

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JANUARY MINUTES

DATE: January 26, 2017

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner John Morton
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
Charles LaBoy, Managing Director, Gaming
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Martin, Managing Director, Chief Revenue Officer
James Butler, Director, Legislative and Policy Affairs
Carole Gentry, Director, Communications
Phil Metz, Director, Casino Licensing
Marie Torosino, Executive Assistant

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 National Harbor
Members of the Public

Kimberly Robertson Pannell, Chair

Diane L. McGraw, F. Vernon Boozer, George L. Doetsch, Jr., Bert J. Hash, Jr., 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 10:03 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, John Morton, and James Stakem. Commissioners Diane McGraw and Bert Hash were absent.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Motion to approve the Agenda made by Commissioner Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

APPROVAL OF THE MINUTES

Chair Robertson Pannell said the December 15, 2016 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 Stakem that the December 15, 2016 open session minutes be approved, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

COMMISSION ITEM

Election of Commission Chair

Chair Robertson Pannell said the Commission needed to elect a Chair for the 2017 calendar year. Commissioner Boozer made a motion to nominate Kimberly Robertson Pannell for the position of Chair. Motion was seconded by Commissioner Morton, and the motion passed by unanimous vote of the Commission.

Election of Commission Vice Chair

Chair Robertson Pannell said the Commission needed to elect a Vice Chair for the 2017 calendar year. Commissioner Boozer made a motion to nominate Diane McGraw for the position of Vice Chair. Motion was seconded by Commissioner Morton, and the motion passed by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains four instant games for the Commission's approval: Game #315 *Deluxe Crossword* (\$5), Game #316 *Maximum Money* (\$10), Game #320 *Ultimate Riches* (\$20), and Game #327 *Family Feud*® (\$5). She said the Consent

Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (12/2/16 – 1/12/17); Gaming License Application Denials/Revocations; Lottery Retailer License Application Denial; Revocation of Lottery Retailer Licenses; and Staff Reports for James Nielsen, Leo Mamorsky, John Martin, Carole Gentry, and Robert Fontaine. She asked if the Commissioners wished to remove any items for discussion.

Chair Robertson Pannell asked that a quarterly comparison of the number of Lottery retailers and terminals be added to Mr. Nielsen's staff report.

Commissioner Morton said the *Star Spangled Cash* instant ticket was closed at 66% sold, and asked what causes a game to be closed at a low percentage. Mr. Martin responded this was a special instant ticket produced and launched specifically for the 200th anniversary celebration of the Star Spangled Banner. Once the celebration was over and sales began to fall, a decision was made to close the game.

Chair Robertson Pannell said she would entertain a motion to approve the four instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (12/2/16 – 1/12/17); Gaming License Application Denials/Revocations; Lottery Retailer License Application Denial; Revocation of Lottery Retailer Licenses; and the Staff Reports. Motion to approve made by Commissioner Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for December was \$6.1 million, down 4% year over year. December slots volume was down 6% year over year, but up 7.5%, month to month. Table game revenue for December was up 9% year over year.

The New Year's Eve celebration at the facility was well attended and a success.

Revenue for January is looking good. In January 2016, the blizzard caused a lost weekend of revenue.

The Celebrity Bar and Grill was closed and is undergoing renovations. It will reopen as The Greene Turtle Restaurant. The Quick Serve will have food service available until the Green Turtle opens. The Quick Serve will then close down and re-open in March 2017 as the Greene Turtle Express that will operate 24 hours a day.

The Casino at Ocean Downs

Ms. Bobbie Sample, Assistant General Manager, said the transfer of ownership of Ocean Downs to Old Bay Gaming and Racing took place on January 3, 2017. Mr. Cavilla made the decision to

stay with the Delaware Park organization. Also present at today's meeting was Austin Miller, Sr. Vice President of Gaming Operations for Churchill Downs.

Over the next few months, the facility will be transitioning services from Delaware Park to Old Bay Gaming. Construction of the facility expansion continues. The roof beams have been added to the external structure. The interior layout is being designed.

December revenue was \$4.1 million, ahead 6% year over year. They had a strong revenue week between Christmas and New Year's. There are numerous promotions on the calendar for this year.

Ocean Downs was an event sponsor at the 23rd Annual Atlantic General Hospital Penguin Swim on January 1. The facility continues to be a part of community events.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said Mr. Shipley has left Maryland Live! Casino to pursue another endeavor. December revenue was \$48 million, down 11% year over year. Slots were down 10% year over year and table and poker games were down 14% year over year. This is somewhat in line with the establishment of a new competitor in the market.

The facility is on track with what they expect in revenue for January. There was some revenue softness the first few Saturdays due to the weather, but was back nicely this past Saturday.

For December, promotional programs included the Holiday Cash Card giveaway and the Naughty and Nice Shopping Spree. In January, promotions included the Holiday Credit Card Wipe Out promotion. A Super Bowl promotion will run in February.

