

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

DATE: June 18, 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 George L. Doetsch, Jr.
Commissioner Bert J. Hash, Jr.
Commissioner John Morton (via phone)
Commissioner James Stakem

Gordon Medenica, Director
Gina M. Smith, Deputy Director/CFO
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
Holly Citko, OAG Deputy Counsel
Jaclyn Vincent, Assistant Director for Policy and Planning
Phil Metz, VLT Licensing Manager
Marie Torosino, Executive Assistant

OTHERS: Representative from Hollywood Casino Perryville
Representative from The Casino at Ocean Downs
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
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 10:02 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, and James Stakem. John Morton participated by phone.

Chair Robertson Pannell introduced the new MLGCA Director, Gordon Medenica, who started at the Agency on June 1. She then read a short bio on him.

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 Stakem, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the May 28, 2015 open 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 May 28, 2015 open session minutes be approved, it was seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains seven new instant ticket games for the Commission's approval: Game #231 *Wizard of Oz*, Game #234 *Penguin Doubler*, Game #235 *Cookies and Cash*, Game #236 *Tic Tac Dough*, Game #237 *Holiday Lucky Times 10*, Game #238 *Let It Snow Tripler*, and Game #239 *Diamond 7s*. The Consent Agenda also contains VLT Games and Component Testing (5/14/15 – 6/3/15); Maryland Live! Casino Consent Agreement, Gaming License Application Denials, 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 why isn't a Licensing Fee listed on the new game financial sheet for the *Wizard of Oz* instant ticket. Mr. Martin responded this game is part of the instant ticket contract and no licensing fee is required.

Chair Robertson Pannell requested a motion to approve the seven new instant ticket games noted above, VLT Games and Component Testing (5/14/15 – 6/3/15); Maryland Live! Casino Consent Agreement, Gaming License Application Denials, 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 May gaming revenue was \$7.1 million which is down 9% for year over year. Slots are down 7% for year over year with table game revenue down 20% for year over year. June is off to a solid start.

The facility held a Mustang car giveaway promotion a few weeks ago. During July, cruise promotional giveaways will take place. Also in July, the facility is hosting its first Black Jack Tournament. September is the casino's fifth anniversary and promotions will be held during September to celebrate, and concluding on the last weekend with the biggest giveaway in the facility's history.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said gaming revenue for May was \$4.991 million, which is up 5.8% for year over year. Thus far, June is doing well. It is the kickoff of the summer season for the Eastern Shore. Live harness racing begins on June 11 and runs four days a week. The casino was a sponsor of the recent air show. A special event was held on Saturday night with the Blue Angels, American Legion Post, and other Veterans clubs. The Blue Angels spent three hours on the property talking to customers. Over 1,000 people were outside of the casino at this event with another 800 to 900 inside. Revenue went up significantly because of that weekend.

Mr. Cavilla said the facility is a sponsor of the trolley that runs a local route in the area. The facility also partnered with five Ocean City hotels in providing a shuttle for customers.

Maryland Live! Casino

A representative from the casino was not able to attend today's meeting.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said May was a good month despite all of the rain. The Oak Ridge Boys concert was held and there was a good attendance. In May, the facility completed the energy upgrade program with changes to the air conditioning system.

Horseshoe Casino Baltimore

Mr. Alex Dixon, Vice President and Assistant General Manager, said May was a soft month for revenue for the facility due to the unrest in Baltimore; however, it is coming back stronger in June. The facility has some great entertainment coming up with appearances by Wayne Newton,

Jagged Edge, Dru Hill and Cisco. They are trying to get people to come back downtown to the casino. The facility is pleased with the off-track betting results thus far. A professional card stacker created a skyline of DC and Baltimore inside the steak house restaurant.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica thanked the Chair for her prior introduction. He said he has been on the job for two weeks. He is finding that this is a well-run organization with a wonderful staff.

