

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JANUARY MINUTES

- DATE: January 22, 2015
- TIME: 10 a.m.
- PLACE: Maryland Lottery and Gaming Control Agency Headquarters
- PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner Bert J. Hash, Jr.
Commissioner E. Randolph Marriner
Commission John Morton (via phone)
Commissioner James Stakem
- Stephen Martino, Director
Gina M. Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Holly Citko, OAG Deputy Counsel
Jaclyn Vincent, Assistant Director for Policy and Planning
Marie Torosino, Executive Associate
- OTHERS: Representative from Hollywood Casino Perryville
Representative from The Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM Resorts International – National Harbor
Representative from Scientific Games
Representative from Pollard Banknote
Representative from GTECH
Members of the Public

Kimberly Robertson Pannell, Chairman

Diane L. McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, John Morton, III, James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Robertson Pannell called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:04 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, and James Stakem. Commissioner John Morton participated by phone.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Commissioner Marriner said he would like to make a motion to modify the Agenda. In light of Senator Edward Kasemeyer's recent correspondence, Commissioner Marriner would like to remove the VLT reduction requests made by Maryland Live! Casino and Horseshoe Casino-Baltimore and table these requests until the next Commission meeting in order to comply with the Senator's request for more information. The motion to table Number G.3.b. and c. on the Agenda was seconded by Commissioner Morton. Motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the December 16, 2014 open session minutes and closed session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Marriner made a motion that the December 16, 2014 open session minutes and closed session minutes be approved, it was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains three new instant ticket games for the Commission's approval: Game #215 *Reel Money*, Game #216 *Classic Crossword*, and Game #226 *Electric Loot*. The Consent Agenda also contains VLT Games and Component Testing (12/2/14 – 1/5/15), Maryland Live! Casino Consent Agreement, Gaming License Application Denials, Lottery Retailer License Application Denials and Revocation of Lottery Retailer Licenses for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell requested a motion to approve the three new instant ticket games noted above as well as the VLT Games and Component Testing (12/2/14 – 1/5/15), Maryland Live! Casino Consent Agreement, Gaming License Application Denials, Lottery Retailer License Application Denials and Revocation of Lottery Retailer Licenses. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gross revenue for December was \$6 million, down 7% for year over year. Slots revenue was down 3.5%, but only 1.5% in volume. Table game revenue was down quite a bit and volume was down 2%.

The casino's sponsorship of the bull riders' event at Royal Farm Arena in Baltimore was a success. A bull riders meet and greet party was held at the casino in the Celebrity Bar and Grill. There is a tractor giveaway promotion coming up, and in February, there will be a cruise giveaway promotion.

He said work is continuing on the transfer of slots and a floor plan was submitted to Mr. LaBoy. This is a four to five week project and moving of the slots will begin in February. Meetings will be scheduled with the vendors and internal personnel next week, and a designer is working on the space layout. The casino is beginning to plan for their fifth anniversary event.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said December revenue was \$3.37 million, a decline of less than a 1% for year over year. For FY2014, the casino had revenue of \$51.9 million and operated ahead of FY2013. Even with increased casino competition, Ocean Downs is holding its own.

Mr. Cavilla spoke about the incident that occurred at the casino on January 3 regarding a mother and her underage child. The casino contacted the mother to discuss the incident. The Security team focuses on underage individuals; however, the casino expects them to be compassionate in enforcing these regulations.

On January 11, a regular customer and local resident hit the Mega Hot Jackpot for \$607,739. This was Maryland's first mega jackpot hit; it had launched in September 2015. This mega jackpot slot machine is available in most of the properties in Maryland, Delaware, Ohio and West Virginia.

The casino provided a shuttle bus to offsite parking for the Christmas parade in Ocean City. They completed the Christmas holiday food drive, and patrons donated over 7,500 pounds of food that was given to shelters and food banks in Ocean City.

On New Year's Day the Penguin Swim to benefit Atlantic General Hospital was held. The Ocean Downs chef carved an ice sculpture of a surfing penguin for this event. Vice Chair McGraw commented that she and her grandson participated in the penguin swim.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said they had a great crowd on New Year's Eve and New Year's Day. Revenue for 2014 was \$656 million, and over \$326 million in taxes was paid to the State. Two new restaurants opened in 2014, Luk Fu and Morty's Deli.

Revenue for December was \$50.2 million, down 4% for year over year. Slot revenue showed a small decline. Table games are stronger and the seat count is up. January revenue is running similar to December. Slots and poker are performing better than before. Table game volume is continuing to grow.

The casino is focusing on the slot transition plan, and completing its final floor plan.

