

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 COMMISSION JANUARY MINUTES

DATE: January 28, 2016

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Bert Hash, Jr.
Commissioner John Morton
Commissioner James Stakem

Gina Smith, Deputy Director, Chief Financial Officer
James Nielsen, Assistant Deputy Director, Chief Operating Officer
Holly Citko, OAG Deputy Counsel
Charles LaBoy, Managing Director, Gaming
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
Jaclyn Vincent, Managing Director, Policy and Planning
Carole Everett, Director, Communications
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
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 Commission to order at 10:02 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, John Morton, and James Stakem.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES

Chair Robertson Pannell said the December 17, 2015 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Stakem made a motion that the December 17, 2015 open session minutes be approved, it was seconded by Commissioner Morton, and the motion was carried by unanimous vote of the Commission.

COMMISSION ITEM

Election of Commission Chair

Chair Robertson Pannell said the Commission needs to elect a Chair for the 2016 calendar year. Commissioner Morton made a motion to nominate Kimberly Robertson Pannell for the position of Chair. Motion was seconded by Commissioner Boozer, and motion passed by unanimous vote of the Commission.

Election of Commission Vice Chair

Chair Robertson Pannell said the Commission needs to elect a Vice Chair for the 2016 calendar year. Commissioner Stakem made a motion to nominate Diane McGraw for the position of Vice Chair. Motion was seconded by Commissioner Boozer and the motion passed by vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains the following items for the Commission's approval: one new instant ticket--Game #262 *The Price is Right*®; VLT Games and Component Testing Approvals for VLT and Table Games (12/4/15-1/15/16); Bingo Halls (12/4/15-1/8/16), and Mandatory Revocations; Consent Agreements--Regulatory Violations for

Horseshoe Casino Baltimore, Rocky Gap Casino Resort, Hollywood Casino Perryville, and Maryland Live! Casino; Consent Agreements–Underage Violations for Maryland Live! Casino and Horseshoe Casino Baltimore; Gaming License Application Denials; and a Lottery Retailer License Application Denial. She asked if the Commissioners wished to remove any items for discussion.

Vice Chair McGraw asked if there is licensing fee associated with *The Price is Right*®. Mr. Martin responded this game is part of the SGI – MDI licensed properties contract and no licensing fee is required.

Chair Robertson Pannell said she would entertain a motion to approve new instant ticket Game #262 *The Price is Right*®; VLT Games and Component Testing Approvals for VLT and Table Games (12/4/15-1/15/16), Bingo Halls (12/4/15-1/8/16), and Mandatory Revocations; Consent Agreement–Regulatory Violations for Horseshoe Casino Baltimore, Rocky Gap Casino Resort, Hollywood Casino Perryville, and Maryland Live! Casino; Consent Agreements–Underage Violations for Maryland Live! Casino and Horseshoe Casino Baltimore; Gaming License Application Denials; and a Lottery Retailer License Application Denial. Motion to approve was made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, stated December revenue was \$6.3 million, which is 5% ahead for year over year. Slots were up 3.5% and tables games were up 20%.

The New Year's Eve event was a success and showed revenue ahead over last New Year's Eve. January revenue may be affected by the weather conditions last weekend. However, patrons are starting to come back. The casino employees worked long hours and stayed during the storm. The casino will be holding a reception to thank them for the work that they did over the snowy weekend.

The Encore Room, the property's new meeting room and event/party space, is now open.

The cruise giveaway will be in March this year. March will also mark the third anniversary of table games, and they will hold an event to celebrate.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said December revenue was \$3.9 million, which is 15% ahead for year over year. The good weather in December helped with their marketing program and other initiatives.

January started off strong with a great New Year's Eve event. Last weekend they were able to keep the casino open since the Eastern Shore didn't experience the blizzard conditions; however, they did experience a Nor'easter. There was no damage to the casino; however, there was some damage to the racetrack facility.

In December, the casino experienced trouble with the generator on the property and it was time to replace it. A new generator was purchased and installed. In the event of an outage, this generator supplies power to the casino and parking lot. There were no power issues during the recent storm.

In January, Ocean Downs will be celebrating their fifth anniversary and will be celebrating their anniversary throughout the month with events and promotions.

Ocean Downs was a sponsor of Atlantic General Hospital's Penguin Swim. The food and beverage team as well as an ice sculpture was provided by the casino. Vice Chair McGraw said she participated in the Penguin Swim this year.

On behalf of the Commission, Chair Robertson Pannell wished happy anniversary to Ocean Downs Casino.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said December revenue was \$54.2 million, which is 8% ahead for year over year. Several customer promotions were held throughout December.

At Rams Head Live, Salt and Pepa performed in December, Kool and the Gang performed in January and in February, Taylor Dane will be performing.

In January, the \$850,000 Credit Card Wipeout promotion will be held as well as giveaways of 50- inch televisions.

