

Maryland Lottery and Gaming Control Commission

Wes Moore, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

DATE: June 22, 2023

TIME: 9:00 a.m.

PLACE: Maryland Lottery and Gaming
Virtual Meeting

PRESENT: Chair E. Randolph Marriner
Vice Chair George L. Doetsch, Jr.
Commissioner F. Vernon Boozer
Commissioner Diane M. Croghan
Commissioner James J. Stakem

John Martin, Director
James Nielsen, Deputy Director, Chief Operating Officer
James Butler, Assistant Deputy Director, Chief of Staff
Michael Eaton, 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, 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
Representative from Scientific Games
Representative from Pollard Banknote
Representative from International Game Technology (IGT)
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 Commissioner James Stakem. Present via audio conference were Commissioners Vernon Boozer and Diane Croghan. Commissioners Harold Hodges and Jerry Williams were absent.

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 AGENDA

Chair Marriner reported that the Commissioners were provided with a copy of the 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 May 25, 2023, Open Session. There being none, Chair Marriner asked for a motion to approve the minutes. Vice Chair Doetsch motioned to approve, Commissioner Stakem 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: #656 (\$1) *Oh, Snap*; #657 (\$2) *Unwrap The Cash*; #658 (\$3) *Peppermint Payout Multiplier*; #659 (\$5) *Holiday Cash*; #660 (\$10) *Snow Globe 7's*; #661 (\$20) *Win \$100, \$200, or \$500*; #662 (\$2) *Tripler 333*; #663 (\$5) *Winning 7*; #664 (\$10) *Electric 8s*; EGD Games and Component Testing - Certified Lab Software, Hardware and Game Certifications: VLTs, Table Game Components, Instant Bingo Machines, Sports Wagering Systems and Kiosks (5/12/23 - 6/20/23); Consent Agreements for Regulatory Violations - Hollywood Casino - February 2023; Horseshoe Casino - February 2023; Live! Casino - February 2023; Consent Agreements for Underage Violations - Hollywood Casino - Case No. 2023-01-001; Horseshoe Casino - Case Nos. 2023-05-001 to -003; Gaming License Application Denials/Revocations; Request for Removal from Mandatory Exclusion List; and Staff Reports from James Nielsen, Deputy Director, Chief Operating Officer; James Butler, Assistant Deputy Director, Chief of Staff; Michael Eaton, 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, Managing Director, Communications; and Holly Citko, Principal Counsel, Office of the Attorney General.

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

OPERATOR REPORTS

Hollywood Casino

Ms. Amy Brennan, General Manager, reported that gaming revenue for May was down a little over 8%, with revenue down in all segments. Coin-in, drop and handle were all down slightly, with hold issues contributing to those results. June is trending the same. The casino held several successful promotions in the month of May, including tier renewal month for its player's club, and Hollywood has doubled the amount of Owners Club and Elite guests. The casino is celebrating Pride Month in June. Great Wolf Lodge had its soft opening on June 14, with the grand opening occurring at the end of the month. At the end of June, Hollywood will have former Baltimore Oriole and World Series MVP Rick Dempsey host a blackjack tournament, followed by a meet and greet. Hollywood continues to have events for team members including a taco bar and donut day. In the community, the casino participated in the Cecil County Golf Tournament in May. Team members volunteered to help with cleanup of Plumpton Park Zoo after damage from a severe storm. Hollywood Casino has joined the Maryland LGBTQ Chamber of Commerce.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that gaming revenue in May was down 1.1%. Slot machine revenue was up \$76,000, 1% year-over-year. Although coin-in decreased 1.3%, hold was higher. Table game revenue was \$182,000, down 22%, with drop down 20% year-over-year. The decline was due in part to a \$258,000 progressive jackpot win. Sports wagering handle was \$958,000, down 7.5% year-over-year. Taxable win was \$126,000, down 23.3% year-over-year. In May 2022, hold was 15.9%, and in May 2023, it was lower at 13.2%. Ocean Downs had several promotions throughout May continuing into June. For the 11th year, Ocean Downs was the title sponsor for the Ocean City Air Show. On June 9, the casino hosted a meet-and-greet with the Thunderbird pilots. Ocean Downs partnered with American Legion Post 166 Color Guard. The Socom Para Commandos landed on the race track to present a local veteran with a flag. In the community, the casino had a Play for the Cause slot tournament to benefit the Maryland Coastal Bays program, which protects and conserves Maryland's coastal waters. Ocean Downs was a sponsor for the inaugural Unstoppable Joy Gala event that was initiated by a cancer survivor to help others with cancer. Ocean Downs had a food truck program for team members to enjoy.

