

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 26, 2022

TIME: 10:00 a.m.

PLACE: Maryland Department of Environment's Lobby Meeting Room
1800 Washington Boulevard, Baltimore, MD 21230
and via teleconference

PRESENT: Chair E. Randolph Marriner
Vice Chair George L. Doetsch, Jr.
Commissioner F. Vernon Boozer
Commissioner Diane M. Croghan
Commissioner Harold E. Hodges
Commissioner James J. Stakem
Commissioner Jerry Williams (via teleconference)

John Martin, Director
James Nielsen, Deputy Director, Chief Operating Officer
James Butler, Assistant Deputy Director, Chief of Staff
James Logue, Managing Director, Gaming
John Mooney, Managing Director, Regulatory Oversight
Solomon Ramsey, Managing Director, Sales and Marketing
Paula Yocum, Managing Director, Chief Financial Officer
Carole Gentry, Managing Director, Communications
Holly Citko, Principal Counsel, Attorney General's Office
Jennifer Tosky, Deputy 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 OCM Luxembourg Baccarat Bidco S.à.r.l.
MLGCA Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, Diane M. Croghan, George L. Doetsch, Jr., Harold E. Hodges, James J. Stakem, Jerry E. Williams

QUORUM ESTABLISHED

Chair Marriner announced that there was a quorum present for the meeting. Also present in person were: Vice Chair George Doetsch, Commissioners Vernon Boozer, Diane Croghan, Harold Hodges, and James Stakem. Jerry Williams was present via teleconference.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:04 a.m.

APPROVAL OF THE REVISED AGENDA

Chair Marriner reported that the Commissioners were provided with a copy of the revised agenda. Chair Marriner asked for a motion to approve the agenda. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Marriner stated that the April 28, 2022, open session minutes were provided to the Commissioners for review, and asked if there were any changes. There were no changes. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains three new instant ticket games for the Commission's approval: #591 (\$2) *Ravens X2*; #593 (\$5) *Ravens X5*; and #598 (\$10) *Win \$50, \$100 or \$200*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (4/6/22 - 5/12/22); Consent Agreements for Regulatory Violations - MGM National Harbor - December 2021 and January 2022; Consent Agreements for Underage Violations - Hollywood Casino - Case Nos. 2021-01-002, and 2022-01-001 and -002; Horseshoe Casino - Case Nos. 2022-05-001 to -003; Live! Casino - Case Nos. 2021-03-012, and 2022-03-001 to -004; and MGM National Harbor - Case No. 2021-06-017; Gaming License Application Denials/Revocations; Licensing Denial Reversal; Lottery Retailer Revocations; and Staff Reports from James Nielsen, Deputy Director, Chief Operating Officer; James Butler, Assistant Deputy Director, Chief of Staff; James Logue, Managing Director, Gaming; John Mooney, Managing Director, Regulatory Oversight; Solomon Ramsey, Managing Director, Sales and Marketing; Paula Yocum, Managing Director, Chief Financial Officer; Carole Gentry, Managing Director, Communications; 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. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

OPERATOR REPORTS

Hollywood Casino

Mr. Timothy Shea, Vice President of Operations, reported that slot machine revenue was up 2% year-over-year, driven by volume. Table game revenue was up 14%, driven by both volume and hold. Poker was up 28%, and sports handle was down. May slot machine revenue is trending well, with table games and poker up over the previous year. Sportsbook is trending well. Hollywood has started bringing back more live performances coming out of the pandemic. Promotions include blackjack tournaments, giveaways and sweepstakes. This week, the Penn National MyChoice Player's Club Program was rolled out. Hollywood has also implemented a Penn National corporate wellness program for employees that includes a mobile app that can help staff to track their health. In the community, Hollywood was a sponsor of the first annual Elk Landing Defenders Festival. Next month, Hollywood will be hosting an event with Habitat for Humanity.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that gaming revenue in April was up 7.1%, compared to last year, with slot machines up 7.3% driven by an 11% increase in volume, and table games up 5.5% driven by volume. Table game hold was down. Sports wagering handle was \$1.1 million in April, and Ocean Downs had \$129,000 in win for a hold percentage of 11.6%. Ms. Sample said the sportsbook was seeing a healthy hold driven by a high percentage of parlay wagers. She added that the hold has been higher than projected, as Ocean Downs set very conservative numbers for the sportsbook's first year. The casino had a promotion in late April that allowed it to enjoy its second-best win day of all-time. Rainy weather during the weekend of the Kentucky Derby in early May forced the casino to cancel a number of outdoor events that were planned, including a concert. The live race meet at the Ocean Downs track is starting in late May, which is earlier than in prior years. The casino is looking to fill a number of positions, but most departments are well-staffed. Ocean Downs will offer its staff a mentoring program, focused on mental health awareness and stress reduction techniques. The casino will also participate in the 29th Anniversary Celebration for Atlantic General Hospital.

