

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION DECEMBER MINUTES

DATE: December 19, 2024

TIME: 10:00 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters
and Virtual

PRESENT: Chair Everett D. Browning, Sr.
Commissioner Ade Adebisi
Commissioner Diane Croghan
Commissioner George L. Doetsch, Jr.
Commissioner Harold E. Hodges
Commissioner James 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 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 Scientific Games
Representative from Pollard Banknote
Representative from International Game Technology (IGT)
Representatives from DraftKings, Inc.
Representatives from SEGA Sammy Creations, Inc.
Representatives from GAN Nevada, Inc.
Representatives from Bally's Corporation

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. Present in person were: Chair Everett Browning and Commissioners Ade Adebisi, George Doetsch and James Stakem. Commissioners Croghan and Hodges were present virtually. Vice Chair Marriner was absent.

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 Doetsch motioned to approve, Commissioner Stakem 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 November 21, 2024, Open Session. There being none, Chair Browning asked for a motion to approve the minutes. Commissioner Stakem motioned to approve, Commissioner Doetsch seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Browning said the Consent Agenda contains:

1. Four new Instant Ticket Games: \$3 #740 *Press Your Luck*; \$5 #741 *Let's Make a Deal*; \$10 #742 *Ice*; and \$30 #743 *Fire*;
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 (11/19/24 through 12/12/24);
3. Consent Agreements – Regulatory Violations:
 - a. Hollywood Casino – July and August 2024;
 - b. Horseshoe Casino – July and August 2024 Amended;
 - c. MGM National Harbor – July 2024;
 - d. Ocean Downs Casino – August 2024; and
 - e. Rocky Gap Casino – August 2024;
4. Consent Agreements –Sports Wagering Violation
 - a. Greenmount OTB LLC – August 2024;
5. Consent Agreements – Mobile Sports Wagering Violations:
 - a. Bet MGM – February, May, June, July 2024;
 - b. Caesars Entertainment – February, April, May, July 2024;
 - c. LetsBetMd – August 2024;
 - d. Maryland Stadium-Sub-FBG – June 2024; and
 - e. Veterans Services Corp/Bee-Fee, LLC – August 2024;
6. Consent Agreements – Underage Violations:
 - a. Horseshoe Casino – Case Nos. 2024-05-003 to -005;
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. There being no requests or discussion, Chair Browning asked for a motion to approve the Consent Agenda. Commissioner Doetsch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved.

OPERATOR REPORTS

Hollywood Casino

Ms. Amy Brennan, General Manager, reported that November gaming revenue was up 9.3% year-over-year. Revenue and coin-in was up in slot machines. Table game revenue was down. Sportsbook and poker were slightly up. Year-over-year gross gaming revenue was up 3.6%. Throughout November, the casino held several promotions and giveaways. The Progressive Payday did not hit in November, but it is guaranteed to hit in December. In the community, Hollywood Casino participated in Toys for Tots and a Salvation Army Angel Tree. Team members were provided with a Thanksgiving meal. There are currently 34 open positions, as this is a difficult time of year to hire. There have been 35 internal promotions within the property, which is 10% of the population. Hollywood Casino had 10 participants in the new internal dealer school. The casino reached its highest spend for MBE/WBE in November, which is 10%. Hollywood Casino is currently waiting on some vendors to be licensed.

Commissioner Hodges asked Ms. Brennan to describe what type of MBE vendors are being used and the type of work that is being done by MBE vendors. Ms. Brennan said it varies greatly, but that the greatest contributor is for customer gifts. There are quite a few giveaways, and the casino uses an MBE vendor for that. The casino just met with a woman-owned HVAC company that is going through the licensing process.

Ocean Downs Casino

Ms. Allison Nicholson, Senior Director of Marketing, reported that coin in was up 6.5%, net slot revenue was down 3%, table drop was down 14.4% year-over-year, and net table game revenue was down 31.6% year-over-year. Sports wagering was up 16.1% year-over-year. The casino had several promotions and giveaways. There was a Black Friday Slot Tournament, and a Charity Tournament that benefited the Lower Shore CASA advocates for children in Somerset, Wicomico and Worcester Counties. In the community, team members volunteered two Mondays in November providing meals at St. Paul's By the Sea. Team members were given a Thanksgiving dinner.

Commissioner Hodges asked if Ms. Nicholson said that net table revenue was down year-over-year. Ms. Nicholson confirmed that it was down from prior year.

Commissioner Hodges wanted to know if the decline was concerning looking to next year, and whether there is a correlation between that and other drivers that are not being dealt with. Ms. Nicholas said revenue is down because tourism is down in the area this year.

