

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION FEBRUARY MINUTES

DATE: February 27, 2020

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 George L. Doestch, Jr.
Commissioner Michelle Fager
Commissioner James Stakem

Gordon Medenica, Director
Jim Nielsen, Assistant Deputy Director, Chief Operating Officer
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy Counsel
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
Representatives from Aristocrat Technologies, Inc.
Representatives from IGT Global Solutions Corporation
Representatives from Konami Gaming, Inc.
Representatives from Eldorado Resorts, Inc.
Representatives from Caesars Entertainment Corporation
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

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, Commissioners Vernon Boozer, George Doetsch, Michelle Fager, James Stakem. Jerry Williams 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 moved, Commissioner Stakem seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner stated that the January 23, 2020, 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 five new instant ticket games for the Commission's approval: #484 (\$1) *Lucky 7s*; #485 (\$2) *Lucky 7s Doubler*; #486 (\$5) *Lucky 7s Tripler*; #487 (\$10) *Lucky 7s Multiplier*; and #488 (\$20) *Lucky 777*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications VLTs, Table Game Components, and Instant Bingo Machines (1/9/20 – 2/13/20); Consent Agreements for Regulatory Violations - Hollywood Casino – October and November 2019; Horseshoe Casino – October 2019; Ocean Downs Casino – May, September, October 2019; Consent Agreements for Underage Violations - Horseshoe Casino – Case Nos. 2019-05-013 through -017; Live! Casino – Case Nos. 2019-03-013 through -019; and -020 through -030; MGM National Harbor – Case Nos. 2019-06-020 through -026; and -027 through -035; and Ocean Downs Casino – Case No. 2019-02-003 Gaming License Application Denials/Revocations; and Staff Reports from the Financial Director; James 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 the motion carried unanimously.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that January revenue was up 12%, with slot machine revenues up 11% and table games up 20%. He added that the successful numbers were driven by table game volumes and that volumes in February have also been good. Upcoming promotions include a \$500,000 giveaway, which is one of the biggest the casino has had. Construction will begin soon on an entrance to the Greene Turtle restaurant that will be accessible by families with children. The casino will also be honoring its employees who have been on the job since Hollywood opened 10 years ago.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that total revenue was up 11% in January, driven by slot machines, which were up 12.3% due to strong volumes. Table game revenues have been flat, with the hold up slightly. A February weekend that included performances by a comedian and a Tom Petty cover band drew substantial foot traffic, which helped to deliver one of the casino's top 10 slot win days in its history. The big February promotion is *Trucking in the Leap Year*, when the casino will give away a Ford F250 Pickup Truck. In March Ocean Downs Casino will have a cash grab machine. The next employee event will recognize 10-year employees. Ocean Downs is gearing up for a food drive in March to fill the Diakononia food pantry for Easter. Ms. Sample said that the casino has signed on Poseidon's Pub to participate in the Taste of Finer Things for Coastal Hospice.

Live! Casino

Mr. Anthony Faranca, Executive Vice President and General Manager, reported that January revenues were \$51.8 million, an 11.8% increase year over year. Slot revenues were up 17%, while table games were mostly flat, increasing 1.3%. Mr. Faranca said the casino would be examining its table game and poker strategies. After a New Year's Eve party that drew 4,000 people to The Hall, January was a quiet month for entertainment, but favorable weather and an extra Friday on the calendar helped boost January 2020 revenues as compared to January 2019. The Hall has three events scheduled for the final weekend of February, a boxing match on Friday, followed by a concert on Saturday and a Vietnamese show on Sunday. Mr. Faranca noted that the schedule represented a challenge to staff because the space must be configured differently to accommodate each event. Comedian Adam Sandler is scheduled for a sold-out show on March 19. Live! hosted the seventh Black History Heroes event sponsored by the Maryland Washington Minority Companies, which recognized 10 community and business leaders for their service to the community. Casino employees performed volunteer work with Casey Cares Foundation, which supports critically ill children.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, reported that January's mild weather helped drive a 10.5% increase in year-over-year gaming revenue, sparked primarily by slots. Table game volumes were flat. Mr. Dice reported that hotel renovations are ahead of schedule, and some of the rooms will be back in service in March. Rocky Gap hosted three concerts during President's Day Weekend, which helped increase volumes. In March, the casino will honor the Team Member and Supervisor of the Year. Rocky Gap is the lead sponsor of the Hooley Plunge, scheduled for March 7. The annual event has raised more than \$1 million for Special Olympics of Allegany County.