Live! Casino

Ms. Yvonne Mrha, Chief Financial Officer, introduced herself. Ms. Mrha reported that April was a great month with overall revenue at \$70.7 million, an increase of 12.1% year-over-year. Gaming revenue was \$61.8 million, up 6.8%, and non-gaming revenue was the second-best month of this year, \$8.9 million, up 72.3% compared to last year, when a number of non-gaming assets were closed due to COVID-19. Among the casino's highlights in April was a local resident who won \$1.7 million on table games, who also consented to participating in publicity and marketing efforts regarding the win. The sportsbook had \$13.2 million in handle during April and held 12.4%, its second-highest hold month since opening in December 2021. Live! had a busy marketing calendar with shows in The Hall, cash giveaway promotions and a blackjack tournament. Staff members volunteered to do food package preparation for local families at Curtis Bay Elementary School and a cleanup effort at Ben Franklin High School. The casino was a presenting sponsor for a minority business enterprise event in Annapolis and was sponsoring a gala for Opportunity Builders, a nonprofit that supports individuals with disabilities.

Commissioner Hodges asked what helped to drive the revenue growth that Live! reported. Ms. Mrha said the growth is driven by volume. Table game hold was down year-over-year, but slots saw an increase in coin-in and tables had a record drop. She added that non-gaming revenue increased significantly because some amenities were not open in April 2021.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that April was a great month with gaming revenue up 2.1%, with slightly reduced volume. A snow storm at beginning of month impacted volume. Slot machine revenue was up 2.9%, with less volume and coin-in, but better hold. Table games revenue was down 4.6%, but the drop was up 2.8% with a less-advantageous hold. Rocky Gap gave an award to recognize an employee who performed CPR on a patron who was having a medical emergency. The casino has hosted a number of recent comedy shows and other performances. Rocky Gap made a \$5,000 donation to the local United Way and donated items to a local family crisis resource center. Casino staff also participated in a local community cleanup project. Rainy weather during May has impacted business on the golf course. A May 21 concert on the driving range drew a crowd of more than 1,000. A series of renovations have been completed in the hotel, and the casino is seeking to fill a number of positions, including director of player development. Mr. Kurtz addressed Commissioner Hodges directly to give an update that the casino still not experienced a spike in crime.

Commissioner Hodges asked how Rocky Gap decides which community events to participate in or where to donate. Mr. Kurtz said the casino tries to partner with organizations that are making the biggest impact directly in the community to ensure that the money stays there. If Rocky Gap is not able to make a financial donation, it considers having staff volunteer their time to assist local organizations.

Chair Marriner commended all the casinos on efforts made over the last ten years to provide community support.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that April slot machine revenue was \$11.6 million, table game revenue was \$7.3 million, and sportsbook revenue was \$540,000. The sportsbook hold was 14.1% in April, which is substantially higher than the 6% to 8% that Horseshoe had projected. Mr. Conroy said many sportsbook customers are betting longshots on parlays, and that basketball wagers have been popular. He added that Horseshoe is looking forward to the football season, given its close proximity to M&T Bank Stadium. The casino recently rented a suite at Camden Yards for some of its customers to attend an Orioles game. Horseshoe also held a Preakness VIP party and viewing experience. The Brew Brothers sports bar, which supports the sportsbook, continues to generate positive feedback. Horseshoe made a donation to the Capital Region Minority Supplier Development Council, which supports diverse businesses, and will be holding a supplier diversity event in June that will bring diverse businesses to the casino for them to learn what it takes to work in a regulated environment. Horseshoe recently held a hiring event as it continues an ongoing hiring effort, and made more than 100 job offers. A member of Horseshoe's staff won a regional Caesars company Founders award, making her eligible for the company's national Founders award. Mr. Conroy expressed his appreciation for the efforts of MLGCA licensing staff member Cathy Panagodimos, who has been helpful as Horseshoe experienced a complete turnover of its human resources team. He praised her cooperation and patience in guiding the casino and its new employees through the licensing process. Mr. Conroy added that having worked in other jurisdictions, the level of collaboration between regulators and casinos in Maryland is unique. Chair Marriner said MLGCA staff aim to help the casinos further their businesses, which is good for the State.

