

# Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL MINUTES

DATE: April 23, 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. (via phone)  
Commissioner James Stakem

Gina M. Smith, Acting Director  
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  
Representatives 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, 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 9:58 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, and James Stakem. Commissioner Bert Hash participated by phone. Commission John Morton was absent.

## **APPROVAL OF THE AGENDA**

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

## **APPROVAL OF MINUTES**

Chair Robertson Pannell stated the March 26, 2015 open session minutes and closed session minutes were provided to the Commissioners for review and she asked if there were any changes. There were no changes. Commissioner Stakem made a motion that the March 26, 2015 open session minutes and closed session minutes be approved, it was seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

## **CONSENT AGENDA**

Chair Robertson Pannell said the Consent Agenda contains five new instant ticket games for the Commission's approval: Game #211 *Fruit Explosion*, Game #213 *Lucky Bucks*, Game #217 *Betty Boop*, Game #219 *Winner Take All*, and Game #229 *Ravens*. The Consent Agenda also contains VLT Games and Component Testing (3/11/15 – 4/6/15); Bingo Hall Games and Component Testing (3/11/15 – 4/6/15); Over 95% Paytable Requests (3/11/15 – 4/6/15); Consent Agreements for Underage Violations for Hollywood Casino Perryville, The Casino at Ocean Downs, Maryland Live! Casino, and Horseshoe Casino Baltimore; Consent Agreements for Regulation Violations for Hollywood Casino Perryville, The Casino at Ocean Downs, Rocky Gap Casino Resort, and Horseshoe Casino Baltimore; Gaming License Application Denials and a Revocation/Denial Amendment; and Lottery Retailer License Application Denial for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Vice Chair McGraw asked if the over 95% payable request was for one casino. Mr. LaBoy responded once approved by the Commission, it can be implemented by any of the casinos.

Chair Robertson Pannell requested a motion to approve the five new instant ticket games noted above as well as the VLT Games and Component Testing (3/11/15 – 4/6/15); Bingo Hall Games and Component Testing (3/11/15 – 4/6/15); Over 95% Paytable Requests (3/11/15 – 4/6/15); Consent Agreements for Underage Violations for Hollywood Casino Perryville, The Casino at Ocean Downs, Maryland Live! Casino, and Horseshoe Casino Baltimore; Consent Agreements

for Regulation Violations for Hollywood Casino Perryville, The Casino at Ocean Downs, Rocky Gap Casino Resort, and Horseshoe Casino Baltimore; Gaming License Application Denials and a Revocation/Denial Amendment; and Lottery Retailer License Application Denial. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

## OPERATOR REPORTS

### Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said March gaming revenue was down 17% for year over year. Table games were down 4% for the month of March, but April is doing better.

In May, the casino will be doing a Mustang car promotional giveaway and will hold a slots tournament.

On Saturday, casino volunteers went to Elk Neck State Park for a clean-up of the area. Casino will be hosting the Wounded Warriors in May with a red carpet treatment and a dinner. In May, Hollywood Casino will be hosting the Responsible Gambling meeting.

### Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said March gaming revenue was down slightly from the previous year by 3%. April is doing great. Property underwent reconfiguration of the gaming floor over the last six months with 313 machines being moved out and bringing in 149 new machines with 58 more machines to come. He thanked the MLGCA staff for working with them. They will be addressing one of their concerns during racing season with regards to entrance into the buildings and security. Horse racing season opens on June 11 and runs through September 4, with racing four days a week on Sunday, Monday, Thursday, and Friday. This is their 66<sup>th</sup> year of racing.

He and some employees participated in the Susan G. Komen 5K Race for the Cure. In conjunction with the Greater Ocean City Chamber of Commerce, Worcester Tourism Department, the Shore Transit shuttle will run between the West Ocean City parking lot, Berlin and Ocean Downs. It was so successful last year that they are running it again. Oceans Downs Casino along with the Town of Berlin is sponsoring the route.

Vice Chair McGraw asked if players are happy with the move of the VLT machines. Mr. Cavilla responded it was a major change. Slot hostesses are available to assist customers to find their particular VLT machine and to point out the new machines.

