

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL MINUTES

DATE: April 21, 2014

TIME: 1 p.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane L. McGraw
Commissioner F. Vernon Boozer
Commissioner Bert J. Hash, Jr.
Commissioner E. Randolph Marriner
Commissioner John Morton
Commissioner James Stakem

Stephen Martino, Director
Gina 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
Jaclyn Vincent, Director of Gaming Research
Holly Citko, OAG Deputy Counsel
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville
Representative from Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from Scientific Games
Representative from Pollard Banknote
Representative from GTECH
Members of the Public

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 1:00 p.m. Commissioners present were: F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, Diane L. McGraw, 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 Hash, and the motion passed by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the March 27, 2014 minutes were previously provided to the Commissioners for review and asked if there were any changes. Hearing none, Commissioner Marriner made a motion that the minutes be approved, it was seconded by Commissioner Boozer, and the motion passed 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 #157 *Hold 'Em Poker* and Game #158 *\$1,000,000 Fortune*, and Game #159 *The Walking Dead*. The Consent Agenda also contains VLT Games and Component Testing, and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion. No items were removed for discussion.

The Chair requested a motion to approve the three new instant ticket games noted above as well as the VLT Games and Component Testing, and Gaming License Application Denials. Motion made by Commissioner Stakem, seconded by Commissioner Hash and motion passed by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Ms. Jeannie Magefrau, Vice President of Finance, said total revenue for March was \$188.9 million, a decline of 16.5% compared to last year. Slots were down 15.5% and table games were down 22%. Part of the reason for the decline was the snowy weather, the one day they had to close their doors, and there was one less weekend day in March. Thus far, April is showing an 8% decline.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for March is \$4.1 million, which is 5% ahead of last year and 18% ahead of last month. This is in line with the off season. The volume of players is starting to rise.

The Ocean Downs racetrack opens on June 12 and will be celebrating its 65th anniversary. Many celebratory events will be held. They will introduce a new mascot, "Lucky U."

The casino will be a sponsor of the Ocean City Air Show that will be held on June 14 and 15.

Maryland Live! Casino

Mr. Rob Norton, General Manager, said this is the facility's best month in revenue at \$61.8 million, which is 38% ahead of last year and is largely due to table games.

The facility has added the Black and Chairman's Club levels to their Live Reward Player's Club. The facility is introducing some new rewards related to the card program by partnering with Norwegian Cruise Lines and other retail partners. Based on play, customers can receive self-comps which can be redeemed for dining options or to purchase merchandise from the Shop Live retail store.

The new Asian themed restaurant, Luk Fu, will open in May.

The facility will be partnering with the Community Foundation of Anne Arundel County as a sponsor for The Great Give. This is a 24 hours on-line fundraiser that will benefit over 150 non-profit organizations.

Rocky Gap Casino Resort

Mr. Ivan Lanier, President and CEO, Greenwill Consulting Group, said the 150 space parking lot expansion is progressing. They are expecting a good month in revenue.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, General Manager, said construction continues to progress very quickly. The interior dry wall installation and painting is underway. Over 1,500 VLTs are currently in the warehouse awaiting installation at the facility. They will soon be announcing a celebrity chef partner for the restaurant. There was a great turn out this morning for the table game dealers hiring event at M & T Bank Stadium and over 500 people applied for jobs. A job fair was held within each City Council district and special recruitment days were held at career centers. Training sessions will be held on May 1 and 2 for those interested in applying for jobs. A massive hiring event will be held on May 5, 6, and 7 at M & T Bank Stadium.

VENDOR REPORTS

Scientific Games

Mr. Steven Smith said enhancements to the Racetrax monitor game launched on April 21, giving players more betting options. They have added six bet types: Exacta, Exacta box and Exacta wheel, Superfecta, Superfecta box and Superfecta wheel, as well as a minimum 50 cent bet for Trifecta box and wheel. There were no issues. SGI will be working with Lottery over next few months to install terminals into the Wawa stores.

Pollard Banknote

Ms. Julin Shaw said third quarter sales improved year over year as compared to the first and second quarters of this fiscal year. However, third quarter sales for FY2014 are behind third quarter sales for FY13 by only 1% as compared to a 7% deficient in the first quarter and a 5% deficit in the second quarter. The *\$10 Sparkling 7s* instant ticket had higher sales for the first week of activation of the seven \$10 instant tickets launched this fiscal year.

