different proposal, they will also be evaluated. We want the most successful program for the State and for the facility operators. It is possible that they could be distributed if it is determined they could be effectively used somewhere else.

**Question:** In some cases, will an application for less than those allocated to that region be considered?

**Answer:** Yes, it would be considered and evaluated by the Commission.

**Question:** Does the Lottery Commission anticipate a process for additional capacity of VLTs at any of the licensed facilities?

**Answer:** Not in excess of the amounts provided by law.

**Question:** If we apply initially for less than the amount allocated in the law, what should we anticipate as the process for coming back and getting the rest?

**Answer:** If the Lottery Commission receives requests to put additional machines in other location as provided by the law, it could be considered if those machines are available because the proposal did not include all the machines. We cannot answer it much more directly because we do not know all the variables. It is in our interest to have the most successful program possible. We are going to seek the advice of the facility operator for each location as to the machines that should be provided. We expect to receive general bids from the various machine manufacturers with the costs of the machines to lease or purchase.



**Question:** Does the \$25 million capital expenditure requirement for the 500 machines include land acquisition costs?

**Answer:** Yes.

## **SECTION II. BACKGROUND OF VIDEO LOTTERY PROGRAM**

There were no questions.

## **SECTION III. REQUEST FOR PROPOSALS TERMS AND CONDITIONS**

Mr. Howells stated a number of questions have been received regarding Section III and they will be responded to in writing.

**Question:** With respect to the register of proposals, will you disclose the name of the applicant or any other known partners of the applicant?

**Answer:** The name of the applicant, Officers, Directors and Principals, as stated in the RFP.

**Question:** With regards to the Oral Presentation, will they be open to the public?

**Answer:** They will be public presentations. The Location Commission being a public body is required to hold most of its normal meetings in an open session. There are limited exemptions where they can close the session and hold private meetings. If we are going to be discussing some detailed financial information or private confidential information, we would not expect an applicant to do that in a public session.

**Question:** When do you expect to issue the answers to the questions that were submitted?

**Answer:** Responses will be issued this week.

**Question:** Language in the RFP states “of at least \$3 million”, does that mean you can submit higher amounts?

**Answer:** Yes. You can submit more than that as part of your proposal and it will be evaluated.

**Question:** This may be for Section VII, but would that also be for local entitlements, zoning, types of things that would typically \_\_\_ of the five \_\_\_ are in various stages of the process. Contingency, financial, potentially contingencies you are considering are there others?

**Answer:** We have received a question to that effect and it will be responded to in writing.

**Question:** Are there any circumstances when any of the information related to officers in the multi-jurisdictional form would be released under a Public Information Act request?

**Answer:** The only time would be if there were some sort of Court Order. Not under a Public Information Act request.

**Question:** Would it be safe to assume from an applicant's perspective that the multi-jurisdictional forms and those individual questionnaires would be treated confidentially?

**Answer:** Yes.

**Question:** How will the Office of Minority Affairs handle the MBE Compliance process?

**Answer:** Mr. Howells stated there was staff from the Governor's Office of Minority Affairs (GOMA) present at today's Pre-Proposal Conference. He introduced Ms. Lawanda Jenkins who is the Secretary of GOMA. She provided background information about GOMA and reviewed GOMA's role during this process. She introduced the other two staff members that were present from GOMA. Mr. Howells then continued the review of the MBE Section of the RFP.

**Question:** In your statements you said there would be a possibility of acceptance of a waiver if the company says they cannot meet the MBE criteria. Would GOMA have oversight on those applications that are submitted with the waivers?

**Answer:** Yes. When the proposals are received, GOMA will have a role in looking at the MBE participation portion and be involved as a consultant to assist with those issues, as necessary.

**Question:** Since in any type of format when things are taking place there is a lot of public oversight on some of the processes, we are finding as minority participants that we are hearing or seeing things that are alluding to the fact that there are not sufficient MBEs out there who are applying for this subcontracting, is there going to be an avenue that we can come back and say we are challenging some statements that are being made by the applicants. Because in the past there has been a disproportionate number of contractors who come in and say they are not getting enough MBEs participation and therefore cannot meet the criteria. Who is to say that they have actually gone out and solicited or participated in activities for MBEs?

**Answer:** Anyone who requests a waiver from any of the established goals has to submit that waiver request with the supporting documentation which would then have to be reviewed and approved. In this case, if a waiver request is involved with the initial application process then GOMA will be involved in the review process.