In response to Commissioner Morton's question on the status of the new hotel, Mr. Shipley said they will break ground next Monday and projected opening is the first or second quarter of 2017. In addition to regular rooms, the hotel will also have 50 suites and three restaurants.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, said December revenue was \$3.5 million, which is 14% ahead for year over year. They continue to run various customer promotions and giveaways.

The casino received approval from the Department of Natural Resources (DNR) for additional parking. Construction was scheduled to start last week, but has been delayed due to the weather. It will now begin next week.

Horseshoe Casino

Ms. Erin Chamberlin, Vice President and General Manager said December revenue was over \$27 million, which is 19% ahead for year over year.

The casino was pleased with their New Year's Eve event and there was a strong turnout. Last weekend during the blizzard, they were the only casino that closed. They closed at 9 p.m. on Friday and re-opened Sunday at noon. A majority of the casino's employees rely on MTA services for transportation which was shut down during the storm. Patrons are starting to come back and they are seeing business starting to pick up again over the past several days.

The \$180,000 Suitcase Man promotion will run in January and February.

STAFF REPORTS

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

Ms. Smith said there was a record Powerball jackpot of \$1.6 billion that was hit in three states – California, Florida and Tennessee. The jackpot started on November 5 and was hit on January 13. Maryland had five \$1 million winners, 50 \$50,000 winners and overall over 1.5 million winners for any prize. Total sales in Maryland for the jackpot run were \$78 million. Total Powerball sales for last year were only \$89.5 million. She expressed her appreciation to the vendors and MLGCA staff for all their work during this time period.

The Cash4Life® game launched and the commercials are airing on television. Sales over the past two days are running at approximately \$100,000 a day. The first drawing is tonight. Next month she will talk more about the game.

As of January 24, total lottery sales are \$104 million ahead of last year. Powerball sales are \$59 million ahead and instant ticket sales are \$39 million ahead for year over year. Keno sales are \$7 million ahead and Racetrax sales are \$6 million ahead for year over year. Total lottery profit is \$30 million ahead for year over year.

The Commission was provided with the November Financial statement as well as a copy of the Comprehensive Accounting Financial Report (CAFR).

Vice Chair McGraw said she wanted to extend her thanks to the staff for a wonderful job done on preparing the CAFR. Ms. Smith said GKV, the advertising firm, also assisted in putting the CAFR together.

Financial 1099s were mailed to the retailer network and the W2Gs were sent to the lottery winners.

Ms. Smith said with the new automated time keeping system going into effect in March, the Commissioners will need to fill out a form to allow the Lottery to enter them into the system. She asked that they please return the signed form to Ms. Torosino.

Commissioner Morton thanked Ms. Smith for the quarterly budget report.

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

This contract with GTECH Corporation provides, distributes, installs, maintains and relocates up to 1,000 new ITVMs to be located at retailer locations throughout the State. The original contract included five one-year renewal options for maintenance and repair series. Renewal option #1 and #2 were previously exercised with an expiration date of February 28, 2016. The Lottery wishes to exercise one-year Renewal Option #3 with the term of March 1, 2016 to February 28, 2017 in the amount of \$1,590,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at retailer locations.

Chair Robertson Pannell said she would entertain a motion to approve one-year Renewal Option #3 with GTECH Corporation with a term of March 1, 2016 to February 28, 2017 in the amount of \$1,590,000. Motion was made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Ms. Smith said this renewal option will be presented to the Board of Public Works at its February 10 meeting.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said MLGCA staff will be having biweekly meetings with MGM National Harbor until their opening to ensure all regulatory requirements are fulfilled. He will keep the Commission informed.

Mr. LaBoy said the Joint Administrative, Executive, and Legislative Review (AELR) Committee reviews the State regulations and expressed their concern over the frequent use of the emergency regulation process. MLGCA staff has been reviewing its practice of including table game rules as regulations. There is no statutory or regulatory requirement that table game rules be processed as regulations. Since the majority of emergency regulations that are processed by the Commission are table game rules, MLGCA staff is looking at changing the procedure by which table games rules are processed, and are proposing that the table game rules be approved by the Commission. The rules would then be posted on the website and not processed as regulations. The Assistant Attorney Generals have reviewed this process and agree that this is an acceptable

procedure for the implementation of table game rules pending Commission approval. Mr. LaBoy further explained the regulation process.

Chair Robertson Pannell asked whether once the Commission approves the table game rules, they would become effective immediately or is there a waiting period. Mr. LaBoy responded once the rule is approved by the Commission, the casinos would update and submit their internal controls for Staff approval, then the rules would go into effect. Mr. LaBoy said at next month's meeting he will have a packet of information for the Commission's review.

Chair Robertson Pannell said currently MGM attends meetings on a quarterly basis to update the Commission. When would they be attending more frequently? Mr. LaBoy said there is not a lot of staff onsite at the present time. They are beginning the process of getting individuals on board. At February's meeting, MGM will present their update.