Holiday instant ticket sales results for this fiscal year were 6% over last fiscal year. Maryland was one of the nine lotteries in industry analysis that had increased sales of holiday instant tickets over the prior year.

The next *\$3 Bonus Crossword* instant ticket will launch on May 27. This is the Lottery's first interactive game and Maryland is the third lottery to launch this type of product.

Chairman Robertson Pannell asked what was the reason for the increase in instant ticket sales from February to March. Ms. Shaw responded FY14 instant tickets represented 80% of the market share. The revamped prize structure and the launch of the \$5 Monopoly instant ticket helped to increase sales.

GTECH

Ms. Carmen Vegas said GTECH is working toward the gearing up of Horseshoe Casino Baltimore and are meeting their goals according to the timeline. There were no operational issues to report at this time.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said the Commission was provided with an updated sales and revenue chart. Sales and revenue continue to be a challenge for the Lottery. Sales are down 1.32% compared to last year. Revenue is down 4.6% compared to last year. He said he had previously provided the Commission an analysis.

Currently, there is a segmentation study in progress and management staff is scheduled for a strategic planning session. At later meetings, he will provide more information.

March was one of the best months for the casinos and for the State with revenues of \$77.85 million.

The legislative session has concluded and some of our departmental bills were passed.

During the special session of 2012, the legislature authorized up to five instant ticket lottery machines to be installed in Western Maryland and Veterans Organizations. Staff is working with the vendor to roll out that program in August 2014. Staff will be going to Veterans' organizations to make them aware of the product. August is also the opening of Horseshoe Casino Baltimore.

Mr. Martino said he had e-mailed the Commission regarding possible changes to the summer Commission meeting schedule. He will keep them updated.

Commissioner Marriner asked for an update regarding Maryland joining MUSL. Mr. Martino responded MUSL staff visited the Lottery a few weeks ago, and all issues were resolved. A positive recommendation was received from the Department of Legislative Services (DLS). A decision from Maryland's Legislative Policy Committee (LPC) is pending and a response should be received shortly. Once the LPC decision is received, then a letter will be submitted to MUSL.

Authorization for Maryland's Participation in the Monopoly Millionaires' Club National Game

Mr. Martino said he provided the Commission with a summary regarding the Monopoly Millionaires' Club National Game. This is a \$5 game and will launch in October 2014. It will cap the jackpot at \$50 million and move any additional funds generated in subsequent rolls to second tier prizes of \$1 million. Weekly drawings will be on Saturday evenings. SGI is the vendor handling this. The unique national game show will launch in early 2015, and will help generate additional revenue for the State. MUSL will be running this program and they are asking acknowledgement of our participation as soon as possible so that game design (population dependent) and game rules can be finalized. A letter will be sent to Maryland's Legislative Policy Committee (LPC) requesting their approval. When LPC's response is received, then MUSL will be contacted.

Chair Robertson Pannell asked if there was any further discussion or questions. Hearing none, she said she would entertain a motion to authorize the Maryland Lottery and Game Control Agency to participate in the Monopoly Millionaires' Club National Game. Motion to approve made by Commissioner Morton, seconded by Commissioner Hash and motion passed by unanimous vote of the Commission.

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

Ms. Smith said the Legislative session has ended and the Lottery received 30 additional gaming positions. Eight positions were approved for the current fiscal year, and the remaining 22 positions were approved for July 1 of FY2015. She will submit a full report on the budget at next month's meeting.

New Contract - 2014 Maryland State Fair – Sponsorship Agreement (#2014-10)

This is a new sole source contract with SponsorSource, Inc. in the amount of \$50,500 for the term August 22 to September 1, 2014 for the Lottery's rental of space and other sponsorship amenities for the 2014 Maryland State Fair. This contract is similar to the contracts done over the past several years for prior State Fair events. Subject to the Commission's review and approval, this contract will be submitted to the Department of Budget and Management for its review and approval.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, she said she would entertain a motion to approve the Maryland State Fair Sponsorship Agreement (#2014-10) with SponsorSource, Inc. in the amount of \$50,500. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion passed by unanimous vote of Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said included with his report is an Instant Bingo Hall Status Report that provides details on the activity for Anne Arundel and Calvert Counties. License applications, internal controls, and security and surveillance requirements are being received from the larger facilities. All submissions should be received by June 1. Staff is working with the smaller non-profit organizations offering them assistance in completing their application forms and registrations. The application was revised and simplified for those that will have 10 or fewer machines.

