

Maryland Lottery and Gaming Control Commission

Wes Moore, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

DATE: March 23, 2023

TIME: 9:00 a.m.

PLACE: Maryland Lottery and Gaming Control Agency
(Meeting via video conference call only)

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

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
Seth Elkin, Acting 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)
Representative from iGamingCloud, Inc.
Representative from Veterans Services Corporation
Representative from Whitman Gaming
MLGCA Licensing Staff

QUORUM ESTABLISHED

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

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 9:00 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 revised agenda. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Marriner asked if there were any changes to the minutes of the February 23, 2023, Open Session. There being none, he asked for a motion to approve the minutes. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains five new instant ticket games for the Commission's approval: #643 (\$1) *Cash Crush*; #644 (\$5) *Gold Bar Bingo*; #645 (\$5) *Bonus Cash Doubler*; #646 (\$10) *\$600 Cash In Hand*; #647 (\$20) *\$1 Million Royale*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications: VLTs, Table Game Components, Instant Bingo Machines, Sports Wagering Systems and Kiosks (2/9/23 – 3/9/23); Consent Agreements for Regulatory Violations - Horseshoe Casino – November 2022; Live! Casino – September, October, and November 2022; MGM National Harbor – October and November 2022; and Rocky Gap Casino – September, October and November 2022; Gaming License Application Denials/Revocations; Request for Removal from the Mandatory Exclusion List; 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; Seth Elkin, Acting Managing Director, Communications; and Holly Citko, Principal Counsel, Office of the Attorney General.

Chair Marriner asked if any Commissioners cared to pull any items out of the Consent Agenda. There being no discussion or requests, Chair Marriner asked for a motion to approve the consent agenda. Commissioner Williams motioned to approve, Vice Chair Doetsch seconded, and the motion was unanimously approved.

OPERATOR REPORTS

Hollywood Casino

Ms. Amy Brennan, General Manager, reported that overall gaming revenue in February was down 7.7% due to decreases in slot machines, table games and sportsbook. From the beginning of March through March 20, gross gaming revenue is down 7.4%. Poker has been up in both February and March. For the year gross gaming revenue is down 3.5%. The casino held several promotions in February that helped increase volumes. In March, Hollywood held a Battle of Bands, where the winner received a \$5,000 cash prize and will be booked for six paid performances. Hollywood has a variety of engagement efforts planned for its Year of the Team Member, including an event where the executive team worked an overnight shift and made waffles for team members. Hollywood continues holding town hall meetings in March and completed an employee survey. In the community, the casino provided gift baskets to various organizations for silent auctions for their events. Ms. Brennan said the casino is in the process of forming a charitable committee that will decide where the casino will participate in the community.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that overall gaming in slot machines and table games revenue in February was up 3.7% compared to February 2022, driven by slot machines. Slot machine revenue was up 5.4% year-over-year, driven by volume. Coin-in was up 5.6%, and hold was nearly flat. Table games were down 12.8%, with drop down 2.6%, primarily driven by hold. It was down almost 7 points at 18.7% this year. Sports wagering handle was \$1.1 million in February which was \$26,000 less than last year, down 2.5%. Taxable win was \$75,000, down 53% from last year. The 2022 hold was 12.9%, which was fairly high, and in 2023 it was 6.3%. Ms. Sample said given the potential impact of online sports wagering, Ocean Downs is pleased with a decline of only 2.5%. February started slowly, but business picked up for Valentine's Day weekend and the casino benefited from the good weather. Several giveaways occurred in February and March, and the casino is holding Wednesday evening blackjack tournaments. In the community, Ocean Downs partnered with the Art League on the Ocean City Film Festival and hosted an appearance by John Waters on March 4. This year, the casino participated for the first time in the Ocean City St. Patrick's Day Parade. Ocean Down hosted a Play for a Cause slot tournament to benefit the Grace Center for Maternal and Women's Health. The casino also held its annual team member recognition dinner for 5- and 10-year team members and hosted peer recovery support specialists as part of its Problem Gaming Awareness Month activities.