Live! Casino

Mr. Max Fisher, Senior Vice President & Chief Financial Officer, reported that November revenue overall was up 5.3% year-over-year. Slot machine revenue was up 7%, while table game revenue was down .8%, and poker was down 2.5%. Retail sportsbook had a 191% improvement year-over-year. Live! Casino held several giveaways and promotions. In honor of Veteran's Day, there was a select group of veteran players that attended the Army/Navy Football Game. Entertainment at the casino brought in over 10,000 guests for various shows. Team members received free turkeys, and those that worked on Thanksgiving received a free Thanksgiving Day meal. Team members volunteered over 3,000 hours for various charities in November.

For the current year, Live! Casino has paid \$ 9.1 million to 46 MBE vendors, which is 20.5% of spend. The casino hosted a Maryland MBE event at The Hall. Mr. Fisher thanked the Lottery for the repeal of the promo play regulations and is confident in that decision and what it will do for the State.

Commissioner Hodges asked what type of services are provided by the 46 MBE vendors. Mr. Fisher said that it is a wide spectrum. MBEs are utilized in service areas, providing facility operations, and also on the construction side with any capital improvements.

Commissioner Hodges asked if the casino expects to see the same projection for next year as far as potential traffic. Mr. Fisher said the casino is optimistic overall and continues to grow, and is hoping to see that continue. The new competitor in the market is going to affect everyone, specifically on slots.

Chair Browning asked about the uptick in crime during the holiday season and whether the casino is taking extra measures. Mr. Fisher said while Arundel Mills Mall provides security services on the property, the casino has looked at increased rotations in the parking garage, on foot throughout the property, and the casino continues to be extra diligent, especially making sure customers stay safe.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that winter has settled in up in Western Maryland. Revenue was down 8.8%. Slot machines were up 3% driven by volume with a decrease indicative of the past couple months. Table game revenue was up 1%, with a 12% increase in drop. Travel and visitation are slightly down, hotel occupancy is at 73%, down from 78% year-over-year. Cash growth is up 16% from a hotel perspective. Golf at the casino has been great with the milder weather in November. The casino is working diligently with the regulatory change for security guards. There have been several promotions and giveaways in November. On November 30th, a regular player from the Pennsylvania market won the vehicle giveaway. Entertainment at the casino continues to focus on local artists every Friday and Saturday. In the community, the casino contributed to the Western Maryland Food Bank, and Toys for Tots, which runs through December 21st. In November, the casino had 283 licensed employees compared to 288 the prior year. There is typically a decline in business during this time of year. Team members were given gift cards to Walmart. The casino is working with Frostburg State University to build a more robust funnel for casino talent.

Commissioner Hodges asked about the progress on MBEs. Mr. Kurtz said the last submission through October was 34%. The casino takes a pretty holistic look at how it approaches MBEs, most of which are slot tech providers, technology based, and for the gifts for promotions and giveaways purchased through MBEs. The concentration of MBEs in Western Maryland is small and many do not want to go all the way up there. Mr. Kurtz said the casino works with Gerald in the Governor's Office of Small, Minority & Women Business Affairs to create good communication with MBE vendors.

Commissioner Adebisi asked, given the location of the casino, how winter affects the casino. Mr. Kurtz responded that winter sports do not provide a big upside for Rocky Gap, as generally winter sports travelers go elsewhere. Garrett County gets tremendous amounts of snow which affects traffic which cuts down on attendance at the casino during weather events.

Horseshoe Casino

Mr. Jacob Witmer, Senior Vice President & General Manager, reported that Caesars leadership promised progress back in June, and November was by far the strongest month for the casino. Looking at volumes and interest in the property, coin-in was up year-over-year, table drop was below 10% variance, electronic table games were up, and poker had single-digit variance. Table game and slot machine revenue were up year-over-year. Customers are coming back to the casino. The casino

will continue to build the employee base which will grow the casino. There have been challenges recently, but the casino has gotten over those hurdles. Restaurant volume was up 14%, forecasting the future, it looks good. Entertainment and beverage revenues are also up. The casino continues to drive entertainment back to property. Mr. Witmer said the casino has an aggressive strategy for January focusing on entertainment. Team members delivered 200 turkeys to a local food bank, and team members were also given turkeys. The casino is providing funding for a local skateboarding business to help grow the business for kids.

Mr. Witmer spoke with Gerald Stinnett in the Governor's Office of Small, Minority & Women Business Affairs to help Gerald understand the balance of MBE vendors at the casino. They will be reinstalling engagements and programs for outreach. The casino continues to have the same employment issues as the other casinos but have not backed off hiring, continuing to backfill where needed. Turnover at Horseshoe Casino has decreased.

Commissioner Hodges asked how Caesars is aligning its changes in strategy, and what it is doing to maintain costs in line with next year. Mr. Witmer said Horseshoe Casino is watching volumes for tables and slots, and is not going to try to stress areas where they cannot provide service. Adequate staff can generate adequate volume. The casino is driving in volume. Horseshoe Casino expects to see comparable volume growth. The casino is not doing what other casinos do, which is running on minimum margins.

