

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JANUARY MINUTES

DATE: January 25, 2018

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

Gordon Medenica, Director
Gina M. Smith, Deputy Director, Chief Financial Officer
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 International
Representative from Golden Entertainment, Inc.
Members of the Public and MLGCA Staff

Kimberly Robertson, Chair

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

CALL TO ORDER

There being a quorum present, Chair Robertson called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:02 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Michelle Fager, Bert Hash, E. Randolph Marriner, and James Stakem. Chair Robertson welcomed Commissioner Fager to her first meeting as a member of the Commission.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES

Chair Robertson said the December 21, 2017, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Motion made by Commissioner Marriner that the December 21, 2017, open session minutes be approved. Motion was seconded by Commissioner Boozer, and the motion carried unanimously.

CONSENT AGENDA

Chair Robertson said the Consent Agenda contains five new instant ticket games for the Commission's approval: Game #366 *Willy Wonka Golden Ticket* (\$10); Game #372 *Cash Craze Doubler* (\$5); Game #381 *Double Doubler* (\$1); Game #385 *Instant Pick 3* (\$1); and Game #386 *Quick 8s* (\$1). She 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 December 7, 2017, through January 11, 2018; Consent Agreements for Regulatory Violations at Horseshoe Casino – July 2017, August 2017 and September 2017; Consent Agreements for Underage Violations at Horseshoe Casino – Case Nos. 2017-05-095; 2017-05-100; and 2017-05-103; Gaming License Application Denials and Revocations; Gaming License Denial Reversal; Lottery Retailer License Revocations; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; James Logue, Managing Director, Gaming; John Gorman, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; and Robert Fontaine, OAG Principal Counsel.

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

OPERATOR REPORTS

Prior to the start of the Operator Reports, Chair Robertson said she commended the casinos for their performance in December 2017, noting that it was the second-best revenue-producing month since Maryland's casino program began in 2010.

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that after several strong months, December 2017 revenues were down 5.5%. December slot machine revenues were up 2% year over year, but table game volumes were down, contributing to the overall decline. New Year's Eve was not as busy as the casino was hoping, due in part to extremely cold temperatures and the Baltimore Ravens' loss that evening in their final game of the season. January has had a strong couple of weekends.

Mr. Heiskell reported the casino is having a new promotion, the John Deere Tractor Giveaway. Also, the casino celebrated the one-year anniversary of the Greene Turtle. Next month the casino will have its annual employee recognition event honoring outstanding employees, "Cast Members of the Month". At the event the casino will name the Employee of the Year.

Commissioner Marriner asked if the casino operates the Greene Turtle under a licensing agreement. Mr. Heiskell responded that the restaurant is operated independently. There were no further questions by the Commission.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that the casino held the controlled demonstration of its expanded gaming floor on December 29, 2017. She added that she wished to thank MLGCA staff who worked with Ocean Downs staff to ensure the opening of Ocean Downs' expansion.

The casino made donations to both American Legion Post 166, and Diakonia, a local homeless shelter and food pantry.

Ms. Sample reported that the property's December 2017 revenue was down by 9%, which was expected given the disruptions on the gaming floor during construction of the expanded space. She added that January has gone well, with many visitors interested in seeing the new gaming floor, and that the property's numbers are strong even though the casino was closed for a day due to a foot of snow that fell in early January, which resulted in an impact on volume for 3-4 days. She said Ocean Downs has received positive feedback from customers on the casino's new look. A newly opened event room will allow the casino to host VIP events and will be open to local groups looking to rent a place to hold functions.

Ms. Sample said that the casino has joined the Chamber of Commerce for the Eastern Shore, and will participate in the Fire and Ice Festival in Bethany Beach, DE. Erik Cantine, Director of Food & Beverage for the casino, is helping to coordinate the event and will be bringing in a dozen ice carvers to support it. In February, Ocean Downs will hold a Valentine's Day contest giving customers the opportunity to win a jewelry prize package.

Chair Robertson congratulated Ms. Sample on the opening of the expanded gaming floor. There were no questions from the Commission.