Live! Casino

Mr. Ryan Eller, General Manager, reported that February gaming revenue was softer year-over-year at \$56.1 million, down 6%. Slot machine revenue was \$39.3 million, down 3.3%. Table games and poker combined were \$16.1 million, down 12%. Retail sportsbook handle was down 43%, which Mr. Eller said was not surprising given the presence of online wagering and is fairly consistent with the decline in handle in prior months. The casino in February held several successful promotions with a wide variety of prize giveaways that were very popular. To celebrate the Lunar New Year, team members were given free meals. A virtual hiring event was held that resulted in dozens of job offers. In the community, Live! hosted a blood drive. Mr. Eller said Live! partnered with the Anne Arundel County Food Bank where team members boxed food. The casino held a Black History Heroes Celebration.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that total gaming revenue was just over \$5.3 million in February, down 3.3% year-over-year. Slot machines were down 4.1%, with a decrease in coin-in of about 7%, primarily coming in final two weeks of February. Table games were up 4.7%, primarily driven by a 3.5% increase in hold. The weather had an impact on volume. Mr. Kurtz said hotel volume was flat compared to last year, but there were declines in the amount of foot traffic. Food and beverage revenues were up more than 8%. Rocky Gap has had a full suite of kiosk promotions and two well-attended comedy shows in February. In the community, Rocky Gap donated more than 200 items to a local animal shelter. In March and April, Rocky Gap will be conducting a food drive for an area food bank. Rocky Gap participated in the Hooley Plunge charitable event on March 4, raising \$5,000 in donations. Rocky Gap continues work on 5- and 10-year anniversary gifts for team members. Mr. Kurtz said the casino is ramping up plans for its 10th anniversary in May.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that there were mixed results in February, with slot machine revenue up at \$11.2 million, and table game revenue down at \$5.1 million. The sportsbook was up as a result of better hold, but Mr. Conroy said, as expected, mobile sports betting took nearly half of the retail business, with that trend accelerating in March. Current trends show slots machines up and table games down in March as well. In March, the casino completed a four-year union contract extension after six months of negotiation. It was ratified with 97% union approval. Horseshoe has a hiring event planned for late March, as it is looking to hire 100 new table game dealers. The casino held an event for the start of the NCAA basketball tournament, and last month, it hosted an event during the CIAA Basketball Tournament. Horseshoe has several promotional giveaways occurring in March. In the community, Horseshoe employees participated with a local organization in a cleanup event and meal prep. Three charities are promoted on property, Meals on Wheels, Maryland Department of Veteran Services, and Paul's Place. Horseshoe made donations to all three charities. The casino recognized its team members of the year and of the quarter.

MGM National Harbor

Mr. Jeffrey Shrader, Vice President and Legal Counsel, reported that in February overall gaming was down 0.4% compared to February 2022, with a decline in table game revenue of 9%. Slot machine revenue was up 5%, poker revenue was up 30%. The BetMGM Sportsbook wrote more than 40,000 tickets in February with a \$5.6 million handle and 9.6% hold. March has been a strong hold month for table games. The casino has had several giveaways and promotions in February, including a prize of \$15,000 in free slot play that was awarded in late February. An expanded gaming area is nearly ready to open, which will put more slot machines on the floor, and the casino is replacing its carpet to give the floor an updated look. In the community, MGM has worked with several charities, including the Capital Area Food Bank, Food and Friends, and College Track. MGM had 60 team members who were celebrated for their commitment to community service. MGM exceeded its 2022 goal for community service hours by 312%, with more than 4,100 volunteer hours.

VENDOR REPORTS

Scientific Games

Mr. Jeff Hale, General Manager, reported that the Scientific Games' pilot program for the SciQ Instant Ticket Dispenser System is coming to an end, and some of the participating retailers will be transitioning to a permanent solution. Scientific Games is working on SciGuard+, which will be completed in late May or early June and includes enhanced security features on tickets. Scientific Games is in the process of finalizing its state of the industry presentation for Lottery staff in early April. Mr. Hale introduced Lori Denton as Scientific Games' new Instant Ticket Representative for Maryland. He noted that Ms. Denton previously worked in Maryland and is replacing Ed Trees who retired. Ms. Denton said she was happy to be returning to work with the Maryland Lottery nearly 20 years after she first did.