Chair Browning asked that Horseshoe Casino continue to work with GOSBA, noting there are great companies excited to be part of the change. He said it is also important to make sure, given the Baltimore area crime, that customers feel safe. Chair Browning asked if Horseshoe has a dealer school. Mr. Witmer said yes that the casino has gone back to the seated box position. The casino is focusing on quality vs. quantity with improvements in the table game area and leadership.

MGM National Harbor

Mr. Jeffrey Shrader, Vice President & General Counsel, reported that November gaming revenue was down 2%, with a 12% increase in slot machine revenue. Table games were down 22%, poker was up 2%, sportsbook was down 22%. The casino hosted several Washington Commanders game rallies. MGM National Harbor held several events in November, and had multiple giveaways and promotions. There were multiple shows at the casino. In the community, the casino donated to several charities and volunteered at events. Team members that worked on Thanksgiving were treated to a party with a special menu and games. The casino held a mixer event for staff. The MBE participation spend total to date is just over \$6.2 million, which is at 24% of spend and involves 68 companies. The casino hosted and attended several supplier events including the Capital Regional Minority Supplier Development Counsel CEO Roundtable, the Capital Regional Minority Supplier Development Counsel their 39th Annual Leaders and Legends Awards Ceremony, and the WBE Counsel Greater DMV 25th Anniversary Grand Galaxy Luncheon.

Chair Browning asked if there any updates on the impact of Dumfries. Mr. Shrader said MGM National Harbor is still looking at numbers, seeing some loss in traffic, but have not fully analyzed it.

VENDOR REPORTS

Scientific Games

Mr. Jeff Hale, General Manager, thanked the Agency and the Commission for approving the 2-year contract extension yesterday noting that by the end of the extension, SciGames will have partnered with the Lottery for over 30 years. Scientific Games completed its Toys for Tots Drive with Fox 45, which it does every year. It is currently working on the Mega Millions game change which will be

going live in early April. There has been an increase in MBE spend over the past year with additional MBEs coming online January 1 as well as a new VSB partner.

Commissioner Hodges asked if Scientific Games is concerned or has spent additional funds on security for hacking. Mr. Hale said SciGames has security measures and tracks things every single day. State of the art tools are used to protect the Agency from a system perspective and is on everyone's radar, and we are always watching for intrusions.

Chair Browning said the extension did go through yesterday and the Commission is looking forward to the next 2 years with SciGames supplying services to Maryland.

Pollard Banknote

Mr. Travis Priest, Director of Lottery Marketing, reported that since September, 9 scratch off tickets were produced with 9 launched into market over that same time. Overall for the first 24 weeks of the fiscal year, revenue is \$455.8 million compared to \$447 million last year, up \$8.8 million or 2% fiscal year-to-date. Maryland is seeing an average selling price of \$7.94, compared to \$7.80 last year, which is up 1.8%. Outside of Maryland, at U.S. Lotteries of interest, jurisdiction growth rate is -0.7%. Maryland is in the top 10 US Lotteries which were up 6.7%. There have been collaborative efforts between Pollard and MLGCA with the Product Development team visiting the production facility in Michigan. Pollard provided the team with insights on production and delivery which helps to strengthen the relationship.

Commissioner Hodges asked if Pollard has had any breaches in last month or so, and what is being done to mitigate that risk. Mr. Priest said Pollard takes significant strides to strengthen systems, which is a multi-year process of continually evaluating threats, and access points as bad actors could be present. The IT team is constantly trying to stay ahead of any threats. Risks of losses of data are known, but they have not seen any major damages or ingresses to that data or breaches. Pollard is constantly investing in technologies to protect the Lottery's games. There has been no malfeasance into the integrity of the product.

Chair Browning thanked Mr. Priest for Pollard being a part of the Maryland family. He said the Commission is available to work together on how to work with local MBE outreach to help grow Maryland.

International Game Technology (IGT)

Mr. Gary Cherwinski, Account General Manager, reported that it was a busy quarter. IGT deployed a large service batch to fix issues, which it does annually. The system recovery test was successful, and patching cycle was completed in all data centers.

Chair Browning asked Mr. Cherwinski to provide an overview of the service provided by IGT.

Mr. Cherwinski said it provides a central video lottery terminal monitoring system that is located in the same building as MLGCA. All of the casinos are connected to the system. It primarily does security, software management and accounting for all games (video lottery terminals) in the State. The system ensures that the games turned on are what they say they are and located where they should be. If they are modified and do not match, they will be disabled. IGT works with MLGCA to see what is going on and make sure that everything is in line across the state.

Chair Browning noted that IGT does a lot to make sure that the auditing and accountability is in place. And thanked IGT for the integrity that it brings to Maryland so that it can be successful.

