

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

- DATE:** June 23, 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 (via teleconference)
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 Scientific Games
Representative from Pollard Banknote
Representative from International Game Technology (IGT)
Representatives from Table Trac, Inc.
Representatives from FBG Enterprises Opco, LLC
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, Harold Hodges, and James Stakem. Diane Croghan and Jerry Williams were present via teleconference.

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. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Marriner stated that the May 26, 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 Stakem seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains eleven new instant ticket games for the Commission's approval: # 599 (\$1) *Fast Ca\$h*; #600 (\$5) *Power Shot Multiplier*; #601 (\$5) *Deluxe Crossword 7th Edition*; #602 (\$10) *Lady Luck*; #603 (\$30) *Cash Is King*; #604 (\$1) *Chillin'*; #605 (\$2) *Holiday Cash Drop*; #606 (\$3) *Peppermint Payout*; #607 (\$5) *Holiday Sparkle*; #608 (\$10) *Blizzard Bucks*; and #609 (\$20) *The Game Of Life*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (5/12/22 – 6/14/22); Gaming License Application Denials/Revocations; Live! VLT Reduction Extension Report; Lottery Retailer License Revocation; 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 in May was flat year-over-year, with coin-in down slightly and hold up slightly. Table game revenue was up 27%, with the drop up 8% and hold up considerably. Poker revenue was up 25%. Sports wagering handle was higher than expected, but the hold was lower than in previous months. Revenues during June have been up slightly. Table games are competing against a significantly high hold month in June of 2021. Recent promotional efforts have included the successful rollout of Penn National's Mychoice Player's Club Program, a \$60,000 free slot play promotion and a blackjack tournament, as well as multiple other giveaways. Hollywood recently hosted an event for Habitat for Humanity, where portions of new homes were built in the casino's parking lot. The Barstool Sportsbook held its opening on June 10. Mr. Shea thanked Maryland Lottery and Gaming Director John Martin for attending. Hollywood will welcome its new general manager, Amy Brennan, on July 1.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that gaming revenue was down 1% in May, with slots down 1.16% driven by hold, as coin-in was up 4.4%. Table game revenue was flat compared to May 2021, with the drop up by 19.5%, but hold was less than last year. Ms. Sample said the casino's player volumes tapered off toward the end of the month, partly due to favorable weather, which leads to Ocean City visitors spending their time outside rather than in the casino. She added that other area businesses reported lighter volumes than anticipated for the Memorial Day Weekend. Visitations to the area during June can be lighter than in other months, as many graduating high school seniors come to Ocean City and adults and families with children tend not to visit during that time. Ocean City announced it was slightly curtailing its July 4 celebration due to staffing issues with its fireworks vendor, which may also have an impact on visitations for the Independence Day Weekend. Ocean Downs has had a variety of promotional efforts and was a title sponsor for the Ocean City Air Show on June 11-12. Members of the Thunderbirds visited the casino for an event on June 10 and did a meet-and-greet with customers. The casino made a donation of clothing and other items to a local homeless shelter. Staffing levels remain an issue, but Ms. Sample said the casino is holding a class to train new table game dealers.

Commissioner Hodges asked how the inflationary environment and the possibility of a recession factor into business planning and operations. Ms. Sample said the casino makes sure that it watches expenses closely, and that it is not pulling back on its marketing efforts. Overall, there is an effort to make sure that when money is spent, it's done wisely.

Live! Casino

Ms. Yvonne Mrha, Chief Financial Officer, reported that May was the casino's best total revenue month of the year at \$75.5 million, up 8.7% compared to May of 2021. Gaming revenue accounted for \$64.6 million of that total, up 6.2%. Non-gaming revenue was up 34.2%, though volume was down slightly year-over-year. Table game revenues were up, driven by strong hold. Sportsbook handle in May was \$10.9 million, with a hold of 15.5%. Group sales are driving the hotel business, and Memorial Day Weekend was strong for food and beverage sales. Live! had numerous marketing and bonus programs during Memorial Day Weekend and also had a number of gift giveaways. The casino hosted a private screening of the new Top Gun movie for VIP guests the night before the film was released in theaters. June 10 is the casino's 10-year anniversary, with a number of activities planned to celebrate. A recent series of shows by comedian Dave Chapelle

drew a total of 16,000 customers to the property. Live! recently supported the Capital Pride Festival, Annapolis Juneteenth, and supported the Marines Helping Heroes Foundation golf tournament. Financial support and sponsorship of community organizations totaled \$46,000 in the past month, and Live! also gave a \$10,000 prize to Midnite Confections, a local minority-owned bakery that recently won a Cupcake Challenge event. Live! also recently made a commitment to Anne Arundel Community College of \$1 million in scholarship funding over the next 10 years. The casino is giving gifts to team members and rewarding those who have been on the job since Live! opened 10 years ago.