On the lottery side, the numbers are strong, and the Agency has reached over \$1 billion in sales for fiscal year 2015. The improvement this year was driven by the instant side of business. The weakness is the national jackpot games--Powerball and Mega Millions. The casinos previously presented their individual reports.

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

Ms. Smith said her Division is preparing for the FY2015 closeout. There are various deadlines to meet starting in July and ending in October. A new office voice mail system will be installed in the near future. The software update of the accounting system has been completed and it will help the Agency to be more efficient.

There was discussion regarding what steps the Agency took when the unrest was occurring in Baltimore, how the Agency was proactive in identifying the affected retailers, prevention of liability, blocking the instant tickets from being cashed, the accountability of the stolen instant tickets, how the Agency could improve the way activated tickets are handled, ways to improve the control systems to quickly identify stolen tickets and prevent them from being cashed, and how to quantify the number of instant tickets that were stolen during the unrest that may have been cashed. The Commission requested a follow-up analysis reporting regarding the stolen tickets.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the VLT Audit Division continues to work on the FY2015 Audit Plan. On June 12, a Commission Audit Committee meeting was held and a follow-up meeting will be scheduled. There were numerous subjects discussed and year-end financials were reviewed for all the casino properties.

Vice Chair McGraw asked if there have been any lottery Voluntary Exclusion Program (VEP) violations. Mr. LaBoy said the lottery VEP works differently in that we do not have security checkpoints to identify an individual at a retailer location. If someone cashes a winning ticket over \$599, and they are on the VEP list, then they would be directed to the Lottery. The retailer would not know the reason why. As yet, there have not been any violations.

Proposed Amended and New Regulations

COMAR 36.05.04.02 – Blackjack Tables and Card Reader Devices. The proposed amended §§ B(4)(j) and D of this regulation would add the Super 4 Progressive side wager to Blackjack. The amendment to §§B(3)(d) of this regulation would remove the requirement to inscribe on the table “Dealer shall draw to 16 and stand on all 17s.” The other amendments are non-substantive, and are required to bring this regulation into compliance with the *Style Manual for Maryland Regulations*.

COMAR 36.05.04.06 – Blackjack Wagers. This proposed amended regulation would add the Super 4 Progressive side wagers to Blackjack.

COMAR 36.05.04.13 – Blackjack Payout Odds and Limitation. This proposed amended regulation would add the Super 4 Progressive side wager odds to Blackjack.

COMAR 36.05.19.01 through 36.05.19.13 – Double Draw Poker Game. These proposed new regulations would add the Double Draw Poker Game to COMAR.

Staff is recommending approval of these amended and new regulations.

Chair Robertson Pannell said she would entertain a motion to approve proposed amended COMAR 36.05.04.02, 36.05.04.06 and 36.05.04.13 Blackjack Rules. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis COMAR 36.05.04.02, 36.05.04.06 and 36.05.04.13 approved today by the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve proposed new COMAR 36.05.19.01 through 36.05.19.13 Double Draw Poker Game. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis COMAR 36.05.19.01 through 36.05.19.13 approved today by the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Rocky Gap Gaming Floor Expansion

Rocky Gap’s amended license agreement approved by the Location Commission in January 2013, stated “the revised award will be for a total of 558 machines with the right to draw upon the total 850 VLTs, provided that the additional machines requested are put into operation within five years of the issuance of the operation license.” Rocky Gap has requested to increase their

VLT count by 54, which would bring Rocky Gap's total to 631. During the February 2014 Commission meeting, the Commission approved a similar increase of 19 VLTs to bring Rocky Gap's current total to 577.

For the current request, 24 VLTs would be placed within Rocky Gap's existing gaming floor area and 30 would be placed in a new outdoor gaming area. Rocky Gap has submitted affidavits attesting that their outdoor gaming area and its intended use meets all applicable local and state requirements.

Mr. Just gave a brief explanation of the outdoor area. He said Rocky Gap has met the state and local requirements. The area is enclosed on three sides with a roof that has a three foot overhang on the fourth side and it is air conditioned. It is in the back of the property on the second level with access only through the casino. They will have covers available that would protect the VLTs in the event of inclement weather.