MGM National Harbor

Ms. Melonie Johnson, President and Chief Operating Officer, reported that April gaming revenue was up 13% year-over-year, with table games up 31% and slot machines up 3%. Poker tables were

up by 15%. Customers placed 85,000 wagers at the sportsbook with a hold of 6.6%, with a decrease in hold as expected after March Madness. Ms. Johnson said revenue for May is trending stronger than April, aided by an MGM cross-property marketing effort that has sent regional customers to MGM properties in Las Vegas and brought MGM customers from Las Vegas to National Harbor. A current promotion offers players the chance to win up to \$25,000 of free play, and the casino recently hosted an invitational \$750,000 blackjack tournament. The MGM theater has hosted a number of recent performances and gameshow events. MGM staff volunteered with the Goodwill of Greater Washington to conduct mock interviews with graduates of its hospitality workforce training program. Staff also worked with Habitat for Humanity to build children's playhouses, picnic tables and planters, and partnered with the Prince George's Child Resource Center to build a playground. Staff members also participated in a project to do repairs and landscaping for senior homes in Prince George's County. The casino also partnered with the Alice Ferguson Foundation on the 34th Annual Potomac Watershed Cleanup. Ms. Johnson said that even as MGM's business grows, the casino is mindful of the possibility of a recession and is making sure that operations are efficient and cost-conservative while focusing on the safety of staff and guests while driving additional revenues. She added that by the end of the week all of MGM National Harbor's non-gaming amenities would be open for the first time since the start of the pandemic.

STAFF REPORTS

Director's Report — John Martin, Director

Mr. Martin reported that April Lottery revenues were very solid. On May 9, a record-setting Multi-Match jackpot of \$5.1 million was won. Multi-Match, Maryland's in-state jackpot game, has seen a 20% year-over-year gain.

April was the fourth-best month ever for the casinos, with total gaming revenue at just over \$170 million. Sports wagering contributed more than \$400,000 to the state in April, and the fiscal year-to-date contribution to the state from sports wagering is more than \$2.2 million. Fiscal year-to-date casino revenues are up more than 17.5%, and contributions to the state are up 18.5%.

Mr. Martin said the Lottery was pleased to support the Governor's initiative on the VaxCash 2.0 Promotion, which awarded its final prize of \$1 million on May 3. He added that Lottery staff recently submitted an application for World Lottery Association Level 4 status and is awaiting the evaluation of the WLA's assessment panel.

Gaming — James Logue

Commission Action Item — Amended Casino Regulations

In an effort to implement casino industry best-practices, each year MLGCA staff seeks the input of the state's casinos regarding potential changes to regulations. Mr. Logue reported that MLGCA staff are recommending six amended regulations, four of which were proposed by the casinos and two by Agency staff. Mr. Logue then read summaries of the six amended regulations, which are published on mdgaming.com.

Chair Marriner asked about the amendment to COMAR 36.10.13.06 regarding the format of annual audit and other regulatory reports casinos must provide to the Commission. The Chair asked to clarify that under the amended regulation, the Commission would have access to such reports in a digital format rather than receiving paper copies of them. Mr. Logue said that the amended regulation would allow the casinos to give the Commission digital access to such reports, saving time and paper.

Commissioner Hodges asked for clarification as to whether the casinos could choose whether to provide digital access or a paper copy. Mr. Logue confirmed that the casinos would have the choice to file the reports via one method or the other.

Chair Marriner asked if there was any further discussion. There being none, the Chair asked for a motion to approve these proposed amendments to the Gaming and Sports Wagering regulations. Commissioner Stakem motioned to approve, Vice Chair Doetsch seconded, and the motion was unanimously approved.

Chair Marriner then asked for a motion to delegate to Staff the authority to make any non-substantive changes to these proposed amendments that may be necessary to prepare them for publication in the *Maryland Register*. Vice Chair Doetsch motioned to approve, Commissioner Williams seconded, and the motion was unanimously approved.