Mr. Norton said on April 13, the casino will be the title sponsor of the Taste of the Nation in DC which will benefit child hunger. They will also be a major sponsor for a Baltimore/DC area festival in June 2015. Casino will be presenting sponsor for the President's Gala in Anne Arundel County this week. They will be running a mock casino at the gala. Casino is hosting Opportunity Builders, Inc. (OBI) in Anne Arundel County with employees working a Mardi Gras event.

Rocky Gap Casino Resort

Mr. Skylar Dice, Director of Gaming Operations, said December revenue was \$3.07 million, an increase of 17% for year over year. January is usually a growth month depending on the weather and whether patrons are able to get to the casino. Improvements to the property are continuing. They are working with the slot manufacturers on the casino's slot mix.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager, said they had a very successful New Year Eve's celebration. The Baltimore Mayor stopped by on New Year's Eve and talked to the crowd. Revenue for December showed a minimal decrease over November.

The \$100,000 Suitcase Man Drawing promotion will be held from January 1 to February 21. Thus far, it is doing well. The casino is preparing for the World Series of Poker event that will be held February 22 to March 9.

MGM Resorts International – National Harbor

Mr. Lorenzo Creighton, President, introduced Mr. Anton Nikodemus, COO of Regional Operations, Mr. John Rooney, Director of Compliance, and Mr. Hunter Clayton, in charge of casino construction.

Mr. Clayton presented a PowerPoint overview. The property will consist of 3,300 VLT and 160 table games. There will be a hotel, spa, salon, restaurants and a food court, retail shops, conference space, and a 4,600 six story parking garage. He presented a floor plan that included the entertainment and spa levels. He shared the outside aerial view showing the entrance level

and terraces, casino and hotel entrances, and conservatory as well as photos of the project site as it appears today.

He showed a month by month project plan of the site through 2014. Current manpower on site is 160 and will average 1,000. Approximately \$18.8 million has been paid to certified MBEs to date, with 31 of those being Prince George's MBEs. The numbers will increase.

For the next six months, they will be focusing on the underground work for the foundation system and steel structure. They expect to open after July 2016.

VENDOR REPORTS

Scientific Games

Mr. Steven Smith said there have been no issues, problems or complaints. Applications should be in by the end of the quarter for the automatic ticket check and bet slips programs. SGI is working with Maryland on the multi-state progressive add-on to Keno in conjunction with MUSL, Michigan, Ohio and Georgia, and pending changes to the Powerball game. He will keep the Commission updated.

Mr. Smith introduced those present from SGI. They were Patrick McHugh, Vice President of North American Operations, Tony Molica, Vice President of Sales Development and Chantel Ornstein, Regional Vice President of Government Relations.

Pollard Banknote

Ms. Julin Shaw said year to date instant ticket sales are ahead of FY 2014 by \$35.4 million. It has been a strong FY2015 second quarter with sales exceeding FY2014 second quarter by \$16.9 million. Holiday instant ticket sales are up \$4 million this year. Her report also included a game by game analysis of each instant ticket. Initiatives planned through the last half of FY2015 will include the Monopoly™ family of instant games of \$1, \$2, \$5 and \$10 price points. The games are being supplied by SGI. The \$1 Mustache Cash instant ticket will have a social media feature of a selfie contest. The new \$3 Bingo instant ticket will have a different design pulse scheme which makes it appear as if it were a new game.

She introduced Ms. Jennifer Westbury, Executive Vice President of Sales and Customer Development; Mr. Brad Thompson, Director of Sales and Marketing; and Mr. Tim Sansone, Account Coordinator, who is assigned to the Lottery along with Ms. Shaw.

GTECH

Ms. Carmen Vegas said Mr. Cherwinski is under the weather and could not be here today. She said GTECH operations are going well and there have been no issues.

STAFF REPORTS

Director's Report - Stephen Martino

Mr. Martino said the Commission tabled two items today regarding the VLT reduction requests. Another meeting can be scheduled at the Commission's earliest convenience, possibly next week, to discuss these items. Mr. Will Cummings will present his information for consideration, comments will be taken from the public and casinos, and staff will also be available. Please send your availability to Ms. Torosino. When scheduled, the meeting will be posted on the Lottery's website.

MGM presented their quarterly update to the Commission. These updates are scheduled quarterly and the next presentation will be at the April Commission meeting. He suggested that in 2016, presentations be made monthly. The Commission agreed.

The Commission was provided with an updated sales and revenue sheet. Sales are up \$22.4 million or 2.4%. Revenue is down \$7.8 million or 2.7%. Instant ticket sales are doing well. The Lottery faces a significant challenge with regards to the jackpot games of Mega Millions and Powerball. Mega Millions jackpot was hit last week; it had a significant jackpot.

