

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION SEPTEMBER MINUTES

DATE: September 26, 2019

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

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
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
Representative from International Game Technology
Representative from Pollard Banknote
Representative from Scientific Games
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, Jerry E. Williams

ANNOUNCEMENT

Prior to the Call to Order, Vice Chair Hash announced he was sitting in for Chair Marriner, who was not able to attend. Vice Chair Hash then introduced the new commissioner, Jerry E. Williams.

CALL TO ORDER

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

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES

Vice Chair Hash said the August 22, 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, Commissioner Fager seconded, and the motion carried unanimously.

CONSENT AGENDA

Vice Chair Hash said the Consent Agenda contains 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 August 8, 2019 to September 12, 2019; Consent Agreements for Regulatory Violations - Horseshoe Casino – April 2019, May 2019; Live! Casino – April 2019; and Ocean Downs Casino – March 2019; Consent Agreements for Underage Violations - Horseshoe Casino – Case Nos. 2019-05-005 through -011; Live! Casino – Case Nos. 2019-03-008 through -012; and Ocean Downs Casino – Case No. 2019-02-002; Gaming License Application Denials/Revocations; Lottery Retailer License Revocations; and Staff Reports from 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; Robert Fontaine, Principal Counsel, Office of the Attorney General.

Vice Chair Hash asked if any Commissioners wished to remove any items from the Consent Agenda. There were no requests for removal. Vice Chair Hash asked for a motion to approve the consent agenda as noted above. Motion to approve was made by Commissioner Doetsch, seconded by Commissioner Fager, and the motion carried unanimously.

OPERATOR REPORTS

Hollywood Casino Perryville

Matthew Heiskell, General Manager, reported that August gaming revenue was down 2.7% year over year, with slot machine revenue down 3%, driven by hold. Slot volumes were up 3%. Table game revenues were also up almost 9%. September revenue has been down, partly due to a \$155,000 progressive jackpot that was won by a Cecil County resident. Table game volumes have been up in September.

Mr. Heiskell noted that there would be a cash giveaway promotion this evening and in October the casino will be concluding the "We Pay Your Bills" sweepstakes. Mr. Heiskell said the casino is planning for its 10th anniversary celebration throughout 2020.

Mr. Heiskell took a moment to thank John Mooney and John Dennison for their hard work investigating possible corrupt dealers at the casino.

Ocean Downs Casino

Mr. John Derby, Director of Finance, reported that Ocean Downs had the highest slot machine and table game wins in its history during August. The property hired more than 100 employees during the busy summer season and had 412 employees, including those who work at the horse racing track. Ocean Downs recently held an event to provide back-to-school supplies for employees who have children or grandchildren. The employee assistance fund has raised over \$10,000. In October, the casino will observe Breast Cancer Awareness Month with pink felts on its gaming tables, and a pink dice giveaway. A car giveaway is also planned.

Live! Casino

Mr. Robert Tedesco, Assistant General Manager, reported that August gaming revenue was \$53 million, up from \$47 million, with strong results from both slot machines and table games. Promotions included a Mercedes giveaway. Casino staff participated in the Marine Corps 5K run. Construction of the property's events center is on schedule to be completed by December, and Live! is planning a calendar of events for the facility once it opens.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President, General Manager, reported that August gaming revenue was up 7.5%, with slot machine revenue up 4% and table games up 14% due to strong hold. He added that September revenues were on a favorable trajectory. Rocky Gap is running a promotion that will give away a 2019 Ford Raptor at the end of October, and also recently held giveaway promotions on Labor Day. The casino played host to the Maryland Alliance for Responsible Gambling meeting in September, and also hosted a minority business outreach event where the casino was able to network with new minority-owned vendors. Mr. Dice said Rocky Gap has doubled the recommended goal for minority business participation and is working to continue that trend. The casino participated in the Allegany Homeless Resource Day, which helps homeless individuals find the resources to obtain employment and find steady living situations. Rocky Gap was the lead sponsor for the recent Lake Habeeb dragon boat races. The casino also recently won eight first-place honors for Maryland from Casino Player Magazine.

