

Maryland Lottery and Gaming Control Commission

Wes Moore, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION OCTOBER MINUTES

DATE: October 24, 2024

TIME: 10:00 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters
and Virtual

PRESENT: Chair Everett D. Browning, Sr.
Vice Chair E. Randolph Marriner
Commissioner Ade Adebisi
Commissioner Diane Croghan
Commissioner George L. Doetsch, Jr.
Commissioner Harold E. Hodges
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
Jennifer Tosky, Deputy Principal Counsel, Attorney General's Office
Kathy Lingo, Executive Assistant

OTHERS: Representative from Hollywood Casino
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 Arrow International, Inc.
Representative from Mid-Atlantic Petroleum Distributors Association
Representative from Maryland State Licensed Beverage Association
Representative from The Washington, Maryland, Delaware Service Station and
Automotive Repair Association

Everett D. Browning, Sr., Chair

E. Randolph Marriner, Vice Chair; Commissioners: Ade Adebisi, Diane Croghan, George L. Doetsch, Jr., Harold E. Hodges, James J. Stakem

QUORUM ESTABLISHED

Chair Browning announced that there was a quorum present for the meeting. Also present in person were: Vice Chair Randy Marriner, and Commissioner James Stakem. Commissioners Adebisi, Croghan, Doetsch and Hodges were present virtually.

CALL TO ORDER

After establishing there was a quorum, Chair Browning called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m.

APPROVAL OF THE AGENDA

Chair Browning asked for a motion to approve the agenda. Commissioner Stakem motioned to approve, Vice Chair Marriner seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Browning asked if there were any comments or corrections to the minutes of the September 26, 2024, Open Session. There being none, Chair Browning asked for a motion to approve the minutes. Commissioner Stakem motioned to approve, Vice Chair Marriner seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Browning said the Consent Agenda contains:

1. Eight New Instant Ticket Games: \$3 #731 *Bonus Crossword 7th Edition*; \$5 #732 *Big Money*; \$10 #733 *Money Bags*; \$50 #734 *\$5,000,000 Fortune*; \$2 #736 *Back to the Future™*; \$10 #738 *Bingo X10 8th Edition*; \$10 #739 *More Money*; and \$1 #752 *Snowflake Cash*;
2. EGD Games and Component Testing; Certified Lab Software, Hardware and Game Certifications: VLTs, Table Game Components, Instant Bingo Machines, Sports Wagering Systems and Kiosks (9/23/24 – 10/21/24);
3. Consent Agreements – Regulatory Violations:
 - a. Hollywood Casino – May and June 2024;
 - b. Horseshoe Casino – May and June 2024;
4. Consent Agreements – Sports Wagering Violations:
 - a. Canton Gaming – June 2024;
5. Consent Agreements – Mobile Sports Wagering Violations:
 - a. DraftKings – April 2024;
6. Consent Agreements – Underage Violations:
 - a. Hollywood Casino – Case No. 2024-01-004 and -005;
 - b. MGM National Harbor – Case Nos. 2024-06-010 to -012;
7. Gaming License Application Denials/Revocations; and
8. Staff Reports: James Nielsen; James Butler; Michael Eaton; John Mooney; Solomon Ramsey; Paula Yocum; Seth Elkin; and Holly Citko.

Chair Browning asked if any Commissioners cared to remove and discuss any items on the Consent Agenda. Commissioner Hodges then interrupted and asked Chair Browning if he had established a quorum at the beginning of the meeting. Chair Browning stated that he did. Commissioner Hodges said he had difficulty hearing Chair Browning while he was reading the Consent Agenda and asked him to speak into the microphone.

There being no discussion or requests, Chair Browning asked for a motion to approve the Consent Agenda. Vice Chair Marriner motioned to approve, Commissioner Doetsch seconded, and the motion was unanimously approved.

CONDUCT OF THE MEETING

Chair Browning stated that, as addressed at the last meeting, each operator and retail organization representative presentation is limited to five minutes. He thanked everyone for their cooperation in moving the meeting along smoothly. He then moved onto the casino operator reports.

OPERATOR REPORTS

Hollywood Casino

Ms. Amy Brennan, General Manager, reported that gross gaming revenue for September was down 1%, with revenue in slot machines, tables games and poker all down, but up slightly at the sportsbook. From a year-to-date perspective, gross gaming revenue is up 2.7%. The casino had several promotions kicking off the NFL season and rebranding of the sportsbook and restaurant to ESPN Bet. We returned the Choose the Champ kiosk game where guests predict the winners for that week. One week there were 17 people that picked all winners correctly. Hollywood Casino is averaging 500 guests per week for this promotion. No one has hit the Progressive Payday Jackpot, which is now \$100,000. In the community, the casino sponsored the annual House of Hope animal rescue which is Paws in the Park, and sponsored a team for the annual Walk to End Alzheimer's Disease. Hollywood Casino continues to hold town hall meetings for team members. This year, 36 team members have been promoted through training and development programs. The casino celebrated Responsible Gaming Month bringing back Reggie the Responsible Gaming Turtle, and hosted an information booth in the team dining room booth for team members. From the minority and women-owned business enterprise (MBE and WBE) perspective, Hollywood is averaging 2% to 4% on spend each month, and with a dedicated effort this month the casino reached 7.5%. The process is lengthy for certification but the casino continues to improve its MBE & WBE participation numbers.

