

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL MINUTES

DATE: April 26, 2018

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner
Commissioner F. Vernon Boozer
Commissioner George L. Doestch, Jr.
Commissioner Michelle Fager
Commissioner Bert Hash, Jr.
Commissioner James Stakem

Gordon Medenica, Director
James Nielsen, Assistant Deputy Director, Chief Operating Officer
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy Counsel
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
John Gorman, Managing Director, Chief Marketing Officer
John Mooney, Managing Director, Regulatory Oversight
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Kathy Lingo, Executive Assistant

OTHERS: Representative from Hollywood Casino Perryville
Representative from Ocean Downs Casino
Representative from Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Representative from Scientific Games
Members of the Public and MLGCA Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, George L. Doetsch, Jr., Michelle R. Fager, Bert J. Hash, Jr., James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Michelle Fager, Bert Hash, and James Stakem. Chair Marriner announced that Judge Eric Johnson would not be joining the Commission because he could not simultaneously maintain his judgeship and sit on the Commission. He added that the Commission has a vacancy and is awaiting the appointment of a new Commissioner.

APPROVAL OF THE AGENDA

Chair Marriner reported that the Commissioners were provided a copy of the agenda. Chair Marriner asked for a motion to approve the agenda. Commissioner Hash motioned to approve, Commissioner Fager seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner said the March 22, 2018, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Fager moved to approve, Commissioner Hash seconded, and carried by a unanimous vote of the Commission.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains three new instant ticket games for the Commission's approval: #390 (\$10) *Bingo x10*; #382 (\$2) *Ravens*; and #387 (\$5) *Ravens*. He said the Consent Agenda also includes Electronic Gaming Device Games and Component Testing approvals for certified lab software, hardware and game certifications, VLTs, table game components and instant bingo machines for the period covering March 8, 2018 – April 12, 2018; Consent Agreements for Regulatory Violations at Live! – November 2017 and December 2017; and Rocky Gap – January 2018; Gaming License Application Denials and Revocations; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; John Gorman, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; and Robert Fontaine, OAG Principal Counsel.

Chair Marriner asked if any Commissioners wished to remove any items from the Consent Agenda. There were no requests for removal. Chair Marriner asked for a motion to approve the consent agenda as noted above. Motion to approve was made by Commissioner Doetsch seconded by Commissioner Boozer, and carried by a unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Tim Shea, Vice President of Operations, reported that March gaming revenues were up 2.4% year over year, with slot machines up 2% and table games up 7%. He reported that April slot machine revenues have been up by 10%, while table game year-over-year revenues for April were flat. Mr. Shea added that business has held up well during April weekends in spite of nice weather. The casino has added new Atrient guest services kiosks that have allowed players to print win-loss statements and receive information on upcoming promotions and events. Hollywood is planning to host its first Doing Business with Maryland casino vendors' fair on May 9 in connection with the Governor's Office of Small, Minority & Women Business Affairs. The casino is also planning an event involving the

Chambers of Commerce from Harford and Cecil counties. Hollywood is also expecting attendance of about 1,000 for its outdoor music festival scheduled for May 20.

There were no questions from the Commission.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that Ocean Downs saw a 26.2% year-over-year increase in March gaming revenue, one-third of which is a result of table games, which the casino didn't have in March 2017. Significant portions of Ocean Downs' slot floor were offline for a week while the casino switched its slot accounting and player tracking system from Bally's to Oasis. Ms. Sample thanked MLGCA staff for their assistance, and noted that the casino saw an increase in slots revenue for March in spite of the transition. On April 25, the casino hosted a small/minority business event for the first time, and Ms. Sample reported that Ocean Downs was able to make useful contacts with local businesses as a result. In May, the casino will install self-service kiosks that are part of the Oasis system. Ocean Downs continued its community involvement by collecting 2,400 pounds of food for a local shelter. The Wheels and Waves car show highlights the final weekend of April, and in May the casino will begin a promotion for the Ocean City Air Show, scheduled for June. May will also include promotions for Mother's Day and Military Appreciation Day.

There were no questions from the Commission.

Live! Casino

Mr. Travis Lamb, General Manager, reported that March was another month of growth, with gaming revenue up about 1% year over year. Slot machine revenue was down 5%, partly due to free play that is part of the casino's loyalty program. Mr. Lamb noted that Live! has seen some customers who won free play in March return in April, leading to an increase in April slots revenue. Live! Casino's table games had their first month of growth since MGM National Harbor opened in December of 2016, with revenues up 13.6% year over year. Table game volume was not down as much as in previous months, which Mr. Lamb said is a positive sign. Live! recently hosted the Casey Cares Foundation gala, which benefits critically ill children and their families. The property's new events center will play host to the Miss Asian American Pageant later in the summer. Mr. Lamb reported that the new Live! Hotel and its spa and restaurants will open to guests on May 22. The events center will open with 1,500 seats in June. Live! Casino's new outdoor gaming patio is scheduled to open on May 3. Chair Marriner congratulated Mr. Lamb on Live! Casino's upcoming openings.

