

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL MINUTES

DATE: April 25, 2019

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

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
Carole Gentry, Managing Director, Communications
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

ANNOUNCEMENT

Prior to calling the meeting to Order, Chair Marriner made an announcement that Commissioner Michelle Fager would be joining Chair Marriner and Vice Chair Hash as part of the Audit Committee.

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. Also present were: Vice Chair Bert Hash, and Commissioners Vernon Boozer, Michelle Fager, George Doetsch, and James Stakem.

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 moved, Commissioner Fager seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner said the March 28, 2019, 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, Vice Chair Hash seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains five new instant ticket games for the Commission's approval: #440 (\$10) *Ravens*[®]; #441 (\$2) *Ravens*[®]; #444 (\$5) *Deluxe Crossword*; #445 (\$10) *The Money Game*; and #455 (\$2) *Lucky 3*. 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 March 14, 2019 to April 11, 2019; Consent Agreement for Regulatory Violations at Hollywood Casino – January 2019; Live! Casino – January 2019; MGM National Harbor Casino – November 2018; and Rocky Gap Casino – January 2019; Consent Agreements for Underage Violations at MGM National Harbor Casino – Case Nos. 2018-06-183; -184; -185; and -186; and Rocky Gap Casino – Case Nos. 2019-04-001; Gaming License Application Denials and Revocations; Lottery Retailer License 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; Robert Fontaine, Principal Counsel, Office of the Attorney General; and James Butler, Managing Director, Organizational Compliance.

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 March's gaming revenue was up slightly. Slot machines were up 2%, while volume and revenue from table games were down 4%. April has been a difficult month with slot machines and table games both currently down. Volatile table game play this month has contributed. Hollywood is currently preparing for the Harley Davidson Giveaway in May. Mr. Heiskell reported that the casino is focused on the second annual outdoor concert on June 1 featuring

The Reagan Years, Completely Unchained – The Ultimate Van Halen Tribute, Doc Marten and the Flannels. Ticket sales for this event are 50% ahead of those sold for last's year concert. Hollywood has partnered with Tragedy Assistant Program for Survivors (TAPS) and a portion of the proceeds from the concert will go to TAPS, which provides counseling for survivors who lost loved ones in military service.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that March gaming revenue was up 12.4% year over year with slot machines up 7.9% and table games up 65%. In April, an event this past weekend, Thunder from Down Under, was very successful. May promotions, which include a \$250,000 scratch and win, will feature a Derby Party on Kentucky Derby weekend, which is usually a top 10 weekend for the casino. Ms. Sample reported that the Casino is planning a big day for the Preakness as well, with mystery vouchers. In June, Ocean Downs will have an outdoor concert with Travis Tritt on the racetrack. Many have inquired about the camel and ostrich races that were held last year, and Ms. Sample reported that will happen again on June 12. Ms. Sample said that casino management recently held employee town hall meetings and received quality feedback. Ocean Downs will sponsor an anniversary celebration for Atlantic General Hospital in May.

Live! Casino

Mr. Travis Lamb, Executive Vice President and General Manager, reported that March gaming revenue was \$55.9 million, the casino's highest total gaming revenue since May 2016, which was an increase of 19% year-over-year with the hotel, event center, and outdoor gaming patio driving strong results. Slot machine revenue was up 33% year-over-year, the highest year-over-year increase since before the launch of table games in 2013. Table game revenues were down slightly, but were still the casino's highest total since March of 2018. Mr. Lamb said a number of concerts and a boxing card at the events center helped bring new customers to the property. May will include shows by Boz Skaggs and comedian Howie Mandel, and the events center will also play host to three Anne Arundel Community College graduation ceremonies on May 23. Mr. Lamb added that in 2020, the Anne Arundel County Schools plan to hold all high school graduations at the Live! events center.

Rocky Gap Casino Resort

Lou DiCampli, Assistant General Manager, reported that March gaming revenue was up 9.2%, with new progressive jackpots on the table games driving an increased rate of play. Rocky Gap recently held events for its VIP guests and is planning to launch a new player's club program. Casino staff participated in the Hooley Plunge on March 2 to raise funds for Special Olympics. Staff will also participate in the upcoming Day of Sharing and Caring community cleanup event in Cumberland.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that March gaming revenue was up 3% totaling \$25.5 million for the month. April has been less consistent due to spring break and Easter. Horseshoe is planning events for Preakness weekend in May, when it will bring in guests from out of town. It is also planning for its five-year anniversary celebration. Casino staff chaperoned a National Park Service field trip for a group of local children. Horseshoe employees will also participate in a community cleanup event and is working with Paul's Place in Baltimore's Pigtown neighborhood on the group's annual fundraiser. Recent configuration changes have created access to Horseshoe's restaurants for people under the age of 21, who aren't permitted on the gaming floor. Ms. Chamberlin said celebrity chef Giada De Laurentiis, who recently opened a restaurant at Horseshoe, was visiting the casino on April 25 to host a pizza-making class for students from James McHenry Elementary School.

