

## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH/APRIL MINUTES

DATE: April 23, 2020

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters  
(Meeting conducted via conference call audio link, livestreamed on website)

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  
Commissioner Jerry E. Williams

Gordon Medenica, Director  
Jim 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  
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  
Representative from Diamond Game Enterprises  
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**

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:01 a.m. after conducting a roll call to confirm that all of the Commissioners were on the teleconference. Also present were: Vice Chair Bert Hash, Commissioners Vernon Boozer, George Doetsch, Michelle Fager, James Stakem, and Jerry Williams.

## **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, Vice Chair Hash seconded, and the motion carried unanimously.

## **APPROVAL OF THE MINUTES**

Chair Marriner stated that the February 27, 2020, 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, Commissioner Boozer seconded, and the motion carried unanimously.

## **CONSENT AGENDA**

Chair Marriner said the Consent Agenda contains nine new instant ticket games for the Commission's approval: For March 2020: #475 (\$5) *Loose Change Multiplier*; #480 (\$5) *Deluxe Crossword 5<sup>th</sup> Edition*; #483 (\$3) *Uno*; #490 (\$10) *Bingo x10 3<sup>rd</sup> Edition*; and for April 2020: #491 (\$1) *Money Bags*; #492 (\$2) *Ravens*; #493 (\$5) *Ravens*; #494 (\$3) *Lucky Bingo*; #495 (\$10) *Cash Attack*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications VLTs, Table Game Components, and Instant Bingo Machines (2/13/20 – 4/9/20); Consent Agreements for Regulatory Violations – Hollywood Casino – December 2019; and Live! Casino – October and November 2019; Consent Agreement for Underage Violations - Hollywood Casino – Case No. 2019-02-003; Gaming License Application Denials/ Revocations; Lottery Retailer License 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 Vice Chair Hash, seconded by Commissioner Stakem, and the motion carried unanimously.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Matthew Heiskell, General Manager, thanked Director Medenica and other Agency staff for their support as the casinos were navigating the shutdown necessitated by the COVID-19 virus. He reported that there have been no COVID-19 infections among Hollywood's staff and said he appreciated the camaraderie among the State's six casino operators during a difficult time. Mr. Heiskell said he has turned his attention to the steps that will be necessary to reopen the casino and is looking forward to being able to restart operations.

### **Ocean Downs Casino**

Ms. Bobbi Sample, General Manager, thanked MLGCA staff for their assistance during the shutdown. She reported that Ocean Downs had a successful February and both volume and hold were down in the early part of March before the casinos were closed. Employees have been furloughed, and Ms. Sample said Ocean Downs will be taking care of their medical benefits for the foreseeable future. The casino made a number of food donations to local food banks as its food and beverage operations were closed. Plans are being developed to ensure the safety of employees and customers when the casino reopens. Ms. Sample noted that Ocean Downs and many other businesses in Ocean City rely on tourism and added that she is cautiously optimistic for this coming summer.

### **Live! Casino**

Mr. Anthony Faranca, Executive Vice President and General Manager, reported that February was a strong month, with gaming revenues of \$54.8 million, up almost 19% year-over-year. The casino had four notable marketing events during February, including the first headline show at The Hall, a sold-out performance by Jill Scott on February 14. Mr. Faranca noted that Live! began March with optimism, but business tapered off in the second week of the month. All shows and events have been cancelled or postponed for the foreseeable future. Employees were paid through the end of March, and their health insurance will be covered through June. Mr. Faranca said the casino has developed a reopening plan that will cover practices and policies needed to ensure the safety of employees and guests and will be looking for feedback from MLGCA staff.

Live! Casino donated 8,000 pounds of food to Nourish Now and 100 cases of snacks and beverages to the Anne Arundel County Food Bank and the Y of Central Maryland. The casino also donated decks of cards and dice to the USO for their Boredom Buster care package campaign. Live! also coordinated with Anne Arundel County Executive Stuart Pittman and the county's Local Development Council to award more than \$1 million in local impact grants to help county residents who have lost their jobs with their rent or utility bills.

### **Rocky Gap Casino**

Mr. Skylar Dice, Vice President and General Manager, thanked Director Medenica and Agency staff, adding that he appreciated the collaborative effort during the COVID-19 shutdown. Mr. Dice said February gaming revenues were up 11.4%, and March started well before the casino was closed. He added that 95% of the staff have been furloughed, but there is a group of security and surveillance staff working. There have been no known reports of staff members diagnosed with the COVID-19 virus. Mr. Dice said Rocky Gap is working with regional partners on a plan to reopen. The casino's parent company, Golden Entertainment, has a comprehensive plan to address safety concerns. Rocky Gap made food donations to food banks in Allegany County when the casino closed.

