

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION NOVEMBER MINUTES

DATE: November 15, 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 Bert J. Hash, Jr.
Commissioner James Stakem (via Teleconference)

Gordon Medenica, Director
Gina Smith, Deputy Director, Chief Financial Officer
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
Leo Mamorsky, Managing Director, Chief Marketing Officer
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 (via Teleconference)
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 10:02 a.m. Commissioners present were Vernon Boozer, George Doetsch, Michelle Fager, and Bert Hash. Participating via teleconference call was James Stakem.

APPROVAL OF THE AMENDED AGENDA

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

APPROVAL OF THE MINUTES

Chair Marriner said the October 25, 2018, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Doetsch moved to approve, Commissioner Fager seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains four new instant ticket games for the Commission's approval: #416 (\$5) *Home Run Riches*; #417 (\$10) *\$250,000 Richer*; #418 (\$30) *\$2,000,000 Rich*; and #419 (\$1) *EZ Bucks*. 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 October 11, 2018 to November 1, 2018; Consent Agreements for Underage Violations - Horseshoe Casino – Case Nos. 2018-05-117; 2018-05-119; and 2018-05-120; Live! Casino – Case Nos. 2018-03-023; 2018-03-025; 2018-03-029; 2018-03-033; 2018-03-035; 2018-03-036; 2018-03-037; 2018-03-038; 2018-03-040; 2018-03-043; 2018-03-046; 2018-03-047; 2018-03-55; 2018-03-056; 2018-03-057; and 2018-03-058; MGM National Harbor – Case Nos. 2018-06-118; 2018-06-122; 2018-06-162; and 2018-06-163; Gaming License Application Denials and Revocations; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; 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 Hash, and carried by a unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that October gaming revenue was down 1.5%, with slot machine revenues down 4% while table game revenue was up 9%. He added that volume was off slightly, and that the casino was closed for a 22-hour period for scheduled electrical work. Hollywood held promotional events for Veterans Day and has a busy promotional calendar planned for the holiday season. The casino is also planning contributions to shelters in Harford and Cecil counties.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that October gaming revenue was up 15.8% year over year, with slot machine revenue up 1.8%, and the remainder due to the addition of table games. Even though it was a minor increase in slot machine revenue with the road closure affecting business there was still an increase. She added that November's revenues should be up compared to November 2017, since last year Ocean Downs was in the midst of remodeling and reconfiguring its gaming floor in preparation for the December 2017 launch of its first table games. Ocean Downs is allowing customers to redeem player's club points for cash donations for a local food pantry to make it easier for the charity and the donors. Those donations have totaled \$12,000 in advance of Thanksgiving, and the casino will continue the promotion in December. Dice necklace sales raised \$4,000 for Women Supporting Women. Ocean Downs employees will also be serving meals at a local shelter on both Thanksgiving and Christmas.

Live! Casino & Hotel

Mr. Travis Lamb, Executive Vice President and General Manager, reported that October gaming revenue was up 2.6%, mostly driven by slot machine revenue which was up 12%, with table games down 15% year over year, due to a strong hold percentage in October 2017. Poker revenue at Live! was up for a fifth consecutive month, increasing 3% year over year. The casino has several promotional giveaways planned for the holiday season, and numerous upcoming shows at its events center, including a sold-out performance by singer Patti LaBelle scheduled for December 14. The Central Maryland Chamber of Commerce recently held an economic forum at the Live! Event Center. The casino donated 200 turkeys to the Anne Arundel County Food Bank, and 30 employees volunteered their time to help the Food Bank sort canned items. The casino will also provide turkeys to employees.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, reported via teleconference call that October gaming revenue was down 3.8% after Rocky Gap players won two of the casino's largest slots jackpots to date during the month. Table game revenues were down slightly. Rocky Gap is holding a holiday-season food drive for a local food bank, and will be providing turkeys to employees. Any remaining turkeys that aren't given to employees will be donated to local food banks. Mr. Dice said Rocky Gap donated 200 turkeys during the holiday season last year. Next week, the casino is having a Black Friday Blowout that will include games and a full makeup KISS cover band.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that October gaming revenue was strong, totaling over \$21 million, for an increase of 7.5% year over year, driven by table games. November has started off soft, but the casino has many promotions planned for the holiday season, including cruise giveaways. A Breast Cancer Awareness Month event in October raised \$15,000 for the Red Devils organization. Horseshoe conducted an employee survey where employees shared feedback on what the casino is doing well and what needs improvement and had over 90% participation by employees.

MGM National Harbor

Ms. Melonie Johnson, President and Chief Operating Officer, reported that October gaming revenue was up 41.4%, including an increase of 80% on table games and 10.5% on slot machines. She attributed the sharp increase to the casino's ability to cross-market and bring in MGM customers from Las Vegas.

Recent promotions have included a giveaway of \$500,000 in free slot play, a cruise giveaway, a \$250,000 baccarat tournament and a \$75,000 slot tournament. November shows at MGM's theater include John Legend. Upcoming shows include Paula Abdul. Ms. Johnson reported that 57 MGM employees combined for 218 volunteer hours in support of various community programs, including a Prince George's County clean-up effort, as well as suicide and hunger prevention initiatives.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that October was the all-time best month of sales in the Maryland Lottery's history, fueled by a record-setting \$1.537 billion Mega Millions jackpot and a Powerball jackpot that reached \$750 million. On the strength of October, the Lottery's year-to-date sales are up 9.7% year over year, with profit up 9%. Director Medenica added that the Lottery has placed an emphasis on growing the sales of instant tickets, and has seen those sales increase by double-digit figures in each of the last four fiscal years. Year-to-date instant ticket sales for FY2019 are up 9.5%, and Director Medenica said the Lottery is hoping to reach double-digit growth again.