Commissioner Hodges asked how inflation and the possibility of a recession are impacting the casino. Ms. Mrha said the casino's revenue performance has been strong, and that Cordish is still growing as a company. She added that experiences during the COVID-19 pandemic had provided good lessons, and that the casino is focused on providing excellent service for customers, investing in its team and giving back to the community.

Rocky Gap Casino

Mr. Ahmad Ahmad, Vice President and Assistant General Manager, reported that revenue in May decreased 5.5% compared to May of 2021, adding that it was still a successful month given the current economic circumstances. With the summer season underway, travel and visits to the resort have returned to more traditional patterns. The hotel was sold out completely for Memorial Day Weekend and every weekend since. Slot machine volumes were slightly lower in May with revenue decreasing 3%. Table game drop and hold were not as favorable. Rocky Gap had a number of comedy shows in May and a concert featuring Kix and local bands. Staff members spent time working with a local family crisis resource center and donated 1,000 items for distressed families. Team members also participated in a community cleanup day where work focused on parks and recreation areas used by families. Rocky Gap completed a hotel renovation project during May, and will be working on reconfigurations of table games and the addition of a new bank of electronic table games. Mr. Ahmad said that June began with strong volume and that travel patterns seem to have returned to pre-pandemic levels, with strong hotel occupancy expected well into late June.

Commissioner Hodges asked about the revenue decline in May and whether inflation and the possibility of a recession have an impact on the casino's planning. Mr. Ahmad said the casino was tweaking its marketing and promotional events and is watching its expenses. He added that Rocky Gap aims to capitalize on its location and the natural resources in the area to enhance guest experiences and attract "staycationers" who are impacted by gas prices and decide to stay closer to home. Commissioner Hodges asked about hotel occupancy and what the hotel does to fill vacant rooms. Mr. Ahmad said Rocky Gap is evaluating hotel bookings on a regular basis and if it sees softness, it can adjust its rates and make offers to fill rooms.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that May slot machine revenue was \$11.7 million, table game revenue was \$6 million, and sportsbook win was \$419,000. Mr. Conroy said sports wagering had softened since the NBA season ended, adding that the casino is excited for the start of football season this fall. Horseshoe recently held a promotion giving away free slot play to VIP guests. The casino is working with the Governor's Office of Small, Minority and Women Business Affairs on a program to assist small businesses in working with casinos. Members of Horseshoe's executive team met with prospective vendors to provide information and guidance on navigating the registration process to do business with Maryland's casinos. The casino also held a fundraising event with the American Cancer Society. Horseshoe recently added 50 new team members at a hiring event and has another hiring event planned for July. Mr. Conroy said the

casino manages its business on an hourly and daily basis, managing expenses as aggressively as it can. Horseshoe is adding jobs and focusing on the customer experience. There has also been dramatic progress in development of the area around the casino along Warner Street, which will help to make the area an entertainment destination. The new \$40 million Topgolf facility is scheduled to open in October, and construction is continuing on the \$50 million Paramount Theater.

MGM National Harbor

Mr. Jeff Shrader, Vice President and Legal Counsel, reported that May gaming revenue was up 11% and was the best month in the casino's history. Table games were up 24%, with poker up 7% and slots revenue up 2%. The sportsbook was down from levels it saw during the NFL playoffs and NBA season. More than 75,000 wagers were placed in May and the hold was 10.6%. The property is continuing to bring its full range of amenities back online after the pandemic and is offering a variety of promotional efforts, including free slot play and gift giveaways, and has hosted a number of shows in its theater. Staff volunteer efforts included participation in refurbishing homes for low-income families and a 5K race with Mothers Against Drunk Driving to raise awareness. Staff also participated in cleanup projects at Oxon Hill Park and Oxon Hill Farm. The casino is also planning to break ground soon on an outdoor gaming project that was approved by the Commission in May.

VENDOR REPORTS

Scientific Games

Mr. Jeff Hale, General Manager, said Scientific Games is doing all it can in the final days of the fiscal year to help the Lottery achieve another sales record. He added that Maryland has become an industry leader in Fast Play sales and is setting new standards.

Commissioner Hodges asked Mr. Hale to describe Fast Play games. Mr. Hale explained that Fast Play games are like scratch-off games played on a draw game ticket.

Pollard Banknote

Mr. Matt Isaac, Senior Director of Lottery Marketing, said Maryland is doing well in its scratch-off sales compared to other states. Sales have been up 15% in the last couple of weeks, which is opposite what the rest of the industry is experiencing. Sales across the U.S. were down 10% week over week and down 8% for the year. Michigan's sales are down 6.4%; New York is up 7.6%; Washington, D.C., is down 10.2%; Connecticut is down 4.7%; Virginia is up 3.7%, but down 12% week over week. In a tough sales environment, Maryland is doing well, which Mr. Isaac attributed to the work of the Maryland Lottery's Sales, Marketing and Product Development groups. Pollard Banknote recently hosted nine Maryland Lottery staff members for a tour of its Ypsilanti, Michigan, printing facility. The company is working on 19 games this quarter.