DIRECTOR'S REPORT

Director's Report — John Martin, Director

Director John Martin reported that Lottery was up year-over-year in sales, but lottery players had a good month so profit took a double digit hit. Year-to-date, sales are +5.2, and profit is down 11.7%. It is hoped that the Mega Millions jackpot will continue to roll to the illusive billion dollar level. Mr. Martin looks forward to people playing responsibly and having some fun as the jackpot grows. Casino partners in aggregate were flat year-over-year with contributions up slightly. Year-to-date casinos are up 1.7% with contributions up 3.2%. Sports wagering had an extremely strong month in November, which is the top month on both handle and contributions to the State. Total handle is \$639 million for the month of November, hold in aggregate in retail and mobile is up 13%, contributions combined are over \$11.7 million, with sports wagering contributions to the State of over \$40 million. December has been another strong month, with a number of weekends with NFL participation. There will be five Sundays with strong platforms both at retail and mobile. Next month is expected to also be a strong month. MLGCA was proud to make donations for the Toys for Tots, the Food Bank and the Maryland Charity Campaign.

Commissioner Hodges said that he read somewhere since the last meeting, there is a budget deficit issue that the State is facing, and that the Governor is considering a hold on contributions to education and asked whether that would include Lottery contributions. Director Martin responded that MLGCA does not know anything about budget plans. Contributions to the Education Fund are set in statute and probably will not change in that perspective. MLGCA will support the Governor's initiatives.

Chair Browning thanked Director Martin and his staff for making sure the Commissioners are kept up to speed with services to vendors and retailers. The Commission is grateful for these partnerships.

Director Martin said MLGCA appreciates the support from the Commissioners.

Chair Browning announced at 10:57 a.m. that he was offering a break for those who wanted to leave prior to resuming with the Commission Action Items. Everyone remained seated and Chair Browning continued without taking a break.

COMMISSION ACTION ITEMS

Deputy Director, Chief Operating Officer – James Nielsen

Commission Action Item – Withdrawal of Proposed Amendments to Regulations: General Provisions and Table Games

Mr. Nielsen reported that they were presenting a recommendation to withdraw two regulatory amendments that were approved by the Commission and published in the Maryland Register for public comment, but have not yet taken effect. In September 2024, the Agency presented a number of amendments to regulations that were then approved by the Commission. Since the Commission approved the proposed promotional play regulation amendments in September, economic and competitive concerns have led the Agency to reconsider those amendments as related to casino promotional play. The Public Comment period began on December 2 and runs for 30 days.

Rather than waiting for expiration of the public comment period, the Agency believes withdrawing these proposed amendments at this time will allow the casinos to plan marketing campaigns for 2025 to mitigate out of state casino competition that draws from the same casino customers. The Agency is not proposing the withdrawal of amendments that eliminated promotional play deductions for Sports Wagering.

Prior to presenting the proposed amendments, Commissioner Hodges wanted to know if the withdrawals were temporary or permanent or what the plan would be. Mr. Nielsen stated the new amendments would have taken effect after a couple of months after being published in the *Maryland Register*. The action today simply withdraws them so that they will not be in effect unless another action is taken in the future.

Proposed Amendments To COMAR Title 36 Maryland State Lottery and Gaming Control Agency

Subtitle 03 Gaming Provisions

Chapter 10 Video Lottery Facility Minimum Internal Control Standards

Mr. Nielsen reported that MLGCA is requesting the withdrawal of proposed amendments to Regulation .36 of this chapter regarding the elimination of the ability of a video lottery facility to deduct promotional play redeemed by players from its taxable VLT revenues.

Mr. Nielsen asked if there were any questions or comments. He then requested a motion to approve withdrawal of the proposed amendments to Regulation 36.03.10.36. Chair Browning asked for a motion. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Subtitle 05 Table Games Chapter 03 Table Game Procedures

Mr. Nielsen reported that MLGCA is requesting the withdrawal of proposed amendments to Regulation .15 of this chapter regarding the elimination of the ability of a video lottery facility to deduct promotional play from the calculation of taxable table games revenues.

Mr. Nielsen asked if there were any questions. He then requested a motion to approve withdrawal of the proposed amendments to Regulation 36.05.03.15. Chair Browning asked for a motion. Commissioner Stakem motion to approved, Commissioner Doetsch seconded, and the motion was unanimously approved.

Chair Browning then asked for a motion to delegate to Staff the authority to make any non-substantive changes to the approved withdrawn proposed amendments that may be necessary to prepare the notice of withdrawal for publication in the *Maryland Register*. Chair Browning asked for a motion. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Managing Director, Regulatory Oversight – John Mooney

Commission Action Items - Agreement and Plan of Merger – Acquisition of Simplebet, Inc. by DraftKings, Inc.; Agreement and Plan of Merger – Acquisition of GAN Nevada, Inc. by SEGA Sammy Creations, Inc.; and Agreement and Plan of Merger – Acquisition of The Queen Casino and Entertainment, Inc. by Bally's Corporation

Chair Browning said that the Commission would be holding three hearings today. He then outlined the procedure for the hearings then collectively administered the oath to all individuals who may testify or answer questions. Those sworn in were from the Agency: John Mooney, Phil Metz, and Mark Ermer, Barry Laurent; from Sega: Naoki Kameda, President and CEO of Sega Sammy Creation, Inc. and Elizabeth Kostan, Director of Regulatory Compliance; from Greenberg Traurig LLP, counsel for Sega, Edward Winkofsky, Shareholder and Bradley McAllister, Associate; from GAN: Sylvia Tisacreno and outside counsel representing GAN: Steven Schrier and Michael Trainor; from Bally's: Marcus

Glover and outside counsel representing Bally's Robert Ruben; and from DraftKings: Bill Curtis, Director of Licensing.