Ocean Downs Casino

Bobbi Jones, General Manager, reported that coin in was \$91 million, down 5% year-over-year. Net revenue was up 1% to prior year. Table drop was down 17%, but hold was up, making table game net revenue up 2% to prior year. Sports wagering was up 4% year-over-year. The casino held several team member events, including an ice cream social with the GM that had 14% of the workforce attending. The casino held an End of Summer Party for team members. Ocean Downs is currently recruiting for 19 open positions, with 7 of them pending for licenses, including a Senior Director of Finance, Director of Food and Beverage Service, and an Accounting Manager. In the community, Ocean Downs was a sponsor for Walk for Recovery, and hosted a table for Responsible Gaming Month there. Twenty team members attended. On the 16th and 23rd, the casino provided meals for those in need at St. Paul's Episcopal Church, feeding almost 100 people. Ocean Downs hosted the Maryland Association for Responsible Gaming luncheon in September. Also, in September, the casino assisted with parking for Oceans Calling. There were several promotions during September: A jackpot jamboree for a chance to win a part of \$10,000, a truck giveaway, that raised \$3,000 for the Sunshine Fund, and the Labor Day Slot Tournament with almost 500 people participating.

Commissioner Hodges requested that those not speaking mute their microphones. He asked all of the casinos to provide more information about their activities to promote responsible gambling and any outreach done away from the property.

Ms. Jones responded that this is the second year the casino attended the Walk for Recovery, and the

casino has a table at the walk to promote responsible gaming. The casino conduct giveaways to team members, posts signs through the entire casino promoting responsible gaming, and hosts several games, including finding a stuffed puppy on the property and answering questions regarding responsible gaming. People affiliated with responsible gaming in that area also come into the casino and sets up a table to have conversations with team members.

Commissioner Hodges asked if there is any outreach outside of the casino. Ms. Jones stated that the walk is the only activity outside the casino.

Live! Casino

Mr. Ryan Eller, General Manager, reported that September gross gaming revenue is up 2.3% year-over-year. Slot machine revenue was flat to prior year, table game revenue was up 7.4%, and poker was down slightly. The retail sportsbook was up 600% year-over-year, as last year was a bad year with the onset of online sports betting. Live! Casino held several events at the casino, with gift giveaways and gaming events. The casino had a VIP cocktail party for their best players. The casino hosted the Year of the Dragon \$500K across-property baccarat tournament which brought in customers from its property in Pennsylvania. It was a busy marketing calendar in September for the casino and there were two car giveaways. Mr. Eller stated that as previously mentioned, the casino is being very attentive to the marketplace. The casino looks at online sports betting and the recent opening of the large-scale slots parlor in Dumfries, VA. The casino is monitoring this facility closely as it is open and will hold its grand opening in November. Live! Casino is concerned about its advantaged tax rate of 15% compared to Maryland tax rate of up to 56%. Over 40% of Live!'s profits are from out-of-state players, and Dumfries has a tax and location advantage. Live! Casino intends to use strategies to continue to grow investments and have promotional allowances formulated to combat this new entrant into the market and by using these strategies, hope to continue to be successful. The casino had an on-property education platform for team members regarding responsible gaming. This is done across all Live!'s properties with a challenge that includes prizes for team members. Live! Casino hosted the University of Maryland Center for Excellence onsite to provide education and support.

Vice Chair Marriner stated that Mr. Eller was preaching to the wrong choir as the Commission does not set the tax rate. Mr. Eller agreed. Vice Chair Marriner said that Mr. Eller knows what his job is.

Commissioner Hodges said that he appreciated the update on the competition. Commissioner Hodges wanted to know what Live! Casino was requesting of the Commission in terms of giving an update about the competition, and said Mr. Eller should be speaking with the Legislature. Mr. Eller responded that the casino does not want the Commission to alter the treatment of promotional allowances which would effectively increase its tax rate and decrease its competitiveness and in particular, this new entrant into Northern Virginia market.