Pollard Banknote

Mr. Travis Priest, Director of Lottery Marketing, reported that there have been eight new scratch-off games launched into market, including the \$50 ticket celebrating Maryland Lottery's 50 years. Last Monday was the launch of the Frogger game, which features a second-chance contest where players can win a Frogger home-arcade machine. Corvette Cash is an additional upcoming game. The \$50 ticket launch in February had an impressive impact to date with \$24.6 million in revenue in the first four weeks, equating to 22% of overall sales since its launch. Cumulative weekly sales are up 25% since the \$50 ticket launch. Maryland Lottery is achieving per-capita sales that are 47% greater than other states that have launched \$50 tickets in the last 18 months. Overall scratch game sales through 37 weeks of Fiscal Year 2023 are \$724 million compared to \$685 million in the prior year, up \$38 million. Average selling price continues to climb following that revenue growth to an all-time high of \$7.26, which is a \$0.36 swing across the 37-week period. The projected 5-year Compound Annual Growth Rate (CAGR) for Maryland Lottery is at 5.6% with the lottery of interest peer group by comparison at 3.3%. The lotteries of interest include Connecticut, Washington, D.C., North Carolina, New York, Virginia and West Virginia. Since the pandemic in 2020, per-capita sales have a growth of 6.5% with the lottery of interest group at 4.8%. Mr. Priest noted that a group of Maryland Lottery staff visited Pollard's printing facility in Ypsilanti, Michigan, to tour the facility and gain insight into scratch-off ticket production.

International Game Technology (IGT)

Mr. Gary Cherwinski, Senior Director / Account Development Manager, reported that operationally everything is going well. The software batch release is in the internal testing phase. IGT is planning for vulnerability scans and remediation and planning for routine maintenance. Planning is also underway for a disaster recovery test for May.

DIRECTOR'S REPORT

Director's Report — John Martin, Director

Director Martin reported that with the introduction of the \$50 scratch-off ticket, there has been a significant increase in scratch-off sales. The ticket is called *50 Years!* and has a top prize of \$5 million. The first \$5 million winner has already come forward, and two more \$5 million prizes are still waiting to be claimed. Two-thirds of the way through the fiscal year, Lottery sales are up 5.2% year-over-year, and profits are up 10%. Casino revenue is up 4.3% year-over-year, with

contributions to the State up 2.6%. In sports wagering, Fiscal Year 2023 handle is at \$1.6 billion, and contributions to the State are \$8.6 million.

COMMISSION ACTION ITEMS

Deputy Director, Chief Operating Officer — James Nielsen

Commission Action Item — Sole Source Contract - Baltimore Ravens (#2023-02)

Mr. Nielsen reported that this is a new sole source contract in the not to exceed amount of \$337,350 for the 2½ year term commencing June 1, 2023, to provide: 1) a license to use the Ravens NFL team marks and logos for two scratch-off games and a Fast Play game; and 2) Ravens and NFL football related prizes. The contract is similar to the Ravens contracts the Lottery has entered into for the past 14 years. MLGCA recommends approval of this contract. Once the Commission approves, contract will be sent to DGS for inclusion on the next available BPW agenda.

Chair Marriner asked for a motion to approve the contract. Commissioner Williams motioned to approve, Vice Chair Doetsch seconded and the contract was approved unanimously.

Commission Action Item — Award of Auditing and Accounting Services for MLGCA Solicitation No. #2022-10

Mr. Nielsen reported that this Contract is for MLGCA to acquire auditing and accounting services necessary to meet its statutory reporting requirements; to conduct observations of lottery drawings; to provide technical advice related to accounting practices; and to certify various agreed upon procedures related to multi-state lottery games offered for sale in Maryland. Mr. Nielsen's report outlined 1) the RFP Process; 2) the evaluation committee; 3) the technical evaluation; 4) the minimum requirements; 5) the CPA license requirement; 6) the financial evaluation; and 7) the best value analysis for this contract.