Chair Robertson Pannell asked if the Keno focus groups results are available. Mr. Martino responded he will defer that response to Mr. Martin when he presents his report.

Monopoly™ Millionaires' Club game has been suspended. Currently more research is being done on this game. Focus groups on Powerball will be done. A change to Powerball was planned to take place in April, will now take place in July. As part of the Keno strategy, Maryland is working with Ohio, Michigan and Georgia on a multi-state Keno jackpot progressive game. Keno sales are down 2.6% and are in line with the prediction received from Mr. Cummings in anticipation of the overall impact with the opening of Horseshoe Casino Baltimore.

Mr. Martino discussed Caesars Entertainment bankruptcy filing. A meeting with Caesars, MLGCA staff and Commission Audit Committee is scheduled for February.

Administration, Finance & Operations – Gina Smith, Deputy Director/CFO

Ms. Smith said the Commission was provided with a copy of the FY2014 CAFR as well as a copy of the November financial statement. The preparation of 1099s for lottery retailers and W2Gs for lottery winners should be completed by the end of January. She is waiting for any further questions from the budget analyst regarding the Lottery's budget.

At the request of Vice Chair McGraw, Ms. Smith gave an explanation of what the Lottery budget's fixed charges were on the budget report that was provided to the Commission each month. It was agreed by the Commission that Ms. Smith would provide this budget report on a quarterly basis instead of a monthly basis.

Renewal Contract – Instant Ticket Vending Machines and Related Services (#2008-26)

This contract with GTECH was to provide, distribute, install, maintain and relocate up to 1,000 new instant ticket vending machines (ITVMs) to be located at retailer locations throughout the State. The original contract included five one-year renewal options for maintenance and repair services of the ITVMs. Renewal option one was previously exercised and expires on February 28, 2015. The Lottery desires to exercise one-year renewal option two with the term of March 1, 2015 to February 28, 2016 in the amount of \$1,545,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at retailer locations.

A question was asked about how many more one year renewal options are available for this contract. After this second one-year renewal, there will be three one-year renewal options remaining.

Hearing no further questions, Chair Robertson Pannell said she would entertain a motion to approve Renewal Option two to the Instant Ticket Vending Machines and Related Services Contract (#2008-26) in the amount of \$1,545,000. Motion made by Commissioner Marriner, seconded by Commissioner Stakem and motion carried by unanimous vote of the Commission.

Ms. Smith said this contract renewal will be submitted to the Board of Public Works for final approval.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the 2015 regulatory review process has begun. This annual process reaches out to casinos for their input on suggestions for improvement to the State regulations. We are seeking their responses by March. Looking forward to working through that.

Commissioner Marriner asked if there is a committee set up to deal with this process. Mr. LaBoy responded requests are sent to properties, and they come together as group and submit their suggestions for any changes to the regulations. Last year, those involved were he, OAG Principal Counsel, Assistant Director for Enforcement, Director of Licensing, Audit Director and VLT Operations Director. This group met several times. Staff went through all suggestions submitted and 37 amended regulations were placed on the Commission agenda for the September 2014 meeting. Mr. Norton of Maryland Live! Casino commented the casinos will get together in February to review the regulations and submit their suggestions.

Commissioner Marriner asked if there is a national organization, such as Best Practices on regulation side. Mr. Martino said Maryland is the only jurisdiction that does this review with casinos. Some states are looking to Maryland to see how we go through process.

Proposed Regulations – Table Games

Proposed COMAR 36.05.06.19 – Five-Card Omaha Poker and 36.05.06.20 – Badugi Poker would allow for two new table games that are variations of Poker. Mr. LaBoy gave an explanation of how each game is played. The MLGCA had received requests from the properties to be able to offer these games. Staff is requesting the Commission's approval of these proposed regulations on an emergency basis.

Chair Robertson Pannell said the Commission had an opportunity to review the regulations and asked if there were any further questions or discussion. Hearing none, the Chair said she would entertain a motion to approve proposed regulations 36.05.06.19 and 36.05.06.20. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis COMAR 36.05.06.19 and 36.05.06.20 approved today by the Commission. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Mr. LaBoy said he has four instant bingo machine licenses for approval. In the past, these approvals were done in phases with operations first, then followed by the background investigation. Staff then came back to the Commission for their final approval. All necessary items have been submitted for these four locations.