Commissioner Hodges asked if that was a formal request and would it make a difference. Mr. Eller said it would make a difference due to the recent action by the Commission to change the rules and regulations around the deductibility of promotional allowances from revenue. Mr. Eller said the changes will be filed in the Maryland Register and that is when the casino will be able to make its public comments.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that gaming revenue was down 8% year-over-year, similar to August. Slot machine revenue was down 9%, with decreased coin-in and a decline in hold. Table game revenue was up 2%, with a slight increase in drop of 1%, and better overall hold up 2.2 points for the month. It was a similar trend in August, seeing signs of recovery compared to first six

months of the year. Travel and visitation to the property as a whole remains strong, with 84% occupancy, up 2% over the prior year. Nongaming outlets are showing very good volume and strength, and golf continues to show growth. From a quarterly perspective, food revenue was up in July and August with record months for the property, but beverage declined in September. The casino has had several promotions and giveaways, including a car giveaway. Rocky Gap hosted several VIP events, including at a neighboring Pennsylvania minor league baseball field, and an end of summer beach bash and luau that had good attendance. Rocky Gap hosted the Fall Classic Golf Tournament for 72 VIP guests and golf enthusiasts. In the community, the casino has started the 60-day collection for the Western Maryland Food Bank. The casino hosted the Allegany County DHS Crab Feast and was a sponsor of the Dragon Boat races benefiting the local YMCA. The Maryland Association for Responsible Gaming was at the property to talk with team members. Addressing Commissioner Hodges previous question, Mr. Kurtz stated that the casino has a high rotation of responsible gaming messages throughout the property, including digital displays on slots, and message stickers on all slots. The casino has great relationships with its guests and the player development team and marketing team track if someone is losing or their play jumps quarter over quarter. Team members engage with guests to make sure they are gaming responsibly, providing helpful brochures and directing them to MLGCA staff on the property if the VEP program is right for them. The casino does not do outside of property promoting of responsible gaming, but rather focuses internally making sure all team members are trained. Rocky Gap celebrated Responsible Gaming Month by training team members, clarifying points on responsible gaming, and remaining highly engaged with guests.

Chair Browning told Mr. Kurtz that his time was up, but to finish his sentence. Mr. Kurtz said that the casino currently has 450 employees, up from 441 last year, 69% are full-time employees.

Horseshoe Casino

Mr. Jacob Witmer, Senior Vice President and General Manager, reported that in September the casino saw some regression with gaming volumes down compared to July and August which were strong. Looking at this quarter, there was some positive growth in slot machine revenue which was up 312 basis points, the strongest year-over-year improvement in 2024. Electronic table game volumes were up 43% for the third quarter year-over-year, and poker is gaining ground, seeing positive momentum year-over-year. The World Series of Poker is coming back to the casino in 2025, with qualifier events happening in November and December. Food and beverage revenue have climbed to within 6% of prior year after struggling in the first two quarters. All outlets are trending up which will lead to opening more outlets, with more hours. The big season for Horseshoe is the NFL season. The Chiefs game last year was the highest performing game at the property and the casino has beaten that. As the season progresses, looking at a game-over-game reporting, the casino is up 19% year-over-year for the total property, attendance is up 17% during Ravens' home games, with a 9% lift in casino revenues. Total nongaming revenue was up 51%, with 53% improvement in cash, and 24% increase in overall outlet covers. The big thing for Horseshoe Casino is our entertainment announcements. Using the NFL season as a platform to jump into entertainment, starting to book soft going into the season, and then moving to more exciting acts. To engage the community, the casino has opened the plaza area to pregame tailgate events in that area, which includes bringing in local food trucks, on a first-come, first-served basis. There is no entry fee for the food trucks to participate, but there is currently a waitlist. On September 29, the Buffalo Bills tailgate experience with Jimmy's Seafood had over 1,000 people, which the casino plans to do again for the Eagles' game with possibly 1,500 attendees. As far as employees and employment, Horseshoe feels it has leveled off and is feeling excited about the level set at Horseshoe. The casino will continue to backfill positions, but it's not currently looking to contract employee counts in softer areas. Horseshoe continues to add head count in several departments, investing in these areas has been a major highlight not just for the guests, but to the property and to the city. From a social impact, Caesars is a generous company generating almost \$690,000 nationwide in charitable giving, but locally for Horseshoe, the focus has been on areas that the casino sees as having the biggest impact on the property, such as education, partnering up with Jonathan Ogden's Education Foundation. There have been other organizations that have

reached out to the casino recently about investing in local programs, brick and mortar projects tied to enhancing academic and athletic opportunities for youth, which is one of the challenges they have, getting individuals in there while the education program is still catching up. The casino still has basic education challenges for some employees. Horseshoe is looking to enhance that at the grassroots level and do something meaningful. There is a curriculum for responsible gaming followed by all employees, and the casino posts materials throughout the casino. There is no outreach for responsible gaming outside of the casino, but it remains diligent with its customers.

Commissioner Hodges wanted to know if Horseshoe is expecting a big uptick in business for the Thanksgiving and Christmas holidays and what it looks like for the casino as far as revenue growth. Mr. Witmer said the property is currently turning in a different direction with a new marketing strategy that will take place in the 4th quarter. It plans to see the momentum during this time. For Caesars as a whole, it is challenging. There is a property in Danville, VA, one in Chester, PA, and one in Atlantic City, NJ so customers have options, while Horseshoe does everything it can do to hold on to that customer-base in Maryland and guests an opportunity to frequent other properties. The objective is to see an increase in property visits. For Mr. Witmer, he is still relatively new to the Baltimore area and he does not know what the holiday season will hold but expects to see a bump at the property if customers remain local for the holidays.