Mr. Cavillo said he has been appointed to the Board of Directors of the Greater Ocean City Chamber of Commerce. Chair Robertson Pannell offered her congratulations on behalf of the Commission.

Question asked if there is any crossover between VLT and racetrack customers. Mr. Cavilla responded traditionally there is almost no crossover. They do have a good attendance at the racetrack.

Chair Robertson Pannell asked for a status report on table games. Mr. Cavilla said he has nothing new to report at this time.

#### Maryland Live! Casino

Mr. Robert Norton, General Manager, said March gaming revenue was down 16% for year over year. However, gaming revenue for April is looking strong.

The casino changed from state-owned to property-owned VLT machines as of April 1. They increased the amount of devices on the floor and went through a change of staff to have all technical services now in-house.

The casino will have a Batmobile promotional giveaway and the drawing is this weekend. They will also be holding a Mother's Day promotion.

The casino remains active in community. They are also the title sponsor of the Taste of the Nation and a major sponsor for the Blue Angel golf tournament in May.

#### Rocky Gap Casino Resort

Scott Just, General Manager, said March gaming revenue was affected by the weather but overall it was a good month for revenue compared to February. The golf course opened the last weekend of March. The casino continues with the moving of their VLT machines. It has been a long process, but everything is looking good. Two thirds of the hotel renovation is now complete. Spa has been licensed and is open.

Vice Chair McGraw asked about the road work. Mr. Just responded the road work is still continuing, but was held up because of the winter. Service road was destroyed and will be fixed later. The only impact has been with the buses. Commissioner Stakem asked if the shuttle bus was discontinued. Mr. Just responded there is a shuttle bus that runs year round between the casino and the Ramada Hotel in Cumberland.

#### Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager, said March gaming revenue showed growth over February. April revenue is also moving in a positive fashion. The new restaurant Guy's Bar-B-Que Joint opened at the casino and it is doing well.

The casino is opening an off-track betting area that requires a license agreement with the Jockey Club. It will be open next week before Preakness.

There was a great turnout for the Orioles tailgate party held on opening day with over 600 participants at that event. Casino will be hosting a group of people on Preakness weekend that will be coming to Baltimore to attend the race and spend some time at Horseshoe Casino.

### MGM Resorts International – National Harbor

Mr. John Rooney, Project Director, introduced the others who were present. They were Mr. Gordon Absher, Vice President-Public Relations; Mr. Uri Clinton, and Vice President-Legal Counsel; and Mr. Brian Bank, Director of Community Relations.

Mr. Rooney gave an updated PowerPoint presentation to the report that was made at the January Commission meeting. Presentation included a current program overview, construction update on the hotel, spa, salon, VLT gaming floor, conference space and six story parking garage. He showed renderings of the casino floor, casino entrance and a floor plan that included the entertainment and spa levels as well as outside views of the construction areas. Manpower currently on site is 430 workers and this will double over the next four months. Approximately 1,240 people received orientation and over 1,000 should be on site by July. They are focusing on the underground work for the foundation system and steel structure. They expect to open after July 2016.

There are 64 MBEs working on the project which include 16 in architectural engineering and 48 in construction development. Approximately \$25.3 million has been paid to the MBEs. This information was submitted to Governor's Office of Minority Affairs (GOMA).

Chair Robertson Pannell asked what percentage MGM will spend on MBEs. Mr. Anders responded approximately 22%.

Chair Robertson Pannell asked what additional efforts have been made to have more minority and community involvement. Mr. Absher responded it is an ongoing effort. They use social media and outreach programs to engage MBEs. Mr. Clinton said the compliance plan was accepted by the County.

Chair Robertson Pannell asked for an update on the road access and the additional traffic the casino will generate in the area. The response was that road improvement is being incorporated into the construction process and will be completed when construction is finished. They will be adding on the east side a road loop and a traffic light on Oxon Hill to create a one-way traffic flow around the perimeter. All road improvements are being included and completed according to the State Highway Administration plans.

