

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 MAY MINUTES

DATE: May 23, 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
Phil Metz, Director of Casino Licensing and Investigations
Leo Mamorsky, Managing Director, Chief Marketing Officer
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. 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 April 25, 2019, 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, Stakem seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains two new instant ticket games for the Commission's approval: #447 (\$1) *Wild Cherry 777*; #450 (\$10) *Emerald 10s!*. 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 April 11, 2019 to May 9, 2019; Gaming License Application Denials and Revocations; Lottery Retailer License Reinstatement; 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.

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

Tim Shea, Vice President of Operations, reported that slot machine revenues were down 3% and table game revenues were down 6% driven by hold. May revenue is looking better. The current promotion is the Harley Davidson Giveaway which concludes in June. Mr. Shea reported that the casino is currently focused on the second annual outdoor concert on June 1, which is expected to draw 1,000 visitors to the property, featuring The Reagan Years, Completely Unchained – The Ultimate Van Halen Tribute, Doc Marten and the Flannels. In the community, employees of the casino volunteered time with the Boys and Girls Club and Habitat for Humanity.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that April gaming revenues were up 6.7% year-over-year, with slot machines up 3.9% and table games up 34.8%, driven by both hold and volume. Ms. Sample added that the comparison to April 2018 was favorable because Ocean Downs did not hold well that month. May is trending well with strong crowds for the Kentucky Derby and Preakness weekends,

and more expected for Memorial Day weekend. The Travis Tritt concert on May 10 on the racetrack was a success bringing in over 1,400 people. The promotion for May is the \$250,000 scratch off. In June the casino will have a Toyota RAV4 Giveaway. The casino's new dine and dash restaurant, Waves, opened today with an emphasis on beach and boardwalk-themed foods. A mural of the boardwalk was done with a plane holding a banner advertising the casino. The camel and ostrich races will return on June 12.

Live! Casino

Mr. Travis Lamb, Executive Vice President and General Manager, reported that April gaming revenues were up 2%, with slot machines up 9% year over year, and table games down 12% driven by a volatile hold percentage. He added that with greater numbers of customers coming from out of state and staying at Live!'s hotel, table games are subject to greater volatility. Poker tables were down 13% in April. The casino hosted a Black and Jade Party for higher level guests. May shows at the Live! event center included comedian Howie Mandel. Upcoming shows include a Vietnamese show this weekend, and Family Feud at the end of the month. The event center was transformed for the Annual Chairman event. Last weekend David Cordish gave away a Harley Davidson after driving it through the casino. Phase II of the event center, which will hold 4,000 customers, will be completed by the first quarter of 2020, but should be available to use by December of this year.

In the community Live! has hosted many county events at no charge, including the Anne Arundel County Fire Department Award Ceremony and three graduation ceremonies with 1,400 people attending each ceremony. Mr. Lamb reported that the casino was a major sponsor of the Maryland Washington Minority Association breakfast.

Mr. Lamb introduced the new Vice President and General Manager, Anthony Faranca. Mr. Lamb will be leaving the position to become the CFO for all Cordish gaming properties. Mr. Faranca is originally from Philadelphia and has previously worked in the casino gaming industry in New Jersey, Pennsylvania and Nevada.

Rocky Gap Casino Resort

Skyler Dice, Vice President and General Manager, reported that April gaming revenues were up with moderate slot machine growth, with table game hold down while the drop was up. Rocky Gap recently finished transitioning to the new True Rewards Club, allowing patrons to use one player's club card at all of Golden Entertainment's properties. The casino recently sponsored a concert at the Rocky Gap State Park amphitheater featuring the bands Kix and Great White, drawing a crowd of 2,400. Rocky Gap is planning for its summer concert series shows including Coolio, Vanilla Ice and Skid Row. Recent giveaways included a pontoon boat. Employees volunteered in the local Day of Caring and Sharing event the day before the concert.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that April gaming revenues were disappointing with a decline under 10%. In April employees participated in the Carroll-Camden Clean Up event in Baltimore City. On April 25 Giada De Laurentiis hosted a pizza-making class for students from James McHenry Elementary School. May has had better gaming results, in part due to special events for the Preakness weekend, which attracted both local visitors and others from out of state. There is a VIP event – Zumba Globe – where customers can take Zumba classes and enjoy movies. Ms. Chamberlain said that the casino is seeing good results from the 5-Year Anniversary promotion that culminates in August. Next week will be the employee talent show.

MGM National Harbor

Ms. Melonie Johnson, President and Chief Operating Officer, reported that April gaming revenues were up approximately 5.3%. She added that table game holds in May have been challenging, but slot machine revenues are solid. The Scratch It Rich promotion ends on Sunday. In May the casino will have a \$500,000 Black Jack Tournament and a \$250,000 Baccarat Tournament. Entertainment in June will include Impractical Jokers and Air Supply. Employees of the casino volunteered 132 hours in the community in April. The grand opening of the Swag Boutique by NeNe Leakes was a huge success.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that in spite of a few weeks of volatility, casino gaming revenues are up 3.9%, and casino contributions to the state are up 4.8% year-over-year.

Lottery sales and profits are poised for another record year, with both Mega Millions and Powerball in the midst of significant jackpot rolls as the end of the fiscal year approaches. Year-to-date sales of the jackpot games are up 22.3%, while profits on those games are up 19.4%. Overall, Lottery sales are up 6.9%, and profits are up 1.2% year-over-year.

Director Medenica recently spoke at a pair of lottery and gaming industry conferences about the future and structure of sports betting. He said that while it will be another couple of years before sports betting is available in Maryland, he and other MLGCA staff are staying up to date on developments in other states.