As the SC&H Group, Inc. was the only offeror susceptible for award of the Contract, and its financial proposal was determined to be reasonable with respect to industry standards, it is recommended that SC&H Group, Inc, Sparks, MD, be awarded the Auditing and Accounting Services for MLGCA Contract (#2022-10). MLGCA recommends approval of this contract. Once the Commission approves, contract will be sent to DGS for inclusion on the next available BPW Agenda.

Commissioner Croghan asked if it is noted anywhere that there is a minimum number of bids required? Mr. Nielsen responded that the preference is to get as many bids as possible, but there is no required minimum.

Chair Marriner asked for a motion to approve the contract. Vice Chair Doetsch motioned to approve, and Commissioner Williams seconded and the contract was approved unanimously.

Managing Director, Regulatory Oversight — John Mooney

Commission Action Item — Qualification Hearings

Chair Marriner stated that the Commission would conduct three qualification hearings. Mr. Mooney would provide the descriptions of the applicants and for which sports wagering-related licenses they are seeking qualification.

Chair Marriner said he would collectively administer the oath to anyone who may testify or answer questions in any of the hearings. Mr. Mooney will conduct a hearing for each Applicant and describe the results of Staff's investigation into the Applicant. Chair Marriner then outlined the procedures.

Chair Marriner then collectively administered the oath to all individuals who may testify or answer questions. This was for Agency Staff who worked on these matters, and any representatives of an Applicant who are present for the hearing. Sworn in were MLGCA staff: John Mooney, Phil Metz, Mike Pfisterer, Linda Willis, David Robinson, and Fred Marsh; and a representative from iGamingCloud, Inc.: Claudio Caruana; a representative from Veterans Services Corporation: Emmanuel Bailey; and a representative from Whitman Gaming, Inc.: Carroll Hynson, Jr.

Mr. Mooney said there would be three qualification hearings: iGamingCloud, Inc. is seeking qualification for an Online Sports Wagering Operator License, Veterans Services Corporation d/b/a Vital Services Contractors, Inc. is seeking qualification for a Mobile Sports Wagering License, and Whitman Gaming, Inc. is seeking qualification for a Class B-2 Sports Wagering Facility License.

Mr. Mooney summarized the reports that were sent prior to this meeting and have been available on the Agency's website prior to this meeting. Mr. Mooney provided the following statement once which pertained to all of the qualification hearings.

To be qualified for any sports wagering-related license, an applicant must submit the appropriate license application and prove to the Commission by clear and convincing evidence, that it meets the qualification criteria in the Sports Wagering Law. All applicants must prove that they are qualified under State Government Article § 9-1E-07(e) and COMAR 36.10.03.02 and must not be disqualified under State Government Article § 9-1E-07(g)(1). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

Additionally:

- a) A Mobile Sports Wagering License Applicant must meet the requirements in COMAR 36.10.05;
- b) An Online Sports Wagering Operator License Applicant must meet the requirements in COMAR 36.10.06.02; and
- c) A Sports Wagering Facility License Applicant must meet the requirements in COMAR 36.10.04.

If a Mobile Sports Wagering License Applicant or Sports Wagering Facility License Applicant is found qualified, the decision statement of the Commission will be forwarded to the Sports Wagering Application Review Commission (SWARC) for it to determine whether to award a license. If an Online Sports Wagering Operator License Applicant is found qualified, the decision statement does not get forwarded to SWARC; however, the Agency will work with the operator to ensure that all applicable requirements are met prior to issuing a license to operate.

For each Applicant, the Agency conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by analyzing corporate records and documents; scrutinizing the business operations, practices, and transactions and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. The Agency adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in the Agency's report and found each applicant appearing before you today to:

- 1) Have financial stability, integrity and responsibility;
- 2) Have no material issues involving the known financial backers;
- 3) Possess the requisite good character, honesty and integrity;

- 4) Have sufficient business ability and experience; and
- 5) Have no potential disqualifying factors.