Hotel construction is causing no disruption to their customers. The planned opening of the hotel is the first quarter of 2018. However, the event center may open a few weeks earlier.

Commissioner Morton asked if the facility was still partnering with the Anne Arundel Community College dealer school. Mr. Lamb said they are still partnering with the College to provide dealers for the casino. There is also a dealer training room at the casino where some of the trainers are casino supervisors; however, the main dealer school is at the College. They did not lose as many employees as they thought they would to MGM National Harbor.

Commissioner Stakem asked if they have \$5 to \$10 minimum bet table games or are they higher amounts. Mr. Lamb said with the new competition they reduced some of the minimum bets during certain times of the day, but still maintain a level of profitability.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, said December revenue was \$3.5 million, up 1.1% year over year. This was driven by table games. Recently, the snow and the weather have been cooperating more favorably.

The New Year's Eve event brought in the second highest game revenue to date. Over 1,000 Allegany County Community College scholarships have been funded by VLT revenue.

Horseshoe Casino Baltimore

Mr. Alex Dixon, Assistant General Manager, said December revenue was \$29.7 million, ahead 9% year over year.

As part of the Weinberg Foundation's Library Project, Horseshoe Casino representatives along with members of the Baltimore City Council and others participated at the official reopening of the renovated library at George Washington Elementary School on January 23. Impact grants from Horseshoe Casino made available to the City also helped with this library renovation.

In December, the facility welcomed employees and their families for a holiday event in the casino banquet room.

Mr. Dixon said Horseshoe Casino partners with the dealer school at Baltimore City Community College.

MGM National Harbor

Mr. Michael Pappas, General Counsel for MGM National Harbor, introduced Kerry Watson, Jr., Vice President of Government Affairs for MGM National Harbor.

The facility had a positive customer response to their casino opening and that continued into January. There are many casino promotions running this month, including a money giveaway on January 16, 19, and 25 and a chance to win between \$5 and \$1,000 in free play. Customers who sign up for a rewards card have a chance to win free play.

Bruno Mars and Duran Duran have performed in the theater. A number of upcoming acts include Jim Gaffigan, Band of Brothers, Last Waltz 40 Tour, Earth, Wind & Fire, and Cher. A Presidential Inaugural Ball was also held this past week in the theater.

Various organizations each received \$37,688.16 from the proceeds of the two controlled demonstrations. He mentioned the names of the organizations that benefited. They will continue their charitable giving efforts during 2017.

The facility continues their relationship with the Prince George's Community College dealer school.

Chair Robertson Pannell asked how is the dealer school at the College different from the employee training center. Mr. Pappas said the employment training center still operates a dealer school, and will continue to do that for a period of time. There are a few more years left on their current lease with Prince George's County for the employment center. MGM will begin to turn that portion over to the County for their use for recreation or other purposes. The partnership with Prince George's Community College will continue, and they provide instruction at the employment center.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said total Lottery sales are down 2.1% year over year, and total casino revenue was up 14.1% year over year. Total Lottery profits are down 9.1% year over year, and total casino contributions are up 9.7% year over year. We have cycled through the year over year comparison to the \$1.6 billion Powerball jackpot from last year. The jackpot games are rolling with Powerball at \$180 and Mega Millions at \$188.

The new casino tax rate change became effective with the opening of MGM National Harbor. Horseshoe's rate is now 7 percentage points lower and Maryland Live's rate is now 8 percentage points lower.

Mr. Medenica said a copy of Mr. Butler's legislative update was provided to the Commission. The Legislature convened on January 11. The Agency submitted a number of bills regarding gaming and lottery to the Maryland General Assembly for consideration. Four bills were accepted and are moving forward. They are:

SB28 – State Lottery Tickets – Prohibited Acts – Delivery Service. Would prohibit a person or governmental unit from selling or purchasing a State lottery ticket on behalf of an individual and delivering or transmitting the ticket or an electronic imprint of the ticket to the individual as a for-profit business delivery service. The bill received a favorable report from the Senate Education, Health & Environmental Affairs (EH & EA) Committee; however, it was recommitted back to EH & EA for possible amendments.

HB90 – Gaming – Reconciliation of Proceeds – Licensee Payments. Would amend the term "Proceeds" as it is presently defined in State Government Article §9-1A-01(u) to address the issue of a carryover loss. The definition is silent on proceeds less than zero and whether it is permissible for the Agency to allow a casino to carryover a loss into the next day. A bill hearing with the House Ways and Means Committee is scheduled on February 8.

HB91 – Gaming – Video Lottery Terminals – Transfer of Ownership. Would require the video lottery facilities located in Worcester County (Casino at Ocean Downs) and Allegany County (Rocky Gap Casino Resort) to own or lease video lottery terminals (VLTs) and associated equipment and software by March 31, 2020. This legislation would also provide these two casinos with a ten-percentage point reduction in their tax rate for taking on the responsibility of owning or leasing their VLTs, if done by January 1, 2018. A bill hearing with the House Ways and Means Committee is scheduled on February 8.