Horseshoe Casino

Mr. Randy Conroy, General Manager, reported that August revenue was \$18.3 million, down 13% year-over-year. Horseshoe celebrated its fifth anniversary in August with numerous events. The casino also focused on its community engagement efforts by adopting two local schools. Horseshoe is the exclusive casino partner of the Baltimore Ravens and is especially busy on the days of Ravens home games. The casino is planning for the November opening of an outdoor gaming area.

MGM National Harbor

Ms. Melonie Johnson, President and Chief Operating Officer, reported that August revenues were up 7%, with slot machines up 4.3% and table games up 10.7% overall, including a 3.4% increase for poker tables. MGM is holding twice-a-week drawings for cash prizes through November 29 and is continuing its Wednesday gift giveaway series. A \$50,000 blackjack tournament and a \$20,000 baccarat tournament are upcoming. Recent and upcoming shows in the MGM theater include George Lopez, Rodney Carrington and Russell Peters, Boyz II Men, Jill Scott, Marlon Wayans, Avril Lavigne, ZZ Top, The

Price is Right and the Isley Brothers. In the community, employees of the casino volunteered at Nourish Now, a neighborhood barbeque.

VENDOR REPORTS

Scientific Games

Mr. Jeff Hale, Assistant General Manager, reported that Scientific Games has worked with the Lottery's product development team on new graphics for Keno monitors, which has helped to generate increased sales of that game. Scientific Games is now deploying the PlayCentral 54, which is the seventh terminal type to be used in Maryland. The company is also working with the Lottery on developing the FastPlay games which are scheduled to debut in 2020.

Pollard Banknote

Mr. Matt Isaac, Director of Retail Development, reported that Maryland's instant ticket sales are up 4.8% year-over-year. While that figure is lower than in recent years, it is still considerably better than the instant ticket sales results in other nearby states and the national average. D.C. Lottery instant ticket sales are up 4.3%, and New Jersey's sales are up 0.1%. The New York Lottery's sales are down 0.5%, and Virginia is down 6.5%. The national average is up 3.9%. Pollard Banknote has 18 games in development for Maryland.

International Game Technology (IGT)

Gary Cherwinski, Account General Manager, reported that the casino monitoring system is operating well. An audit was recently completed with no issues to address.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that the Lottery's leadership team recently attended the National Association of State and Provincial Lotteries (NASPL) conference in Little Rock, Arkansas, which included numerous important discussions on the lottery industry.

The Mega Millions Consortium, which includes the Maryland Lottery, approved an add-on option called Double Play. For an additional \$1, Mega Millions players will be able to purchase tickets that are good for a second drawing of winning numbers. Director Medenica said that five states would initially offer the Double Play option. Maryland is likely to be part of the second group of states to offer it starting in the fall of 2020. He added that the concept was also presented to the Powerball group and that a similar option may be offered for that game.

Director Medenica said the nine states (including Maryland) that are part of the Cash4Life game met with the group of states that offer a similar game called Lucky For Life. On July 1, Cash4Life converted from drawings twice a week to daily drawings, and the change has been successful. Sales of Cash4Life in all nine states are up 60% to 80%. Director Medenica said it is anticipated that Lucky For Life will go to daily drawings in the near future. He added that there was discussion of potentially merging the two games in a couple of years in order to offer a higher top-level prize.

Lottery leaders also had meetings at the NASPL conference with a number of large chain retailers, including Walmart and grocery stores that are embracing lottery sales.

Director Medenica noted that both the Mega Millions and Powerball jackpots have recently been hit, and added that sales for October will be compared to the exceptionally strong sales prior to last year's \$1.5 billion Mega Million jackpot, which was hit on October 23, 2018. Year-to-date lottery sales are up 2.1%, with profit down 2.7%. Meanwhile, casino year-to-date revenues are up 2.3% and contributions to the state are up 2.4%.