Horseshoe Casino

Mr. Randy Conroy, General Manager, reported that January slot revenues were \$11.4 million, up 1%, while table game revenues were \$7.9 million, down 11%, due to soft volumes and holds. The casino's annual Suitcase Man promotion will end on February 29, with a \$100,000 giveaway. New amenities scheduled to open include Tony Luke's Cheesesteaks and Ben's Chili Bowl. Mr. Conroy said Horseshoe is continuing to monitor the progress of sports betting legislation in the Maryland General Assembly. The casino played host to an event on February 13 that included 150 teachers and school administrators from Baltimore, honoring their commitment to education. Horseshoe also held a blood drive on February 14.

MGM National Harbor

Mr. Kerry Watson, Vice President for Government Affairs, reported that he has been monitoring the progress of sports betting legislation in Annapolis. January revenues were up 4%, with table games down 1% and slot machines up 10%. The Cold Hard Cash giveaway ends this weekend. From March 1 – 27, the big promotion is the *8 Days 8 Cars Giveaway*, with chances to win a new Cadillac. Smokey Robinson performed in MGM's theater in February, and comedian Tiffany Haddish is playing two sold out shows at the end of February. Seven employees participated in a day of service and volunteered 18 hours of time.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that January was a good month for the Lottery. Year-to-date sales are up 0.4%. Year-over-year comparisons remain difficult because of the sales driven by last fiscal year's \$1.5 billion Mega Millions jackpot roll, which translated into \$30 million in FY 2019 incremental profit. FY 2020 year-to-date profit is down 1.4%, or \$5 million, meaning that \$25 of that \$30 million in profit has been recovered to date.

The Lottery launched Fast Play, a new game category, on February 10, and Director Medenica reported that Fast Play has been very successful. There are 18 other states that have Fast Play games, and Maryland's first two weeks delivered the highest per capita sales of any state. Sales in the first two weeks were \$6 million, and profits from Fast Play games were \$1.4 million.

On February 19 in Annapolis, MLGCA employees Bavan Smith and Melanie Losover were recognized by Governor Larry Hogan with the Governor's Heroes Award for customer service. Both were submitted for consideration after having been among the Agency's employee of the month honorees.

Casino revenues YTD are up just under 1%, with casino contributions to the State up 2.1%.

Director Medenica said he has spent considerable time in Annapolis for discussions on sports betting legislation. He added that he is highly confident that lawmakers will pass a bill, which will then place a sports betting referendum on the ballot this coming November. With the passage of a bill, Director Medenica said the Agency would begin developing the regulations and infrastructure for sports betting, in anticipation that the referendum will be successful. That timeline would allow Maryland to have sports betting available in 2021.

Director Medenica noted that Mr. John Mooney, Managing Director, Regulatory Oversight, would be presenting the Agency's analysis of the Eldorado-Caesars merger. Director Medenica thanked Mr. Mooney, Mr. Phil Metz, Director of Casino Licensing and Investigations, and Mr. Mark Ermer, Casino Licensing and Background Investigator, for their work.

Gaming – James Logue, Managing Director

There being no questions from the Commission on Mr. Logue's monthly report, he proceeded to his Commission Action Item.

Commission Action Item – Horseshoe Temporary VLT Allocation Variance

Mr. Logue said Horseshoe Casino has requested a temporary variance in its allocation of video lottery terminals (VLTs). The request seeks approval to increase or decrease the number of VLTs on the floor by as many as 25 at any given time while the property performs technological upgrades and acquires

new VLT equipment. Pending approval, the work is scheduled to begin in March and be completed by the end of September. Horseshoe's current VLT allocation is 2,100. Mr. Logue reported that the casino believes the upgrades will have a positive impact on net gaming revenue.

Chair Marriner asked for a motion to approve the temporary variance. Commissioner Stakem moved, Commissioner Doetsch seconded, and the motion was unanimously approved.

Regulatory Oversight - John Mooney, Managing Director

There being no questions from the Commission on Mr. Mooney's monthly report, he proceeded to his Commission Action Items.

Commission Action Item – Manufacturer's License Renewal Hearings for Aristocrat Technologies, Inc.; IGT Global Solutions Corporation; and Konami Gaming, Inc.

Chair Marriner said the Commission would conduct hearings regarding the qualifications of Aristocrat Technologies, Inc., IGT Global Solutions Corporation, and Konami Gaming, Inc., for renewals of their equipment manufacturer licenses. The Chair swore in representatives from the companies who were in attendance and members of MLGCA staff. Mr. Mooney then read the summaries of MLGCA staff's investigative reports on the three companies, pertaining to their applications for renewals of their manufacturer licenses.

MLGCA staff's reports confirmed that each of the three companies and their principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications.

Staff recommended that the Commission approve Aristocrat Technologies, Inc., for renewal of its manufacturer license. There were no questions from the Commission or public comments. Chair Marriner asked for a motion to find the company and its principals have established their qualifications for renewal. Commissioner Doetsch moved, Commissioner Fager seconded, and the motion was unanimously approved.