All Applicants presented today have submitted a completed application for each license they are seeking, adequate proof of bond and all required fees.

Mr. Mooney said that at the end of the qualification hearings, Staff recommends that the Commission entertain applicable motions:

1. A motion to find that the Applicant has established that it is qualified for the license it is seeking by clear and convincing evidence;
2. A motion delegating to Staff the authority to draft the Commission's decision statement on the qualification of the Applicant for the license it is seeking; and
3. If it is a mobile sports wagering license applicant or sports wagering facility license applicant, a motion directing the Secretary of the Commission to transmit the decision statement on the applicant's qualification to SWARC.

Commission Action Item — iGamingCloud, Inc. - Online Sports Wagering Operator License Applicant

Mr. Mooney summarized the publicly available Executive Summary of the MLGCA's investigative report on iGamingCloud, Inc. iGamingCloud Inc. was formed in New Jersey on December 19, 2017, for the purpose of operating mobile and online sports wagering in the United States. It is a wholly-owned subsidiary of iGamingCloud Limited, Gaming Innovation Group PLC, and the ultimate parent company Gaming Innovation Group, Inc., and is an affiliate of seventeen gaming companies worldwide. These are collectively referred to as the Gaming Innovation Group (GiG), which is headquartered in St. Julians, Malta, and is currently licensed by state gaming regulatory authorities in New Jersey and Pennsylvania, as well as, internationally throughout Europe and South America. In December 2021, GiG acquired Sportnco Gaming SAS (Sportnco), a software provider specializing in online sports wagering.

The Applicant and its principal entities satisfy the applicable qualification criteria and are not disqualified. Daniel Files, Nicolas Adlecreutz, Justin Psaila, Jonathan Gauci, Richard Brown, Herve Schlosser, Benjamin Bohle-Roitelet, Claudio Caruana, Kjetil Aasen, and Kjetil Garstad, have been identified as principals of the Applicant. All have been issued a Temporary Principal License.

The Agency's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Staff recommends that the Commission find iGamingCloud Inc. qualified for an Online Sports Wagering Operator License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Chair Marriner asked if any representatives of the Applicant wished to address the Commission. No one from the applicant spoke. Then Chair Marriner asked if anyone from the Commission had any questions of Staff or the applicant.

Commissioner Hodges thanked Mr. Mooney and his staff for the reports, and asked if iGamingCloud would be allowed to share the license with its subsidiary GiG. He clarified his question further by asking who owns the license, and who can use it. Mr. Mooney responded that the license is issued to iGamingCloud, and GiG is the parent company.

Commissioner Hodges then asked who would use the license. Mr. Mooney responded that iGamingCloud is seeking the license, and GiG is the overall company.

Commissioner Hodges asked if the license can be assigned to anyone else within the larger entity. Mr. Mooney responded that the license cannot be transferred without permission of the Commission.

Commissioner Hodges noted that the company has narrow profit ratios and asked how its poor performance demonstrates an ability to operate. Mr. Mooney noted that, as reflected in the report provided to Commission members, iGamingCloud divested its Business-to-Consumer (B2C) operations and is focusing on Business-to-Business (B2B) operations, and for the last four to five years has been doing significantly better.

Mr. Caruano, a representative of iGamingCloud, Inc. noted that looking at the account of the whole group, the finances are healthy. iGamingCloud is proposing to act in Maryland as a subplayer, and will not be handling any player monies.

Mr. David Robinson of MLGCA's Licensing Staff noted that the profit margins are narrow, but the company has performed well in generating operating cash flow each year over the five-year review period. In the first nine months of 2022, iGamingCloud, Inc. generated \$22.8 million in operating cash flows.

Commissioner Hodges noted that this is an Oslo-based company, and asked what challenges or legal issues there might be if there were to be questions related to ownership of State revenue. He asked whether the government of Norway has primary rights to revenues that Maryland should receive.

Mr. Mooney stated that MLGCA has many licensees in jurisdictions all over the world, and there have been no issues with collecting tax due to the State. Mr. Nielsen added that iGamingCloud is being qualified as an operator, and that the license holder that the company partners with would be ultimately responsible. Chair Marriner added that license holders are bonded.