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

Ms. Smith reported that with the end of the fiscal year approaching, she is working on closing the FY2019 books. She added that she is still awaiting MLGCA's FY2020 budget from the Department of Budget and Management and hopes to know those allocations by the June Commission meeting. She and other MLGCA staff are also preparing for the shift of Cash4Life from two days a week to seven days a week beginning July 1.

There were no questions from the Commission on her report. Ms. Smith proceeded with her Commission Action Item.

Commission Action Item – Recommendation for Contract Award – Lottery Drawing Machines and Related Maintenance Services

Ms. Smith said the contract provides six machines used for the Lottery's daily drawings, as well as maintenance of those machines and the existing inventory of machines. Proposals were due March 20, 2019, and MLGCA received submissions from Garron Lottery Products and Smartplay International. Garron Lottery Products was rated No. 1 for both technological and financial factors. Ms. Smith said MLGCA staff are recommending that the Commission approve a five-year contract be awarded to Garron.

Chair Marriner asked for a motion to approve the contract award, Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved. Ms. Smith said the contract would be submitted to the Department of Budget and Management for inclusion at the June 19 Board of Public Works meeting.

Managing Director of Gaming – James Logue

There were no questions from the Commission on Mr. Logue's monthly report. He proceeded to his Commission Action Item.

Commission Action Item – Live! Hotel & Casino VLT Reduction

Mr. Logue said that as Live! continues the expansion of its events center, it will be necessary to remove some slot machines from the gaming floor during construction. The casino will be adding an entrance to the events center from the gaming floor, and is asking to remove six table games and replace them with 50 slot machines in conjunction with that project.

In addition, Live! is requesting approval to temporarily reduce the number of slot machines on the gaming floor by up to 125 at any point during the construction period. Upon completion of the work, the casino is requesting to permanently reduce the number of slot machines by 62, leaving a total of 3,852 on the floor. Construction is slated to be complete no later than January 31, 2020.

Chair Marriner asked for a motion to approve the request for a temporary reduction of up to 125 slot machines at any time during the construction process. Commissioner Doetsch motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve the request for a permanent reduction of 62 slot machines after the completion of construction at Live! Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Regulatory Oversight – Phil Metz, Director of Casino Licensing and Investigations

There being no questions on the monthly Regulatory Oversight report, Mr. Metz moved on to the Commission Action Item.

Commission Action Item – Manufacturer Hearing – Galaxy Gaming, Inc.

Mr. Metz stated that Commissioners were provided with an investigative report pertaining to Galaxy Gaming, Inc.'s application for a manufacturer's license, and he summarized the findings of that report. Galaxy Gaming designs, develops and manufactures proprietary casino table games and associated technology. The company is currently licensed by 10 state regulatory gaming authorities, 25 tribal gaming commissions and agencies, and gaming authorities in three countries.

At the outset of the investigation, one of Galaxy's principal owners was Triangulum Partners, LLC, which owned a 58.8% share of the company. Triangulum Partners is an investment holding company owned 99% by Mr. Robert Saucier, who is the company's lone voting member and manager. During the investigation, MLGCA staff determined that they were not able to recommend to the Commission that Mr. Saucier was qualified to be issued a Maryland gaming license. MLGCA staff cited a history of previous denials and other adverse gaming regulatory actions, association with persons with criminal histories, questionable business practices and failure to cooperate fully during the investigation as reasons for the denial of Mr. Saucier's license. These concerns were communicated to Galaxy's General Counsel, Mr. Bruce Benson.

On May 6, 2019, Galaxy notified MLGCA staff that the company had cancelled and redeemed all shares of the company's common stock held by Triangulum Partners, LLC in exchange for a promissory note in the face amount of \$39,094,041. Also on May 6, 2019, Galaxy filed a lawsuit claiming that its action was appropriate because of Mr. Saucier's failure to cooperate with the company's gaming regulatory efforts in Nevada, California, Maryland and other jurisdictions. As a result, Triangulum Partners, LLC

and Mr. Saucier no longer have an ownership interest in Galaxy Gaming, Inc. Neither Triangulum nor Mr. Saucier remained affiliated with Galaxy or its application for a Maryland manufacturer license.

Agency staff's financial and background investigations of Galaxy Gaming Inc. found that the company has sufficient financial resources and found no derogatory information regarding its qualifications. Based on the criteria in state gaming law, MLGCA staff recommend the company be approved for a manufacturer license.

Chair Marriner asked if any representatives of Galaxy Gaming, Inc., wished to address the Commission. Galaxy President and CEO Mr. Todd Cravens thanked MLGCA staff and investigators for allowing the company the time to address the agency's concerns. Mr. Benson reiterated Mr. Cravens' comments and thanked Mr. Metz and Managing Director of Regulatory Oversight John Mooney for their professionalism and consideration.

Chair Marriner asked for a motion to approve Galaxy Gaming, Inc. for a manufacturer's license. Commissioner Stakem motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve Todd Cravens, Harry Hagerty, Donald Barnett and Timothy Caffarelli as individuals who are qualified as licensed principals associated with Galaxy Gaming, Inc. Commissioner Stakem motioned to approve, Commissioner Hash seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to delegate authority to MLGCA staff to prepare a decision statement on Galaxy Gaming, Inc.'s manufacturer license hearing. Commissioner Fager motioned to delegate authority, Commissioner Doetsch seconded, and the motion was unanimously approved.

PUBLIC COMMENTS

There were no public comments.

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, June 27, 2019.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:36 a.m.

Respectfully submitted,


Gordon Medenica