HB93 – Gaming – Video Lottery Operation License – Renewal Term. Would require a video lottery operation licensee to file with the Maryland Lottery and Gaming Control Commission a notice of its intent to reapply for a license two years from the date of expiration rather than one year from the date of expiration. A bill hearing with the House Ways and Means Committee is scheduled on February 8.

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

Ms. Smith said a copy of the Comprehensive Annual Financial Report (CAFR) as well as a copy of the October financial statement were provided to the Commission.

The W2Gs were completed and mailed to lottery winners. The 1099s will be mailed to the lottery retailers. All this information will then be sent to the IRS at the end of the month.

The Lottery's Senate Budget Hearing is February 2. We are waiting for any recommendations that the Department of Legislative Services may have regarding our budget.

Gaming – **Charles LaBoy, Managing Director**

Mr. LaBoy said Caesars has been in bankruptcy court for 18 months. The Commission Audit Committee has been following the progress. In January, Caesars was approved by the U.S. Bankruptcy Court to reorganize the company similar to a format that Penn National Company underwent recently. The process is still pending. The MLGCA will perform a regulatory review. Horseshoe Casino Baltimore will not be a part of the reorganization. The facility will continue with Caesars providing financial services under the existing structure.

Staff is working on the skills-based amusement device registration application and database to enable the requirements of the regulations and anticipates a first quarter launch. An application form and information flyer have been developed.

Commissioner Morton asked if the Commission would be provided with periodic reports once this plan is implemented. Mr. LaBoy said his report would include a section on this information. Additional discussion of the plan will occur during the Commission Audit Committee meetings. We will utilize existing resources for service inspections and determine how we will collect the data.

Mr. LaBoy said staff is developing procedures to refer suspected illegal gaming activity to the local law enforcement authorities with follow-up to the State Police or State's Attorney as required by the electronic gaming device regulations.

In response to a question raised by the Commission, Mr. LaBoy gave a brief explanation of the casino quarterly payout percentage information contained in his report.

Regulatory Oversight – **Phil Metz, Director, Casino Licensing**

Mr. Metz said he had nothing to add to Mr. Mooney's report.

Chair Robertson Pannell said on the Compliance Incidents Report for MGM National Harbor, the underage violation numbers are small relative to the number of patrons. However, how is it possible that there are any underage violations with a 100% ID check. Mr. Pappas said there have been incidences when a door in a back stairwell or an employee stairwell was open and a customer

came onto the casino floor through one of those stairwells. As soon as something like that happens, the person is immediately removed from the casino floor.

Commission Action Item

Manufacturer License Hearing – Pockaj d.o.o., dba Alfastreet

Mr. Metz said MLGCA staff conducted a suitability background licensing investigation of Pockaj d.o.o., dba Alfastreet in connection with its application for a manufacturer license. The Commission was provided with an Executive Summary. Members from the MLGCA Licensing Division were present to answer any questions. A representative from the manufacturing company was not present.

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

Mr. Metz responded to questions raised by the Commission concerning the type of equipment the company supplies, communication of the equipment with the central monitoring system, and testing of the machines, especially for malware.

There were no further questions for Mr. Metz. There was no further discussion among the Commission.

Chair Robertson Pannell said she would entertain a motion to find that the following meet applicable qualifications for licensure under Maryland's Gaming Law: manufacturer license applicant Pockaj d.o.o., dba Alfastreet. Motion to approve made by Commissioner Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to find that the following meet applicable qualifications for licensure under Maryland's Gaming Law: individual principal license applicants Iztok Pockaj, General Manager; Tjasa Luin Peric, Chief Executive Officer; Jure Jakofici, Chief Technical Officer; and Albert Radman, Sales Director. Motion to approve made by Commissioner Stakem, seconded by Commissioner Boozer, and the 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 on behalf of the Commission that reflects the Commission's decision, and to transmit the Decision Statement to Pockaj d.o.o., dba Alfastreet. Motion was made by Commissioner Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

PUBLIC COMMENTS

There were no public comments.

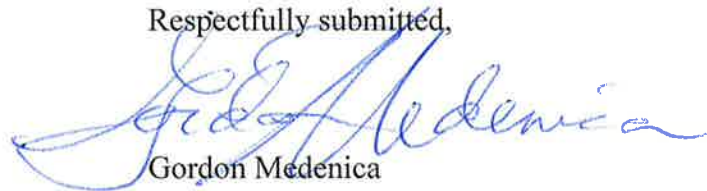
DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, February 23.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Commissioner Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission. The meeting adjourned at 11:15 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gordon Medenica", is written over the typed name. The signature is fluid and cursive, with a large initial "G" and "M".

Gordon Medenica