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

Ms. Smith reported that GAAP statements have been completed and forwarded to the auditor prior to their submission to the State by October 1. She added that they would be provided to the Commission in October along with the June financial statement. The Agency's budget for FY2021 was submitted to the Department of Budget and Management on September 13. Ms. Smith added that DBM has assigned a new analyst to review the Agency's budget, and there is also a new legislative analyst assigned to MLGCA. The Agency is working with its auditor on computer network penetration testing.

Regulatory Oversight – John Mooney, Managing Director

There were no questions from the Commission on Mr. Mooney's monthly report. He proceeded to his Commission Action Items. Prior to reporting on the Commission Action Items, Vice Chair Hash administered the oath to people testifying regarding all three action items.

Commission Action Item – Manufacturer Hearing - Bluberi Gaming USA Inc.

Mr. Mooney stated that Commissioners were provided with an investigative report pertaining to Bluberi Gaming USA, Inc.'s application for a manufacturer's license, and he read a summary of the findings of that report. Agency staff's financial and background investigations of Bluberi Gaming USA, 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, Mr. Mooney said MLGCA staff recommend the company be approved for a manufacturer license. Vice Chair Hash asked if any representative from Bluberi Gaming wished to address the Commission. Mr. Glenn E. Wichinsky, counsel and regulatory consultant, said he had nothing to add or present, but was available to answer any questions from the Commission.

Vice Chair Hash asked for a motion to approve Bluberi Gaming, Inc. for a manufacturer's license. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Vice Chair Hash asked for a motion to delegate authority to MLGCA staff to prepare a decision statement on Bluberi Gaming, Inc.'s manufacturer license hearing. Commissioner Fager moved, Commissioner Williams seconded, and the motion was unanimously approved.

Commission Action Item – Manufacturer Hearing - Lightning Gaming, Inc.

Mr. Mooney reported that Commissioners were provided with an investigative report pertaining to Lightning Gaming, Inc.'s application for a manufacturer's license, and he read a summary of the findings of that report. Agency staff's financial and background investigations of Lightning 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, Mr. Mooney said MLGCA staff recommend the company be approved for a manufacturer license. Vice Chair Hash asked if any representative from Lightning Gaming wished to address the Commission. No company representative asked to do so. Commission Stakem thanked Mr. Mooney and his team for their hard work.

Vice Chair Hash asked for a motion to approve Lightning Gaming, Inc. for a manufacturer's license. Commissioner Doetsch moved, Commissioner Stakem seconded, and the motion was unanimously approved.

Vice Chair Hash asked for a motion to delegate authority to MLGCA staff to prepare a decision statement on Lightning Gaming, Inc.'s manufacturer license hearing. Commissioner Fager moved, Commissioner Williams seconded, and the motion was unanimously approved.

Commission Action Item – Manufacturer Hearing - IGT Global Solutions Corporation (Renewal)

Mr. Mooney reported that IGT Global Solutions Corporation was issued a five-year manufacturer license in 2014, which has been maintained in good standing. The company sought to renew its license. Mr. Mooney stated that Commissioners were provided with an investigative report pertaining to IGT Global Solutions Corporation's application for a manufacturer's license, and he read a summary of the findings of that report. Agency staff's financial and background investigations of IGT Global Solutions found that the company has sufficient financial resources and found no derogatory information regarding its qualifications. Based on the criteria in State gaming law, Mr. Mooney said MLGCA staff recommend the company be approved for a manufacturer license. Vice Chair Hash asked if any representative from IGT Global Solutions wished to address the Commission. No company representative asked to do so. Vice Chair Hash asked for a motion to approve Lightning Gaming, Inc. for a manufacturer's license. Commissioner Stakem moved, Commissioner Fager seconded, and the motion was unanimously approved.

Vice Chair Hash asked for a motion to delegate authority to MLGCA staff to prepare a decision statement on Lightning Gaming, Inc.'s manufacturer license hearing. Commissioner Fager moved, Commissioner Williams 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, October 24, 2019.

ADJOURNMENT

There being no further business for discussion, Vice Chair Hash adjourned the meeting at 10:45 a.m.

Respectfully submitted,


Gordon Medenica