Live! Casino

Mr. Ryan Eller, General Manager, reported that gaming revenue in May was \$58.8 million, down 8.9% year-over-year, with slot machine revenue down 2.9%, table game revenue down 18.9% year-over-year, poker revenue up 11.3% year-over-year, and retail sportsbook down significantly, holding at 12%. Live! had a Jerry Seinfeld show at the casino with 4,500 patrons in attendance. His show was previously rescheduled three times due to COVID. The casino held several promotions including electronic gift giveaways and a VIP shopping event. Live! held a cross-property slot tournament in concert with its property in Pennsylvania to expand the footprint beyond Maryland. Norwegian Cruise Line tickets were given away to VIP guests, as well as other premium gifts. May was Asian American Pacific Islander celebration month. Live! provided free meals to team members for the Memorial Day celebration. Live! is taking 3,000-4,000 team members and their families to Hershey Park on June 26, 2023. The casino hosted and sponsored the BWI Business Partnership Signature Breakfast. The casino also sponsored the Maryland-Washington Minority Companies Spring Breakfast, and participated in the ribbon cutting at the Severn Center, which was funded with local development council grants. Live! hosted graduation ceremonies for the Anne Arundel Community College and Anne Arundel County high schools with more than 5,000 attendees three times each day.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that gaming revenue in May was \$5.2 million, down 7.8% year-over-year. Slot machine revenue was down 4.6%, with a 3.6% decrease in coin-in with a flat hold year-over-year. Table game revenue was down 32%. While table game drop increased 3.1%, the hold was down significantly year-over-year, with larger payouts and jackpots in May. Property occupancy had a jump of 7 points to around 84% for the month. Food and beverage revenue was up 5%, and golf revenue was up 13%. The casino had several promotions throughout the month of May continuing into June and held a Bonkers Comedy event. In the community, the casino continues to collect items for the local Family Crisis Resource Center, continuing from May into June. Rocky Gap participated in the Day of Caring and Sharing with other local businesses to clean up local parks. Team members assisted the local Chamber of Commerce with Ladies Night serving food during the event. A team member golf tournament was held, and on May 26, the casino had a food truck for team members to enjoy. On May 21, Rocky Gap celebrated its 10th anniversary, which included commemorative chips and a Journey tribute band. The casino hosted the Maryland Travel Coalition. The property continues to see good volumes and the summer occupancy at the hotel is up.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that Horseshoe Casino experienced mixed results with slot machine revenue of \$10.9 million, down 7%, table game revenue was \$6.7 million, up 12%, and sportsbook was \$113,000, down 73%, as the retail sportsbook continues to see the impact of mobile wagering. Horseshoe had a busy month with promotions that included several giveaways, free play events, a \$50,000 Blackjack series, and a \$20,000 Baccarat series. In the community, team members volunteered for a cleanup event. Contributions in June to local charities included Paul's Place, a food pantry in Pigtown, and the Maryland Veterans Association. In July, new charitable organizations will be chosen by team members. Each section takes a turn in picking out the charities, with the second half of the year being chosen by the casino cage team members. In early May, the casino held a putting contest for guests, and did the same event for team members in June. A blood drive was held on May 30. A weapons detection system has been installed at the casino. On July 14, the casino will hold a BBQ in the parking garage for team members and their families with prizes and giveaways.

Commissioner Stakem asked if the success of the Orioles had increased volume at the casino. Mr. Conroy responded it has had an impact with greater volume in traffic in the casino both before and after the games.

MGM National Harbor

Ms. Melonie Johnson, President and COO, reported that gaming revenue was \$72 million, down 6% year-over-year, led by a 14% decrease in table game revenue. Poker revenue increased 11% year-over-year, and slot machine revenue was up 1%. In the sportsbook, the casino wrote 30,687 tickets with a 14% hold and total of approximately \$5 million in handle. MGM National Harbor held several promotional games and gift giveaways and a \$500,000 Baccarat tournament. Entertainment at the casino included several shows, including Tom Jones and Smokey Robinson. In the community, team members volunteered with the American Horticultural Society, and also volunteered with Habitat for Humanity to create care packages for local families in need. Team members also helped clean the shoreline at Oxon Hill Park, and worked with the Gladys Spellman Elementary School on a cleanup project. The previous challenges with hiring have decreased and

the casino's staffing level is now at 90%. The decrease in table game revenue was due in part to high-volume players who visited the property last May, but did not return this May.