Director Medenica said MGM National Harbor's success helped casino gaming revenues reach an all-time record in October. Year-to-date casino revenues are up 10%, with contributions to the state from casino gaming up 9% year over year.

Administration, Finance & Information Technology – Gina Smith, Deputy Director, Chief Financial Officer

Ms. Smith reported that she is working on financial statements for the months of July and August, as well as year-end closing 1099 and W-2-G reports and the Agency's Comprehensive Annual Financial Report. She added that the Agency is having discussions with officials in Annapolis concerning next year's budget. There were no questions for Ms. Smith regarding her monthly report. She then moved on to her Commission Action Items.

Commission Action Item - Renewal Contract – Instant Ticket Vending Machines and Related Services Contract (#2008-26)

Ms. Smith said the Agency was asking for the Commission's approval to exercise the final six-month renewal on the ITVM contract with IGT as the Lottery continues to phase out older machines and install new equipment. The renewal covers the period of March 1, 2019 through August 31, 2019 at a cost of \$842,500.

Chair Marriner asked for a motion to approve the Renewal Contract for Instant Ticket Vending Machines and Related Services. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously carried. Ms. Smith said the contract would be forwarded to the Department of Budget and Management in order to be placed on the Board of Public Works agenda for its December 5, 2018 meeting.

Commission Action Item - Renewal Contract – Veteran's Organization Instant Ticket Vending Machines and Related Services Contract (#2014-02)

Ms. Smith said the contract with Diamond Game is for the central monitoring and control system for the Instant Ticket Lottery Machine (ITLM) program available to eligible veteran's organizations. The renewal covers a five-year period from March 1, 2019 through February 28, 2024. Ms. Smith reported that under the current contract, Diamond Game receives 41.74% of ITLM program proceeds, but the rate has been renegotiated, and that Diamond Game will receive 30% of ITLM proceeds beginning July 1, 2019 through the end of the contract.

Chair Marriner asked for a motion to approve the Renewal Contract for Veteran's Organization Instant Ticket Vending Machines and Related Services. Commissioner Hash motioned to approve, Commissioner Doetsch seconded, and the motion was unanimously carried. Ms. Smith said the contract would be forwarded to the Department of Budget and Management in order to be placed on the Board of Public Works agenda for the December 5, 2018 meeting.

Commission Action Item - Amendment A - Lottery Central Monitoring and Control System (#2015-01)

Ms. Smith said this is a zero-value amendment to the contract with Scientific Games that pertains to the My Lottery Rewards program. The program includes various licensed products and established a template that allows the Lottery to enter into agreements to use these licensed products. Agency staff requested the Commission's approval to delegate to the Director the authority to enter into these agreements.

Chair Marriner asked for a motion to approve the contract Amendment A for the Lottery Central Monitoring and Control System. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously carried.

Commission Action Item - Contract Extension - Advertising, Digital, Web & Social Media, and Research Services Contract (#2013-02) for three Functional Areas ("FA") with GKV Communications, Inc. (FA #I – Creative and FA #III - Digital/Web) and Media Works, Ltd. (FA #II – Media)

Ms. Smith said the contract extension is for a period of 90 days. She added that the Agency previously put the contract out for bid, but determined that there was not sufficient competition. Thus, the request for proposals was revised and put out for bid again. Proposals have been received and are being evaluated. The 90-day extension covers the period of February 1, 2019 through April 30, 2019 with a value not to exceed \$4,747,148.

Chair Marriner asked for a motion to approve the contract extension for Advertising, Digital, Web & Social Media, research services for three functional area with GKV Communications, Inc. and Media Works, Ltd. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously carried. Ms. Smith said the contract extension would be sent to the Department of Budget and Management in order to be placed on the agenda for the Board of Public Works meeting on December 5, 2018.

Gaming – James Logue, Managing Director

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

Commission Action Item –MGM National Harbor, LLC Request to Continue the Temporary Reduction of Its Video Lottery Terminal Allocation

Mr. Logue said that on June 29, 2017, MGM was granted permission to temporarily reduce the minimum number of slot machines that it is required to have on its floor while the construction of its second-floor gaming space was under way, and for certain periods thereafter. Mr. Logue said MGM is continuing to look at expansion options and therefore has submitted a request to continue its temporary reduction of slot machines, with a minimum of 3,130 and a maximum of 3,600, until December 8, 2019. MGM further

requests that the Commission waive COMAR 36.04.02.02(E)(2) to preserve MGM's full 3,600 VLT allocation until December 8, 2019.

Chair Marriner asked for a motion to approve MGM National Harbor's request to continue the temporary reduction of slot machines until December 8, 2019 and waive COMAR 36.04.02.02(E)(2) to preserve MGM's full 3,600 VLT allocation. Commissioner Hash motioned to approve, Commissioner Doetsch seconded, and the motion was unanimously carried.

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 Item.

Commission Action Item – PPE Casino Resorts Maryland, LLC - \$550 Million Senior Secured Credit Facility

Mr. Mooney said that PPE Casino Resorts Maryland, LLC is seeking to enter into an amended and restated credit agreement with various lenders to obtain a senior security credit facility in an amount not to exceed \$550 million. The credit facility will consist of a term loan in the amount of \$400 million and revolving loans in an aggregate principal amount not to exceed \$150 million. Mr. Mooney reported that Agency staff have reviewed the proposed agreement and found it to be consistent with the state's Gaming Law. Therefore, Agency staff recommend that the Commission approve the agreement.

Chair Marriner commended Mr. Mooney on making such a difficult assignment appear to be easy. Chair Marriner then asked for a motion to approve the agreement. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved.

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, December 13, 2018. This meeting is two weeks earlier.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:39 a.m.

Respectfully submitted,


Gordon Medenica