Commissioner Hodges stated that Mr. Witmer's cohort mentioned the casino in Dumfries having an impact on Live! Casino and he wanted to know if Horseshoe will see the same effects. Mr. Witmer said that Caesars customers are astute using their rewards and know where to go, and will go where the best gaming and reinvestments are located. Caesars has 52 properties in its enterprise and they also have the digital component to the business. Caesars looks at growing their top line revenue at Horseshoe by being the most profitable and efficient property to see growth year-over-year. To say its Danville property will cannibalize the Baltimore property, it's a different look. Horseshoe actually measures its import and export play to other Caesars' properties. In August, Horseshoe exported millions of dollars to other state markets, including the Atlantic City and Chester markets, but we hope that those customers still remain loyal to Horseshoe when looking at the reward program. The casino can quantify that they went to the Atlantic City property because they had tier reward multiplier or holiday events. Anytime there is a new casino in the market, casinos need to take a step back and see what happens, but always hope that customers come back.

Chair Browning asked if the Danville property is part of Caesars. Mr. Witmer confirmed that it is.

MGM National Harbor

Mr. Patrick Martin, Vice President of Regional Compliance, reported that September gaming revenue was up 8% year-over-year. Slot machine revenue was up 14.1%, table game revenue was down 1.4%, and poker was down .5%. Sportsbook wrote 35,000 tickets in September with a 16.8% hold, and handle of \$3.9 million compared to 41,000 tickets last year, with handle of \$6.9 million and a 5.2% hold. The casino hosted a Commanders Rally, and hosted a Toast of Noir for the top tier Noir players with a VIP pig roast. There were several promotions and giveaways at the casino, including a car giveaway. MGM National Harbor hosted a \$75,000 Baccarat Tournament. There was a lot of entertainment in the Hall for the month. In the community, the casino partnered with the Institute for International Development Studies for the Taiwan Bubble Tea Festival, and participated in the Susan G. Komen More Than Pink Walk. For supplier diversity, there are currently 64 MBE companies doing business with the casino with MDOT participation spend in September at \$4.983 million and MBE payments at 23%. The casino hosted a Human Rights Campaign Dinner. For Responsible Gaming Month in September, the casino focused on four aspects - advertising, education, research, and back of house training. There was a full blitz of advertising tied to activities happening on the gaming floor and responsible gaming. For education, the casino brought in live training for team members, including Game Sense training, and self-exclusion training, with 159 team members trained so that team members can engage with guests. MGM National Harbor is doing two different responsible

gaming research projects right now: one on veterans and the other on employees, with \$400,000 spent on this research. The casino had outside treatment providers from the Maryland Center of Excellence at the casino to speak to dealers and other team members.

Commissioner Hodges commended Mr. Martin on what the casino is doing, working to educate team members on responsible gambling. He said he wanted to add a word to the wise that it is useful to the State and the country to be more proactive on outreach. He gets advertising, but thinks being at local high schools and venues where people are is effective. There is not one definitive study on this, but most would agree gambling addiction is worse with the rise of online gambling.

DIRECTOR'S REPORT

Director's Report — John Martin, Director

Director John Martin reported that he would be summarizing the September 2024 dashboard. After the first quarter of Fiscal Year 2025, Lottery sales were down year-over-year primarily due to much higher jackpots in Mega Millions and Powerball in Fiscal Year 2024. The Powerball jackpot of nearly \$500 million was won in Georgia last night. Until one or both of these national games gets back to a billion-dollar jackpot as seen in the last several years, Lottery will continue to lag behind on a year-to-date sales basis. Sales were down 7.3%, and profit was down 12.3% through the first quarter. In aggregate, casinos were up nearly 3% in the month of September. Year-to-date total casino revenue was up 2.5%, casino contributions to the State were up 3.3%. Director Martin congratulated the casino partners on those gains. Sports wagering contributions were nearly \$9.4 million to the State, with handle of over \$530 million, and a hold of 12.3%, with over \$21 million in quarterly contributions.

REPRESENTATIVES OF RETAIL ORGANIZATIONS

Chair Browning said that he invited representatives of various retail organizations to come and speak to the Commission. The Commission recognizes that these organizations share the voice of MLGCA's retailers.

