

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION OCTOBER MINUTES

DATE: October 25, 2018

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Michelle Fager
Commissioner James Stakem

Gordon Medenica, Director
James Nielsen, Assistant Deputy Director, Chief Operating Officer
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy Counsel
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
John Mooney, Managing Director, Regulatory Oversight
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Kathy Lingo, Executive Assistant

OTHERS: Representative from Hollywood Casino Perryville
Representative from Ocean Downs Casino
Representative from Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Members of the Public and Agency Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, George L. Doetsch, Jr., Michelle R. Fager, Bert J. Hash, Jr., James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Michelle Fager, and James Stakem. Bert Hash was absent.

APPROVAL OF THE AGENDA

Chair Marriner reported that the Commissioners were provided with a copy of the agenda. Chair Marriner asked for a motion to approve the agenda. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner said the September 20, 2018, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Stakem moved to approve, Commissioner Doetsch seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains six new instant ticket games for the Commission's approval: #402 (\$1) \$3,000,000 Cash Payout; #403 (\$2) \$4,000,000 Cash Payout; #404 (\$5) \$15,000,000 Cash Payout; #405 (\$10) \$20,000,000 Cash Payout; #410 (\$2) Payday Multiplier; and #411 (\$3) Bonus Crossword. He said the Consent Agenda also includes EGD Games and Component Testing approvals for certified lab software, hardware and game certifications, VLTs, table game components and instant bingo machines for the period covering September 6, 2018 to October 11, 2018; Consent Agreements for Regulatory Violations at Hollywood Casino – July 2018; Horseshoe Casino – April 2018; May 2018; and June 2018; and MGM National Harbor – April 2018; May 2018 and June 2018; Gaming License Application Denials and Revocations; and Staff Reports from Gina Smith, Deputy Director, Chief Financial Officer; Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; James Logue, Managing Director, Gaming; Leo Mamorsky, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; and Robert Fontaine, Principal Counsel.

Chair Marriner asked if any Commissioners wished to remove any items from the Consent Agenda. There were no requests for removal. Chair Marriner asked for a motion to approve the consent agenda as noted above. Motion to approve was made by Commissioner Doetsch, seconded by Commissioner Stakem, and carried by a unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that September gaming revenue was up nearly 6%, with slot machine revenue up slightly and table game revenue up 20% year over year. Mr. Heiskell reported that Hollywood lost a day of revenue in October due to a planned shutdown of the facility that was necessary in order to accommodate electrical work. He explained that when the casino was constructed, the slot machines, surveillance system and IT systems were connected to a universal power supply that did not allow for a bypass in the event that repairs were necessary. While completing the necessary upgrades, the casino installed a bypass that will allow the facility to continue operating if such repairs become necessary. Mr. Heiskell said the planned shutdown was deemed a better option than

continuing to run the risk of a sudden electrical failure that would leave the entire facility without power. He reported that the work went well and that all systems were back up and running.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that September gaming revenue was up 13.9%, including 2.2% on slot machines, and the rest coming from table games. The casino continues to ride the wave of double-digit revenue increases on the strength of the table games. Ocean Downs lost revenue opportunities when the Delmarva Bike Week event was cancelled due to inclement weather. Ms. Sample also reported that recent road work near the casino temporarily made it difficult to access the property, but added that October has been going well, with slots revenues comparing favorably, year over year. Ocean Downs has had pink table game layouts and a variety other fundraisers in honor of Breast Cancer Awareness Month during October. November plans include a food drive and casino staff members serving Thanksgiving dinner at a local shelter.