An all day training session will be held this week dealing with Title 31. The training session will be live-streamed and also recorded so that this training can continue to be utilized. If the Commission is interested in viewing the live-stream, please let him know.

As far as audit staffing for the instant ticket lottery machines, he is looking at cross training the existing audit staff on this new technology.

2013 Free Promotional Play Report

Each facility operator is required to submit a report each year of its use of free promotional play during the prior fiscal year and recommend any adjustment to the limitation on free promotional play established in the regulations. The facility operator may exclude from taxable proceeds an amount that equates to 20% of proceeds the facility generated in the prior full fiscal year. Hollywood Casino Perryville utilized 2.4% of its 2012 proceeds and recommends the amount be reduced to 10%. The Casino at Ocean Downs utilized 11.2% of its 2012 proceeds and recommends no change be made. Maryland Live! Casino and Rocky Gap Casino Resort have not yet operated for a full fiscal year and are not subject to the free play promotional cap. Staff recommends that the free promotional play remain at 20% for the next fiscal year. Ms. Magefrau of Hollywood Casino Perryville and Mr. Norton of Maryland Live! Casino expressed their views on the promotional play.

After discussion, Chair Robertson Pannell said she would entertain a motion to take no action and leave the current rate of 20%. Motion made by Commissioner Marriner, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

Proposed Amended Regulations – Electronic Gaming Devices

At the January 23, 2014, meeting, the Commission approved the electronic gaming device regulations, COMAR 36.06.01 through 36.06.06. Since then, staff has received additional input from the legislature and amusement device industry. He reviewed the proposed substantive changes to be made to the regulations as noted in the staff agenda memorandum that was provided to the Commission. Also provided to the Commission was a letter from the Maryland Amusement and Music Operators Association (MAMOA). Staff is requesting that the Commission withdraw regulations 36.06.01 through 36.06.06 approved on January 23, 2014 and approve proposed amended regulations 36.06.01 through 36.06.06. These are not emergency regulations.

Comments were made by Mr. Neil Bershtein, President of MAMOA. He asked that the Commission not approve these proposed amended regulations as drafted.

Mr. Nick Garioglu from Betson Industries spoke of their concerns regarding these regulations and provided information on their company.

After lengthy discussion, Chair Robertson Pannell said she would entertain a motion to approve proposed amended regulations 36.06.01 through 36.06.06. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and motion passed by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said enhancements to the Racetrax monitor game launched and he will keep the Commission updated.

The Oriole's instant ticket contributed to the jump in instant sales and continues to have a positive impact on sales growth. The Lottery will be involved in numerous events throughout the summer months at the stadium.

Sponsorships were negotiated with the six minor league teams in Maryland, which include in-stadium signage, in-game sponsorship and on-site opportunities.

A two week tour throughout the State of Regional Advisory Board meetings with 150 retailers was recently completed. The annual Promotional Partners luncheon with media partners from around the State is scheduled for May 1.

Some upcoming events that the Lottery will be involved with include: the Charm City Folk and Bluegrass Festival in Baltimore, the Preakness in Baltimore and Wine in the Woods in Columbia.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission and asked if there were any questions. There were none.

Regulation – Video Lottery Employee Licenses - Proposed Amendment to COMAR 36.03.02.12

The Gaming Law contains a list of mandatory disqualifications for a video lottery employee license. Capt. Mooney reviewed the mandatory disqualifications in SG § 9-1A-14(c)(3) and (7). SG § 9-1A-14(c)(3) disqualifies an applicant convicted of a crime of moral turpitude or gambling within the last 7 years. SG § 9-1A-14(c)(7) disqualifies an applicant who committed an act of moral turpitude or gambling, even if they were not charged with, or convicted of, a crime; there is no “look-back” limit on how long ago the act was committed.