Mid-Atlantic Petroleum Distributors Association

Mr. Michael O'Halloran from Mid-Atlantic Petroleum Distributors Association presented a PowerPoint presentation outlining the retail Lottery partners and what they do. He noted their members are revenue producers for the State. Mr. O'Halloran went over the value-added partnership and discussed ensuring their agents' future as they face challenges in the industry. Cuts in commissions, which he recognizes are not the role of the Agency, but it was the legislative body that made cuts last year. He stated it has an impact of nearly \$21 million less for the retail Lottery agents. Retailers are going to see serious budget challenges next year. As the State looks for money, Lottery retailers continue to provide services to customers and are a good partner to the Commission. They are producers for the State and MLGCA, and all money raised goes to worthwhile programs and not just to the General Fund. In-store offerings and things outside of gaming are pressures for retailers. In-store offerings try to change what the retailers offer. iLottery is a concern. Mr. O'Halloran said that Commissioner Hodges spoke of the prevalence of online gaming. iLottery is that, expanding traditional lottery offerings by putting it online. They see it as a direct threat, as retailers do not just produce lottery revenue, and customers that do not come into stores affect tax revenue. It impacts future players.

Chair Browning thanked Mr. O'Halloran, and appreciated their partnership. Vice Chair Marriner asked for a copy of the presentation. Commissioner Hodges also requested a copy. Mr. O'Halloran

said he would send it to them. (A copy of the presentation was provided to the Commissioners via email following the meeting and is attached to these minutes.)

Maryland State Licensed Beverage Association

Mr. Jack Milani from Maryland State Licensed Beverage Association said it has been a tough legislative session for the average retailer. There have been changes to lottery business for small mom and pop businesses. There are disagreements about what happened last session, but retailers never had a problem with the mix of games and great support. He said that he and James Butler do a lot of the negotiating in Annapolis. Mr. Milani said his association met with the Governor's Office. After having record years for multiple years, the Governor's Office cut money, but the Administration championed a \$15 minimum wage. Mr. Milani said he understands that as former Director Buddy Rogow had said, sometimes you have to be silent. Mr. Milani stated that the retail organizations advocate for the smaller guys. iLottery concerns the smaller guys. The effects of marijuana can cause a 10% to 12% hit on retailer sales which is a concern. With the Agency competing with retailers on the same games, there is apprehension on the retailers' part. There are not too many things in life where the person you are competing with is also the referee. Many things need to be looked at. The retailer organizations have had conversations with John Martin and James Butler and would invite the Commissioners to come look at some of the retail locations. There are many entry level people operating lottery terminals. If they cannot get people to work that seat at the lottery terminal, then the lottery terminal may end up gone. If there is not someone in the chair, some customers do not want to buy. Some businesses may have split operations, such as tavern and liquor store, with a lottery terminal in the back. The big automated self-service terminal does a great job. If bar staff is busy, there still needs to be someone in that seat. Looking back, it has been a great partnership, and the retail organizations value it, but sometimes we may have to have disagreements. Even when there is a disagreement, the retailers understand where MLGCA is coming from. He told the Commissioners if they hear anything bad about the retailers, it may not be true.

Chair Browning said the Commission has not heard anything bad. MLGCA supports hard working people, and thanked him for the report. Chair Browning asked for patience and understanding when there are disagreements as they are not personal. It is just everyone trying to do what is best for the State and for the workers.

Commissioner Hodges thanked Mr. Milani and said it is not every meeting the Commission hears from the retail organizations. He said it would be helpful to hear from them more often, stating it would be fantastic to hear their perspective, change things up or down. Having a voice in the room would be helpful.

Vice Chair Marriner said the retailer organizations have been around here for a long time, and that it is a two-sided mutually beneficial relationship and the Commission appreciates the retailers.

The Washington, Maryland, Delaware Service Station and Automotive Repair Association

Mr. Kirk McCauley from The Washington, Maryland, Delaware Service Station and Automotive Repair Association represents small business, service stations and convenience stores. They have always had a partnership with Lottery and do a great job. They do not want to turn the partnership into a competition, and that is what iLottery will be. The small businesses took a big hit last year when the Legislature was hunting for money. The retailers were an easy target. He said the Commission makes recommendations and sends them for approval to the Legislature, and small businesses cannot take many more hits. It is bad for customers as the end-products will be jacked up so high. He said the previous two speakers have said it all. Amazon, Walmart, Wayfair said "don't worry we won't hurt you," but they do eventually. Not the first year, but eventually iLottery will kill brick and mortar stores of lottery products.

Chair Browning thanked all of the retailer organizations for attending the meeting. The Commission has heard their concerns and will continue to make decision with consideration of the impact on their businesses.

Commissioner Hodges invited the lottery retailer organization to share their voices at future meetings, that meetings could use that diverse opinion and viewpoint. Mr. McCauley said they are always available to talk about it.

AGENCY REPORT

Chair Browning stated that Mr. John Mooney would be giving an overview of gaming licensing and enforcement.