Live! Casino & Hotel

Mr. Travis Lamb, Executive Vice President and General Manager, reported that September was a strong month, as Live! surpassed \$50 million in gaming revenue. Revenue was up over 7% year over year, driven by a 17% increase in slot machines. Mr. Lamb reported that table games and poker were down, but not as much as they have been previously. The Live! events center has hosted numerous recent events including a mixed martial arts match and a performance by comedian Tracy Morgan. Upcoming events include performances by Richard Marx, Sheila E., K.C. and the Sunshine Band, Carlos Mencia and two sold out shows for Patti LaBelle. Live! hosted a fundraiser for Breast Cancer Awareness Month with The Red Devils organization of Baltimore and an employment-networking event for veterans. The events center also hosted an event to recognize the organizations that received casino local impact grants awarded by the Anne Arundel County Local Development Council.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, reported that September gaming revenue was down 1.3% related to hold. He added that volume was in line with expectations. Inclement weather cancelled a handful of recent events, but the casino is planning a number of promotions during the final quarter of the year. Rocky Gap is making a number of changes to the configuration of its gaming floor to create a better guest experience. The casino recently hosted the Tech at the Gap Conference to highlight the tech sector in Western Maryland, and an Allegany County tourism roundtable. Casino staff recently participated in a day of events highlighting resources for the homeless in Allegany County, and Rocky Gap held an event during October in recognition of Breast Cancer Awareness Month. A November food drive and a December toy drive are being planned.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that September gaming revenue was \$20.7 million, down 1.5% year over year, with slot machine revenues struggling more than table games. The Maryland Fleet Week & Air Show in Baltimore from October 3-9 brought customers to the casino. Horseshoe recently announced a marketing agreement with the Baltimore Ravens, becoming only the second casino in the nation to enter into such an arrangement with a National Football League team. Ms. Chamberlin reported that the casino's customer service scores, which are regularly tracked, have demonstrated improvement. Horseshoe is holding events in October for Breast Cancer Awareness Month, and also is a sponsor of The Journey Home, a Baltimore City initiative to end homelessness.

MGM National Harbor

Mr. Kerry Watson, Vice President of Government Affairs, reported that September gaming revenue was \$54.4 million, up 10.3%, including a 10.1% increase year over year on slot machines and a 10.5% increase on table games. Among the casino's recent promotions was a giveaway of \$500,000 in free play. MGM National Harbor recently hosted the end of its summer blackjack series, and is planning a \$100,000 blackjack tournament and a \$20,000 baccarat tournament in November. Upcoming performances at the MGM National Harbor theater include comedian Amy Schumer, Charlie Wilson, Toni Braxton and a March show with Mariah Carey. During September, 93 casino employees performed 119 hours of volunteer efforts in the community, including work with a housing initiative in Rockville, the United Way of the National Capital Area, and the Susan G. Komen Race for the Cure. Employees also participated in a tree-planting initiative in the Birchwood/Clearview community, near the casino.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that the recent Mega Millions jackpot roll resulted in a week of intense activity, as he currently serves as the lead director for the Mega Millions Consortium. Director Medenica was in New York City for a lottery conference during the final days of the roll, allowing him to make numerous national television appearances to talk about the jackpot, including interviews on Good Morning America, The Today Show and appearances on CBS, CNN and CNBC. Director Medenica thanked Managing Director of Communications Carole Gentry for her work in arranging television appearances and serving as the point of contact for national media during the jackpot roll. The jackpot-winning ticket in the October 23 Mega Millions drawing was sold in a small town in South Carolina. The jackpot was \$1.537 billion, falling just short of the world-record \$1.586 billion Powerball jackpot in January 2016.

Director Medenica noted that his report during the September Commission meeting mentioned that lottery sales were flat and profit was down 5.5% year over year. Aided by the Mega Millions roll, three weeks into the second quarter of Fiscal Year 2019, year-to-date lottery sales are up 6.4%, with profit up 4.6%. In addition, the Powerball jackpot as of October 25 stood at \$750 million, creating the potential for more strong sales.

Casino gaming revenues are up 11.1%, while casino contributions to the state are up 9.7%. Combined year-to-date lottery and casino contributions to the state are up 7.3%.

Chair Marriner asked how long the Mega Millions jackpot had gone without being hit prior to October 23. Director Medenica said the game went 25 draws without producing a jackpot winner, dating back to the last week of July.

Commissioner Boozer commended Ms. Gentry on her appearances on WBAL-TV and WBAL-AM during the jackpot roll.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney asked the Commissioners if there were any questions on his Director's Report. There being no questions, Mr. Mooney proceeded with his Commission Action Items.

