

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 27, 2021

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 Hash, Jr.
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Michelle Fager
Commissioner James Stakem
Commissioner Jerry E. Williams

Gordon Medenica, Director
Jim Nielsen, Deputy Director, Chief Operating Officer
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Mooney, Managing Director, Regulatory Oversight
Paula Yocum, Managing Director, Acting Chief Financial Officer
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Holly Citko, Principal Counsel, Attorney General's Office
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 Penn National Gaming, Inc.
MLGCA 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

ROLL CALL

Chair Marriner asked for a roll call to establish that a quorum was present. Roll was called, also on the call were: Vice Chair Bert Hash, Commissioners Vernon Boozer, George Doetsch, Michelle Fager, James Stakem, and Jerry Williams.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m.

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 Stakem moved, Commissioner Doetsch seconded, and the motion was unanimously approved by roll call.

APPROVAL OF THE MINUTES

Chair Marriner stated that the April 22, 2021, 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 Williams seconded, and the motion was unanimously approved by roll call.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains two new instant ticket games for the Commission's approval: #548 (\$10) *Ca\$h Bonus*; and #550 (\$1) *Blazing 777*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (4/8/21 – 5/13/21); Consent Agreement for Regulatory Violations – MGM National Harbor – January 2021; Gaming License Application Denials/Revocations; Ocean Downs Extension Request; and Staff Reports from John Martin, Managing Director, Chief Revenue Officer; Leo Mamorsky, Managing Director, Chief Marketing Officer, Carole Gentry, Managing Director, Communications; James Butler, Managing Director, Organizational Compliance; and Holly Citko, 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 Vice Chair Hash, and the motion was unanimously approved by roll call.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that April gaming revenue was up 36% compared to April of 2019. Slot volumes and revenue was up 30%, indicating that the health of the slots business is outstanding. Table game revenue was up 65% driven by hold, but volume was flat compared to April of 2019. The easing of COVID-19 restrictions has opened up more table game spots, but Hollywood is still maintaining some distancing on the slots floor. Face coverings are now optional. The casino hasn't begun

holding promotions yet, but will begin Saturday night entertainment with larger acts. Mr. Heiskell added that Hollywood is looking forward to becoming part of Penn National and adding the Barstool sports betting brand and Penn National's *mychoice*® customer loyalty program. Mr. Heiskell wished Director Medenica a happy retirement.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that April gaming revenue was up 29.9%, a total of \$1.7 million, compared to April of 2019, with slots revenues up 31% driven by volume and hold. Slot volume and coin-in were up 20%, and table game revenues up 21%, also driven by a 6% increase in volume and a slight increase in hold. Ocean Downs held a socially distanced slots tournament in April. May is off to a strong start due to the Kentucky Derby, a significant event for Ocean Downs, which is owned by Churchill Downs, where the Derby is run. May 1 was Ocean Downs all-time best net slot win day and No. 6 coin-in day of all-time. The casino is increasing table game positions, and masks are optional for customers, but mandatory for staff. Plexiglas panels remain in place on slot machines, and Ocean Downs is operating from 8 a.m. to 2 a.m. due to staffing and a competitive labor market. Ms. Sample extended best wishes to Director Medenica in his retirement.

Live! Casino

Mr. Anthony Faranca, Executive Vice President and General Manager, started by wishing Director Medenica the best in his retirement. Gaming revenue in April was up 20% compared to April of 2019. Slot revenue was \$41.6 million, up 22%. Table game revenue was \$14.9 million, up 17.7%. Poker tables generated \$1.3 million, up 20%. Non-gaming revenue has not returned to pre-pandemic levels, and was down 30% compared to April 2019. Mr. Faranca added that Live! is still in the process of returning its restaurants to full operation, the majority have now been reopened. The new Sports & Social venue has opened and will be home to the FanDuel sportsbook when sports betting operations begin. Live! has several shows scheduled for The Hall event venue in August and plans to return to full-scale operations in The Hall during the fourth quarter of 2021. The casino supported events with the Chesapeake Arts Center and the Parkinson's Foundation. Live! also celebrated Diversity Month in April with various activities. Casino customers have the option to wear masks, and many are still wearing them. Employees are still required to wear masks.