Commission Action Item — MGM National Harbor Expansion of Gaming Areas

Mr. Logue said MGM National Harbor has submitted a request for the expansion of two separate gaming areas within their facility. The first expansion area would be adjacent to their outdoor gaming floor which currently holds 41 video lottery terminals (VLTs). The expansion would increase the size of the outdoor gaming floor and would add 71 VLTs on the vacant side of the outdoor space adjacent to the 41 currently operational VLTs. The new gaming space should be completed and opened on or about October of 2022. Once completed and opened, MGM will temporarily close the existing outdoor gaming floor for renovations. The entire outdoor gaming floor should be completed on or about December 15, 2022.

MGM is also requesting to expand its indoor gaming floor by annexing retail space along the south wall of the casino, which will include the relocation of the existing Starbucks and retail space currently occupied by Shyft and Swag and will add an additional 171 VLTs. The project should be completed on or about March of 2023.

When these projects are complete, the number of MGM's VLTs will increase by 242 and the total number of VLTs will remain within the minimum and maximum limits approved by the Commission in November 2021; no Commission action regarding the proposed increase in VLTs is required.

MGM has secured the necessary approvals and permits for construction, intends to meet their MBE goals, and is working with the Governor's Office of Small, Minority and Women Business Affairs. MGM has been providing MLGCA staff with plans, drawings and updates as required. Staff will review the project for compliance with all regulatory requirements before MGM begins any gaming activities in these new areas.

Commissioner Hodges asked how the casino makes decisions regarding diverse contractors. Ms. Johnson said that as part of MGM's community benefits agreement with Prince George's County, its procurement department has a list of minority business enterprises, disadvantaged business enterprises, women-owned businesses and veteran-owned businesses. When the casino is searching for a general contractor, those businesses are given preference. Ms. Johnson said the onus is on the casino to ensure that they are awarding contracts to those businesses.

There being no further questions, Chair Marriner asked for a motion to approve MGM National Harbor's request for an expansion of its outdoor gaming area, temporary closure of their existing outdoor gaming area and renovation of the existing outdoor gaming area. Vice Chair Doetsch motioned to approve, Commissioner Williams seconded, and the motion was unanimously approved.

Chair Marriner then for a motion to approve MGM National Harbor's request for an expansion of its indoor gaming area along the south wall of the casino. Commissioner Williams motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Commission Action Item — Hollywood Casino Perryville Sports Wagering Expansion Request

Hollywood Casino Perryville has submitted a request for their permanent sports wagering expansion and is seeking approval of the area floor plan. The sports wagering area will consist of a 1,081-square-foot sportsbook located next to the south entrance of the casino in an area previously occupied by VLTs. On the opposite side of the south entrance, the existing Green Turtle restaurant will be renovated and converted into a Barstool-branded restaurant.

The sports wagering area will consist of four wagering teller windows with an additional wagering teller window located at the Player Services counter. Eight self-service wagering kiosks will also be located in the sports wagering area.

Hollywood Casino Perryville will secure the required approvals and permits and will maintain consistent communication with Agency staff. Staff will review the project for compliance with all regulatory requirements before Hollywood begins any sports wagering activities in this new area.

Chair Marriner said the Commission historically has supported what the casinos have determined is in their best interest to grow their businesses. As long as MLGCA staff have confirmed that all requirements have been met, the Commission is happy to support the casinos in growing their businesses and making more money, both for the casinos and for the State of Maryland.

Chair Marriner asked if there was any further discussion. There being none, the Chair asked for a motion to approve Hollywood Casino Perryville's permanent sports wagering floor plan. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Commission Action Items - Regulatory Oversight — John Mooney

Chair Marriner stated that the Commission would be conducting a manufacturer license renewal hearing for JCM American Corporation and a hearing on the acquisition of Interblock d.d. The Chair asked any MLGCA staff members and representatives of the companies who may testify during the hearings to stand, and he administered the oath to MLGCA staff John Mooney, Philip Metz, Mark Ermer, David Robinson and Linda Willis, and representatives David Quick of OCM Luxembourg Baccarat Bidco S.à.r.l. (BidCo), and Robert Ruben, counsel for Bidco.