There being no further discussion, Chair Marriner asked for a motion to find that iGamingCloud, Inc. has established by clear and convincing evidence that it is qualified for an Online Sports Wagering Operator License. Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and the motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner asked for a motion to direct Staff to draft the Commission's decision statement on the qualification of iGamingCloud, Inc. for an Online Sports Wagering Operator License. Vice Chair Doetsch motioned, and Commissioner Williams seconded, and the motion passed motion passed unanimously.

Commission Action Item – Veterans Services Corporation - Mobile Sports Wagering License Applicant

Mr. Mooney summarized the publicly available Executive Summary of the MLGCA's investigative report on Veterans Services Corporation. Veterans Services Corporation d/b/a Vital Services Contractors, Inc. was incorporated in Washington, D.C. on June 15, 2009, and is founded and wholly-owned by Mr. Emmanuel Bailey, who also serves as the Company's President and Chief Executive Officer. Veterans Services Corporation has been granted a gaming license by the District of Columbia Office of Lottery and Gaming. Veterans Services Corporation has filed a Mobile Sports Wagering License Application and Mr. Emmanuel Bailey has filed a Principal Employee License Application with the Commission.

The Applicant and its principal satisfy the applicable qualification criteria and are not disqualified. Emmanuel Bailey is the only principal associated with the Applicant and was issued a Principal Employee License on February 16, 2023.

The Agency's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Staff recommends that the Commission find Veterans Services Corporation d/b/a Vital Services Contractors, Inc. qualified for a Mobile Sports Wagering License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Commissioner Hodges sought clarification that Veteran Services Corporation has entered into a revenue sharing agreement. Mr. Mooney responded it has. Commissioner Hodges asked Mr. Mooney for details regarding what would potentially be coming to Maryland. Mr. Mooney asked Commissioner Hodges to clarify his question. Commissioner Hodges expressed an interest in knowing the extent of the revenue sharing agreement.

Ms. Jennifer Tosky, Deputy Counsel, pointed out that the revenue sharing agreement being referenced is between Mr. Bailey and another company, not to the benefit of the State of Maryland. She added that the State would still be receiving its sports wagering tax from the licensee.

Commissioner Hodges asked if what the state receives would be based on the gross or after the licensee allocates to its partners.

Mr. Bailey responded that the contribution to the State is based on a net revenue sharing basis, focused on what is left over, not the gross. It comes after the 15% tax that is paid to the State of Maryland. Mr. Bailey said the revenue sharing agreement is agnostic to Maryland and does not affect Maryland tax payments.

Commissioner Hodges asked if it is done after distribution to internal partners. Mr. Bailey replied that it is not based on the handle or the gross gaming revenue, it is net after all expenses.

Chair Marriner asked if there were any further questions. There being no further discussion, Chair Marriner asked for a motion to find that Veterans Services Corporation d/b/a Vital Services Contractors, Inc. has established by clear and convincing evidence that it is qualified for a Mobile Sports Wagering License. Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and the motion passed unanimously.

Chair Marriner then asked for a motion to direct Staff to draft the Commission's decision statement on the qualification of Veterans Services Corporation d/b/a Vital Services Contractors, Inc. for a Mobile Sports Wagering License. Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and the motion passed unanimously.

Chair Marriner asked for a motion to direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission. Commissioner Williams motioned, and Commissioner Stakem seconded, and the motion passed unanimously.

Commission Action Item - Whitman Gaming - B-2 Sports Wagering Facility License

Mr. Mooney summarized the publicly available Executive Summary of the MLGCA's investigative report on Whitman Gaming. Whitman Gaming, Inc. was incorporated in Maryland on February 28, 2022, and has its principal office located in Annapolis, Maryland. The Company was formed for the purpose of holding a license to operate a retail sportsbook facility. The facility will operate within the Sports & Social Bethesda Sports Bar located in North Bethesda, Maryland.