Rocky Gap Casino

Mr. Skyler Dice, Vice President and General Manager, reported that gaming revenue was up 18.8% in April compared to April of 2019. Slot handle was up 20%, while table games lagged slightly behind. Guests have responded well to changes in social distancing and face covering policies. Guests have the option to wear masks, and vaccinated guests are not required to wear them. About 30% of guests are still wearing masks. Mr. Dice also said that older customers are returning to the casino as vaccination levels rise. Many COVID-19 sanitation protocols have remained in place as best practices. Rocky Gap is planning to restart its traditional marketing efforts during the summer, and has been in talks with various acts for possible outdoor entertainment events. Casino staff have been involved in a number of community events, including Beautify Cumberland. Rocky Gap is planning an employee appreciation event for June, and is putting the finishing touches on the Lakeside Grill renovation, with a grand opening scheduled for June 23. The casino is also working with corporate and sports wagering partners to create a sports lounge in time for the launch of sports betting operations. Mr. Dice thanked Director Medenica for his leadership and guidance and wished him well in his retirement.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that April slots revenue was \$14.1 million, up 13% from April of 2019, while table game revenue was \$5.6 million, down 22%. COVID-19 capacity restrictions have been lifted, and Horseshoe is turning on more of its slot machines. The casino is making a strong push to have all of its employees vaccinated, including an on-site vaccination opportunity for staff. Baltimore City remains under an indoor mask mandate. Horseshoe staff will participate in an AIDS walk in Baltimore on June 5. The casino is hiring, with more than 100 positions available. With sports betting on the way, Horseshoe plans to add staff by the fall. Mr. Conroy thanked Director Medenica for his partnership with the casinos, wished him well in retirement.

MGM National Harbor

Mr. Jorge Perez, President and Chief Operating Officer, reported that April gaming revenue was up 2.5% compared to April of 2019, the second-best month since the casinos reopened in June of 2020. MGM was restricted to 50% capacity in April. Slots revenue was up 18%, while table game revenue was down 15.5%, and poker tables were down 13.5%. Prince George's County repealed its capacity and social distancing restrictions effective May 17, and as of 5 p.m. on May 28, masks are no longer required for vaccinated patrons. The casino has removed temperature screenings and is in the process of removing Plexiglas barriers and will be activating as many slot machines as it can. MGM is hiring for numerous positions. Mr. Perez added that the labor market is tight, and the casino is getting creative in its recruiting efforts. MGM hosted vaccination events and was able to get several hundred of its employees vaccinated for COVID-19. The outdoor gaming terrace opened with 41 slot machines, and has been well-received by guests. Construction is in progress on the BetMGM lounge, which will be ready in time for football season. Casino staff logged 65 hours of volunteer activities in April, including a Habitat for Humanity event. Mr. Perez thanked Director Medenica for his service to the entire industry.

Chair Marriner commended all of the casino operators for their efforts to keep the casinos open and safe and to continue generating revenue for the State.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica began by saying he was humbled and thankful for the well-wishes he has received upon his retirement announcement.

With more than a month to go in the fiscal year, Director Medenica reported that Lottery sales and profits have already surpassed previous all-time records. Sales are up 21% and profits are up by nearly 21%. Casino revenues are up 23% year-over-year, with contributions to the State up by 25%.