Staff recommended that the Commission approve IGT Global Solutions for renewal of its manufacturer license. There were no questions from the Commission or public comments. Chair Marriner asked for a motion to find the company and its principals have established their qualifications for renewal. Commissioner Fager moved, Commissioner Doetsch seconded, and the motion was unanimously approved.

Staff recommended that the Commission approve Konami Gaming, Inc., for renewal of its manufacturer license. There were no questions from the Commission. Mr. Harry Jackson, an attorney on behalf of Konami, thanked the Commission and Agency staff for the company's opportunity to continue doing business in Maryland. Chair Marriner asked for a motion to find the company and its principals have established their qualifications for renewal. Commissioner Doetsch moved, Commissioner Hash seconded, and the motion was unanimously approved.

Commission Action Item – Merger Agreement – Eldorado Resorts, Inc. and Caesars Entertainment Corporation

Chair Marriner said the Commission would conduct a hearing regarding the proposed merger of Eldorado and Caesars and consider the qualifications of Eldorado as a principal entity and the qualifications of the company's principal individuals. The Chair swore in representatives of the company who were in attendance and MLGCA staff.

Mr. Mooney then read the summary of MLGCA staff's investigative report on the merger agreement. MLGCA staff conducted a complete and thorough background investigation and found that Eldorado Resorts, Inc., is qualified as a principal entity. Agency staff learned that four of the company's individual principals – Mr. Thomas Reeg, Mr. Gary Carano, Mr. Anthony Carano and Mr. James Hawkins – have received subpoenas from the U.S. Securities and Exchange Commission in connection with an SEC investigation of IRadimed, a Florida medical supply company. Eldorado and Mr. Hawkins have informed the MLGCA that on or before the date that the merger closes, Mr. Hawkins will step down from Eldorado's board and separate his relationship with the company. In a February 19, 2020, letter to the MLGCA, Mr. Hawkins requested that his application for a license be withdrawn. As part of their license applications, Eldorado, Anthony Carano, Gary Carano and Mr. Reeg provided the Commission with written assurances that protect the current and future interests of the State of Maryland in the event of enforcement action against any of Eldorado's individual principals. Anthony Carano, Gary Carano and Mr. Reeg have agreed to notify the Commission of any additional contacts they receive from the SEC. All three have agreed that, should the SEC bars them from service on a board of directors and Eldorado does not choose to divest itself of its interest in Horseshoe Casino Baltimore, they would remove themselves from serving as board members or officers of Eldorado, separate themselves from employment with Eldorado and surrender their licenses. With these assurances, Mr. Mooney said MLGCA staff finds that the individual principals are qualified and recommends approval of the merger.

Chair Marriner asked if any representatives of Eldorado wished to speak. Mr. Alan Freeman, counsel for Eldorado, commended Director Medenica, Mr. Mooney, Mr. Metz, Mr. Ermer and Principal Counsel Mr. Robert Fontaine and Deputy Counsel Ms. Holly Citko of the Office of the Attorney General for their diligence and integrity during the Agency's investigation.

Chair Marriner asked if any members of the public wished to comment. Mr. William Johnson, Mr. Charles Hopkins and Mr. John Hale addressed the Commission to discuss the issue of minority investment in the transaction. Mr. Hopkins cited SG §9-1A-36 (1)(1)(i) and asked that the Commission give consideration to the law's requirement regarding minority investors.

Chair Marriner asked Mr. Fontaine to address the Commission regarding this issue.

Mr. Fontaine said the provision Mr. Hopkins referred to does not apply to the current circumstance because it was enacted in 2012, the year after Horseshoe's operator license was issued by the Facility Location Commission to CBAC Borrower LLC. The statute's provision applies to applications for operator licenses made after the 2012 law went into effect. In this instance, Eldorado is acquiring Horseshoe through a merger of entities that are far upstream from Horseshoe. After the merger, CBAC Borrower LLC will remain Horseshoe's primary owner and operator. Mr. Fontaine said the provision in SG §9-1A-36 would apply only if CBAC Borrower LLC was to seek a buyer, seek additional investors, or seek to raise venture capital.

Chair Marriner thanked Mr. Fontaine for the information. There being no further questions from the public or discussion by the Commission, Chair Marriner asked for a motion to approve the merger. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved. Chair Marriner then asked for a motion to find Eldorado qualified as a principal entity. Commissioner Stakem motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved. Chair Marriner asked for a motion to find a list of 13 Eldorado officials to be qualified as principal individuals. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

GENERAL PUBLIC COMMENTS

There were no general 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, March 26, 2020.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 11:05 a.m.

Respectfully submitted,



Gordon Medenica