As a recently formed entity, the Applicant has had very limited financial activity and has filed no income tax returns to date. The Applicant's financial backers have been its sole owner, Mr. Carroll H. Hynson, Jr., and PPE Casino Resorts Maryland, LLC. There are no estimated costs to the Company for the sportsbook build-out and startup of the Facility, as these costs are anticipated to be the responsibility of PPE. In addition, PPE paid the Applicant's Sports Wagering Facility Application fee and will be responsible for providing the required betting reserve for the Facility.

The Applicant's operating history is limited as the Company was formed only recently for the purpose of conducting sports wagering activities within the Facility in Maryland. As a result of the lack of an extensive operating history, there is a level of unpredictability concerning the Company's future prospects. However, it is anticipated that Whitman Gaming, Inc. will have sufficient cash reserves through the pending Retail Sportsbook Operator Agreement with PPE, has a sublease in place to execute its operations, and all of the required build-out and start-up costs, betting reserves and day to-day operating activities of the sportsbook will be the responsibility of PPE. Therefore, the risks associated with Whitman Gaming's lack of sportsbook business experience will be borne by PPE, which has the resources and experience needed to fund and manage the Facility's initial build-out and day-to-day operations. Furthermore, PPE's intent to subcontract sportsbook operations to Betfair Interactive US, LLC provides even greater operational integrity as Betfair anticipates employing the same business model, risk management and trading procedures as the sportsbook it currently operates at Live! Casino.

The Applicant satisfies the applicable qualification criteria and is not disqualified. Carroll Hynson, Jr. was identified as a principal of the Applicant, and was issued a Principal Employee License on October 4, 2020.

The Agency's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Staff recommends that the Commission find Whitman Gaming, Inc. qualified for a Class B-2 Sports Wagering Facility License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Commissioner Hodges noted that Whitman Gaming, Inc. applied for a license without having performance history or financial history and asked how Agency staff determined that the company will be able to generate cash in the future. Mr. Mooney responded that Whitman Gaming, Inc. is backed by Live! Casino, and if FanDuel supports it they are both flush with cash as indicated in the investigative report provided to the Commissioners. He added that Mr. Hynson is well-known by MLGCA, as he has been licensed by the Commission since the beginning of the casino program as President and CEO of Image Power, a contractor licensed by MLGCA.

Commissioner Hodges asked what PPE is getting from the arrangement. Mr. Mooney responded they will share in the profits. Mr. Robinson noted that is the reason for the Retail Operating Agreement, which is where the revenue share occurs. Live! is running the operations, and revenue is shared with Whitman Gaming. He added that the risks are borne by PPE.

There being no further discussion, Chair Marriner asked for a motion to find that Whitman Gaming, Inc. has established by clear and convincing evidence that it is qualified for a Class B-2 Sports Wagering Facility License. Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and motion passed 6-1, with Commissioner Hodges opposed.

Chair Marriner then asked for a motion to direct Staff to draft the Commission's decision statement on the qualification of Whitman Gaming, Inc. for a Class B-2 Sports Wagering Facility License. Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and the motion passed unanimously.

Chair Marriner asked for a motion to direct the Secretary of the Commission to transmit the decision statement to the Sports Wagering Application Review Commission Vice Chair Doetsch motioned, and Commissioner Stakem seconded, and the motion passed unanimously.

At the conclusion of the Commission Action Items, Chair Marriner said that there was one last special item to be noted. He asked Mr. James Logue to make his announcement.

Mr. James Logue announced his retirement and that this was his last Commission meeting. He thanked the Commission, casinos, vendors and MLGCA staff for all of their hard work and wished them all well.

Chair Marriner thanked Mr. Logue for the last five years, and said he will be missed. He asked if Director Martin wanted to add anything else. Director Martin said he appreciated Mr. Logue's hard work and wished him well.

CLOSED SESSION

There was no need for the Commission to go into a closed session.

DATE AND TIME OF NEXT MEETING

The next regular Commission meeting will be held on Thursday, April 27, 2023, at 10:00 a.m., in-person at Maryland Lottery and Gaming headquarters in Baltimore and via audio/video conference.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 10:16 a.m.

Respectfully submitted,


John Martin
Director