Managing Director, Regulatory Oversight – John Mooney

Report - Licensing and Enforcement Overview

Underage Violations

Mr. Mooney provided an overview of underage gaming violations and employee licensing. Starting with the underage violations at Live! Casino mentioned by Commissioner Hodges at the September Commission meeting, Mr. Mooney provided some insight. He stated that Mr. Ryan Eller was also available to answer any questions the Commission may have. The underage violations involved 13 consent agreements over a 3-month period. There were two for underage individuals who got in to gamble, two individuals with fake IDs, and nine on the floor anywhere from 1 to 25 minutes. The cause of those violations was human error. These violations included a child running onto gaming floor, away from parent, a parent distracting security on purpose to get the kid in, someone walking in the exit lane instead of the entrance, and kids trying to get in when restricted. Mr. Mooney does not believe this is an issue with Live! Casino. There is an average of 400,000 people entering the casino each month, which totals 1.2 million patrons in a 3-month period, equating to .00001% patrons coming into the casino that were underage and able to get past security. MLGCA does not see this as an issue. All casinos try to have a zero-tolerance policy for underage-persons entering the casino, and do a good job, but some do get past security. Surveillance will call if someone looks underage, and other employees catch them at the cage or rewards desk. All team members look for underage violations.

Commissioner Adebisi said that Mr. Mooney made a good point that it is unrealistic to not have minors trying to get in. It is only an issue if there is a trend. He said it is important to look for an increase in trends with these incidences. People want to get in, which is a good thing, but the casinos need to keep underage patrons out. He encouraged the casinos to let the Commission know if there starts to be an increase in these violations, noting that there are going to be some incidents, but to try and keep the number low, always looking for potential ways to decrease the numbers.

Mr. Mooney said regarding some underage violations, it is just as simple as a parent walking with a child who gets out of the parent's hands and goes 10 to 100 steps into the casino. The casinos are not given the discretion to determine if it is a violation; it has to be reported. MLGCA then determines if it is a violation. MLGCA will not play cat and mouse with the casinos on what is and is not a violation. The incident is graded as a non-violation if the kid gets on floor for only 10 seconds, the numbers are not as high as they might look.

Commissioner Hodges said that the information Mr. Mooney provided was great, and that the casinos needs to practice due diligence. He asked how does it look going out and said anytime this happens, it can be a disaster. Continuing to see trends will be helpful. Mr. Mooney replied that if the

Commissioners look at his monthly Director Report, it summarized each casino. Live! Casino had 36-37 violations per month, so it is not a trend. There were over 400,000 patrons that entered the casino – and only 36 individuals got through.

Commissioner Stakem said that Mr. Mooney provided a great overview. When Mr. Stakem first came into the position of Commissioner, he worried about the underage violations, but now realized what is happening and all the casinos are doing the best they can do, and it is much appreciated.

Chair Browning appreciated Mr. Mooney pointing out the difference of a child getting away from a parent, and the other violations from the casino and retail point of view.

Employee Licensing

Mr. Mooney then moved onto employee licensing which was mentioned during the August Commission meeting. The casinos referenced concern on the employee licensing process. He noted that Gaming Law mandates that background investigations are required on all employees who work in the casinos. Each applicant is subject to a search of criminal records and checked to see if they are financially suitable. The time to approve nongaming employees on average is less than four days, for temporary employees it is less than five days. This does not include nights or weekends. The investigators have been asked to improve on that. Background investigations must be conducted to ensure the safety of casino patrons and other employees. There are applications that are prioritized when a casino requests prioritization, including heads of departments and new General Managers. There are over 10,300 licensed employees at casinos as well as manufacturers. There have been over 3,700 applications submitted this year. The Licensing Division has conducted over 74,000 background investigations since gaming started. MLGCA is aware that the casinos are competing with other companies for applicants. Shortly after the meeting in August, ALDI's announced they were hiring 14,000 employees before end of year, starting at \$20/hour and employees in the warehouse at \$24/hour. The casinos have their work cut out for them. MLGCA can only conduct investigations, and cannot control the turnover rates at casinos and cannot influence how other companies pay their employees. Mr. Mooney and Phil Metz, Director of Licensing, do not see much issue with what is going on in the Licensing Division, but will try to prioritize all licenses and work to complete the process faster.

Chair Browning thanked Mr. Mooney for his report and told the casinos the Commission will try do what it can to speed up the process. The team expediting requests to make sure vacancies at the casinos can be filled is a good start. Mr. Mooney stated that if the casinos need to fill a position quickly, they should call Mr. Metz so he can prioritize the application.

COMMISSION ACTION ITEMS

Deputy Director, Chief Operating Officer – James Nielsen

Commission Action Item – Contract Modification – Scientific Games Lottery Central System Contract – 2 Year Renewal Option – (#2015-01)

Mr. Nielsen reported that MLGCA entered into the Lottery Central Monitoring and Control System and Related Services Contract #2015-01 (the "Contract") with Scientific Games International, Inc. (reorganized into Scientific Games, LLC) ("SG") on May 10, 2017. The Contract is for a base term of eight years, ending on Sunday, 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 approved in the amounts of \$579,250 and \$910,400 allowing MLGCA to sell and

market two Instant Ticket Scratch-Off Games (James Bond 007™ and Willy Wonka & The Chocolate Factory™ Everlasting Million Challenge™). The NTE was increased by \$87,286,055 to \$305,902,358 in July 2023 to account for significantly higher sales than anticipated when the Request for Proposals (“RFP”) was issued. The higher sales and profits resulted in higher fees paid to SG.