Mr. Mooney said there would be three hearings today including: the qualification and approval of the proposed acquisition of Simplebet by DraftKings; the qualification and approval of the proposed acquisition of GAN Nevada, Inc. by SEGA Sammy Creations, Inc.; and the qualification and approval of the proposed acquisition of The Queen Casino and Entertainment by Bally's Corporation.

Mr. Mooney said that he would summarize what is required for all three hearings and then separately, will summarize the reports that were sent to the Commissioners prior to this meeting. He stated that MLGCA is requesting that the Commission entertain applicable motions accepting the parties to the mergers' current qualification, approval of the merger agreement, and finding that the merger is consistent with the policies and intent of the Gaming and Sports Wagering Law; and for all three hearings, a motion directing Staff to draft the Commission's decision statement.

Mr. Mooney reported that these three matters are before the Commission today because State Government Article (SG) § 9-1A-19 requires that the Commission 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, meet the qualification requirements of the Gaming Law and Sports Wagering Law; and that the transfer is consistent with the policies and intent of the Gaming and Sports Wagering Law.

For all of the transactions, the Commission was provided notice of the proposed merger in accordance with SG § 9-1A-19(b)(i) and as applied to the Sports Wagering Law by SG § 9-1E-03(a)(1). For each hearing, the Commission must determine whether the parties to the merger transaction meet the qualification requirements in the Gaming and Sports Wagering Law as principal entities, and, if so, whether the merger and transfer of interests for each transaction is consistent with the policies and intent of the Gaming and Sports Wagering Law.

Mr. Mooney then reported on each agreement and plan of merger separately.

Commission Action Item – Agreement and Plan of Merger – Acquisition of Simplebet, Inc. by DraftKings, Inc.

Mr. Mooney reported that the Commission must determine whether DraftKings, Inc., Simplebet, Inc. and Siena Merger Sub, LLC have proven, by clear and convincing evidence, their qualifications; and whether the proposed merger and resulting acquisition of Simplebet and transfer of the licensee's interests meets, and is consistent with the policies and intent of the Gaming and Sports Wagering Law pursuant to SG § 9-1A-19(b)(iii).

On August 28, 2024, DraftKings, Inc. and Simplebet, Inc., entered into a Merger Agreement. The proposed transaction will allow for the integration of Simplebet's proprietary machine-learning models into DraftKings' pricing and technology platform to create betting opportunities during every moment of a sporting event.

DraftKings and Simplebet are parent companies to entities that currently hold sports wagering licenses issued by the Commission. Siena Merger Sub, LLC (Siena), a subsidiary of DraftKings, was created to effect the merger transaction. Siena has submitted a Sports Wagering Principal Entity Disclosure Form with the Commission. Under the terms of the Merger Agreement, Siena will merge with and into Simplebet with Siena remaining as the surviving company. Siena will then become a direct, wholly-owned subsidiary of DraftKings and change its name to Simplebet, LLC.

Simplebet will honor existing contracts with sportsbook operators through July 31, 2025, at which time it will begin providing services exclusively to DraftKings. The Boards of Directors of both DraftKings and Simplebet have approved the merger transaction. Post-closing of the merger, the

individuals who will be principals are Paul Liberman and Alan Ellington. Both individuals are currently licensed as principal employees by the Commission.

Staff performed inquiries and examined relevant documents, including the Merger Agreement, in order to obtain an adequate understanding and confirm the substance of the transaction. Staff's investigation disclosed nothing that would negatively impact the current qualifications of the licensees.

Staff's investigation confirms that DraftKings and Simplebet maintain their qualifications and good standing with their current Maryland Sports Wagering Licenses. Staff has found no derogatory information regarding Siena or issue with Siena meeting the requirements in the Gaming or Sports Wagering Law as required by SG § 9-1A-19(b)(ii). Additionally, Staff's investigation disclosed no information that would prevent DraftKings, Inc. and Siena Merger Sub, LLC from being qualified as principal entities in Maryland.

Staff's investigation found that the proposed merger of DraftKings and Simplebet and resulting ownership changes from the proposed Merger Agreement, are consistent with the policies and intent of SG § 9-1A-19 and requirements of the Gaming and Sports Wagering Law. MLGCA Staff concludes that DraftKings, Simplebet, and Siena have established by clear and convincing evidence their qualifications as required for their proposed merger.