Request for Approval of Instant Bingo Machine Operations at American Legion Post #7

Mr. LaBoy said staff reviewed the requirements for approval including hours of operation, facility design standards, compliance of the testing of instant bingo machines, gaming floor plan, internal controls, surveillance plan, security plan, responsible gambling plan, minimum bankroll requirements, background investigations, and other information relevant to the Applicant's compliance with the operation and licensing requirements.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to grant the instant bingo facility license to American Legion Post #7. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a decision statement for the license and to transmit the decision statement to each licensee on behalf of the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission with the Chair abstaining from the vote.

Request for Approval of Instant Bingo Machine Operations at American Legion Post #175

Mr. LaBoy said staff reviewed the requirements for approval including hours of operation, facility design standards, compliance of the testing of instant bingo machines, gaming floor plan, internal controls, surveillance plan, security plan, responsible gambling plan, minimum bankroll requirements, background investigations, and other information relevant to the Applicant's compliance with the operation and licensing requirements.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to grant the instant bingo facility license to American Legion Post #175. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a decision statement for the license and to transmit the decision statement to each licensee on behalf of the Commission. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission with the Chair abstaining from the vote.

Request for Approval of Instant Bingo Machine Operations at Annapolis Moose Lodge #296

Mr. LaBoy said staff reviewed the requirements for approval including hours of operation, facility design standards, compliance of the testing of instant bingo machines, gaming floor plan, internal controls, surveillance plan, security plan, responsible gambling plan, minimum bankroll requirements, background investigations, and other information relevant to the Applicant's compliance with the operation and licensing requirements.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to grant the instant bingo facility license to Annapolis Moose Lodge #296. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a decision statement for the license and to transmit the decision statement to each licensee on behalf of the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission with the Chair abstaining from the vote.

Request for Approval of Instant Bingo Machine Operations at Laurel Elks Lodge #2283

Mr. LaBoy said staff reviewed the requirements for approval including hours of operation, facility design standards, compliance of the testing of instant bingo machines, gaming floor plan, internal controls, surveillance plan, security plan, responsible gambling plan, minimum bankroll requirements, background investigations, and other information relevant to the Applicant's compliance with the operation and licensing requirements.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to grant the instant bingo facility license to Laurel Elks Lodge #2283. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a decision statement for the license and to transmit the decision statement to each licensee on behalf of the Commission. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission with the Chair abstaining from the vote.

Request for Change in Operational Hours at Abner's Instant Bingo Machine Facility

This facility is seeking approval to change its hours of operation. The facility's current hours of operation are Sunday through Thursday from 11 a.m. until 1 a.m.; Friday from 11 a.m. until 3 a.m., and Saturday from 11 a.m. until 2 a.m. The facility's proposed new hours of operation are Monday through Thursday from 11 a.m. until 2 a.m., and Friday through Sunday from 11 a.m. until 5 a.m.

Chair Robertson Pannell asked if there were any questions. Hearing none, the Chair said she would entertain a motion to approve the request for the change in operation hours at Abner's Instant Bingo Machine Facility as noted above. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said the first round of Keno focus groups went well. The second round will target primarily enhancements to market definition of the game style and play a part of the larger Keno effort. In the months ahead he will have further updates.

As Ms. Shaw noted in her report, instant ticket games continue to be strong. MLGCA plans to introduce Monopoly™ family instant games with \$1, \$2, \$5 and \$10 price points. He looks forward to continued growth in the Monopoly™ family game of instant tickets.

“Hello World”, a digital engagement agency, has been selected to help the MLGCA develop its Keno and Racetrax website applications and introduce mobile apps. He will keep the Commission updated.

Sales is developing a list of potential retailer locations suitable for placement in the field of 150 ITVMs when they are received in February 2015. That will make a total of 1,000 ITVMs placed throughout the State.

The Polar Bear Plunge at Sandy Point State Park will take place this weekend. Communications staff will be on site.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said an offer was made to an applicant to fill the administrative assistant position in his Division. The recruitment process continues for vacancies in Compliance and Security Divisions.

Policy and Planning – Jaclyn Vincent, Assistant Director

Ms. Vincent said the Legislative session began on January 14 and she is waiting for information from the Administration regarding the MLGCA's departmental bills.

Commissioner Marriner asked that the Commission be provided with a list of the proposed MLGCA bills. Ms. Vincent responded she waiting for approval from the Governor's office regarding the proposed bills.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said his office met with the new Attorney General and his top appointments to get a sense of the direction the OAG's office is headed. Some changes were made within the structure of the OAG's office.

PUBLIC COMMENTS

There were no public comments.

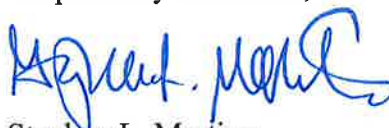
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, February 26.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Vice Chair McGraw, seconded by Commissioner Hash and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:28 a.m.

Respectfully submitted,



Stephen L. Martino