Commission Action Item — JCM American Corporation - Manufacturer's License Renewal Hearing

Mr. Mooney read the executive summary of MLGCA staff's investigative report on JCM American Corporation, which is available at mdgaming.com. Pursuant to a thorough investigation, MLGCA staff found that JCM American Corporation has established by clear and convincing evidence that it is qualified for renewal of its gaming manufacturer license. MLGCA staff recommend approval of the company's renewal application. Commissioner Hodges inquired regarding audited financial statements that were referred to in the investigative report and asked what firm conducted the audits. MLGCA staff member David Robinson said he did not immediately have the name of the firm, but would follow up with the information at a later time. Commissioner Hodges asked to

clarify that MLGCA staff reviewed statements that were audited and some that were not audited. Mr. Robinson said statements from 2016 through 2020 were audited and that statements for 2021 were not audited.

Chair Marriner asked for a motion to find that JCM American Corporation has established by clear and convincing evidence, its qualifications under the Gaming Law for renewal of its manufacturer license. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Commission Action Item - Acquisition of Interblock d.d. by OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg

Mr. Mooney apologized for the lateness in providing the investigative report regarding the acquisition of Interblock d.d. to Commissioners. He added that such reports are not normally provided to the Commission only two days prior to a hearing. In this case, the company's acquisition is going to be settled by the end of May. Mr. Mooney said MLGCA staff wished to avoid the potential for a circumstance where a manufacturer is sold and there is an issue with its license that would not be resolved until the following month's Commission meeting. Such an occurrence would cause a situation where casinos have equipment from an unlicensed manufacturer on their floors. For that reason, MLGCA staff wished to expedite the process. Mr. Mooney emphasized that such expedited processes are rare, adding that MLGCA staff and representatives of the company expended a great deal of effort to complete the investigation and present the findings in time for the May meeting. Chair Marriner said he appreciated the effort and that this process is not a consistent norm. He added that he preferred to have the hearing prior to the transaction being finalized rather than after. Commissioner Hodges said that in the future, he would prefer to have more time to review this type of information because it is a complicated transaction. He added that he would like to have more time to review the implications for Maryland. Mr. Mooney acknowledged that it is a complicated transaction and that MLGCA staff would try in the future to provide more time for Commissioners to review the information.

Mr. Mooney read the executive summary of MLGCA staff's investigative report on the acquisition of Interblock d.d. by OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg. The executive summary is published at mdgaming.com. Via thorough investigation, MLGCA staff confirmed that OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg meets the qualification requirements of the Gaming Law and found no derogatory information. The acquisition of Interblock d.d. and resulting ownership changes are consistent with the policies and intent of the Gaming Law. MLGCA staff recommend approval of the acquisition.

Chair Marriner asked if any representatives of the company wished to speak. Mr. David Quick of OCM Luxembourg Baccarat Bidco S.à.r.l., thanked MLGCA staff for its hard work and professionalism on a complex transaction and apologized for the timing.

Chair Marriner asked for a motion to find that OCM Luxembourg Baccarat Bidco S.à.r.l. Luxembourg meets the requirements of the Gaming Law, and that the resulting ownership changes of Interblock d.d. are consistent with the policies and intent of State Government Article §9-1A-18. Vice Chair Doetsch motioned to approve, Commissioner Hodges seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to find that OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg has established by clear and convincing evidence its qualifications as a Principal Entity. Vice Chair Doetsch motioned to approve, Commissioner Hodges seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to find that sufficient assurances have been provided by Howard S. Marks and Bruce A. Karsh through their affidavits, the resolution entitled Written Consent of the General Partner of Oaktree Special Situations Fund II, L.P. dated May 12, 2022, and the revised Articles of Association of the Company Interblock d.o.o to protect the State's interests and satisfy Maryland Gaming Law requirements. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion approve the proposed acquisition of Interblock d.d. by OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg as consistent with the Gaming Law. Vice Chair Doetsch so moved, Commissioner Williams seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to permit Staff to carry out any further actions needed upon notification that the transaction has closed and that Interblock d.o.o has assumed all of Interblock d.d.'s interests so that Interblock d.o.o may take over the manufacturer's license of Interblock d.d. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to direct Staff to draft a decision statement of the Commission on the approval of the acquisition of Interblock d.d. by OCM Luxembourg Baccarat Bidco S.à.r.l., Luxembourg Vice Chair Doetsch motioned to approve, Commissioner Hodges 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 Commission meeting will be held at 10:00 a.m. on Thursday June 23, 2022, in person and via teleconference at Montgomery Business Park, 1800 Washington Boulevard, room to be determined. We may schedule an additional meeting to conduct a qualification hearing on a sports wagering-related license applicant in between regularly scheduled meetings.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 11:18 a.m.

Respectfully submitted,


John Martin
Director