Colorado Limited Gaming Control Commission

Minutes of Public Session
May 24, 2012

Public Session

I. Call to Order

The May 24, 2012 meeting of the Colorado Limited Gaming Control Commission was called to order by Chairman Robert Webb at approximately 9:32 a.m. at the Division of Gaming office, 17301 W. Colfax Ave, #135, Golden Colorado. Commissioners Roger Hutson and Chuck Murphy were present, and a quorum existed. Commissioner Jannine Mohr was in transit when the meeting commenced and arrived at approximately 9:40 am.

Officials & Administrators in Attendance
Robert Webb, Commission Chair
Roger Hutson, Vice-Chair
Jannine Mohr, Commissioner
Chuck Murphy, Commissioner
Barbara Brohl, Executive Director
Ron Kammerzell, Director
Brenda Davis, Director of Administration
Laura Manning, Chief of Investigations
Ceri Williams, Assistant Attorney General
Geri Clerkin, Chief Auditor
Vickie Floyd, Controller
Jill Vaughan, Budget Director
Cindy Raiolo, Budget Analyst
Cameron Lewis, Public Information Officer
Flavio Quintana, Agent in Charge, Lakewood
Lad Sullivan, Agent in Charge, Central City
Gary Watada, Agent in Charge, Cripple Creek
Wendy Spaulding, Secretary to the Commission

II. Opportunity for the Public to Address the Commission

The Chair extended an opportunity for the public in attendance to address the Commission on any topic not on the agenda. No one came forward.

III. Consideration of Disciplinary Actions

Ceri Williams, Senior Assistant Attorney General presented the Orders to Show Cause in Case No. SC 12-07, In the Matter of Norma Jean Cartin, Support License #25202, Case No. SC 12-08, In the Matter of Douglas Michael Daugherty, Support License No. 39578 and Key License No. 40460, and Case No. SC 12-09, In the Matter of Jason Scott McCleary, Support License No. 22427; and the Order of Summary Suspension in Case No. OSS 12-09, In the Matter of Peter Jenkins, Support License #40666.

The Commission voted unanimously to approve and authorize the Chairman to sign the disciplinary actions.

IV. Division Financial Statement

Vickie Floyd, Controller, presented the Statement of Gaming Revenues, Gaming Taxes, and Expenditures (unaudited) for the nine (9) months ending March 31, 2012.

The Commission voted unanimously to approve the financial statement and authorize its distribution.

V. Continuation of Hearings for Proposed Amendments to Colorado Gaming Regulation 47.1-1401, Gaming Tax

The Commission voted unanimously to re-open the hearings on proposed amendments to Colorado Gaming Regulation 47.1-1401, Gaming Tax. Representatives of the cities and counties impacted by gaming provided the following information which was admitted into the rulemaking record:

Central City – Brenda Davis, Director of Administration for the Division of Gaming, submitted the annual report provided by the City of Central into the record as a representative from the city was not in attendance to present the information. In its report, the city requested the tax rates to remain unchanged for FY2013.

Black Hawk – Brenda Davis, Director of Administration, submitted the report provided by the City of Black Hawk into the record as a representative from the city was not in attendance to present the information. In its report, the city requested the tax rates to remain unchanged for FY2013.

Cripple Creek – Brenda Davis, Director of Administration, submitted the report provided by the City of Cripple Creek into the record as a representative from the city was not in attendance to present the information. In its report, the city requested the tax rates to remain unchanged for FY2013.

Gilpin County – County Commissioner Buddy Schmalz presented Gilpin County's annual report and stated that Gilpin County supports maintaining the current tax structure to help keep stability within the industry and the county.

Teller County – County Commissioner Jim Ignatius presented Teller County's annual report and discussed the two different revenue streams from Gaming; the direct distribution and the competitive grant funds through the Limited Gaming Impact program. The Commissioner stated that Teller County respectfully requests the tax rates remain the same for one more year to allow the industry to gain some footing and stabilize the employment rate.

Additional presentations were made by the following:

Anton Collins Mitchell LLP – Stacey Hekkert, Audit Partner, and Kristen Holthus, CPA, presented an overview of the Colorado gaming industry performance, gaming industry trends and compared the net revenues of the six tax tiers. Information was also provided regarding other components by tax tier including, AGP by device, average EBITDA, operating, payroll and marketing expenses and device fees.