Live! Casino

Mr. Travis Lamb, General Manager, reported that in December 2017, Live! experienced the smallest decline in total revenue since MGM opened in December of 2016. Slot machine revenue for December was up by 0.5% year over year. Table game revenue declined by 5.5%, though Mr. Lamb noted that this marked a significant improvement, as the casino's table game declines were in the high teens for much of 2017. December poker revenues were down 27% year over year. Mr. Lamb said business was slower than expected for part of New Year's Eve, but improved later in the evening. He added that January slot machine revenues were up year over year.

In January, Live! is holding an \$850,000 promotion called Credit Card Wipeout. The casino had a VIP event to celebrate David Cordish's birthday with chances to win trips to the Wimbledon tennis tournament and Triple Crown horse races. Table game dealers from Live! participated in a Northern Anne Arundel County Chamber of Commerce casino night that was held off-site with 300 in attendance. Mr. Lamb said Live! expects to be able to play host to this event next year in its new events center, which is currently under construction. Mr. Lamb reported that Live! is planning to open a recruiting storefront in Arundel Mills Mall on February 1, 2018, in order to hire 450 new employees for the events center and hotel. He added that rooms in the new hotel are expected to be available starting in May 2018, with the first phase of the Event Center expected to be completed by June 2018. Phase II is planned for late 2018 or early 2019.

There were no questions from the Commission.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President/General Manager, reported that Rocky Gap's December revenue was up 6.8% year over year in spite of weather challenges. He added that a warm weekend in mid-January brought players to the resort's golf course.

Mr. Dice reported that Rocky Gap's hotel will be refurbishing its rooms, and the casino has started work on reconfiguring slot machines for an outdoor smoking area. He said the casino anticipates a significant increase in the machines' win per unit in that area when the work is completed. Rocky Gap will be replacing a 125-ton cooling tower on the property that will temporarily close some areas in late January.

Mr. Dice said the casino will be a sponsor of the annual Hooley Plunge for Special Olympics, scheduled for March 3, 2018, at Rocky Gap State Park. Mr. Dice reported that the casino is working in the local community with the Rocky Gap Cares Initiative.

There were no questions from the Commission.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, Senior Vice President/General Manager, reported that although December 2017 revenues were down 19.5% year over year, the casino's revenues are trending in the right direction. With revenue at nearly \$24 million, December was Horseshoe's strongest month since April 2017. Ms. Chamberlin said that given Horseshoe's location near M&T Bank Stadium, the Baltimore Ravens' New Year's Eve game had a significant impact on the pace of business that night, though she added that the crowd increased later in the evening.

Ms. Chamberlin said Horseshoe employees participated in a Martin Luther King Day community service project in which they prepared 700 bags of necessities to assist Baltimore City's homeless population.

The big promotion at the casino currently is the \$140,000 Suitcase Man Drawing in January. The casino is incorporating more social media where customers can go online and "guess where suitcase man is hiding."

Ms. Chamberlain informed the Commission that she received an inquiry from the Baltimore Business Journal regarding a recent report by the Department of Labor, Licensing and Regulation (DLLR) that made it appear Horseshoe had laid off 91 employees. Ms. Chamberlain clarified that it is a misrepresentation of what is actually happening. Since the beginning of the property, the casino had

outsourced certain service functions. and now the casino is taking these functions in house. With the termination of the contracts, the casino is adding these employees to the payroll and the employees will now work for the casino and not the contractor. The DLLR report reflected that change. Ms. Chamberlin added that by February 25th, when these staffing arrangements are finalized, Horseshoe will have added a total of more than 100 positions.

Commissioner Marriner asked for the number of employees the casino is taking on with this change. Ms. Chamberlain responded there were 91 on the DLLR report, and there are an additional 100 positions that will be transitioned over to the casino. There were no further questions from the Commission.