There were no questions from the Commission.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, reported that March gaming revenue was up 0.5%, and that April gaming revenue was on the right track for growth. Rocky Gap recently completed upgrades to its hotel rooms, which were last renovated 13 years ago. The property is preparing for its peak season, which will kick off May 19 with an outdoor concert featuring 1980s hair metal bands Kix and Slaughter, in celebration of Rocky Gap's five-year anniversary. Casino staff recently participated in a Day of Caring and Sharing in Cumberland in conjunction with Allegany County's Commissioners. Mr. Dice said staff continue their commitment to make Rocky Gap a key part of Allegany County's success.

There were no questions from the Commission.

Horseshoe Casino

Ms. Jaclyn Grace-Pope, Assistant General Manager, reported that March gaming revenue was softer than anticipated as a result of table game volume. Horseshoe has focused on maintaining a strong

marketing calendar in order to drive greater gaming volume. The casino is also deploying new slot machines. On April 25, Horseshoe announced that the new restaurant from celebrity chef Giada de Laurentiis will open on May 22, and that a private party at the restaurant would be held May 16. Ms. Grace-Pope reported that the casino conducted a book drive and donated to Paul's Place, which works to improve the quality of life for families in Southwest Baltimore.

There were no questions from the Commission.

MGM National Harbor

Mr. Mike Pappas, Vice President and General Counsel, reported that March was a record month, as the casino saw \$60 million in gaming revenue. Slot machine revenues were up 20%, and table game revenues were up 16%. Mr. Pappas added that the trends for April point to total gaming revenue being close to \$60 million again. March promotions included the Scratch It Rich contest, which awarded prizes and free play, the Cherry Blossom Invitational Blackjack Tournament, a \$20,000 baccarat tournament and a \$50,000 slots tournament. MGM recently hosted a delegation from Japan for the U.S. East Coast premiere of a Japanese movie. Recent events at MGM's theater included performances by Widespread Panic, Kem, Air Supply and Joan Jett. Upcoming performances include Tom Jones, The Temptations and The Four Tops, and comedian Rosanne Barr, former boxer Mike Tyson's one-man show and magician David Blaine. Mr. Pappas reported that MGM National Harbor employees performed 1,700 hours of volunteer time in March, assisting at food shelters and helping the Red Cross. MGM staff also recently held an employee basketball tournament and assisted Habitat for Humanity in the construction of three houses. Mr. Pappas reported that the casino's poker room relocation project on the second floor is on track for an opening in mid-summer.

There were no questions from the Commission.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica told Commissioners that he would also be reporting for Deputy Director/Chief Financial Officer Gina Smith, who was not in attendance in order to oversee the final stages of the conversion to the Lottery's new Central Monitoring and Control System.

Director Medenica reported that March was a very good month, with Lottery sales up 10%, profit to the state up 4.1%, casino gaming revenue up 3.6% and casino gaming contributions to the state up 4.9%. He added that the total casino gaming revenue figure for March was an all-time record and thanked the state's casino partners for their work.

Director Medenica reported that April's Lottery numbers were softer than those for March. The Agency is in the home stretch of the central system conversion. New equipment has been installed at all Lottery retailers during the past year, and during the overnight hours of April 29-30, the Lottery was scheduled to "flip the switch" on the engine that would power the new hardware. He added that the conversion project has required substantial, Agency-wide effort, and he highlighted the contributions of Gina Smith, Deputy Director, Chief Financial Officer; Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; and John Martin, Managing Director, Chief Revenue Officer. He also thanked Scientific Games General Manager Stephen Smith and added that those individuals are just a few of many who have played key roles in the effort.

Director Medenica said that the conversion provides an opportunity for the Agency to enhance its customer service by adding new locations where Lottery winners can claim prizes up to \$25,000. The Lottery's customer resource center in Lanham was scheduled to close permanently on April 27, but on April 30, MGM National Harbor and Live! Casino were to begin validating winning Lottery tickets up to \$25,000. Previously, the casinos were authorized to validate winning tickets up to \$5,000. Director

Medenica said this change allows winners to cash tickets during evenings and weekends. He added that it also has geographic advantages for Lottery players because the other four casinos will also be authorized to cash winning tickets up to \$25,000 in the coming weeks, providing Lottery players in the eastern, western and northern portions of the state with convenient options.