Commissioner Hodges asked what factors beyond marketing explain the increase in sales and what accounts for the volatility in weekly or monthly sales. Mr. Isaac said macroeconomic issues explain the trends, and that there are variations in the results from state to state. Maryland launched a \$20 ticket with a prize structure that includes only three prize tiers, as opposed to many prize tiers on a typical ticket, that has resonated with players. Some states have launched \$50 tickets that are not doing as well when conventional wisdom would suggest that the higher price point would lead to increased sales. Mr. Isaac added that the Maryland Lottery has been consistently building its scratch-off player base and drawing in new players over the past seven years.

International Game Technology (IGT)

Ms. Carmen Vegas, Data Center Manager, reported that IGT is performing disaster recovery tests. No issues were identified during a simulated a disaster scenario in which operations were rolled over to a backup data center in Austin, Texas. An annual audit is underway and will be completed by the end of July.

STAFF REPORTS

Director's Report — John Martin, Director

Director Martin reported that May 2022 Lottery sales were down 7% compared to May of 2021. Higher jackpots, which sparked stronger sales during May 2021, made for an unfavorable year-over-year comparison. The daily number games have been lagging behind last year's totals and were down for the month of May, but having a strong year overall. Director Martin added that when the fiscal year is completed, the Lottery expects to report a record-high sales figure. He added that Maryland's strong performance on Fast Play and scratch-off tickets is attributable to having the best team in the industry.

Casino gaming revenues in May 2022, totaled \$178 million, making it the second-best month all-time. Sports wagering is in a lull during the spring and summer, but should ramp up during the football season.

Commission Action Items - Regulatory Oversight — John Mooney

Chair Marriner stated that the Commission would be conducting a manufacturer license renewal hearing for Table Trac, Inc., and a Sports Wagering Facility Operator License Hearing for FBG Enterprises Opco, LLC. The Chair asked any MLGCA staff members and representatives of the companies who may testify during the hearings to stand, and administered the oath to MLGCA staff: John Mooney, Philip Metz, Mark Ermer, and Mike Pfisterer, and the representative for Table Trac, Inc., Randy Gilbert, and the representatives for FBG Enterprises Opco, LLC., Alex Smith, Adam Berger, and Robert Ruben.

Commission Action Item — Table Trac, Inc. - Manufacturer's License Renewal Hearing

Mr. Mooney read the executive summary of MLGCA staff's investigative report on Table Trac, Inc., which is available at mdgaming.com. Pursuant to a thorough investigation, MLGCA staff found that Table Trac, Inc. 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.

Chair Marriner asked if anyone from Table Trac, Inc. wished to speak. There were no comments by Table Trac, Inc.

Chair Marriner asked for a motion to find that Table Trac, Inc. 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 — FBG Enterprises Opco, LLC d/b/a Fanatics

Mr. Mooney said a hearing was being conducted on the Sports Wagering Facility Operator License Application submitted by FBG Enterprises Opco, LLC d/b/a Fanatics to determine its qualifications for a Sports Wagering Facility Operator License.

Mr. Mooney reviewed the regulatory history, ownership and the principal qualifiers of FBG Enterprises Opco, LLC d/b/a Fanatics. He noted that MLGCA's investigation has confirmed that the applicant has sufficient financial resources, and found no derogatory information regarding the applicant's qualifications. Based on the criteria in the Sports Wagering Law, MLGCA concluded that FBG Enterprises Opco, LLC d/b/a Fanatics is qualified under the Sports Wagering Law and not disqualified. MLGCA concluded that the applicant has established by clear and convincing evidence its qualifications required for a Sports Wagering Facility Operator License.

Chair Marriner asked if anyone wished to speak on behalf of FBG Enterprises Opco, LLC d/b/a Fanatics. Mr. Alex Smith, Vice President of Regional Affairs for Fanatics, thanked MLGCA staff for their assistance and professionalism during the investigation and added that this is the company's first gaming license, and it is excited to reach this milestone.

Chair Marriner asked for a motion to find that FBG Enterprises Opco, LLC d/b/a Fanatics has established by clear and convincing evidence its qualifications under the Gaming Law for a Sports Wagering Facility Operator License. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to direct MLGCA staff to draft a decision statement of the Commission's decision on the qualification of FBG Enterprises Opco, LLC d/b/a Fanatics. Commissioner Hodges motioned to approve, Vice Chair Doetsch 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 August 25, 2022, in person and via teleconference at Montgomery Business Park, 1800 Washington Boulevard, room to be determined. There is no July meeting scheduled. We may schedule an additional meeting to conduct qualification hearings on a sports wagering-related license applicants between regularly scheduled meetings.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 11:09 a.m.

Respectfully submitted,


John Martin
Director