MGM National Harbor

Mr. Chris Gumiela, Vice President of Marketing and Advertising, reported that the casino had more than 530,000 visitors during December 2017, with a daily average of 14,250 and an average for weekend days of just over 20,000. December 2017 was MGM National Harbor's best month, with revenue for December being \$56 million compared to \$41.93 million last year. MGM celebrated its first anniversary with a fireworks show on December 8.

The property is offering new member rewards, and a new guest promotion. The latest promotion is Cold Hard Cash – players can win every day. Among the highlights at MGM National Harbor's theater were recent shows by singer Bruno Mars. Cher will perform six shows starting February 17th. The comedy line up coming in February includes Impractical Jokers and the Sebastian Maniscalco Stay Hungry Tour.

Mr. Gumiela reported that 218 employees combined for 326 volunteer hours in December, assisting a variety of local causes and organizations.

Chair Robertson requested that Mr. Gumiela elaborate on the expansion. Mr. Gumiela reported that the casino has started construction on the new casino floor with access to the 2nd floor from the main casino. In the future months the casino will be able to give more of a timeline on the progress. There were no further questions from the Commission.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that the traditional lottery had a strong month in December 2017, with sales up 7% and profit up 9% year over year, continuing a positive trajectory during Fiscal Year 2018. The Mega Millions jackpot rolled past \$400 million, and the Powerball jackpot surpassed \$500 million before both were hit on consecutive days in early January. It marked the first time that the jackpots in the two games simultaneously rolled past \$400 million. Director Medenica added that this was the first large Mega Millions roll since the price of tickets moved from \$1 to \$2 at the end of October 2017. Sales of Mega Millions are up 30% year over year, indicating that the price change has worked as the member lotteries of the Mega Millions consortium hoped it would.

The conversion continues which is substantial work for staff. Director Medenica thanked everyone for their effort. The conversion is still on track for late March for the new technology switch.

Director Medenica reported that casino revenues were strong in December 2017, up 5.7% year over year, but casino contributions to the state rose by just under 1%. He added that coming months will bring the first direct year-over-year comparisons that include all six of the state's casinos, and that growth is likely to be flatter moving forward.

Director Medenica reported the Legislature is now in session. He delivered briefings to the House Ways and Means Committee and Senate Budget and Taxation Committee on January 18, 2018. In response to questions the MLGCA received in advance from members of the House Ways and Means Committee, Director Medenica's presentations included data regarding several pieces of legislation that were enacted in 2017, including the transfer of ownership of slot machines from the state to Ocean Downs and Rocky Gap; a new statute regarding casino loss carry-forward occurrences; and a change in the allocation of unclaimed casino prizes. Director Medenica reported that the results of these new statutes have been consistent with expectations. He added that the MLGCA's budget hearings with House and Senate committees would take place in the coming weeks. The Agency also will attend the February 7, 2018, Board of Public Works meeting, during which the agenda will include approval of the upcoming *Willy Wonka Magic Ticket* scratch-off game.

Director Medenica reported that the Staff Report from James Butler, Managing Director, Organizational Compliance, was provided to the Commission on the day of the meeting in order for Mr. Butler to pass along the latest news on legislative activity involving MLGCA. Mr. Butler is tracking three bills that are of interest to the Agency:

The first bill - HB10 – *State Lottery – Unclaimed Prizes – Public Prekindergarten Programs* – seeks to use the Lottery's promotion fund for a specific cause. Director Medenica said the promotion fund, often referred to as the unclaimed prize fund, has been more than \$20 million per year for the last few years. The money is used to fund all prizes in the Lottery's second-chance contests and other player loyalty club promotions. Director Medenica said the MLGCA's suggestion to lawmakers is to appropriate money for specific causes from the Lottery's profits, rather than from its operating funds.

The second bill - HB283 - *Criminal Law - Betting, Wagering, and Gambling - eSports Competition* – would legalize home-based peer vs. peer video game competitions, but needs to differentiate this type of gaming from "eSports" events, which are conducted commercially and are hosted by casinos in some jurisdictions. Director Medenica said the bill is similar to a 2012 measure that did not anticipate or differentiate home-based fantasy sports leagues from the commercially conducted daily fantasy sports (DFS) competitions that arose a few years later.