Ms. Jenkins stated we intend to do a more focused minority business outreach session on this project once we get past the February 2, 2009 pre-qualification hurdle. We want to encourage the pre-qualified applicants who will be vying for the five licenses to have an

opportunity to meet MBEs and do a relationship building. They plan on doing a business outreach.

**Question:** How much credit or importance is give to minority participation?

**Answer:** It is an evaluation criteria that is specified in the law and is one of the criteria that the Location Commission will be reviewing.

**Question:** If a minority group is strong enough to be your primary bidder based on the \_\_\_ that all three exist is their sub or minority or partner what kind of strong position would they have?

**Answer:** I cannot comment on the way the Location Commission will be conducting their evaluation. The factors that they will be using and the general weighting of those factors is specified in the law and specified in the RFP.

**Question:** If a minority ...

**Answer:** The law does not specify anything else than what is in there. It does not give any specific weights of each individual factor. I cannot give you a definite answer for that. It is part of their evaluation process.

**Question:** Does the law speak to certified minority businesses being in the State of Maryland?

**Answer:** Yes. That is the Certified Minority Business Enterprises we are referring to. They are certified by the Maryland Department of Transportation, and Baltimore City. They have to be certified in Maryland.

**Question:** Baltimore City certified MBEs could not prevail around the State, just Baltimore City?

**Answer:** Yes.

**Question:** In the determination of the overall MBE goal, I see 35%, 35%, 25%, 25%, 25%. Is that based on what the proposal intends to spend, the total spending, including the cost of the land?

**Answer:** We have a received a question on this and will respond in writing.

**Question:** In some cases it may a price paid in those other locations other than Baltimore City and Rocky Gap. There may be a cost to purchase the land, plus construction plus all design, plus consultant. If you are weighing it out and it comes to a half billion dollars, is that 35% of a half billion dollars or how would you determine that?

**Answer:** The law reads construction and other related procurements. We have some questions about this and we are in the process of trying to clarify the exact process. We

would not anticipate that purchase of land would be something that you could impose an MBE requirement on. We will clarify that.

**Question:** Why in Baltimore City and Anne Arundel County is the MBE goal 35% and everywhere else it is 25%?

**Answer:** Ms. Jenkins responded that GOMA applied traditional goal setting standards for providing what we thought would be aggressive yet realistic goals on this project. In the case of Baltimore City and Anne Arundel County, when you look at the size of the project, mainly the number of VLTs that are going to be approved for this site that we also take into account the close proximity and volume of MBEs who are available specific to Anne Arundel. In the case of Baltimore City, that was dictated in the Legislature. The MBE goal for Baltimore City is 35% which is higher than Maryland's MBE goal. Our approach was to look at how to be aggressive and realistic in providing opportunities to MBE on this project. In rural areas, Cecil, Worcester and Allegany Counties, we felt an obligation to set a minimum goal for this project.

**Question:** There are types of inclusions such as professional services, construction, goods and services, etc. There are surety bonding requirements and other insurance requirements. If an Offerer would utilize any of these firms in those areas, would that be part of your determination of the MBE?

**Answer:** That would be part of the proposal that the applicant would be submitting outlining how they intended to meet the MBE requirements and in what service areas and categories. This would be subject to review by the Location Commission.

**Question:** You said the State will either own or lease the actual machines that will go in the facilities. Does the State intend to seek MBE inclusion on the machinery portion since the operators may not own them?

**Answer:** The procurements of the machines, the central system, consulting services, and all the other things that will be done relative to the VLT Program will be done in accordance with normal State procurement procedures and would have MBE participation goals established. I do not know what those goals will be at this point.

**Question:** Do MBE certifications have to be provided in the State of Maryland?

**Answer:** Yes. They must be Maryland certified MBE firms.

**Question:** What if a company is certified outside of Maryland.

**Answer:** They would not count towards the minority participation goal. They can be used, that would be good, but they would not count towards the MBE goal?

**Question:** But the State has certified here as a foreign entity?

**Answer:** The Lottery does presently have firms it deals with that are not based within Maryland. They can get certified.

**Question:** Does the submission of the D.1 form with the supplemental envision executing written contracts with subcontractors contingent upon award of the license such that we would have to have executed written subcontracts as of April 15, 2009?

**Answer:** I do not think we will be that far enough along. We want you to identify the MBEs you are planning on using at that point.

**Question:** The solicitation requirements speak to identifying specific subcontractors we would seek and then solicit. Speaks to soliciting those providing written notice at least ten days before the bids with detailed instructions as to how to bid. Asking to make personal contact and finally work out fulfilling or waiving bonding requirements. Those are significant steps towards getting to a place where it seems we can provide to the best extent we can by April 15, 2009 what we have done towards identifying a pool of MBEs that we would initially utilize. But it does not seem we will be in a position by April 15, 2009 to execute the contracts?

