

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

DATE: March 16, 2017

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 George L. Doetsch, Jr.
Commissioner Bert Hash, 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
Holly Citko, OAG Deputy Counsel
Charles LaBoy, Managing Director, Gaming
John Mooney, Managing Director, Regulatory Oversight
James Butler, Director, Legislative and Policy Affairs
Carole Gentry, 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
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 10:04 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Bert Hash, Diane McGraw, John Morton, and James Stakem.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES

Chair Robertson Pannell said the February 23, 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 Vice Chair McGraw that the February 23, 2017 open session minutes be approved, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains two instant games for the Commission's approval: Game #317 *Cas\$hingo* (\$3) and Game #318 *Power 5s* (\$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 (2/10/17 – 3/3/17); Gaming License Application Denials; and Staff Reports for James Nielsen, John Martin, Carole Gentry, Robert Fontaine, and Marketing Staff. She asked if the Commission wished to remove any items for discussion.

Vice Chair McGraw requested further discussion on the two new instant games.

Chair Robertson Pannell said she would entertain a motion to approve the two instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (2/10/17 – 3/3/17); Gaming License Application Denials; and the Staff Reports. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw asked what type of advertising is planned for the two new instant games. Mr. Medenica said he thinks it is point of sale, but will get a definite response for the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for February was \$6.2 million, down 4.5% year over year. Thus far, revenue for March has been strong especially on the weekends. A VIP event for the cruise giveaway promotion will be held on March 26.

The Greene Turtle Restaurant is open for business. A VIP customer event was held and feedback was positive. In a few weeks, the Quick Serve will become The Greene Turtle Express, a 24-hour operation. The Greene Turtle held a fundraising charitable auction VIP customer event where patrons were able to bid on autographed memorabilia from the prior restaurant, the Celebrity Bar and Grill.

The Casino at Ocean Downs

Ms. Bobbi Sample, Assistant General Manager, said February revenue was \$4.0 million, up 3.5% year over year. This year the weather has been much nicer than last year.

Numerous customer promotions are running in March and April. In March and April, a food drive will be held to benefit the homeless shelter and food bank of Worcester County. Customers who donate canned goods or non-perishable food items get a chance to spin the prize wheel to win slot dollars.

The facility expansion construction is still ongoing. Because of the recent weather, they have not been able to finish the roof panels. Interior design work will begin shortly. She will have more updates next month.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said February total revenue was \$46.3 million, down 14.3% year over year. Slots are down 13% and table and poker tables are down 6% year over year. March slots seem to be in an upward trend.

The Anne Arundel Chamber of Commerce and local chambers held an evening of multi-chamber networking social with leadership in Anne Arundel on March 15 at the casino. As a sponsor for the "Walk for the Cure", the casino provided meeting space to Susan G. Komen Maryland for planning for the walk in the fall.

The casino is working with leadership groups in Anne Arundel, Howard, Baltimore Counties and Baltimore City to organize a transportation task force to assist their employees. Some employees have to deal with a 10-mile commute and public transportation could take up to one and a half hours and the schedule is somewhat infrequent. The task force will work on a solution for better employee transportation.

They are still on track to open the hotel in the second quarter of next year.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President and General Manager, said February total revenue was \$4.4 million, up 13.9% year over year. This was driven by the unusually nice weather.

Renovations are being made to the casino level to fit in with the rustic environment of lodge. Landscaping is being done outside to tie in the back yard area for more outdoor events and dining.

Over 2,000 student scholarships were awarded through funds provided by Rocky Gap VLT revenue.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, Sr. Vice President and General Manager, said February total revenue was \$22 million, down 12% year over year. They are continuing to feel the impact of the new casino.

Suitcase Man promotion will have a special week of events leading up to the finale on March 25. New customer promotions are in the works.

Ms. Chamberlin introduced Jacqueline Pope who is the new Assistant General Manager replacing Alex Dixon. Ms. Pope said a few words about her prior experience at Harrah's Philadelphia and as Human Resources Director at Horseshoe Casino Baltimore.

MGM National Harbor

Mr. Max Fisher, Vice President and Chief Financial Officer, said February was a strong month with total revenue of \$45.7 million. They are pleased with what they are seeing thus far. The conservatory was changed to feature a cherry blossom inspired display. There is a slots tournament scheduled with \$100,000 to be awarded in free play. A promotion is running on Wednesdays in March where customers can earn two times the reward points.

Entertainment at the theater included Earth, Wind and Fire and Sting in February. Cher will be appearing in March and a boxing event will be held in April.

In the community, MGM National Harbor will be supporting the Christmas in April - Prince George's County event that benefits housing for senior citizens.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said on the casino side, we are seeing the dynamics we expected all along. We will need to watch and see how it works out. Casinos are ramping up for high season. Numbers in the report will be holding up for the rest of the year. Total casino contributions to the State are up 13% year to date.

On the Lottery side, we are still trying to recover from last year's large Powerball jackpot. Sales to date are almost at last year's level. Lottery profit impact is more significant, down 6% year over year. The \$30 instant ticket has launched and has been very successful in setting an all-time record with total instant sales of \$18.5 million.

We continue to analyze Pick 4 even though it is up in sales for the year but down in profit. Last year we had low payouts but this year we are experiencing higher payouts. Pick 4 year to date sales are up 2.6% with profit down 21.8%.

In the monitor games, we are seeing a shift more towards Racetrax.