Mr. LaBoy said staff reviewed the budget to ensure it has sufficient resources to fulfill this request. Rocky Gap will begin to offer the outdoor area toward the end of July. Staff recommends approval.

Chair Robertson Pannell said she would entertain a motion to approve Rocky Gap Casino Resort's request to increase their VLT count by 54 VLTs bringing the total to 631 VLTs, and also to approve their outdoor gaming area. Motion made by Commissioner Stakem, seconded by Commissioner Morton, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said his report stands as written. Last week, new Racetrax screen graphics were released. These graphics will provide player enhancement and higher definition graphics.

On June 22 the following instant tickets launched: *Magic 8 Ball*, *World Championship Poker*, *Amazing 8s* and *Hit It Big*.

The *Baseball Bucks* instant ticket has a "Fan of Game" second chance component. Players submit non-winning tickets for a chance to win \$500 for being chosen as "Fan of the Game" and then could win \$500 for every Oriole homerun hit during that game. Kevin H. from the Eastern Shore recently won a total of \$4,500 for eight home runs hit by the Orioles. He came in yesterday to collect his winnings.

Chair Robertson Pannell asked who owns the Racetrax screen graphics. Mr. Martin responded SGI owns the screen graphics.

Mr. Martin said after 11 weeks of sales, the *Baseball Bucks* instant game is 45% sold and the *Harley Davidson* instant game is 36.5% sold.

Commissioner Morton asked how many instant tickets are usually printed for each game. Mr. Martin responded it ranges depending upon price point and promotional needs. The \$5 instant ticket is the most popular ticket.

Enforcement – Phil Metz, VLT Licensing Manager

Mr. Metz said to update the report, bullet number two under Casino Compliance Division, the vacancies have been filled at The Casino at Ocean Downs and Hollywood Casino Perryville.

Merger Agreement Between Lakes Entertainment, Inc. and Sartini Gaming, Inc. (Golden Gaming)

Mr. Metz introduced the VLT Licensing investigators who handled the investigation concerning this merger. They were Linda Willis, Mark Ermer, Anthony Singleton, Mark Williams and Norman Milligan. The investigators traveled to several states to conduct the interviews and reviewed volumes of financial records and other documentation.

Mr. Robert Ruben, legal counsel for Golden Gaming welcomed Mr. Medenica to the Lottery. He said he also would like to acknowledge the work of the investigators. He said Golden Gaming's Chief Executive Officer Blake Sartini and Chief Operating Officer Steve Arcana were not able to attend today's meeting, but hoped to attend a meeting in the future.

Mr. Metz said in January 2015, the MLGCA received official notification of the proposed merger agreement between Lakes Entertainment, Inc. and Sartini Gaming, Inc. (Golden Gaming). He said a representative from Golden Gaming was present to answer any questions from the Commission. He read the executive summary into the record which included an introduction, proposed merger information, background information, and findings. It is the opinion of MLGCA staff that the proposed merger be approved.

There was further discussion by the Commission regarding the company's financial information.

Chair Robertson Pannell asked if there were any other questions for Mr. Metz or the applicants, or any public comment. 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 approve the proposed Merger Agreement between Lakes Entertainment, Inc. and Sartini Gaming, Inc. (Golden Gaming). Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Policy and Planning – Jaelyn Vincent, Assistant Director

Ms. Vincent said she had no new information to report to the Commission. The Agency is staying up-to-date on all regulations.

Office of the Attorney General – Holly Citko, Deputy Counsel

Ms. Citko said there was nothing to add to the report.

PUBLIC COMMENTS

There were no public comments


DATE AND TIME OF NEXT MEETING

There will be no July Commission Meeting. The next meeting will be Thursday, August 27 at 10 a.m.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Vice Chair McGraw and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:07 a.m.

Respectfully submitted,


Gordon Medenica