**Answer:** We have received questions on this Section of the RFP and will respond in writing.

**Question:** Relative to submitting the D.2 form for the participation schedule, it does not seem that by April 15, 2009 we would be able to identify specifically what certified MBEs would be participating because we do not know whether we have been awarded a license. We will not know what contracts we would have executed or provisional at that time.

**Answer:** We will provide you with additional guidance in this area.

**Question:** Relative to the MBE goals of 25%, 10%, 10%, do they flow downward through each tier of a subcontractor you may utilize. For example, if you have a primary subcontractor that is a certified MBE in the State of Maryland through which all of your construction and related costs are say 45% of your related construction will go, does that satisfied the percentage or are you required to meet those goals through each tier and how comply with the solicitation process, the waiver process, the unforeseen circumstances and all that through the tier of subcontracting that you deal with up front?

**Answer:** Could you give us that in writing to address that further. Mr. Howells stated the Lottery does not do construction contracts and that he personally does not have the experience with construction to try and answer that question.

**Question:** In the solicitation process it speaks to providing detailed instructions to MBEs of how to submit bids. Is there a template for such detailed instructions through GOMA or DLS or the law?

**Answer:** Ms. Jenkins responded there are prototype bid instruction documents used in State Agencies that have Capital Construction Projects and she we will share those with anyone interested.

#### **SECTION IV. REQUIREMENTS OF LICENSE AND LICENSEE**

**Question:** You asked that we quote a rate not greater than 33%. Can we assume that any expenses other than those mentioned in the RFP will be the obligation of the State's 67% involvement?

**Answer:** We have a question to that effect and we will answer that in writing.

**Question:** Section 4.12 the State will have control over the central system .....

**Answer:** Can you send me that in writing so I can give you a specific answer on that.

**Question:** Relative to Section 4.11 on page 39, it speaks to all subcontracts requiring prior written approval by the Lottery Commission. Will that apply to all subcontracts through the tiers of subcontracting?

**Answer:** The Lottery Commission has responsibility for the oversight of everything.

**Question:** Would this be the same in Section 4.28 for the approval by the Lottery Commission of any additional insurers.

**Answer:** Yes

**Question:** Is there a specific contact point within the Lottery Commission that handles this.

**Answer:** Mr. Robert Howells is the contact person.

#### **SECTION V. LICENSES-APPLICATION FORMS, REQUIREMENTS, PROCEDURES**

**Question:** In Section 5.3, are housekeepers and cooks and other types of employees also going to be required to be licensed employees?

**Answer:** We have a received a question on this and will respond in writing.

**Question:** Are there any numbers that are known for the operational costs for running the races at the Laurel Racetrack?

**Answer:** We do not have that information. You will have to direct that question to Laurel Racetrack or the Maryland Racing Commission.

#### **SECTION VI. TECHNICAL SPECIFICATIONS/SCOPE OF WORK FOR VIDEO LOTTERY FACILITIES.**

There were no additional questions.

## **SECTION VII. EVALUATION AND SELECTION PROCEDURE**

**Question:** The proposal that is submitted on February 2, 2009, knowing that all the information may not be able to be presented, will the evaluation process take place after April 15, 2009?

**Answer:** The evaluation process will begin on February 2, 2009. As the Location Commission looks at the proposals and finds a piece of information is not there, it will have to be deferred until the information is received. It will be a continuous process. The portions that need to go to the Lottery Commission for the review of the applicants for licensing will also begin. Give us as much information as you can on February 2, 2009. What we envision was that the information about the facility is what you would need some time to put together. The information that we ask you for about your organization, background, personnel, legal structure, and background experience, it is assumed that most of that information is available and you will be able to give us on February 2, 2009. We envision the facility piece as being what you need more time for.

**Question:** Do you envision that by the April 15, 2009 submission, all local level approvals would have been received?

**Answer:** Not necessarily. If you look in Section VIII regarding the awarding of the license, we have some language in there that says that the Location Commission will award the license but the license will not be physically issued until certain things are done. This will be on a case by case basis based on what you present to us and what your timetables are for getting there.

**Question:** You ask for timetables, but there are some things that are not in our control?

**Answer:** If, for example, you tell us they are not going to have a zoning meeting until three months from now, let us know in the timetable. We understand you may have no control over it, but you should have some idea of when it is going to happen.