VENDOR REPORTS

Scientific Games

Mr. Jeff Hale, General Manager, reported that Scientific Games supported the Maryland Lottery on the 50th anniversary celebration, including a one-day promotion on May 24 to commemorate the 50th anniversary of the Lottery's first drawing. Mr. Hale said the security enhancement tool, SciGuard+, has been put in place, which will allow for the possibility of opening additional sales channels in the future. Another upgrade will create the ability to swap out older debit hardware devices and allow for the installation of more self-service devices going forward. Mr. Hale then congratulated the Lottery on approaching another record year.

Pollard Banknote

Mr. Travis Priest, Director of Lottery Marketing, reported that with 50 weeks of sales in books, sales of scratch-off games are up 5.2%, with average weekly sales at approximately \$20 million, for a total to date of \$996 million, up \$49.6 million year-to-date, approaching another record-setting year. Mr. Priest congratulated the Lottery on this accomplishment. Since the last report in March, Pollard delivered 12 games, launched 11, with the \$5 Corvette Cash ticket performing well. The Hot Family of games launched a few weeks ago with five price points. The 50 Years! game is bringing in \$3.9 million per week. With the \$50 price point performing well and the high performance of \$10 games, the average selling ticket price has increased 43 cents to \$7.40, compared to \$6.97 at the same point last year. Since the pandemic era, the rate of total scratch game growth in Maryland has been 5.9% compared to an average of 5.2% among a peer group of lotteries that include Arizona, Georgia, Kentucky, Michigan, Missouri, New Jersey, North Carolina, Ohio, Pennsylvania and Virginia. Pollard is currently working on future notes for the game development for Fiscal Year 2024. Pollard will be hosting additional press visits to the production facility in Michigan with several Lottery team members.

Chair Marriner stated that the \$50 scratch-off results are outstanding.

International Game Technology (IGT)

Mr. Gary Cherwinski, Senior Director and Account Development Manager, reported that IGT has completed a disaster recovery test, as well as the contractual penetration test of the network. Next quarter, IGT will release a large service patch, and is currently working with the building to get a new generator installed.

DIRECTOR'S REPORT

Director's Report — John Martin, Director

Director Martin reported that Lottery sales for Fiscal Year 2023 were \$2.55 billion as of the end of May, with a goal for the year of \$2.7 billion. Thus, the Lottery began the final month of the fiscal year about \$150 million shy of eclipsing the sales goal, with approximately \$50 million per week in sales. Year-to-date, sales were up 4.1%, and profit was up 5.3%. Director Martin announced that Michael Eaton has been named the new Managing Director for Gaming and congratulated him. On

the casino side, May revenue was up 3.1% year-to-date, with contributions to the state up 1.9%. Sports wagering handle was more than \$2.6 billion for the fiscal year, with contributions to the state of \$22.4 million. The estimate is that when all sports wagering licensees are operational, the market will generate a \$25 – \$30 million annual return to the state. Three mobile operators and three retail operators are expected to launch over the next several months.

COMMISSION ACTION ITEMS

Deputy Director, Chief Operating Officer – James Nielsen

Commission Action Item – Scientific Games Contract Modification (Contract #2015-01)

Mr. Nielsen reported that Maryland Lottery and Gaming Control Agency (“Lottery”) entered into a contract for the provision of a Lottery Central Monitoring and Control System with Scientific Games (“SG”) on May 10, 2017, Contract 2015-01 (“Contract”). The Contract is for a period of eight years, ending on May 4, 2025. The first year was considered a conversion period and provided no compensation to SG.

The Contract’s Not to Exceed (“NTE”) amount was initially \$217,126,653 for the base term. Two modifications were previously approved in the amounts of \$579,250 and \$910,400 allowing the Lottery to sell and market two instant ticket scratch-off games, James Bond 007™ and Willy Wonka & The Chocolate Factory™ Everlasting Million Challenge™, respectively. The current total NTE is \$218,616,303.