The Contract includes one 3-year Renewal Option that MLGCA can exercise. MLGCA recommends a 2-year (24-month) renewal, through Sunday May 2, 2027. In order to provide funding for the renewal term, we recommend increasing the NTE by an additional \$106,000,000 for a new NTE of \$411,902,358. Although an increase to the NTE is required because additional sales will be processed, SG is not guaranteed to receive the additional \$106,000,000. It is also important to note the Contract costs are essentially self-funded. The fees are all paid from Lottery proceeds.

Over the past few months, SG continued to take actions to increase its Minority Business Enterprise (“MBE”) spending to meet and exceed the Contract’s 20% MBE goal. Currently, SG anticipates annual spending of 22% or more during the remaining term of the Contract and any exercised option periods.

Mr. Nielsen asked if there were any questions. There were none. Mr. Nielsen said MLGCA recommends approval of the 24-month renewal and increase of \$106,000,000 to the NTE for the Lottery Monitoring and Control System and Related Services Contract #2015-01, and asked for a motion.

Chair Browning asked for a motion to exercise a 24-month renewal option and increase the Contract’s NTE by \$106,000,000 to \$411,902,358. Vice Chair Marriner motioned, Commissioner Stakem seconded, and the motion passed unanimously.

Commission Action Item – Proposed Amendments to Lottery Regulations

Mr. Nielsen reported that MLGCA was presenting proposed amendments to Code of Maryland Regulations in the Lottery Provisions Subtitle regarding the assignment of lottery prizes.

Proposed Amendments to COMAR

Title 36 Maryland State Lottery and Gaming Control Agency Subtitle 02 Lottery Provisions

Chapter 08 Voluntary Assignment of Monetary Prizes

Proposed amendments to Regulation .01 of this chapter clarify several definitions and correct a statutory reference.

Proposed amendments to Regulations .02 and .03 clarify the process and simplify the language by referring to the Assignment Law instead of repeating it.

Proposed amendments to Regulation .04 remove information that is in the Assignment Law and clarifies what is required to be submitted in order to assign a prize.

Regulation .05 would be removed because it pertains to submissions and is moved into Regulation .04.

Proposed amendments to the renumbered Regulation .05 address the cost of assignment. We are raising the fee from \$1,000 to \$2,000 to better recover MLGCA’s costs of processing assignments, which are time consuming.

Regulation .07 is renumbered to .06 and proposed amendments simplify the language.

The renumbered Regulation .07 describes court orders required and now refers to the Assignment Law instead of restating the law.

Regulation .09 would be removed because MLGCA's responsibilities are in statute.

Mr. Nielsen recommended approval of the proposed amendments, and requested a motion to approve the proposed amendments to the regulations in the Lottery Provisions Subtitle.

Chair Browning asked if any Commissioners had questions. There were no questions. Chair Browning then asked for a motion to approve the proposed amendments to the regulations in Chapter 08 of the Lottery Provisions Subtitle 02. Vice Chair Marriner motioned, Commissioner Doetsch seconded, and the motion passed unanimously.

Chair Browning then asked for a motion to delegate to staff the authority to make any non-substantive changes to the approved regulation amendments that may be necessary to prepare them for publication in the *Maryland Register*. Vice Chair Marriner motioned, Commissioner Stakem seconded, and the motion passed unanimously.

Managing Director, Regulatory Oversight – John Mooney

Commission Action Item – Proposed Ownership Structure Change – Arrow International, Inc.

Chair Browning stated that before the Commission is a hearing on the proposed ownership and structural changes of a manufacturer licensee. Mr. Mooney will conduct the hearing and provide information surrounding MLGCA's investigation into the matter. Chair Browning outlined the procedures for the hearing, and then collectively administered the oath to all individuals who may testify or answer questions. Sworn in from MLGCA were: John Mooney, Managing Director, Regulatory Oversight, and Phil Metz, Director, Regulatory Licensing and Investigations; from Arrow International, Inc., Jennifer Gehrlein, Vice President, General Counsel and Secretary of the Company; and Rob Ruben, outside counsel for Arrow International, Inc.

Mr. Mooney reported that the manufacturer licensee has proposed to reorganize its ownership structure. MLGCA is required by the Gaming Law to conduct an investigation to determine whether the proposed buyer or transferee of any transfer of interests of more than 5% of the legal or beneficial interests of a licensee, meets the qualification requirements of the Gaming Law; and that the transfer is consistent with the policies and intent of the Gaming Law.

Mr. Mooney said the Commission must determine: (1) Whether Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. meet the qualification requirements as principal entities, and, if so; (2) Whether the proposed organizational ownership changes to Arrow International, Inc. is consistent with the policies and intent of the Gaming Law.