Chair Browning asked for a motion to find that DraftKings, Inc., Simplebet, Inc. and Siena Merger Sub, LLC have established, by clear and convincing evidence, their qualifications as Principal Entities. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to find that DraftKings, Inc. meets the requirements of the Gaming and Sports Wagering Law, and that the resulting ownership changes from the acquisition of Simplebet are consistent with the policies and intent of the Gaming Law, Sports Wagering Law, and State Government Article § 9-1A-18, as required by State Government Article § 9-1A-19. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to approve the proposed acquisition of Simplebet, Inc. by DraftKings, Inc. as consistent with the Gaming and Sports Wagering Law. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to direct Staff to draft a decision statement of the Commission on this hearing. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Mr. Bill Curtis thanked Lottery staff, particularly Director Metz, for their guidance.

Commission Action Item – Agreement and Plan of Merger – Acquisition of GAN Nevada, Inc. by SEGA Sammy Creations, Inc.

Mr. Mooney reported that the Commission must determine whether SEGA, SEGA Holdings, and Arc have proven, by clear and convincing evidence, their qualifications; and whether the proposed merger and resulting acquisition of GAN and transfer of the licensee's interests meets, and is consistent with the policies and intent of the Gaming and Sports Wagering Law pursuant to SG § 9-1A-19(b)(iii).

On November 7, 2023, SEGA and Arc Bermuda Limited (Arc) entered into an Agreement and Plan of Merger (Merger Agreement) with GAN Nevada, Inc. (GAN). GAN is a provider of enterprise online

gaming software, online game content, content development services and operational support services, and is currently licensed as a Sports Wagering Contractor by the Commission.

SEGA was established on June 3, 2013, as a successor company to a business started in November 1975. Its principal office is located in Tokyo, Japan. SEGA is a wholly-owned subsidiary of SEGA Sammy Holdings, Inc., which was established on October 1, 2004 and operates from the same location in Tokyo. The Company and its subsidiaries have three business segments. Their entertainment content business is responsible for the development and sale of consumer game software and amusement machines, animated machines, and toys. The second segment is the development, manufacture and sale of pachislot and pachinko machines. The third segment, is an integrated resort business focused on the development and operation of hotels and golf courses. SEGA and SEGA Holdings have each filed a Sports Wagering Principal Entity Disclosure Form with the Commission.

SEGA Holdings is publicly traded on the Tokyo Stock Exchange. As of March 31, 2024, SEGA Holdings had 241,229,476 shares of common stock outstanding and HS Company, The Master Trust Bank, and FSC Company held a 5% or greater share of the outstanding stock. HS Company and FSC Company are institutional investors and each has filed a Sports Wagering Institutional Investor Waiver Application with the Commission. The Master Trust Bank holds shares of SEGA Holdings only as a custodian of shares owned by customers and does not have the authority to trade or vote the shares it holds. As such, the Master Trust Bank is not an institutional investor.

Arc is a wholly-owned subsidiary of SEGA Holdings created solely to effect the merger with GAN. Under the terms of the Merger Agreement, shareholders of GAN common stock will receive a cash payment for each ordinary share owned, with total consideration for the merger estimated to be \$107.6 million. Arc will be merged with and into GAN with GAN continuing as the surviving company, and Arc will cease to exist. Because Arc is a wholly-owned subsidiary of SEGA Holdings which filed a Principal Entity Disclosure Form with the Commission and will cease to exist after the Merger Agreement takes effect, further filings were not required of Arc. GAN will then become a wholly-owned subsidiary of SEGA and its stock will be delisted from the NASDAQ. All requisite approvals to effect the merger have been received by SEGA and GAN.

Staff performed inquiries and examined relevant documents, including the Merger Agreement, in order to obtain an adequate understanding and confirm the substance of the transaction. Staff's investigation showed that SEGA Holdings' overall operating performance during the five-year period reviewed has been solid and very consistent, with net profits totaling \$1.02 billion. These positive operating results have produced substantial cash flows from operations which the Company has used to acquire property and equipment and intangible assets, repay long-term borrowings, redeem bonds and pay cash dividends. Additionally, SEGA Holdings' financial condition is very sound and has remained so throughout the review period. The Company has made several strategic purchases and sales of subsidiaries in recent years and the proposed merger with GAN will further increase its presence and financial performance in the United States.

SEGA Holdings has sufficient liquidity to meet its financial obligations and working capital requirements in the ordinary course of business for the foreseeable future. Additionally, the Company's financial ratios and margins compare favorably with those of its competitors and its auditors have expressed no concern with its results of operations, financial condition or continuation as a going concern.