In response to Vice Chair McGraw's question regarding the Voluntary Exclusion Program (VEP), Mr. LaBoy spoke further on the program and the self-exclusion process.

Lottery – John Martin, Managing Director, Chief Revenue Officer

Mr. Martin said December was a good month with a 10% increase in revenue for year over year. On January 25, the Lottery introduced the *Gold Rush* family of instant ticket games at retailer locations.

The Lottery's retail recruitment goal is to increase the retailer network an additional 500 locations. Currently, 50 new retailer applications are being processed. Chair Robertson Pannell asked what areas the Lottery is targeting for these additional locations. Mr. Martin responded he is looking at underserved areas in the State as well as non-traditional retailer locations.

Chair Robertson Pannell asked if additional district managers or regional managers will need to be hired. Mr. Martin responded Corporate Account Managers will be reassigned as Business Development Managers. The district managers will not be impacted.

The Cash4Life® Game was introduced on January 26 and the first drawing is January 28. Ms. Everett will be at tonight's University of Maryland men's basketball game at College Park for a halftime promotion for the Cash4Life® Game. Mr. Martin asked Ms. Everett to explain further. Ms. Everett said the Cash4Life® promotion event will feature Lottery staff in money suits and a ground hog mascot. They will also have a booth with the prize wheel and giveaways. During halftime, the money machine will be in center court and five contestants will be chosen. One of the contestants will get in the booth and collect all the money he/she can in 30 seconds and the remaining four contestants will receive one-half of the total amount the winner collects.

Commissioner Morton asked how the Wawa stores are doing. Mr. Martin responded the Maryland Wawa stores are performing well and meeting our expectations. They are also performing well in other jurisdictions including Pennsylvania, New Jersey and Florida.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said the Licensing Division continues to work with the vendors. He is working with Mr. Gallagher on the e-licensing system. There are approximately 7,709 licensed gaming employees, another 700 licensed principals, 8,400 employees licensed to work in the casinos, and 2,137 regular and certified vendors.

Chair Robertson Pannell asked for comments from Maryland Live and Horseshoe Casino Baltimore regarding their underage violations.

Mr. Coppinger from Maryland Live! Casino said they are working with MLGCA staff to lower the number of incidents of underage individual on the property. A number of casino staff has received special training, and no security official can work at the entrance post until they are properly trained. There are a large number people coming through the entrance every day and some are always trying to find a way in. The casino is continually reevaluating their procedures. There are guard areas inside of casino, and they also look for any underage individual that may have gotten past security. The casino works with the local police department in removing the underage individuals. The casino takes this seriously, and it is a challenge with the casino being in close proximity to a large mall.

Commissioner Morton asked if the casino tracks what happens when the underage person gains entrance and goes to court. Mr. Coppinger responded it is still an education process with the court system. However, the courts are taking these situations more seriously.

Commissioner Morton commented that he would like to see these individuals tracked as they go through the court system.

Ms. Chamberlin from Horseshoe Casino Baltimore said they also take the underage violations seriously. They work with their security team and assist in training them for this specific position at the entrance. They use Source ID training for all team members and they must pass that training in order to be placed in that post at the entrance. Employees are well aware of the severity of underage individuals gaining entrance. People are always determined to get in and some have jumped the fence. The casino has now resized those fences and placed more surveillance to capture and record anyone trying to get in. It is a constant battle and they take it very seriously.

Chair Robertson Pannell asked what happens when underage individuals do gain entrance. Ms. Chamberlin responded those patrons are evicted. The system tags these individuals as being evicted if they try to come back on the property.

Mr. Mooney said all the casinos take the underage situation seriously. If you look at the number of people coming through the door, especially at Maryland Live! and Horseshoe Casinos, and if one individual makes it through, it is a very minute percentage. The casinos are doing an excellent job in keeping underage patrons out. However, it is a large volume of people they are handling. He further explained the data on the compliance report.

Manufacturer's License Hearing – South Jersey Precision Tool and Mold, Inc.

Mr. Mooney said the MLGCA conducted a suitability background licensing investigation of South Jersey Precision Tool and Mold, Inc. in connection with its application for a manufacturer's license. The Commission was provided with an executive summary. Members from the MLGCA Licensing Division were present to answer any questions. There was no one present from the manufacturing company.

Mr. Mooney 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's License.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney. There were none. The Chair asked if there was any discussion by the Commission with respect to the information presented. There was none.

There being no discussion, 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 South Jersey Precision Tool & Mold, Inc.
- Individual principal license applicants Victor Rone, Robert Rone, Wayne Reeves, and June Rone.

Motion to approve was made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of 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 South Jersey Precision Tool & Mold, Inc. Motion was made by Vice Chair McGraw, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

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 25.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion was made and seconded, and carried by unanimous vote of the Commission. The meeting adjourned at 11:30 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gina Smith", with a stylized flourish at the end.

Gina Smith