Director Medenica said legislation passed two years ago allows the Lottery to issue checks for prizes up to \$25,000. For any amount larger than \$25,000, winners must claim prizes at the Lottery's office in Baltimore, and checks are issued by the Comptroller's Office. While winners have the option to remain anonymous, the Lottery's Communications Division asks winners who visit the Baltimore office whether they will consent to publicity in order to maintain winner awareness efforts. Chair Marriner said the additional cashing locations at the six casinos is a great benefit to Lottery players.

Director Medenica reported that April 26 was the deadline for bids for the Agency's new advertising contract. An evaluation committee will review the bids and present a recommendation for approval to the Commission at the June meeting, with an expectation that the contract will go before the Board of Public Works at its July meeting.

Director Medenica then moved on to a Commission Action Item included in Ms. Smith's report.

Commission Action Item

New Contract – Licensing Contract with the Baltimore Ravens Limited Partnership (#2018-05)

Director Medenica said the Commission approved two upcoming Ravens instant tickets as part of the Consent Agenda. He noted that the Lottery's successful relationship with the Ravens is somewhat unique because many states haven't had as much success with NFL-themed tickets. The notable exception is in Wisconsin, where the lottery has Green Bay Packers tickets at three price points. Director Medenica said the contract, with a cost of \$353,600, was provided to the Commission and is similar to contracts from the previous nine years between the Lottery and the Ravens. The contract does not cover media spending with the Ravens, but does include the use of team marks and logos. It also includes exclusive prizes, such as 20 years of season tickets and travel with the team to an away game. He added that these prizes generate substantial excitement among Lottery players, and the Lottery is eager to continue its relationship with the Ravens.

Chair Marriner asked for a motion to approve the contract. Commissioner Hash motioned to approve, Commissioner Fager seconded, and the motion carried unanimously.

Director Medenica said the 2018 General Assembly session has concluded and summarized several bills related to lottery and gaming bills that the Agency had been closely monitoring. There were two bills dealing with sports betting, but neither of them passed. One would have allowed the casinos to offer sports betting, and the other would have allowed both the casinos and the state's horse tracks to offer it. Either bill would have required a statewide referendum in November. The next opportunity to put sports betting on the ballot won't come for another two years, meaning that the earliest we could see sports betting in Maryland is 2021. Director Medenica also mentioned that a bill was passed which transfers the regulatory authority for fantasy sports from the Comptroller's Office to the MLGCA. The effective date is October 1, 2018. Director Medenica said the Agency would review the Comptroller's current regulations to see if they are appropriate for the MLGCA, and create a package of regulations to be presented to the Commission during a future meeting.

Chair Marriner asked if the addition of fantasy sports would impact Agency staff. Director Medenica said a staffing increase is not planned. Principal Counsel Fontaine informed the Chair that regulations pertaining to fantasy sports are discretionary, because the bill says the Commission "may" promulgate regulations. The Comptroller had the same discretionary authority and chose to establish regulations. Principal Counsel Fontaine pointed out that statutes concerning the casinos and instant bingo facilities make regulations mandatory by stating that the Commission "shall" promulgate regulations.

There were no further questions from the Commission.

Organizational Compliance - James Butler, Managing Director

Mr. Butler started by highlighting several bills that were signed into law that affect the Agency:

HB1171 – Gaming – State Lottery and Gaming Control Commission – Regulation of Reconciliation of Proceeds. (Laws of Maryland 2018, Chapter 299) This bill changed the timeframe to seven consecutive days that the casinos can carry forward losses, which will allow the casinos to bring in more high net-worth gamblers.

HB1622/SB383 - Video Lottery Terminals - Minority Business Participation Goals - Sunset Extension. (Laws of Maryland 2018, Chapter 335) This bill provides that a casino applicant or licensee be subject to a minority business enterprise (MBE) participation goal established for a unit by the Special Secretary for the Office of Small, Minority, and Women Business Affairs. The bill also requires that the MBE goal apply to construction and procurement phases and extend the termination date to July 1, 2028.

SB187 – Budget Reconciliation and Financing Act (BFRA) of 2018. (Laws of Maryland 2018, Chapter 10) Section 23 of BRFA clarified the General Assembly’s intent that a licensed instant bingo operator using electronic machines be authorized to operate any electronic machine approved by the Commission for use by any other entity authorized to operate a game of instant bingo using electronic machines. The Act takes effect June 1.

There were no questions from the Commission. Mr. Butler then moved on to his Commission Action Items.

Commission Action Items

Regulation Amendment – COMAR 36.03.08.03 – Loss Carryforward.