MLGCA Staff's investigation confirms that GAN maintains its qualification and good standing with its current Maryland Sports Wagering Contractor License. MLGCA Staff has found no derogatory information regarding SEGA, and SEGA Holdings qualifications and no issue with them meeting the requirements in the Gaming or Sports Wagering Law as required by SG § 9-1A-19(b)(ii).

Staff's investigation found that the merger of GAN and SEGA and resulting ownership changes from the proposed Merger Agreement, are consistent with the policies and intent of SG § 9-1A-19 and

requirements of the Gaming and Sports Wagering Law. MLGCA Staff concludes that SEGA, SEGA Holdings, and Arc have established by clear and convincing evidence their qualifications for Sports Wagering Principal Entities in Maryland and as required for their merger with GAN.

Chair Browning asked if anyone from SEGA wished to speak. Commissioner Hodges asked if ARC was going away, and the one staying is GAN which is part of SEGA. Mr. Mooney asked Commissioner Hodges to repeat the question.

Commissioner Hodges asked, although it says merger, whether the only one standing is GAN and it is part of SEGA. Mr. Mooney responded that was correct.

Commissioner Hodges asked if SEGA, a Japanese firm, is licensed to operate in Maryland. Mr. Mooney responded that SEGA is licensed in Maryland.

Commissioner Hodges asked if the licensing unit did a search for litigation, and whether anything was found. Mr. Mooney stated that no issues with found with SEGA throughout the world.

Chair Browning asked for a motion to find that SEGA Sammy Creation, Inc., SEGA Sammy Holdings, Inc., and Arc Bermuda Limited have established, by clear and convincing evidence, their qualifications as Principal Entities. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to find that SEGA Sammy Creation, Inc. meets the requirements of the Gaming and Sports Wagering Law, and that the resulting ownership changes from the acquisition of GAN Nevada, Inc. are consistent with the policies and intent of the Gaming Law, Sports Wagering Law, and State Government Article § 9-1A-18, as required by State Government Article § 9-1A-19. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to approve the proposed acquisition of GAN Nevada, Inc. by SEGA Sammy Creation, Inc. as consistent with the Gaming and Sports Wagering Law. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to direct Staff to draft a decision statement of the Commission on this hearing. Commissioner Doetsch motion to approved, Commissioner Adebisi seconded, and the motion was unanimously approved.

Commission Action Item – Agreement and Plan of Merger – Acquisition of The Queen Casino and Entertainment, Inc. by Bally's Corporation

Mr. Mooney reported that the Commission must determine whether Bally's, Standard RI Ltd., and SG CQ Gaming, LLC have proven, by clear and convincing evidence, their qualifications; and whether the proposed acquisition of Queen by Bally's and transfer of the licensee's interests meets, and is consistent with the policies and intent of the Gaming and Sports Wagering Law pursuant to State Gov't § 9-1A-19(b)(iii).

Bally's, a Delaware corporation, is a global gaming, hospitality and entertainment company with a portfolio of casinos and resorts, online gaming businesses and sports betting. Bally's is an indirect parent company of Bally's Interactive Maryland, LLC and Bally's Interactive, LLC, which hold sports wagering licenses issued by the Commission.

The Queen Casino and Entertainment, Inc. (Queen), like the other companies to be identified is a Delaware corporation. Queen is a U.S. regional gaming, hospitality and entertainment company that

currently owns and operates 4 casinos in various states and has retail and online sportsbooks operating at 2 of its casinos. SG CQ Gaming, LLC was formed on June 3, 2019 to serve as a holding company for Standard General's investment in Queen and owns approximately 88% of the equity interests in Queen. Standard General owns 100% of the outstanding stock of Queen. Queen is a parent company of Queen Sportsbook Maryland, LLC, which holds a sports wagering license issued by the Commission.

Three companies were formed solely for the purpose of engaging in the transactions contemplated by the Merger Agreement those include:

- (1) SG Parent LLC which is a direct, wholly owned subsidiary of SG CQ Gaming LLC and is an affiliate of Standard General;
- (2) Epsilon Sub I, Inc., which is a wholly owned subsidiary of Bally's that will merge into Bally's with only Bally's surviving; and
- (3) Epsilon Sub II, which is a wholly owned subsidiary of Bally's that will merge with Queen with only Queen surviving.

Bally's Corporation is publicly traded on the New York Stock Exchange under the symbol "BALY". In its most recent Proxy Statement filed with the U.S. Securities and Exchange Commission, Bally's reported that Standard RI Ltd. was its largest single stockholder. Standard General L.P. serves as investment manager to Standard RI Ltd. and Mr. Soohyung Kim is the managing partner and chief investment officer of Standard General.

Bally's, Queen, Standard RI Ltd. and SG CQ Gaming, LLC have each previously submitted a Sports Wagering Principal Entity Disclosure Form to the Commission, and Mr. Soohyung Kim is currently licensed as a Principal Employee by the Commission.