MGM National Harbor

Mr. Jeff Shrader, Vice President and General Counsel, reported that March gaming revenue was up 3.9%, with slots up 10.9% and tables down 5.2%. Gaming revenues for the first quarter of 2019 were up 5.6%. Mr. Shrader said MGM has continued a number of promotional giveaways and has baccarat, blackjack and slots tournaments planned. Chicago and comedian Tyler Perry had sold-out shows at MGM's theater, and several upcoming events in May include performances by The Temptations and The Four Tops and a night of boxing. Mr. Shrader reported that 54 MGM employees volunteered 216 hours with community organizations during March, including Melwood and Junior Achievement.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica reported that the Lottery had a good month in March, with sales up nearly 6% and profit up over 13%. Casinos had an all-time record month for gaming revenue with \$163 million during March. Year-to-date revenue for the casinos is up 4.6%, and casino contributions to the state are up 5.3%.

Mr. Medenica said the Lottery has been preparing for the transition to MARC USA as its media-buying agency beginning on May 1. In addition, Agency staff have been finishing the evaluation of proposals for new Lottery drawing machines.

Chair Marriner noted that he was pleased to see that year-over-year gaming revenues increased in March at all six of the casinos.

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

Ms. Smith reported that with the last quarter of the fiscal year under way, the Agency would soon be wrapping up its spending and closing the books on the fiscal year. The final figure for the FY2020 budget is not yet available from the Department of Budget and Management, but Ms. Smith said she expects to have it by the middle of May.

The Lottery is preparing for the Cash4Life game to convert from two days a week to seven days a week beginning July 1. This will primarily impact players who have Cash4Life subscriptions, who will be guided through a process of ending existing subscriptions and starting new ones under the daily game format. Consequently, subscription processing for Cash4Life in May will be light, and there will be no Cash4Life subscriptions processed during June. There being no questions about her report, Ms. Smith moved on to her Commission Action Items.

Commission Action Item - Contract Renewal – Auditing and Accounting Services with Stout, Causey & Horning, P.A. (#2015-04)

Ms. Smith reported that the contract covers auditing and accounting management, technical advice and assistance on tax-related issues. The original contract included the option of three one-year renewals, the first of which was exercised previously. This is the second one-year renewal covering the period of July 1, 2019, through June 30, 2020, for a cost of \$264,000. Ms. Smith said the original not-to-exceed cost of the contract was \$258,000, but the figure was modified as a result of additional work related to Cash4Life subscriptions and the game's conversion from two days a week to seven days a week.

Chair Marriner asked for a motion to approve the contract renewal. Commissioner Stakem motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved. Ms. Smith said the

contract renewal would be submitted to the Department of Budget and Management for inclusion on the agenda for the May 8 Board of Public Works meeting.

Commission Action Item – New Contract – Licensing Contract with the Baltimore Ravens Limited Partnership (#2019-06)

Ms. Smith said the contract is for a not-to-exceed amount of \$313,600 covering the period of May 9, 2019, to November 30, 2021, and includes permission to use the Baltimore Ravens' licensed marks and logos for instant ticket games and Ravens-themed prizes.

Chair Marriner asked for a motion to approve the contract. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved. Ms. Smith said the contract would be submitted to the Department of Budget and Management for inclusion on the agenda for the May 8 Board of Public Works meeting.

Commission Action Item - Contract Renewal – Instant Ticket Games and Related Services Contract (#2013-01)

Ms. Smith said the contract includes Pollard Banknote as the Lottery's primary instant ticket vendor and Scientific Games and GTECH as secondary vendors. The current contract expires on August 31, 2019, and there is a one-year renewal option available. The Agency is asking to exercise that renewal option, which will cover the period of September 1, 2019, through August 31, 2020, at a cost of \$6.5 million. Chair Marriner asked if the contract includes any additional renewal options. Ms. Smith said that it does not.