Director Medenica reported that two major events occurred within the past week. The \$731.1 million Powerball jackpot that was hit on a ticket sold in Lonaconing in January has been claimed. The state made \$49 million in tax revenue from the prize, making the State a huge winner in addition to the Lottery's profits. The Lottery also launched a COVID-19 vaccination incentive promotion. The Governor's Office first contacted the Lottery on May 17, and the promotion was announced by Governor Hogan in a press conference on May 20. Similar incentive programs had been previously launched in Kentucky and Ohio. The Ohio program used Federal stimulus funds, but Maryland decided not to use Federal funds for its vaccine promotion. The \$2 million in prize money for Maryland's VaxCash Promotion comes from the Lottery's marketing budget. Director Medenica said it is an excellent use of Lottery funds because of the amount of publicity the program has generated. He added that it is good for the Lottery, good for the State, and most importantly a great encouragement for Maryland residents to

get vaccinated. The promotion will award a daily prize of \$40,000 to one winner each day from May 25 through July 3 and a \$400,000 prize to one winner on July 4. The program is intended to incentivize people who have not yet been vaccinated and to reward those who already have. Maryland residents 18 or older who have received a COVID-19 shot at any time at a non-Federal facility in Maryland are eligible to win. In the end, Director Medenica said, it's a good cause, and is part of the Lottery's mission to support the State's good causes.

Director Medenica thanked Governor Hogan for his leadership and support in allowing the Lottery its independence to do the right thing over the years. It is anticipated that the first draft of sports betting regulations will be available for the Commission to review in June.

Director Medenica thanked each of the Commission members for their support and their role in the Agency's continuing success, the casino operators for their collaboration and partnership, and the Agency's executive committee for their work and their friendship.

Chair Marriner commended Director Medenica for his contribution to the State of Maryland and his work in repositioning and energizing the Lottery, adding that Director Medenica guided the Agency with a steady hand during the COVID-19 pandemic. Each of the Commissioners also thanked Director Medenica for his efforts and contributions and wished him well in retirement.

Operations, Information Technology and Gaming – James Nielsen, Deputy Director, Chief Operating Officer

There being no questions on his monthly report, Mr. Nielsen proceeded to his Commission Action Item.

Commission Action Item – Licensing and Dunning Systems Additions, Enhancements and Maintenance Task Order Agreements with MS Technologies Corporation - #2015-08

Mr. Nielsen said the Agency is requesting approval of emergency modifications to the MS Technologies contract. The modifications add \$789,000 to the contract value, bringing the total value of the contract to \$1.499 million. MS Technologies maintains and supports the eLicensing system used by the Agency's Gaming Division. The modifications are necessary so that the Agency can use the system to process applications for sports wagering licenses. With the modifications, the system will track sports wagering licenses independently from other licenses. It is an emergency modification because there is not enough time to conduct a procurement, identify a winning bid and have a licensing system functioning in the necessary timeframe. The target date to make the sports wagering licensing system available is August 2021. The contract provides for ongoing support for three more years, giving time to make any needed changes as the Agency learns more about the sports wagering business. If approved, the contract modification will be submitted to the Board of Public Works and the Department of General Service within 30 days, but work will begin as soon as it is approved because there is a very short window of time to work with.

There was no discussion regarding the contract modification. Chair Marriner asked for a motion to approve the modification. Commissioner Doetsch motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved by roll call.

Mr. Nielsen thanked Director Medenica for all he's done and said he will be missed.

Finance and Accounting – Paula Yocum, Managing Director, Acting Chief Financial Officer

There being no questions on her monthly report, Ms. Yocum proceeded to her Commission Action Item.

Commission Action Item – Modification #3 to Auditing and Accounting Services Contract with Stout, Causey & Horning, P.A. - #2015-04

Ms. Yocum said the Agency is seeking a one-year extension of its contract for auditing and accounting services with Stout, Causey & Horning. If approved, the modification would be on the agenda for the June 2 Board of Public Works meeting. The modification includes a not-to-exceed amount of \$268,495, bringing the total not-to-exceed amount of the contract to \$1,765,880. The extension will give the Agency time to facilitate the procurement and implementation of a new replacement contract, and will give the Agency time to assess the additional auditing and accounting requirements that will be necessary with the addition of the sports wagering program.