House Bill 1171 requires the Commission to amend this regulation to change the allowable loss carryforward period from two to seven days. The law takes effect July 1, so the amendment must be processed as both emergency and non-emergency. Staff also requests authority to make non-substantive changes as necessary during the promulgation process.

Commissioner Stakem motioned to approve, Commissioner Fager seconded, and the motion was unanimously approved.

Regulation Amendment – COMAR Title 36.07.01.01-.03 – Instant Bingo Machines

The proposed amendments would implement Section 23 of BRFA to clarify the General Assembly’s intent that a licensed instant bingo operator using electronic machines be authorized to operate any electronic machine approved by the Commission for use by any other entity authorized to operate an instant bingo game using electronic machines. Section 23 takes effect June 1, so these amendments must be processed as both emergency and non-emergency. Staff also requests authority to make non-substantive changes as necessary during the promulgation process.

Commissioner Hash motioned to approve the requests for regulation changes through the regular process, Commissioner Fager seconded, and the motion was unanimously approved.

Commissioner Stakem motioned to submit the changes as emergency regulations, Commissioner Hash seconded, and the motion was unanimously approved.

Gaming - James Logue, Managing Director

There were no questions from the Commission on Mr. Logue's report, and he moved on to his Commission Action Item.

Commission Action Item

2017 Promotional Play Report

Mr. Logue reported that in accordance with COMAR 36.03.10.36(G), each facility operator is required to submit a report of its use of free promotional play during the prior fiscal year and recommend any adjustment to the limitation on free promotional play established in regulation. The commission may change the limit or make no change to it. MLGCA staff recommended no change to the current limit.

Chair Marriner asked how long the current limit has been in place. Mr. Logue responded that it has been unchanged since the state's first casino opened in 2010. Commissioner Hash motioned to leave the current limit in place, and the motion was unanimously approved.

Regulatory Oversight - John Mooney, Managing Director

Mr. Mooney highlighted two statistics in his licensing report. There are currently 9,700 employees licensed to work in the state's casinos and with licensed manufacturers. Since the beginning of the casino program in Maryland, MLGCA staff have completed more than 30,000 licensing background investigations. With all six casinos operating, there are 400-500 license applications each month.

There were no questions on Mr. Mooney's report, and he moved on to his Commission Action Item.

Commission Action Item

Ownership and Legal Entity Changes - PPE Casino Resorts Maryland, LLC (PPECRM-LLC)

Mr. Mooney reported that on March 22, 2018, the MLGCA received written notification from Mr. Joseph Weinberg, Managing Member of PPECRM-LLC, that the company is requesting approval for PPECRM-LLC to make the following ownership and legal entity changes:

1. The Cordishes and each of the children's trusts propose transferring their combined 88% interest in PPECRM-LLC to a newly formed limited liability company, to be called MDL Holdings, LLC. MDL Holdings will initially be owned exclusively by the Cordishes and the Children's trusts in identical percentages as they currently own PPECRM-LLC.
2. Immediately after the proposed transfer to MDL Holdings is complete, the Cordishes and Children's trusts desire to consolidate 80% of their interests in MDL Holdings into a second newly formed limited liability company, to be known as Pratt Street Management, LLC. Ownership of Pratt Street Management by the Cordishes and children's trusts will be in the same percentages as their ownership of MDL Holdings. Pratt Street Management will make a C Corporation Election for federal income tax purposes.

Upon completion of the transfers, the sole asset of MDL Holdings will be an 88% membership interest in PPE Casino Resorts Maryland Developer, and Pratt Street Management's sole asset will be an 80% membership interest in MDL Holdings. The indirect ownership interest in PPECRM-LLC by each of the Cordishes and the children's trust will not change, nor will there be any change to the management or control of PPECRM-LLC. Mr. Weinberg asserts that the purpose of the proposed changes will be solely for family management and tax purposes.

Based on the investigation, MLGCA staff have determined that the proposed Ownership and Legal Entity Changes meet and are consistent with the Gaming Law, and staff is recommending approval by the Commission of the proposed changes. MLGCA Staff also recommend that MDL Holdings, LLC and Pratt Street Management, LLC be found qualified by the Commission as Principal Entities.

Mr. Mooney asked the Commission to find that MDL Holdings, LLC and Pratt Street Management, LLC are qualified as Principal Entities as required under Section 9-1A-19 of the Gaming Law, that the Commission find the proposed Ownership and Legal Entity Changes are consistent with the policies and intent of the Gaming Law, and approve the proposed changes.

Chair Marriner asked for a motion to approve the ownership and legal entity changes. Commissioner Fager motioned to approve, Commissioner Doetsch seconded, and the motion carried unanimously.

PUBLIC COMMENTS

There were no comments from the public.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, May 24.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:47 a.m.

Respectfully submitted,


Gordon Medenica