Commission Action Item – Old Bay Gaming and Racing, LLC – Pledge of Collateral and Loan Guaranty

Mr. Mooney reported on December 27, 2017, Churchill Downs, Inc. (“CDI”) entered into a credit agreement with various lenders to secure credit amounting to \$1.1 billion. Maryland Gaming Law (State Gov’t (SG) § 9-1A-01, et seq.) requires that the Commission determine whether a transfer of a licensee’s interests meets, and is consistent with, the requirements of the gaming law. In August 2018, the MLGCA received notification of a proposed transaction between Saratoga Casino Holdings, LLC (SCH) and CDI, wherein CDI would liquidate its 25% membership interest in SCH and, in exchange, SCH would liquidate its 50% membership interest in Old Bay Gaming and Racing, LLC and Old Bay Beverage Company, LLC. At its August 23, 2018 meeting, the Commission approved that transaction, and as such, Old Bay is now 100% owned by CDI.

Under the aforementioned credit agreement, CDI agreed to provide the lenders with liens on all CDI assets including any 100% owned subsidiaries, as well as having each such subsidiary act as a guarantor. Consequently, following the completion of the transaction between SCH and CDI on September 1, 2018, the credit agreement required CDI to pledge the assets of Old Bay Gaming and Racing, LLC, Racing Services, LLC, Ocean Enterprise 589, LLC and Ocean Downs, LLC as collateral, and for these entities to act as a guarantor of any borrowings made by CDI under the Agreement. CDI is requesting that the Commission permit each of the Old Bay entities to pledge their assets as collateral for the bank debt and to guaranty payment of the term loan and revolving credit facility.

Mr. Mooney reported that MLGCA staff have investigated the proposed transaction and have found that it is consistent with the State’s Gaming Law. Therefore, staff recommends the Commission approve the transaction.

Chair Marriner asked for a motion to approve the Pledge of Collateral and Loan Guaranty. Commissioner Doetsch voted to approve, Commissioner Fager seconded, and the motion was unanimously carried.

Commission Action Item – Radio One Entertainment Holdings, LLC - \$50 Million Senior Secured Term Loan

Mr. Mooney started by noting that Christopher Simpson and Robert Ruben, Esq. are here to answer any questions.

Mr. Mooney reported that Radio One Entertainment Holdings, LLC (Radio One), a wholly owned direct subsidiary of Urban One, Inc., and an investor in MGM National Harbor, LLC, is seeking to enter into a loan agreement with Carlyle Credit Opportunities Fund, L.P. to secure a \$50 million Senior Secured Term Loan. Radio One intends to use the proceeds of the loan to retire its existing 9.25% Senior Unsecured Notes. As a condition of the financing, the lender is requiring that Radio One transfer its economic interest in MGM to a newly created wholly owned bankruptcy remote subsidiary. To fulfill this requirement, Radio One formed Urban One Entertainment SPV, LLC, which has filed a principal entity disclosure form with the Commission.

Maryland’s Gaming Law requires that the Commission determine whether a transfer of a licensee’s interests meets, and is consistent with, the requirements of the law. Pending approval of the Commission, Radio One Entertainment Holdings, LLC will transfer its economic interest in MGM to Urban One Entertainment SPV, LLC. Upon consummation of the loan, Carlyle Credit Opportunities Fund, L.P. would then have a first priority perfected lien in all of the economic interest in MGM held by Urban One Entertainment SPV, LLC.

Mr. Mooney reported that MLGCA staff has conducted an investigation and determined that the proposed Senior Secured Term Loan credit and pledge agreements contain provisions that are consistent with the Gaming Law. Additionally, no derogatory information was identified concerning Carlyle Credit

Opportunities Fund, L.P. or Principal Entity applicant Urban One Entertainment SPV, LLC; therefore, staff recommends Commission approval of the transaction.

Chair Marriner asked for a motion to approve the \$50 million Senior Secured Term Loan by Radio One. Commissioner Fager voted to approve, Commissioner Stakem seconded, and the motion was unanimously carried.

PUBLIC COMMENTS

There were no comments from the public.

CLOSED SESSION

Chair Marriner said no closed session was needed.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, November 15, 2018. This meeting is one week earlier.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:35 a.m.

Respectfully submitted,



Gordon Medenica