There was no discussion about the modification request. Chair Marriner asked for a motion to approve the modification. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

Gaming – James Logue, Managing Director

There being no questions on his monthly report, Mr. Logue proceeded to his Commission Action Items.

Commission Action Item – Amended Casino Regulations

Mr. Logue said that as part of the Agency's annual regulatory review process, Agency staff are recommending amendments to nine regulations in an effort to ensure that regulations are in line with industry best practices. The changes were prepared at the request of the Maryland's casino industry. After reading brief summaries of the nine proposed amended regulations, Mr. Logue requested that the Commission approve them, and that the Commission delegate to Agency staff the authority to make any non-substantive changes to the amended regulations that may be necessary to prepare them for publication in the Maryland Register.

There being no discussion of the amended regulations, Chair Marriner asked for a motion to approve them. Vice Chair Hash motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

Chair Marriner then asked for motion to delegate to Agency staff the authority to make any non-substantive changes to the amended regulations that may be necessary to prepare them for publication in the Maryland Register. Vice Chair Hash motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

Regulatory Oversight – John Mooney, Managing Director

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

Commission Action Item – VLT Facility Operation License – Penn National Gaming, Inc.

Chair Marriner said the Commission would conduct a hearing on the qualifications of Penn National to be approved as a principal entity and for its individual principals to be licensed. The Chair administered the oath to Agency staff and Penn National representatives who were on the teleconference.

Mr. Mooney read the summary of the Agency's investigative report. Agency staff found that Penn National and its 11 principal entities have sufficient financial resources, and found no derogatory

information regarding their qualifications. The Agency concluded that Penn National and its principals have established by clear and convincing evidence their qualifications for an operator license.

Chair Marriner asked if any representatives of Penn National wished to address the Commission. Mr. Chris Soriano, Vice President and Chief Compliance Officer, said the company was glad to be returning to a property that it had opened in 2010. He thanked the Commission and Agency staff for their professionalism and thoroughness. Ms. Erin Chamberlin, Senior Vice President for Regional Operations, said she was excited to return to Maryland and thanked Mr. Mooney and his staff for their professionalism. She added that Hollywood Casino has built momentum, and that Penn National will add to that momentum with the additions of the Barstool sports betting brand and the *mychoice*® player loyalty program.

There being no questions or discussion, Chair Marriner asked for a motion to find that Penn National has established its qualifications for a principal entity operator license. Vice Chair Hash motioned to approve, Commissioner Doetsch seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to find Penn National's 11 principal entities were qualified for principal employee licenses. Commissioner Doetsch motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to delegate to Agency staff the authority to draft a decision statement for the Chair to transmit to Penn National and amend its operator license as needed, and transmit a copy to Penn National. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Mr. Mooney thanked Director Medenica for his leadership and positive impact on the State.

REMARKS FROM STANLEY FINE

Chair Marriner introduced former Maryland Lottery Director Stanley Fine, who addressed the Commission regarding Director Medenica's retirement. Mr. Fine noted that he was the Lottery's second director, adding that he has befriended each of his successors and offered his support. The Lottery's first year, in 1973, its gross revenue was \$25 million and its net was \$10 million. Now, with the Lottery and casino revenues, the Agency's contribution to the State each year is more than \$1 billion. Mr. Fine commended Director Medenica for blending his public and private sector experience to serve the State extremely well, and he said it is no coincidence that under Director Medenica's leadership, the Agency is generating all-time high revenues. Mr. Fine thanked Director Medenica for a job well done.

Director Medenica thanked Mr. Fine for introducing him to new restaurants in Baltimore and for being a friend, mentor and colleague.

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 24, 2021, conducted by audio conference.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 11:03 a.m.

Respectfully submitted,



James R. Nielsen
Deputy Director