COMAR 36.03.02.12 is the current regulation governing video lottery employee licensing. A proposed new §D of this regulation would clarify how the Commission processes information about an applicant for a video lottery employee license if the applicant has committed an act of moral turpitude or gambling, but was not prosecuted or was prosecuted without being convicted. As proposed, new §D would establish a look-back limit of 7 years on out-of-state non-convicted acts of moral turpitude or gambling. The 7-year period is consistent with the General Assembly’s amendment of the SG § 9-1A-14(c)(3) in 2013 to establish the 7-year look-back limit for convictions. Clarifying the inconsistency through regulation is consistent with the approach the Commission took in 2011 when it promulgated regulations to address a similar issue regarding applicants for an operation license, and established a 10-year look-back limit on acts committed out-of-state.

Vice Chair McGraw asked why we would not establish a look-back limit for in-state commission of acts of moral turpitude or gambling. Capt. Mooney responded that the Commission could change the proposed amendment to include both in-state and out-of-state non-convicted acts for employees if the Commission so chooses. Following discussion, the Commission reached consensus that all look-back limitation periods, for both operators and employees, should be consistently set at 7 years for convicted or non-convicted acts, regardless of whether committed in Maryland or out-of-state.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve proposed new §D to COMAR 36.03.02.12. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion passed by unanimous vote of Commission.

Chair Robertson said she would entertain a motion to authorize Staff to amend the draft regulation to make appropriate changes to include a 7-year look-back limit for non-convicted acts committed by an applicant for a video lottery license, regardless of whether committed in Maryland or out-of-state. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion passed by unanimous vote of Commission.

The Commission discussed similarly amending the parallel provision for operation license applicants (COMAR 36.03.03.03F) to make it consistent with the video lottery employee applicant look-back limit of 7 years, regardless of where the act was committed. The Commission decided to table this for discussion until next month’s Commission meeting.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said the End of Session Report containing a synopsis of the budget language highlights, gaming and lottery related bills, as well as local gaming bills was provided to the

Commission. It was a very successful legislative session, and she gave recognition to James Butler for monitoring the bills during the session.

Four of the Lottery's departmental bills were passed. An addition was added to the Reconciliation and Finance Act of 2014 (BRFA) establishing the regular commissions of licensed lottery retailers at 5.5% of the retailer's gross receipts from ticket sales. This will not increase to 6% when the Baltimore casino opens. The BRFA also established a Maryland Amusement Game Advisory Committee to advise the Commission on issues related to the amusement industry.

SB374 passed and created a Task Force to Study Lottery Revenue. The task force is charged with studying various issues related to the decline and restoration of lottery revenue. The Lottery will provide staff to the task force.

SB481/HB275 passed and the bill prohibits those younger than 21 from playing a table game or VLT in a video lottery facility or entering or remaining in an area with a video lottery facility that is designated for table games or VLTs.

HB507 passed and this bill extended the application of the child support intercept program that applies to certain payouts from a video lottery facility. This is similar to what is currently being done for the interception of lottery winnings.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said the OAG's report was provided to the Commission, and that he had no information to add.

PUBLIC COMMENTS

Mr. Larry Bershtein, MAMOA, read part of one of the electronic gaming device regulations that the Commission passed today and said this regulation contradicts what was previously stated.

CLOSED SESSION

Chair Robertson Pannell said that pursuant to State Government Article §10-508(a)(7), she would entertain a motion to move to a closed session to consult with counsel to obtain legal advice pertaining to the Open Meetings and Public Information Acts as they relate to audits of casinos, and pertaining to the State's Minority Business Enterprise (MBE) program. Motion was made by Vice Chair McGraw, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. See attached Statement for Closed Meeting. The meeting moved to a closed session at 2:35 p.m.

In addition to the seven Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, Charles LaBoy, John Martin, John Mooney, Jaclyn Vincent, Robert Fontaine, Holly Citko, James Butler, Jennifer Wetherell and Marie Torosino. The meeting returned to open session at 3:15 p.m.

Chair Robertson Pannell announced that during the closed session, the Commission received legal advice on the State's MBE program, and on the Open Meetings and Public Information Acts relating to casino audits. There were no actions taken.

DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, May 22.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn. Motion made by Commissioner Hash, seconded by Commissioner Marriner, and motion passed by unanimous vote of the Commission. Meeting adjourned at 3:17 p.m.

Respectfully submitted,



Stephen L. Martino