On July 25, 2024, SG Parent, LLC, Bally's Corporation, Queen, SG CQ Gaming, LLC, Epsilon Sub I, Inc. and Epsilon Sub II, Inc. entered into an Agreement and Plan of Merger.

Under the terms of the Merger Agreement, SG CQ Gaming, LLC will deliver all shares of Queen common stock to Bally's in exchange for shares of Bally's common stock. Queen will then become a direct, wholly-owned subsidiary of Bally's. Upon closing of the merger, Queen will surrender its Mobile Sports Wagering License to the Commission so that only the Bally's Mobile Sports Wagering License will exist.

The Merger Agreement provides that Standard General L.P. will offer existing Bally's stockholders a cash consideration per common share or in lieu of cash consideration, Bally's stockholders may elect to retain all or a portion of their Bally's stock by means of a rollover election and continue as stockholders of Bally's post-merger. Standard General L.P. has obtained \$500 million of committed financing from Apollo Global Securities, LLC and its affiliates to support the merger transaction. Cash proceeds from the financing and Bally's existing resources will be used to effect the merger and fund the cash consideration paid to Bally's stockholders.

The Board of Directors of Bally's has established a special committee of independent and disinterested directors of the Board (the "Special Committee") which has unanimously determined that the Merger Agreement and the merger transactions are fair to, and in the best interests of, Bally's and Bally's stockholders, and has recommended that the Bally's Board of Directors approve and declare advisable the Merger Agreement and the merger transactions. The Bally's Board of Directors, acting upon the recommendation of the Special Committee, determined that the Merger Agreement and the merger transactions are fair to, and in the best interests of, Bally's and Bally's stockholders. On November 19, 2024, Bally's stockholders approved the adoption of its previously announced merger agreement with Queen.

Mr. Soohyung Kim, as the managing member of Standard General, and the Board of Directors of Queen have approved and declared advisable the Merger Agreement and the merger transactions. He has recommended that the adoption of the Merger Agreement be put to a vote of the Queen stockholders and that the Queen stockholders adopt the Merger Agreement. The Queen stockholders have approved the Merger Agreement via written consent in lieu of a meeting in accordance with the General Corporation Law of the State of Delaware.

MLGCA Staff performed inquiries and examined relevant documents, including the Merger Agreement, in order to obtain an adequate understanding and confirm the substance of the transaction. MLGCA Staff's investigation confirms that Bally's and Queen maintain their qualifications and good standing with their current Maryland Sports Wagering Licenses. MLGCA Staff found no derogatory information regarding Bally's Corporation, The Queen Casino & Entertainment, Inc., Standard RI Ltd. and SG CQ Gaming, LLC from meeting the requirements in the Gaming or Sports Wagering Law as required by State Gov't § 9-1A-19(b)(ii).

Staff's investigation found that the proposed merger of Bally's and Queen and resulting ownership changes from the proposed Merger Agreement, are consistent with the policies and intent of State Gov't § 9-1A-19 and requirements of the Gaming and Sports Wagering Law. MLGCA Staff concludes that Bally's and Queen have established by clear and convincing evidence, their qualifications as required for their proposed merger.

Chair Browning asked the Commission if there were any questions. Commissioner Stakem said the it was appreciated that the Commission had been given the information early, and that staff has been outstanding in the work conducted. He said it was much appreciated. Mr. Mooney noted it was MLGCA staff and the legal unit that worked equally hard.

Chair Browning said the Commissioners appreciated the information.

Chair Browning asked for a motion to find that Bally's Corporation, Standard RI Ltd., and SG CQ Gaming, LLC have established, by clear and convincing evidence, their qualifications as Principal Entities. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to find that Bally's Corporation meets the requirements of the Gaming and Sports Wagering Law, and that the resulting ownership changes from the acquisition of The Queen Casino and Entertainment, Inc. are consistent with the policies and intent of the Gaming Law, Sports Wagering Law, and State Government Article § 9-1A-18, as required by State Government Article § 9-1A-19. Commissioner Doetsch motion to approved, Commissioner Adebisi seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to approve the proposed acquisition of The Queen Casino and Entertainment, Inc. by Bally's Corporation as consistent with the Gaming and Sports Wagering Law. Commissioner Doetsch motion to approved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Browning asked for a motion to direct Staff to draft a decision statement of the Commission on this hearing. Commissioner Doetsch motion to approved, Commissioner Adebisi seconded, and the motion was unanimously approved.

Chair Browning congratulated the mergers and thanked agency staff, the Commissioners, and the vendors for keeping the Commission up to speed. He stated these were big decisions and the Commission is listening, ready when necessary to change course as each are partners, not only in revenue but for the citizens. He thanked each for keeping the Commission educated.

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, January 23, 2025, at 10:00 a.m. in person at Lottery Headquarters and via video conference.

ADJOURNMENT

There being no further business, Chair Browning adjourned the meeting at 11:33 a.m.

Respectfully submitted,


John Martin
Director