On July 11, 2024, MLGCA received notification from the Company that it was seeking approval of the changes to its ownership structure. The current ownership structure of Arrow International, Inc. is that it is a wholly owned subsidiary of Cavalier Acquisition Corporation. Cavalier Acquisition Corporation is owned by Cavalier Intermediate Holding Corporation, which is owned by Cavalier Holding Corporation. Entities that own 5% or more of Cavalier Holding Corporation include: (1) Cavalier Voting Corporation; (2) Platinum Equity Small Cap Fund, L.P.; (3) Gallagher Family Trusts; and (4) Platinum Cavalier Principals, LLC.

Cavalier Acquisition Corporation, Cavalier Intermediate Holding Corporation, Cavalier Holding Corporation, and Cavalier Voting Corporation are Commission qualified principal entities.

The proposed changes to Arrow International, Inc. involve only passive interests at or above the Cavalier Holding Corporation level and do not impact voting interests. The interests currently held in Cavalier Holding Corporation will be transferred to a newly formed entity called Cavalier Continuation Holding Corporation, which will issue 1,000 shares of Class A common stock and 1,000 shares of Class B non-voting common stock. The Class A shares will retain all of the voting interests in the Corporation and will be held by Cavalier Voting Corporation, which is already qualified as a principal entity of Arrow International, Inc. The Class B non-voting shares will hold the economic interests in the Corporation and will be held directly by the newly created Cavalier Continuation Holdings, L.P.

The Regulatory Licensing and Investigations Division of MLGCA investigated the proposed structural changes to Arrow International, Inc. MLGCA performed inquiries and examined relevant documents in order to understand and confirm the substance of the proposed changes by obtaining and reviewing copies of the operating agreements of Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. The investigation found no content in the operating agreements that would negatively impact Arrow International, Inc.'s status as being qualified for a Gaming Manufacturer License nor Cavalier Acquisition Corporation, Cavalier Intermediate Holding Corporation, Cavalier Holding Corporation, and Cavalier Voting Corporation from being qualified as principal entities in Maryland.

Based on MLGCA's investigation, the proposed organizational changes will in no way alter the control and direct ownership interests in Arrow International, Inc. or the day-to-day management and operations of the Company. MLGCA's investigation confirmed that the Company continues to meet the qualification requirements of the Gaming Law, and found no derogatory information that would negatively impact Arrow International, Inc.'s ongoing qualification for a gaming manufacturer license based on the criteria in State Government Article (SG) §§ 9-1A-07(c)(7) and 9-1A-08(d).

Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), MLGCA recommends the Commission find that the Company and the proposed principal entities Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. have established, by clear and convincing evidence, their qualifications for the Company to maintain its Manufacturer License and Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. be qualified as principal entities.

At 11:25 a.m. Commissioner Croghan left the meeting.

Mr. Mooney said MLGCA recommends that in accordance with SG § 9-1A-19, the Commission find that that the change in the ownership structure of Arrow International, Inc. is consistent with the policies and intent of the Gaming Law.

Chair Browning then asked if any of the Commissioners had questions. Commissioner Hodges asked if any of the entities are located overseas. Mr. Mooney stated they were all U.S. companies and asked Ms. Gehrlein to confirm that. Ms. Gehrlein confirmed they are all U.S. entities.

Chair Browning asked for a motion to find that Arrow International, Inc. has established by clear and convincing evidence that it continues to meet the qualification requirements to hold a Manufacturer's License. Vice Chair Marriner motioned, Commissioner Doetsch seconded, and the motion passed unanimously.

Ms. Gehrlein thanked the Commission. Chair Browning said to wait to speak as there were two more motions.

Chair Browning asked for a motion to find that the Cavalier Continuation Holding Corporation and Cavalier Continuation Holdings, L.P. have established by clear and convincing evidence that they are qualified as principal entities. Vice Chair Marriner motioned, Commissioner Stakem seconded, and the

motion passed unanimously.

Chair Browning asked for a motion to find that the proposed ownership changes in Arrow International Inc. are consistent with the policies and intent of the Gaming Law. Vice Chair Marriner motioned, Commissioner Doetsch seconded, and the motion passed unanimously.

Chair Browning asked for a motion to direct Staff to draft the Commission's decision statement on the qualification and proposed ownership changes to Arrow International, Inc. Vice Chair Marriner motioned, Commissioner Stakem seconded, and the motion passed unanimously.

Ms. Gehrlein again thanked the Commission and lottery staff, particularly John Mooney and Phil Metz for their work on this matter.

CLOSED SESSION

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

DATE AND TIME OF NEXT MEETING

Chair Browning announced the next Commission meeting will be held on Thursday, November 21, 2024, at 10:00 a.m. in person at Lottery Headquarters and via video conference, one week earlier due to the holiday.

ADJOURNMENT

There being no further business, Chair Browning adjourned the meeting at 11:28 a.m.

Respectfully submitted,



John Martin
Director