Chair Marriner asked for a motion to approve the contract renewal. Commissioner Doetsch motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved. Ms. Smith said the contract would be submitted to the Department of Budget and Management for inclusion on the agenda for the Board of Public Works meeting scheduled for May 22.

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 - 2018 Promotional Play Report

Mr. Logue said that under COMAR 36.03.10.36(G), each casino is required to submit an annual report on its use of free promotional play and recommend any adjustment to the limitation on such play that is established in regulation. According to current regulation, each casino may exclude from taxable proceeds no more than 20% of proceeds the facility generated during the prior fiscal year. Mr. Logue reported that none of the six casinos requested a change in the limit on free promotional play. He added that the Commission may direct Agency staff to adjust in regulation the limit on free promotional play. Agency staff recommended that the Commission take no action and leave the current 20% limit in place.

Chair Marriner said he did not wish to make a change to the free promotional play limit and asked if any Commissioners wished to recommend such a change. There being no such recommendations, the Chair asked for a motion to approve leaving the 20% limit in place. Commissioner Stakem motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved.

Commission Action Item - Horseshoe Outdoor Gaming & VLT Increase

Mr. Logue said Horseshoe Casino has requested to expand its gaming space with a second-level outdoor gaming patio and an additional 48 slot machines. The gaming patio will have a total of 175 slot machines

– 127 of which will be relocated from the existing gaming floor, plus the 48 new machines Horseshoe is requesting. The casino also plans to deploy 16 new table games and 14 new electronic table games with live dealers on the gaming patio. The addition of 48 new slot machines will bring Horseshoe's total of slot machines to 2,250. Under its June 25, 2013, amended license, Horseshoe is authorized to have a maximum of 2,500 slot machines. Mr. Logue reported that Horseshoe has secured the necessary construction permits and that Agency staff will ensure that the gaming patio meets all regulatory requirements prior to the start of gaming activities. Agency staff recommended that the Commission approve Horseshoe's request for the outdoor gaming patio and approve the casino's request for an additional 48 slot machines.

Chair Marriner asked for a motion to approve Horseshoe's outdoor gaming patio. Commissioner Stakem motioned to approve, commissioner Doetsch seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve Horseshoe's request for an additional 48 slot machines. Commissioner Doetsch motioned approve, Vice Chair Hash seconded, and the motion was unanimously approved.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney reported that since the start of Maryland's casino program, Agency staff have received more than 35,000 licensing applications and that more than 10,300 individuals have been licensed. He added that an estimated 9,000 people are working in Maryland's casino industry. There being no questions on his monthly report, Mr. Mooney moved on to his Commission Action Item.

Commission Action Item - Everi Games, Inc. - Manufacturer Renewal

Mr. Mooney reported that Agency staff conducted an investigation in regard to Everi Games, Inc.'s application to renew its manufacturer license. The investigation confirmed that Everi Games, Inc. has sufficient financial resources and found no derogatory information regarding the company's qualifications. Agency staff concluded that the company has established by clear and convincing evidence that it has the qualifications required for a renewal of its manufacturer license. Mr. Mooney said Agency staff recommended that the Commission approve the renewal.

Chair Marriner asked if any representatives from the company or members of the public in attendance wished to address the Commission regarding the license renewal. There being no such requests, the Chair asked for a motion to recommend that Everi Games, Inc. be found qualified for a renewal of its manufacturer license. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved. Chair Marriner asked for a motion to approve Everi Games, Inc.'s manufacturer license for a period of five years beginning April 25, 2019. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved.

PUBLIC COMMENTS

Samuel Epps, Political Director of Unite Here Local 25 addressed the Commission on behalf of Unite Here Local 25 members who work at MGM National Harbor and Horseshoe Casino. Mr. Epps read a letter to the Commission from John Boardman, Executive Secretary-Treasurer of Unite Here Local 25, concerning recent ownership changes at MGM Resorts and Caesars Entertainment in which Wall Street firms have taken minority ownership stakes. The letter from Mr. Boardman stated that the union is concerned about the potential impact these developments will have on union workers. Copies of the letter were provided to Director Medenica for distribution to Commission members.

Tracey Pollard, a housekeeper at MGM National Harbor and a member of Unite Here Local 25, addressed the Commission to express her support for the union and its efforts to protect its members. Copies of her remarks were provided to Director Medenica for distribution to Commission members.

CLOSED SESSION

There was no need for the Commission to go into a closed session.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, May 23, 2019.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:43 a.m.

Respectfully submitted,



Gordon Medenica