Department of Revenue – Jill Vaughan, Budget Director and Cindy Raiolo, Budget Analyst, presented the Division of Gaming's FY 2012 revenue projections. The estimated FY 2012 revenue projections are based on 10 months of actual data and 2 months of projected data for the balance of the year. Total

AGP is estimated to be just over $761 million, with estimated total tax revenue of $102 million. The FY 2013 revenues are projected to be the same as FY 2012.

Colorado Gaming Association (CGA) – Mark Grueskin, Legal Counsel and Andy Hamblen, President of the Colorado Gaming Association, each presented a portion of the association's position on the tax rate. Mr. Grueskin presented the CGA's request to retain the current tax rate structure for Fiscal Year 2013.

Public Testimony
Members of the public were given the opportunity to testify regarding gaming taxes. No one came forward.

Certifications
The Commission certified that the following continuation budget requests for Fiscal Year 2013 were being considered by the Commission in setting the gaming tax rate beginning July 1, 2012: Department of Local Affairs, Colorado Bureau of Investigation, Colorado State Patrol, Colorado Division of Fire and Safety and the Colorado Division of Gaming. The Commission certified that the state agency program impacts were being considered by the Commission in setting the gaming tax rate starting July 1, 2012, and were deemed to be gaming-related.

Executive Session

The Commission voted unanimously to go into Executive Session pursuant to sections 24-6-402(3)(a)(II) and (III) and 12-47.1-527(1)(a) of the Colorado Revised Statutes to review confidential information related to gaming taxes of individual casinos, including reports from Anton Collins Mitchell LLP, the Division of Gaming and casino licensees with proprietary information specific to their operations, and to receive legal advice, if necessary.

Public Session (reconvened)

The Public Session reconvened at approximately 12:40 p.m.

The Commission voted unanimously to close the hearings on proposed amendments to Colorado Gaming Regulation 47.1-1401, Gaming Tax. The Commission publicly deliberated on the information and testimony it had received in April and May from the various state and local agencies, the testimony presented by the Colorado Gaming Association, and information received from Anton Collins Mitchell LLC regarding the current state of affairs in the Colorado gaming industry. Each Commissioner expressed his/her thoughts and considerations of the issue.

The Commission voted unanimously to reinstate the gaming tax rates that were in effect in FY2011, an increase of 5% in each of the six tiers.

VI. Consideration of Organizational Matters

Approval of Minutes – Minutes of the April 19, 2012, Public Session of the Colorado Limited Gaming Control Commission were approved as presented.

Directors' Update:

Barbara Brohl – Executive Director Brohl thanked the Commission on behalf of the Department of Revenue for its work and diligence in connection with the gaming tax hearings.

Ron Kammerzell – Director Kammerzell advised that diligent efforts were being made to find a replacement for the Law Enforcement member of the Commission that was previously held by Mr. Darr.

Executive Session
The Commission voted unanimously to go into executive session pursuant to sections 12-47.1-522(1)(a), 24-6-402(3)(a)(III), and 12-47.1-527(1) of the Colorado Revised Statutes to review confidential reports from the Division of Gaming.

Public Session (Reconvened)

VII. Consideration of Licensing Actions
The Commission voted unanimously to approve the renewal of the Retail License of American Gaming Group, LLC d/b/a Wildwood Casino at Cripple Creek with the following condition: Melissa Levinson cannot vote any of the Marshall Unit shares. The licensee, its owners and all associated businesses shall not enter into any future business relationships with Paul Marshall, the Marshall Family Trust, or any of its trustees; and to issue the renewal of the Manufacturer/Distributor license of Shuffle Master, Inc. The licenses shall expire two years from the date of their current expiration.

The Commission voted unanimously to issue the First Retail License for G Investments, LLC d/b/a Colorado Grande Hotel and Casino and Partners CC, LLC d/b/a Gold Rush Hotel and Casino. The licenses shall expire two years from the date of their issuance and are subject to the Standard Conditions for a Retail license.

David Minter thanked the Commission and Division for the approval of the First Licensing for G Investments, LLC d/b/a Colorado Grande Hotel and Casino. He then introduced his wife Arlene Minter who also has ownership in the property.

Joanna Walters, Managing Member, Gold Rush Casino, came forward to thank the Commission for the approval of the First Licensing of Partners CC, LLC and expressed her excitement in reopening the Gold Rush Hotel and Casino.

Adjournment – The meeting was adjourned at approximately 1:25 p.m.

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Wendy Spaulding, Secretary to the Colorado Limited Gaming Control Commission