**Question:** In Section VII, there is notation about exceptions, can you help us understand what the reaction will be to those?

**Answer:** I cannot tell you what the reaction of the Location Commission will be. It will be reviewed on a case-by-case basis. We are trying to indicate that taking exception to the State's requirements is not a good thing. That could cause difficulties as we go down the road on this.

**Question:** If we were to submit an application stated we are submitting it with a right to withdraw at anytime for our own reason, do you view the license fee that we are being asked to put up on February 2, 2009 as non-refundable for 365 days regardless of the circumstances that we, as developers, run into?

**Answer:** We have a received a question on this and will respond in writing.

**Question:** Section VII. Parent Guarantee. As an example, a public company that created a Maryland subsidiary for purposes of submitting this application. Do you have sense of what that guarantee is expected to cover and whether it is required?

**Answer:** We have a received a question on this and will respond in writing.

**Question:** Section VII, applicant's Human Resource, Labor and Employment History, it is unclear whether it should be submitted along with the application or as a supplement proposal?

**Answer:** We have a received a question on this and will respond in writing..

**Question:** Also in Section VII, the \$25 million capital expenditure, can you provide us what you see as facilities on the campus, facilities inside the four walls...?

**Answer:** We have a question on that and you will be receiving a written response.

**Question:** Going back to the operator question, which is all important in having to form a pro forma and having the Lottery Commission play such an important part in the selection of the VLTs that he asked to reflect, some of these vendors, the real responsible ones in making a vendor lease, include clauses that act as a safety net that if we choose the wrong mix and a specific type that you specify in the mix does not produce a profit and there other machines that you made the right selection that are producing way above the minimum, they have the responsibility to replace those machines. Are you going to insist on that?

**Answer:** The answer is that we will continually make an evaluation of the success of the machines on the floor as they do in other locations. That evaluation will done in concert with the facility operator.

**Question:** Does the vendor have the responsibility of replacing the mix to attain productive profit minimum?

**Answer:** The RFP has not yet been prepared for the acquisition of the VLT machines, but that will probably be a consideration.

**Question:** For the purpose of what we are going to submit, should we go through Section VII and answer everything in there?

**Answer:** Yes. If there is anything in there you cannot address on February 2, 2009, then address it on April 15, 2 009.

**Question:** Section 7.3.5 Applicant's Response to RFP Requirements, can you clarify what it is you are asking for in this Section?

**Answer:** That is a typo, probably should be Section VII. We will check on that.



**Question:** Do you envision that electronic table games will be available in the State of Maryland?

**Answer:** We have a received a question on this and will respond in writing..

**Question:** Do you envision the whole percentage to be applied on a house average basis?

**Answer:** Minimum house average and game per game.

**Question:** It has been requested that odds are posted in the facility. Do you expect odds to be posted in the facility, on the games or at a central location?

**Answer:** We have not determined how that is going to happen as yet.

**Question:** The definition in the front of the RFP identified that the net proceeds be transmitted to the State on a daily basis, any promotional play that is given away to people who are member of the Players Club. Is there any provision or clause and there is a statement that says that will be revisited and then governed by the Lottery Commission as future data. Any comments on what the policy or thoughts are in that regard?

**Answer:** That is almost verbatim out of the law and I do not think we are in a position to make any further comment on it at this point.

**Question:** How about the ability of using points or play for other benefits of free play like food, beverage and other prizes, other expenses that are related to generate revenues?

**Answer:** The law specifies that as well. There is no free food or beverages allowed.

**Question:** Many players/customers they think the points are free and use points as either money in the machine or money for a dinner. One could argue the free point someone could put \$1,000 in the machine?

**Answer:** I think we are talking about people walking around giving food away. We are not talking about use of points to trade for goods and services.

**Question:** Is that something contemplated?

**Answer:** That is a marketing decision that the facility operator I assume will contemplate.

**Question:** Is there any regulation regarding cash back?

**Answer:** No contemplation of a restriction.

## **SECTION VIII. EVALUATION AND SELECTION PROCEDURES.**

There were no additional questions.

Mr. Howells then provided the attendees with a final opportunity to ask any questions regarding the entire RFP or process. No additional questions were then asked:

In conclusion, Mr. Howells stated that a Summary of the Pre-Proposal Conference, Questions & Answers, and Sign-in Sheet will be sent to all parties as soon as possible. He also reminded the attendees that the Location Commission will accept additional questions after the Conference up until such time as it becomes impractical to research and distribute the answers to all parties.

The Conference concluded at 12:35 p.m.

Summary prepared by:

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