Mr. Butler will be presenting the status of the various legislative bills. There was Commission discussion on the procurement bill and the impact it could have on the Agency if it passed.

Legislative and Policy Affairs – James Butler, Director

Mr. Butler gave an update on the status of the four departmental bills and various other bills that could affect the Agency. The Commission was provided with a copy of Mr. Butler's legislative update report.

SB28 State Lottery Tickets-Prohibited Acts-Delivery Service. Bill received a favorable report from the Education, Health and Environmental Affairs Committee (EH&EA). However, the Senate recommitted the bill back to EH&EA for possible amendments.

HB90/SB496 – Gaming-Reconciliation of Proceeds-Licensee Payments. Bill passed the Senate and the cross-filed bill is in the House Ways and Means Committee for a subcommittee vote.

HB91/SB495 Gaming-Video Lottery Terminals-Transfer of Ownership. Bill passed second reader in the Senate and the cross-filed bill is in the House Ways and Means Committee for a subcommittee vote.

HB93/SB497 Gaming-Video Lottery Operation License-Renewal Term. Bill passed the Senate with amendments and the House cross-filed bill also passed.

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

Ms. Smith said the Agency continues to monitor its budget through the Legislature. Thus far, there have been no recommendations for any budget cuts.

There are numerous procurements coming up. The Agency is currently working on the Request for Proposal for Televised Drawings for the Lottery's On-line Games and will be presenting that to the Commission in the near future. We are also working on a contract modification to extend the current Televised Drawings contract and will be presenting the modification to the Commission in April.

Commission Action Item

Contract Modification – On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.

This contract modification in the amount of \$18.5 million will extend the contract term for an additional period of up to nine months until April 4, 2018, in order to facilitate the conversion process for a new Lottery Central Monitoring and Control System.

Chair Robertson Pannell asked if the Commission had any questions. Hearing none, the Chair said she would entertain a motion to approve the Contract Modification for the On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Ms. Smith said this item will be on the April 5, 2017 Board of Public Works Agenda.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said the skills-based amusement device registration applications are available on the Agency's website. An informational flyer will be mailed via the Comptroller's Office to 1,300 coin-operated machine owners throughout the State explaining the program and the need to register. Staff is ready to start receiving and processing the applications. Staff will be going GLI testing facility to participate in testing of the skills-based machines. The goal is to be able to do in-house testing to keep the costs down. There was further Commission discussion on the filing process.

The audits of the bingo halls are now listed as part of the audit summary in the gaming division monthly report.

A request was issued for the 2017 regulations review process inviting the industry to submit any suggestions or changes. Staff will review these submissions and then they will be forwarded to Commission for their review.

The next Audit Committee meeting conference call is April 4 at 1 p.m.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said he had no additional information to add to his report.

Commission Action item

Proposed Merger Agreement between Caesars Acquisition Company (CAC) and Caesars Entertainment Corporation (CEC)

Mr. Mooney said that in February the Agency received notification of the proposed merger between CAC and CEC. The Commission was provided with an Executive Summary. He

introduced Sue Carletta, Caesars' Vice President and Deputy Chief Regulatory and Compliance Officer and Robert Ruben, legal counsel for Caesars.

Mr. Mooney read the Executive Summary into the record, which included an introduction, proposed merger information, background information, the CEOC bankruptcy and confirmation of the plan of reorganization, the effect of the merger on CEC and the licensee, and the findings.

Horseshoe Casino Baltimore was not part of the bankruptcy and the bankruptcy has no negative impact on the casino. Mr. Mooney reviewed the organizational chart of CBAC Borrower, LLC and Affiliates that was provided by Mr. Ruben to the Commission.

Commission discussion continued with Ms. Carletta and Mr. Ruben regarding the organizational chart, the merger and restructuring, and any impact on Horseshoe Casino Baltimore.

Mr. Mooney stated that it is the opinion of MLGCA staff that this proposed merger meets and is consistent with the Gaming Law, and recommends approval of the proposed merger with the following conditions:

1. Notification to the Commission's staff that all remaining conditions to the effectiveness of the Transaction have been satisfied or waived; and
2. All officers and directors of Caesars Entertainment Corporation shall maintain or obtain any licenses required by or waivers permitted by the gaming law and the Commission's regulations.

Chair Robertson Pannell asked if there were any questions or comments by the Commission. There were none.

Chair Robertson Pannell said she would entertain a motion to approve the proposed merger agreement between Caesars Acquisition Company and Caesars Entertainment Corporation contingent on the following:

1. Notification to the Commission's staff that all remaining conditions to the effectiveness of the Transaction have been satisfied or waived; and
2. All officers and directors of Caesars Entertainment Corporation shall maintain or obtain any licenses required by or waivers permitted by the gaming law and the Commission's regulations.

Motion to approve was made by Commissioner Stakem, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

PUBLIC COMMENTS

There were no public comments.

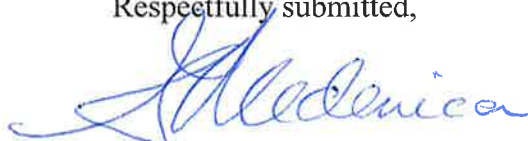
DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, April 20.

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 Hash, motion was seconded, and carried by unanimous vote of the Commission. The meeting adjourned at 11:23 a.m.

Respectfully submitted,



Gordon Medenica