## **VENDOR REPORTS**

### Scientific Games

Mr. Stephen Smith said there are no issues to report. Wawa is projecting \$10 million per year in sales through the self-service vending machines. Royal Farms is starting a self-service vending machine pilot program along the Wawa lines. Powerball matrix changes will be implemented

toward the end of this year or the beginning of next year. The contract award for the multi-state (Maryland, Michigan, Ohio and Georgia) progressive add-on to Keno has not been made as yet.

### Pollard Banknote

Ms. Julin Shaw said instant ticket sales are up 13% compared to last fiscal year. The holiday instant games were closed out in February and sales were \$75 million. There has been an increase in second chance contests associated with instant tickets.

The Lottery is at 86% of the goal set for this fiscal year, and needs \$6.8 million in instant ticket sales by the end of fiscal year to meet that goal. In FY2015, sales were \$60,000 higher per game per week than in FY2014. She showed the Commission samples of the new instant game tickets that will be available in May.

### GTECH

Mr. Gary Cherwinski said operations continue to run smoothly. In April, the acquisition of IGT took place. The official name of company is now IGT.

## STAFF REPORTS

### *Director's Report – Gina Smith*

Ms. Smith said to follow up Mr. Smith's comments regarding the Keno add-on, that RFP was issued by MUSL. When it is awarded, she will let the Commission know.

The updated sales and revenue sheet for the week ending April 19 was provided to the Commission. Sales are up \$47 million compared to last year, the majority which is the instant ticket product that is up \$55 million. Powerball sales are down \$13 million for year over year. A Lottery Directors' meeting via conference call is scheduled to discuss the matrix changes. A roll out timeframe has not yet been determined. It could possibly be in the fall or early next calendar year. Mega Millions sales are down. We are hoping for a long jackpot roll before the end of the fiscal year.

Revenue is down less than \$500,000 as compared to last year. It has been fluctuating each week.

Weekly averages show we need \$9.5 million per week in revenue to meet the BRE estimate. We are currently trending at \$10 million, and hope to continue this through the end of the fiscal year.

Chair Robertson Pannell asked how changing the matrix will help Power Ball. Ms. Smith responded changing the matrix would raise the odds of hitting the jackpot and provide additional lower tier prizes. Chair Robertson Pannell asked if similar changes would be made for Mega Millions. Ms. Smith responded no.

Chair Robertson Pannell asked if any changes will be made to the Racetrax game. Ms. Smith responded no changes to that game are planned. However, there is a \$6 for \$5 promotion

coming up. This promotion has run before and was very successful. It is usually run around the horse racing time period. SGI is working on new Racetrax graphics. Mr. Martin may have other comments to present during his report.

The Legislative session has ended. The Lottery's budget remained intact. All state agencies were affected by a 2% General Fund reduction. The Lottery will be working on close out of the current fiscal year. The budget report was provided to the Commission via e-mail last night.

New Contract – Baltimore Ravens Limited Partnership (#2015-09)

This sole source contract in the Not to Exceed amount of \$347,160 is for a two and one-half year term beginning May 8, 2015 and ending November 30, 2017. The contract will provide a license to use the Ravens NFL team marks and logos for an instant ticket lottery game, and Ravens and NFL football related prizes. This contract is similar to the contracts that have been done for the past six years.

There being no further discussion, Chair Robertson Pannell said she would entertain a motion to approve the sole source contract with Baltimore Ravens Limited Partnership (#2015-09). Motion made by Commissioner Stakem, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

Ms. Smith said this contract will be presented to the Board of Public Works at its April 29 meeting.

Contract – 2015 Maryland State Fair – Sponsorship Agreement (#2015-11)

This sole source contract in the amount of \$50,500 is for the term August 28, 2015 through September 7, 2015. This contract is for the Lottery's rental of space and other sponsorship amenities for the 2015 Maryland State Fair.

There being no questions, Chair Robertson Pannell said she would entertain a motion to approve the 2015 Maryland State Fair – Sponsorship Agreement (#2015-11). Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Contract Modification – Central Monitor and Control System for a Video Lottery Terminal Program with GTECH Corporation (#2009-11)

The Lottery wishes to exercise the single five-year renewal option on the current contract with the term September 27, 2015 to September 26, 2020 in the amount of \$17.4 million as well as modify the current contract in the amount of \$2.7 million for the term April 30, 2015 to September 26, 2020 to add the services and equipment necessary to start-up and operate a sixth VLT facility in Prince George's County. When the contract was originally executed over five years ago, the Prince George's facility was not included. It is now necessary to modify the contract.