When the Request for Proposals (“RFP”) for this contract was released in late 2015, the Lottery estimated annual sales of \$1.9 billion. Actual sales have averaged \$2.4 billion and the Lottery is about to break \$2.7 billion in the current fiscal year; that is a 42% sales increase from the initial estimates. Compensation to SG is primarily based on a percentage of Lottery sales. A portion of the increases are also attributed to optional equipment acquired from SG, including self-service equipment and debit card functionality. These were paid options that increased the amounts paid to SG and are charged to the NTE.

As a result of the record-breaking Lottery sales and the options the Lottery purchased, despite having nearly 2 years left in the base contract period, the Lottery has nearly reached the ceiling of the NTE. Mr. Nielsen noted that this is a success story because so much additional revenue has been raised for the State, but the Contract requires additional funding if the Lottery wants to continue its success. Mr. Nielsen requested an increase to the NTE of \$87,286,055 which would bring the new total contract NTE to \$305,902,358. Subject to Commission approval, the contract modification would be submitted for inclusion on the agenda for the next available BPW meeting.

Chair Marriner reminded Scientific Games to pay serious attention to the MBE participation numbers to make sure they meet the requirement. He acknowledged the reasons why the numbers haven’t been met, but reiterated that it’s important for the numbers to be met. Mr. Hale said Scientific Games has presented a plan to the Lottery for increasing its MBE participation numbers to get above the commitment level required.

There being no questions, Chair Marriner asked for a motion to approve the \$87,286,055 increase to the NTE amount for the Lottery Monitoring and Control System Contract 2015-01. Vice Chair Doetsch motioned, and Commissioner Stakem seconded. The motion was approved unanimously by roll call.

Chair Marriner congratulated Michael Eaton on his new role as Managing Director for Gaming and asked him to come forward to present his commission action item. Mr. Eaton thanked Chair Marriner.

Managing Director, Gaming – Michael Eaton

Commission Action Item – Hollywood Casino Floor Reconfiguration

Mr. Eaton reported that Hollywood Casino has submitted a request for the reconfiguration of its gaming floor. The reconfiguration would relocate the main table games area (Pit 1) to a different location on the gaming floor and create a new table games area (Pit 2). This would add four table games to the gaming floor, increasing the current count from 13 to 17. The reconfiguration would remove 12 VLTs on the gaming floor, reducing the VLT count from 766 to 754. The project should be completed in September 2023.

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

There being no questions, Chair Marriner noted that historically the Commission does not interfere with the casino operators’ plans, as long as Staff makes sure everything is in order. Chair Marriner asked for a motion to approve Hollywood Casino’s request for a reconfiguration of its existing gaming area. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion approved unanimously by roll call.

Managing Director, Regulatory Oversight — John Mooney

Commission Action Item – Interblock USA, L.C. – Manufacturer License Renewal

Chair Marriner read the procedure for the manufacturer license renewal hearing. Chair Marriner then gave the oath to all who might testify. Sworn in were: MLGCA Staff John Mooney, Phil Metz, and Mark Ermer. No one from applicant was present.

Mr. Mooney reported the prerequisites to being eligible for a video lottery facility manufacturer license (“manufacturer license”), and outlined the requirements for qualification. Mr. Mooney said that MLGCA conducted a suitability background license investigation of Interblock USA L.C. (“Applicant”, “Interblock USA” or “the Company”) in connection with its application for the renewal of its manufacturer license. Interblock USA was last approved for a manufacturer license by the Commission on October 26, 2017. The Company has maintained its manufacturer license in good standing and has not been subject to any disciplinary sanctions by the Commission.

Mr. Mooney reported on the ownership of the applicant. Interblock USA L.C. is a wholly-owned subsidiary of Interblock Luxury Gaming Products, LLC. Interblock Luxury Gaming Products is a private company doing business under the name Interblock d.o.o. (the “Parent”). On June 3, 2022, IB OCM VoteCo (“VoteCo”) purchased 100% of the shares of Interblock d.d. and the company name was changed to Interblock d.o.o. The economic interests of Interblock d.o.o. are held by OCM Luxembourg Baccarat Bidco S.à.r.l. (“NonVoteCo”) and the voting interests are held by VoteCo. On May 26, 2022, the Commission found that NonVoteCo meets the qualification requirements of the Gaming Law; that the transaction was consistent with the policies and intent of SG § 9-1A-18; that NonVoteCo established by clear and convincing evidence its qualifications as a Principal Entity; and approved the proposed acquisition as being consistent with the Gaming Law.