The third bill - SB260/HB317 - *State Lottery – Instant Ticket Lottery Machines – Fraternal Organizations ("Slots" for Homeless Veterans Act)* - seeks to expand the Instant Ticket Lottery Machine (ITLM) program that is overseen by MLGCA staff. Currently, the ITLM program is available exclusively to veterans' organizations, and there are approximately 80 locations. The bill under consideration would allow ITLMs at approximately 250 fraternal organizations across the state, representing a substantial expansion of the program.

Commissioner Marriner asked who currently has jurisdiction over eSports in Maryland. Director Medenica responded that eSports are not currently regulated in the state, and that the bill under consideration would give jurisdiction of home-based peer vs. peer gaming to the Comptroller of Maryland. Commissioner Marriner asked if there were any bills pertaining to sports betting. Director Medenica responded that there has not been a sports betting bill introduced during this session. He added that there could be several entities advocating for control of sports betting in Maryland, in the event that it is legalized. Director Medenica said the casinos have expressed an interest in offering sports betting. He added that many lotteries in Europe have jurisdiction over sports betting, and that there also are private entities that operate sports books independently, via the internet or through specialized betting shops, such as William Hill and Paddy Power. Maryland's horse racing tracks may also express an interest. Director Medenica said several other states are reportedly passing legislation in anticipation of an upcoming U.S. Supreme Court ruling that may overturn the federal ban on sports betting that applies to most states. The decision is expected to come out in late spring.

Administration, Finance & Information Technology – **Gina Smith, Deputy Director, Chief Financial Officer**

Ms. Smith reported that MLGCA's budget hearings will be February 1, 2018, and the House and Senate will take place on February 5, 2018. She added that Agency staff are completing 2017 year-end work on retailer 1099 forms and winner W2-G forms and preparing to send the annual report on retailers' and winners' earnings to the IRS.

Work on the conversion to the new Lottery central monitoring and control system is continuing, and Ms. Smith said Agency staff are working with Gaming Laboratories International on testing of the new system.

There were no questions from the Commission, and Ms. Smith then moved on to her Commission Action Items.

Commission Action Items

New Contract – Willy Wonka & The Chocolate Factory™ Licensing Contract (#2018-04)

Ms. Smith said this sole-source contract with MDI, LLC provides a license for the use of Willy Wonka images, marks, logos and marketing materials. It also includes a second-chance contest that will award an experiential prize. She reported that the contract cost is \$681,800 and the term is from March 1, 2018 through December 31, 2019.

Chair Robertson reported that Agency staff have recommended the contract for approval and asked for a motion to approve. Commissioner Marriner moved, Commissioner Doetsch seconded, and the motion was approved unanimously.

Ms. Smith reported that the contract will be submitted for placement on the agenda for the February 7, 2018, Board of Public Works meeting.

Request for Proposal (RFP) – Advertising, Digital, Web & Social Media, and Research Services Contract

Ms. Smith reported that the existing contracts are due to expire on July 31, 2018, and there are no renewal options remaining on these contracts. She added that the RFP has been slightly restructured to include two functional areas: Creative Development and Production; and Media Planning and Buying Services.

Commissioner Marriner asked whether there is a contract specifically covering research. John Gorman, Managing Director, Chief Marketing Officer, said the Agency currently contracts with GKV for advertising services and with Media Works for media buying. Director Medenica said research is included in the GKV contract.

Chair Robertson reported that Agency staff have recommended the RFP for approval and asked for a motion to approve. Commissioner Hash moved to approve, Commissioner Marriner seconded, and the motion was unanimously approved.

Managing Director of Regulatory Oversight – John Mooney, Managing Director, Regulatory Oversight

Mr. Mooney began by asking for questions on his written report. Chair Robertson asked if there was more that can or should be done to minimize the number of reported thefts and robberies. Mr. Mooney

responded that given the large volume of visitors at the casinos, the number of reported incidents is small by comparison and that it is difficult to determine how to reduce the numbers of petty thefts that are reported. He added that the casinos are diligent in preventing crimes, and that in most instances, the casinos are able to find the perpetrators of thefts involving tickets or money and return these items to their owners.