Chair Robertson Pannell said she would entertain a motion to approve the single five-year renewal option as well as modify the current Central Monitor and Control System for a Video Lottery Terminal Program Contract (#2009-11). Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Ms. Smith said this will be presented to the Board of Public Works at its April 29 meeting.

**Gaming – Charles LaBoy, Assistant Director**

Mr. LaBoy said the Audit Division continues to make progress on the 2015 audit schedule. On April 3, the Commission Audit Committee met with staff to discuss the status of the gaming and lottery audits and to review video lottery facility operations including a financial update of Caesars Horseshoe Baltimore.

Staff is working on the annual regulation review process. Over 40 regulation change requests were received from the industry. He will keep the Commission updated.

There are 436 State-owned VLT devices that are continuing to be moved to the warehouse facility. An on-line auction is scheduled for May 12. He will have an update at next month's meeting.

Responsible Gambling Program now has available on the MLGCA's website a webinar on Problem and Responsible Gambling for the Bingo staff and volunteers to take as part of their licensing process.

2014 Free Promotional Play Report

In accordance with the Gaming Laws, each facility operator is required to submit a report 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. Current regulations state that each facility operator may exclude from taxable proceeds an amount that equates to 20% of proceeds the facility generated in the prior full fiscal year. Per statute, facilities that have not had a full fiscal year of operation are not subject to this limitation. Rocky Gap and Horseshoe did not operate for a full fiscal year in 2013 and therefore, were not subject to the free promotional play cap in 2014.

The reports submitted by the facility operators provide the following:

- Hollywood Casino at Perryville – recommended no change
- The Casino at Ocean Downs – recommended no change
- Maryland Live! Casino – recommended no change
- Rocky Gap Casino and Resort – recommended no change
- Horseshoe Casino Baltimore – recommended no change

The Commission may direct staff to adjust in the regulations the amount of free promotional play that is excluded from taxable proceeds or take no action and leave the rate at 20%.

Chair Robertson Pannell said she would entertain a motion that no action be taken at this time and to leave the current rate at 20%. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

*Lottery – John A. Martin, Assistant Director*

Mr. Martin said in FY2014 new bet types were added to the Racetrax game and SGI is working on additional graphic changes. Annual Racetrax \$6 for \$5 promotion starts on April 27 and coincides with horse racing in Maryland. Work is also continuing on the enhancement of the mobile app for players to be able to view Keno results on their cell phones.

The Bonus Match 5 Doubler – Taxes Paid promotion ends on April 26. There have been two top tier winners thus far. Players can double any prizes won upon receiving a ticket with the word “Doubler” printed on it, but the Lottery will pay taxes only on the top tier prize.

Instant tickets are doing well. Five new instant tickets launched in April. *Baseball Bucks* instant game is off to a great start. On May 4, we will begin the annual merchandising effort for SalesMaker to improve sales at retailer locations throughout the State.

Mr. Martin said he is in the middle of a two week tour of the Regional Advisory Board meetings. These meetings are held with retailers to address their concerns and help to improve their sales.

Vice Chair McGraw asked for more details on “50,000 Reasons to Play” promotion. Mr. Martin responded this all games promotion begins May 25 and will run through June 21. Any terminal game ticket purchased and entered into “My Lottery Rewards” during the promotional period will receive one entry into the second chance contest for cash prizes and rewards points. There is a drawing in June and the top prize is \$50,000 and 50,000 “My Lottery Rewards” points, as well as ten smaller prizes.

*Enforcement – John Mooney, Assistant Director*

Mr. Mooney said the total number of gaming and non-gaming licenses processed by the Licensing Division has topped the 16,000 mark.

Proposed Initial Public Offering – Innova Gaming Group, Inc.