### **Horseshoe Casino**

Mr. Randy Conroy, General Manager, said he appreciated Director Medenica and Agency staff for their help and responsiveness during the COVID-19 shutdown and the other five casinos for their collaboration. Mr. Conroy noted that on March 5, the casino held an event to mark the opening of Ben's Chili Bowl – a contrast from a month later when Horseshoe had donated food to local food banks. The casino also donated gloves to local hospitals and the City of Baltimore. Mr. Conroy said Horseshoe paid its staff through the end of March and will be paying for employees' health insurance through the end of June. A significant portion of the staff have been furloughed. Caesars Entertainment, Horseshoe's parent company, is preparing nationwide protocols for its properties related to COVID-19, which Horseshoe will meld with the MLGCA's guidance.

## **MGM National Harbor**

Mr. Jeff Shrader, Vice President and General Counsel, thanked Director Medenica and MLGCA staff for extraordinary leadership and assistance in a trying time. He added that collaborating with casino colleagues from across the State has generated relationships that have built a positive from a negative situation. MGM National Harbor had a strong February, with gaming revenues up 13.3%. Across the country, MGM's properties have collectively furloughed 60,000 staff. The company's MGM Employee Emergency Grant Fund has raised more than \$12 million in donations and company funds, and there have been more than 3,000 applications for disbursement of those funds. The company is increasing its staffing to accommodate a continuing increase in applications for those funds. MGM National Harbor donated 55,000 pounds of food to Nourish Now, serving families in Prince George's and Montgomery counties.

## **VENDOR REPORTS**

### **Scientific Games**

Mr. Stephen Smith, General Manager, reported that the operations staff are the only staff members reporting to the office during the COVID-19 period. Field service employees are working with the Lottery retailers that remain open. Scientific Games has avoided mass furloughs or layoffs, though some employees have used vacation time. There is also a possibility that the company may institute rolling two-week furlough periods. No Scientific Games employees have been diagnosed with COVID-19, and the company has had good luck obtaining necessary supplies to keep employees safe.

### **Pollard Banknote**

Mr. Matt Isaac, Director of Retail Development, reported that scratch-off sales through the third fiscal quarter (January through March) were up 6%. Since then, the number has dropped to 2.9% for the fiscal year to date, which is in line with the industry average. Many lotteries have seen sales decline 15% to 25% year over year. Pollard Banknote's four printing plants are all operating. There were three COVID-19 cases at the plant in Ypsilanti, Michigan, and all three employees have recovered. The plant was closed for two days as Pollard Banknote hired a company to clean the facility. Pollard Banknote is working on programs to help its partner lotteries when operations return to normal, including best practices on making claims centers safe for employees and customers.

### **International Game Technology (IGT)**

Mr. Gary Cherwinski, Account General Manager, reported that IGT has had no issues or furloughs as a result of the COVID-19 virus. IGT staff have practiced recommended distancing measures, with some on-site employees staggering their work schedules and rotating on-site work every other day. Staff who are required to be on site every day have continued to work. No IGT staffers have been diagnosed with COVID-19. IGT has provided MLGCA staff with a plan for reopening the casinos and re-enabling all slot machines.

## **STAFF REPORTS**

### ***Director's Report – Gordon Medenica***

Director Medenica reported that Maryland Lottery and Gaming was on track for another record year before the COVID-19 pandemic. He complimented the management of all six casinos for their cooperation in working through a difficult time. The casinos worked together with MGLCA on an

interim plan to limit their capacity, and a press release was published to announce the plan, but Director Medenica said that events quickly overtook the plan, resulting in a total shutdown of the casinos.

Shortly thereafter, the State's bars and restaurants were closed to dine-in customers, which eliminated about 15% of the Lottery's retailer base. At the same time, Director Medenica said, the Agency was working to reengineer its workforce according to State directives, identifying employees who had to continue reporting to the office, those who were essential but could work remotely, and those who were not able to telework and would go on administrative leave. Sales Division staff have continued communicating with retailers, and Sales staff meetings have continued by video conference so that the retailers that remain open continue to be served.

Director Medenica reported that the Lottery made the unilateral decision to stop all paid advertising, noting that even a humorous or clever ad might appear to be tone deaf during a public health emergency. In addition, the scratch-off tickets that were scheduled to launch in April were cancelled. Director Medenica noted that sales declined for three weeks, dropping 20%, then 25% and 30%, but there has been a bit of a recovery, with sales down about 20% overall.

The lottery industry made dramatic changes to Mega Millions and Powerball as a result of the COVID-19 virus. Director Medenica explained that Powerball's minimum jackpot roll was \$10 million, and the Powerball Product Group was concerned that it did not have enough sales to support the jackpot, creating a significant liability risk of a jackpot amount that is not fully funded by sales. Powerball lowered its starting jackpot to \$20 million and reduced the minimum jackpot rolls to \$2 million. A week after making those changes, Powerball eliminated its starting jackpot and minimum roll amounts. Mega Millions was not under the same pressure, as its minimum jackpot rolls were \$5 million, and sales continued to support that minimum roll between drawings. But the 10 lotteries that comprise the Mega Millions Consortium, including Maryland, decided to set starting jackpots and roll amounts prior to each drawing based on estimated sales, giving the group flexibility and avoiding concerns about the liability of a jackpot not supported by sales.