There were no further questions from the Commission, and Mr. Mooney then moved on to his Commission Action Items.

Commission Action Items

Tech Art, Inc. – Manufacturer License Hearing

Mr. Mooney reported that MLGCA received a request on January 23, 2018, to withdraw the application for Tech Art. The company has been merged under the Scientific Games umbrella and no longer requires separate licensing.

Scientific Games International (SGI) – Manufacturers License Renewal Hearing

Mr. Mooney said MLGCA staff conducted a financial and background investigation of SGI in connection with its application for a renewal of its manufacturer license. An Executive Summary was provided to the Commission. Members of the MLGCA Licensing Division were present to answer any questions. Chair Robertson administered the oath to Mr. Mooney, members of the Licensing Division and representatives from SGI who were in attendance at the meeting. Mr. Mooney noted that MLGCA did not notify SGI timely about the hearing, but Robert L. Ruben, Partner with Duane Morris LLC, representing SGI, waived notice of timely notice of hearing rights.

Mr. Mooney read the Executive Summary into the record, which included an introduction, background, financial analysis, findings, applicant and principal entities, principal qualifiers and conclusions and opinion. Mr. Mooney stated that it is the opinion of MLGCA staff that the applicant and its principals have established by clear and convincing evidence their qualification for a manufacturer license.

There were no questions for Mr. Mooney, Licensing Division staff, or the representatives of SGI. Chair Robertson asked for a motion to find Scientific Games International and its principals qualified for licensure for a period of five years. Commissioner Marriner moved, Commissioner Hash seconded, and the motion was unanimously approved.

Golden Entertainment, Inc. – Request for Commission Approval of Proposed Transaction(s) by Golden Entertainment, Inc.

Mr. Mooney reported that Golden Entertainment is requesting that the Commission approve its Shelf Registration and authorize the company, for a period of three years from the date the Securities and Exchange Commission declares Registration Number 333-221590 effective, to sell or otherwise transfer more than 5% of the legal or beneficial interest in Golden Entertainment's securities and, to the extent required by Maryland gaming laws, to facilitate or effectuate the transactions completed by the Shelf Registration.

Mr. Mooney reported that MLGCA staff have reviewed Golden Entertainment's request and found it to be in accordance with Maryland's gaming laws. Staff recommended approval of the request, and Mr. Mooney read an Executive Summary of the request into the record.

Commissioner Marriner asked for the definition of a "green shoe," which was referenced in the

Executive Summary. Robert Ruben, Partner with Duane Morris LLC, speaking on behalf of Golden Entertainment, explained that “green shoe” refers to an option to sell additional shares that can be exercised if an underwriter believes the market is willing to accept more shares of a stock.

Chair Robertson asked for a motion to approve Golden Entertainment’s proposed transaction. Commissioner Stakem moved, Commissioner Hash seconded, and the motion was unanimously carried.

Mr. Mooney thanked MLGCA staff members involved in performing the background investigation for their hard work.

CORRECTION TO THE AGENDA

Before the meeting moved on to the Public Comment period, Director Medenica pointed out a typographical error on the Agenda. Under the Consent Agenda, Item 1.d., Instant Ticket Game #385 was titled *Instant Pick 4* on the Agenda. The correct title of the game is *Instant Pick 3*. Director Medenica reported that the name is correct on all other documentation provided to the Commission.

PUBLIC COMMENTS

There were no public comments.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, February 22, 2018. Chair Robertson said the meeting will include the election of a new Commission Chair.

ADJOURNMENT

There being no further business for discussion, Chair Robertson asked for a motion to adjourn the meeting. Commissioner Marriner moved to adjourn, and Chair Robertson adjourned the meeting at 11:01 a.m.

Respectfully submitted,



Gordon Medenica