Mr. Mooney said Diamond Game Enterprises anticipates a change of ownership in connection with a proposed initial public offering (IPO) of common shares of Amaya, Inc.’s newly formed corporation Innova Gaming Group, Inc. (Innova) on the Toronto Stock Exchange. Innova is a wholly-owned subsidiary of Amaya formed in connection with the proposed initial public offering and upon completion of the offering, it will hold all of the shares of Diamond Game Enterprises. Innova is requesting approval for an initial public offering of common shares as required under the Gaming Law. He read the Executive Summary into the record that included an introduction, background, proposed initial public offering, pre-IPO reorganization, and findings. It is the opinion of MLGCA staff that the proposed IPO and pre-IPO reorganization meets and is consistent with the Gaming Law.

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

Hearing none, Chair Robertson Pannell said she would entertain a motion to approve the transfer of all of the issued and outstanding shares of Diamond Game Enterprises from Amaya Americas Corporation to Amaya, Inc., and the initial public offering of common shares of Amaya Inc.'s newly formed corporation Innova Gaming Group, Inc. Motion made by Commissioner Stakem, seconded by Commissioner Boozer and motion carried by unanimous vote of Commission.

#### Manufacturer's License Renewal

- Ainsworth Game Technology Limited
- American Gaming Systems, LLC
- Diamond Game Enterprises
- International Game Technology
- Keystone Gaming Machines, LLC

Mr. Mooney said the five manufacturers noted above filed applications with the MLGCA for the renewal of their manufacturer licenses. They were initially approved for a manufacturer license by the Commission on April 30 and May17, 2010. He read the Executive Summary into the record that included an introduction, financial suitability review, and conclusion and opinion. It is the opinion of MLGCA staff that the five applicants noted above are qualified to be approved for renewal of their 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 further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to find that Ainsworth Game Technology Limited has established by clear and convincing evidence that it meets the qualifications for renewal of its manufacturer's license under the Gaming Law. Motion made by Commissioner Stakem, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that American Gaming Systems has established by clear and convincing evidence that it meets the qualifications for renewal of its manufacturer's license under the Gaming Law. Motion made by Commissioner Stakem, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that Diamond Game Enterprises has established by clear and convincing evidence that it meets the qualifications for renewal of its manufacturer's license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that International Game Technology has established by clear and convincing evidence that it meets the qualifications for renewal of its manufacturer's license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that Keystone Gaming Machines, LLC has established by clear and convincing evidence that it meets the qualifications for renewal of its manufacturer's license under the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of Commission.

Mr. Mooney said wanted to recognize the hard work done by the Licensing Division in the past three months, especially Mark Ermer and David Robinson. Chair Robertson Pannell also thanked them for their efforts on behalf of the Commission.

*Policy and Planning – Jaclyn Vincent, Assistant Director*

Ms. Vincent thanked Mr. James Butler for the great job he did in Annapolis during this Legislative session this year. She asked that he present the end of session report.

Mr. Butler, Director of Legislative and Policy Affairs, said the Maryland General Assembly ended its 2015 Session on April 13. Four out of five of the Lottery's departmental bills passed. The Commission was provided with an end of session summary report. The Agency will move forward to implement the bills passed to insure the regulations are ready for implementation.

*Office of the Attorney General – Robert Fontaine, Principal Counsel*

Mr. Fontaine said he had nothing to add to his report.

**PUBLIC COMMENTS**

Mr. Kevin O'Keeffe, lobbyist for the Maryland Amusement & Music Operators Association (MAMOA) said on behalf of MAMOA, he wanted to take this opportunity to thank Ms. Smith and Mr. LaBoy for spending an enormous amount of time working with them as well as Mr. Michael Richard, Governor's Deputy Chief of Staff, to go through the electronic gaming device regulations and develop a set of regulations to come before the Commission. These regulations will help the industry and make sense for all parties involved. Thank you for the efforts you expended.

Chair Robertson Pannell asked if there were any further comments. There were none. She thanked Mr. O'Keeffe for his comments.

**DATE AND TIME OF NEXT MEETING**

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, May 28.

**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 Hash and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:26 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gina M. Smith", with a long, sweeping horizontal stroke at the end.

Gina M. Smith