Director Medenica said the Agency is working on procedures to guide the reopening of the casinos, adding that the casinos will be operating in a different environment than usual for an indefinite period of time. The plan is being presented to Governor Hogan's staff for feedback and input from the medical community. MLGCA is also looking at detailed plans being produced by casino operators and regulatory agencies around the country to arrive at a set of best practices.

Director Medenica said a Senate staffer asked MLGCA to provide a ballpark of estimate of what the COVID-19 virus will cost the State in terms of Lottery profit and casino contributions to the State. If casinos remain closed through the end of the fiscal year (June 30), casino contributions to the State could be down more than \$200 million. Year-to-date casino contributions to the State are down \$66 million. Estimated Lottery profits could be down \$50 million from the last Bureau of Revenue Estimates figures. Year-to-date Lottery profits are down about \$20 million. Many Lottery employees continue to telework, and many retailers remain open, as they have been designated as essential businesses.

There being no questions on his report, Director Medenica moved on to his Commission Action Item.

#### ***Commission Action Item – Licensing Contract (#2020-02) with the Baltimore Ravens Limited Partnership***

Director Medenica said the Lottery is seeking approval for a new contract with the Baltimore Ravens. The Lottery and the Ravens have had a relationship for 11 years, and the new contract is similar to the ones that have been approved previously. The contract includes language that gives the Lottery flexibility in the event that the NFL season is delayed or disrupted by the COVID-19 virus. The cost of just under \$320,000 assumes a normal NFL season. There being no questions about the contract, Chair Marriner asked for a motion to approve it. Commissioner Doetsch motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved.

### ***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 – Hollywood Temporary VLT Allocation Reduction***

Mr. Logue said Hollywood Casino has requested a temporary reduction in its allocation of video lottery terminals (VLTs). The request seeks approval to decrease its number of VLTs on the floor by 30 – from 822 to 792 – while a construction project is underway to add an entry space for the Greene Turtle restaurant that will allow persons under age 21 to enter the restaurant. Presently, the only entry to the restaurant is via the casino floor, which is not open to anyone under the age of 21. Mr. Logue reported that the casino believes the reduction will not have an impact on net gaming revenue.

Chair Marriner asked for a motion to approve the temporary reduction. Commissioner Doetsch moved, Commissioner Williams 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 Item.

#### ***Commission Action Items – Manufacturer's License Renewal Hearings - Ainsworth Game Technology; American Gaming Systems, LLC; Diamond Game Enterprises; and KGM Gaming, LLC***

Chair Marriner said the Commission would conduct hearings regarding the qualifications of Ainsworth Game Technology; American Gaming Systems, LLC; Diamond Game Enterprises; and KGM Gaming, LLC, for renewals of their equipment manufacturer licenses. Chair Marriner then swore in Mr. Mooney, MLGCA staff, and Randee Kerns from Diamond Games.

Mr. Mooney then read each of the summaries of MLGCA staff's investigative reports on the four companies, pertaining to their applications for renewals of their manufacturer licenses.

#### **Ainsworth Game Technology**

MLGCA staff's report confirmed that Ainsworth Game Technology and its principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications. Staff recommended that the Commission approve Ainsworth Game Technology 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 Stakem seconded, and the motion was unanimously approved.

#### **American Gaming Systems, LLC**

MLGCA staff's report confirmed that American Gaming Systems, LLC and its principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications. Staff recommended that the Commission approve American Gaming Systems, LLC, 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 Stakem moved, Commissioner Doetsch seconded, and the motion was unanimously approved.

#### **Diamond Game Enterprises**

MLGCA staff's report confirmed that Diamond Game Enterprises and its principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications. Staff recommended that the Commission approve Diamond Game Enterprises for renewal of its manufacturer license. There were no questions from the Commission.

Randee Kerns, Director of compliance and business development for Diamond Game Enterprises thanked the Commissioners and several MLGCA staff members and noted that the company has enjoyed a long relationship as a Maryland licensee. He added that Diamond Game Enterprises prides itself on voluntary compliance with regulations and working closely with MLGCA staff to ensure operating in a fair and honest manner, and the company is looking forward to another five years of operating 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 Stakem seconded, and the motion was unanimously approved.

#### **KGM Gaming, LLC**

MLGCA staff's report confirmed that KGM Gaming, LLC and its principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications. Staff recommended that the Commission approve KGM Gaming, LLC, for renewal of its manufacturer license. There were no questions from the Commission or comments from the public.

Chair Marriner asked for a motion to find the company and its principals have established their qualifications for renewal. Commissioner Stakem moved, Commissioner Williams seconded, and the motion was unanimously approved.

#### **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 28, 2020.

#### **ADJOURNMENT**

There being no further business for discussion, Chair Marriner adjourned the meeting at 11:08 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gordon Medenica", is written over a horizontal line.

Gordon Medenica  
Director