NonVoteCo is an indirect subsidiary of the Oaktree Situations Fund II, L.P., a private equity fund managed by Oaktree Capital Management, L.P., an investment advisory firm registered with the

United States Securities and Exchange Commission. IB OCM VoteCo is equally owned by Matthew Wilson, Jordan Kruse and David Quick. Interblock USA L.C. has submitted a Gaming Manufacturer License Renewal Application and Interblock Luxury Gaming Products, LLC has submitted a Principal Entity Disclosure Form with the Maryland Lottery and Gaming Control Commission. The Principal Entity Disclosure Forms of OCM Luxembourg Baccarat Bidco S.à.r.l, Oaktree Capital Management, L.P. and IB OCM VoteCo were previously approved by the Commission. Matthew Wilson, Jordan Kruse and David Quick are each currently licensed as a Principal Employee by the Commission.

Mr. Mooney stated MLGCA performed a detailed analysis of Interblock USA's audited financial statements for the period of January 1, 2018, through December 31, 2022. Interblock USA L.C.'s overall operating performance reflected weaknesses during the five-year review period. Specifically, the Company has expanded but has maintained high degrees of operating costs annually as its operations require significant investments of capital to meet its working capital demands and maintain necessary levels of fixed assets. In addition, the Company carries significant levels of inventory with low turnover and has experienced costs for the write-off of inventory and the impairment of lease assets. Interblock USA has generated net losses totaling \$31.3 million during the five-year period and is highly leveraged. As a result, the Company's interest expense has also had an adverse impact on its operating results. Consequently, the Company is somewhat reliant on contributions and long-term borrowing from its Parent to fund its capital and operational needs. This is important as the Parent, Interblock d.o.o., has struggled with generating positive operating cash flows and controlling cost overall, and is also currently highly leveraged. Despite the weaknesses in operating performance and liquidity during the five-year period, the Company's financial condition is generally sound and there is no indication that Interblock USA, L.C. is currently experiencing any significant financial distress. The Company has significantly increased revenue in recent years and has expanded its leasing operations. The Company has also made additional investments in property, equipment and leased assets which has benefited its revenue growth in the recent past. The Company's credit report is favorable and Interblock USA's auditors have not expressed any concerns with the Company's operations, financial condition or continuation as a going concern. However, an annual review of Interblock USA's and its Parent's operating performance and financial condition is recommended. There are no concerns with Interblock USA's re-licensure as a Gaming Manufacturer or with Interblock Luxury Gaming Products, LLC, doing business as Interblock d.o.o., as a Principal Entity.

Mr. Mooney stated that MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of Interblock USA L.C., and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria included a comprehensive review conducted of all of the consolidated financial statements for the last five years. The Applicant satisfies the standards for financial stability, integrity and responsibility in connection with the manufacturer license renewal application. Based on the review, there are no material issues involving the known financial backers of the Applicant.

MLGCA found that the Applicant possesses the requisite good character, honesty and integrity. The Applicant possesses the requisite business ability and experience. The Applicant is not disqualified from being issued a manufacturer license based on any of the criteria listed in SG § 9-1A-08(d). The Applicant is qualified to be awarded a license by the Commission, and satisfies the applicable qualification criteria under SG § 9-1A-07(c)(7), and is not disqualified under SG § 9-1A-08(d).

Mr. Mooney said that MLGCA's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. MLGCA has not found any disqualifying factors that would preclude the Applicant from being issued a manufacturer license. MLGCA recommends annual review of Interblock USA and its Parent's operating performance and financial condition. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), MLGCA has concluded that the Applicant has established by clear and convincing evidence the qualifications required for the renewal of its manufacturer license.

Commissioner Stakem noted that a great deal of work goes into the reports provided to the Commissioners, and thanked Mr. Mooney and his staff for providing the reports ahead of time to the Commissioners.

There being no questions from the Commission, Chair Marriner asked for a motion to find that Interblock USA L.C. has demonstrated by clear and convincing evidence its qualifications for a manufacturer's license. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously by roll call.

Chair Marriner then asked for a motion to direct staff to draft a decision statement on Interblock USA L.C.'s qualification for a manufacturer's license. Vice Chair Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was approved unanimously by roll call.

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 virtual only and will be held on Thursday, July 27, 2023 at 9:00 a.m. to review casino gaming and sports wagering regulations.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 10:00 a.m.

Respectfully submitted,


John Martin
Director