

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING COMMISSION JUNE MINUTES

DATE: June 23, 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 John Morton (via phone)
Commissioner Bert Hash, Jr.
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
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
James Butler, Director, Legislative and Policy Affairs
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
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 10:03 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, and James Stakem. Commissioner John Morton participated by phone.

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

APPROVAL OF MINUTES

Chair Robertson Pannell said the May 26, 2016 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Vice Chair McGraw made a motion that the May 26, 2016 open session minutes be approved, it was seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains ten instant games for the Commission's approval: Game #253 *Scrabble*™ (\$2), Game #271 *Loose Change* (\$1), Game #272 '7' (\$5), Game #280 *Your Fortune* (\$10), Game #282 *Maryland* (\$2), Game #285 *Magic Number Bingo* (\$5), Game #295 *Winter Wins* (\$1), Game #296 *Jolly Jackpot* (\$2), Game #298 *Holiday Cash Times 10* (\$5), and Game #299 *Winter Tripler w/FX* (scratch effects) (\$10). She said the Consent Agenda also contains Electronic Gaming Device (EGD) Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (5/9/16 – 6/13/16); Consent Agreement–Regulatory Violations for Maryland Live! Casino; Consent Agreement–Underage Violations for Maryland Live! Casino and The Casino at Ocean Downs; Gaming License Application Denials; Lottery Retailer License Application Denial; Revocation of Lottery Retailer Licenses; and Staff Reports for James Nielsen, Leo Mamorsky, Carole Everett, and Robert Fontaine. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell said she would entertain a motion to approve the ten instant games noted above, Electronic Gaming Device (EGD) Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (5/9/16 – 6/13/16); Consent Agreement–Regulatory Violations for Maryland Live! Casino; Consent Agreement–Underage Violations for Maryland Live! Casino and The Casino at Ocean Downs; Gaming License Application Denials; Lottery Retailer License Application Denial; Revocation of Lottery Retailer Licenses; and Staff Reports for James Nielsen, Leo Mamorsky, Carole Everett, and Robert

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

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said May revenue is down 3% for year over year. June revenue is off to a slow start.

Next week the facility is bringing the Harford County Chamber of Commerce and various business leaders together on the property to see the casino and to have the opportunity for the business leaders to meet each other.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said May revenue was up 3% for year over year. June revenue is sluggish.

As a sponsor of the air show last week, the property had numerous events going on. After the air show was over in the beach area, they invited visitors back to the property on Saturday to meet the USAF Thunderbird pilots, flight crew and parachute jumpers. The American Legion color guard was present. The facility also honored a World War II veteran for his service. A concert featuring the country group, The Stickers, was held and well attended. The group will be coming back in September for another concert.

Chair Robertson Pannell asked since this is the prime time of the season for the Eastern Shore area, to what do you attribute the sluggish revenue. Mr. Cavilla said in conversations he has had with hotel and restaurant owners, it seems that "Senior Week" has turned into senior month. Tourists tend to shy away during this time when the high school graduates are in Ocean City.

Mr. Cavilla said the concrete floor slab has been poured for the expansion. However, construction will stop temporarily during horse racing. The building itself is a prefab and will be brought in by September.

Horse racing is running four nights a week from June 12 through September 5 with a \$3 million purse this year.

The facility is running advertising banners on planes that fly over the beach and on the Ocean City boardwalk trams.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said May revenue was \$59.1 million, 2% ahead for year over year.

In May, a promotional giveaway of a Porsche was held. In June, as a sponsor of the 2016 Celebration of Pride and Capital Pride Festival in Washington DC, the facility held events and promotions. On June 26 at Rams Head Live, the Village People will perform. Next month, the facility will host a Ghostbusters promotion celebrating the movie remake. A replica of the Ghostbusters ambulance will be on site.

Construction Update: The 17-story hotel will take over one year to complete and will consist of 310 luxury room and suites, a large event center, restaurants, and a spa. Mr. Shipley will provide an opportunity in the future for the Commission to see the plans.

Rocky Gap Casino Resort

Mr. Jason Bittinger, Director of Security, said May revenue was 4.1% ahead for year over year. June revenue is off to a good start. The facility completed the 168 spot parking expansion. Final landscaping is being completed and remodeling of some of the hotel rooms and suites is taking place. A power outage occurred on May 13 and it had no major impact in the casino area. The outage affected the hotel and restaurant for a few hours.

The casino had a great turn out for the Nissan car promotion on Memorial Day weekend. Despite the rain on May 21, the band Kix performed an outdoor concert to a large crowd.

Horseshoe Casino Baltimore

Mr. Alex Dixon, Assistant General Manager, said May revenue was good and the facility benefitted from the onsite off-track betting parlor on Preakness weekend. June revenue started off soft.

The facility participated in community clean ups with other business associations.

COMMISSION ITEM

Update – MGM National Harbor

Ms. Tamala Law, Director of Compliance, said they are making progress on the construction of the facility. The external lift was removed completely from the building and it should be enclosed by the end of the week. Internally on the casino floor, the carpet is being installed and other finishes are being completed.

The hiring center opened on Wednesday and Governor Hogan paid a visit. The first dealer class will end this week and 180 graduates will move on to the next class in July. Over the next three weeks, they will hold hiring events for security and slot technicians. The next hiring event will be in October.

MGM National Harbor was part of an open community marketplace and despite the rain, were able to feed over 100 families.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said we are one week away from the end of the fiscal year. We hope to be able to report an all-time record year in sales and profit for the Lottery. Mega Millions and Powerball jackpots continue to roll with Mega Millions at \$363 million and Powerball at \$203 million.

Mr. Medenica said all the lottery games are doing well. Instant games continue to do double digit growth, with just the \$2 price point games down. The Lottery is seeing a shift in players to the higher price point instant games, which is a positive for the Lottery.

The renewal/modification for the Advertising Contract that the Commission approved last month was approved by the Board of Public Works yesterday.

The Lottery Central Monitoring and Control System RFP Evaluation Committee has been working on the evaluation of the submitted bids. They made site visits to the potential bidders' facilities and were given presentations. This is a tremendous effort and amount of time spent by the Committee members. The Committee is close to making a recommendation to the Commission.

Chair Robertson Pannell offered congratulations on behalf of the Commission on the excellent sales and profits.

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

Ms. Smith said the Commission was provided with the current sales and profit sheet for the week ending June 19. The April financial statement was provided to the Commission. Next month, the Commission will receive the financial statement for May, and then there will be a break as the financial statements are converted to GAAP.

The Department of Budget and Management (DBM) had a statewide hiring freeze on all vacant positions. Next week, DBM will be approving some of our vacant positions, particularly in the Sales and Licensing Divisions. We will fill these position as quickly as possible.

Chair Robertson Pannell asked how many vacant positions does the Agency currently have. Ms. Smith responded there are approximately 12 to 15 vacant positions.

The statewide electronic timekeeping system launched in May. DBM is working with the Agency to resolve any issues.

In response to a question from the Chair on the MUSL Security survey, Ms. Smith said every year MUSL conducts this survey to ensure the Lottery is complying with all Powerball procedures.

In response to a question from the Chair, Ms. Smith said fingerprinting equipment was purchased and installed at multiple casinos, and the Licensing Division utilizes this equipment to perform fingerprinting at the casinos.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said at the last Commission meeting he spoke on the table game standard rule changes. There are changes attached to his report and no action is necessary by the Commission. This is done as part of the internal review procedure and he will continue to provide updates to the Commission on a frequent basis.

Commission Action Item

Proposed Withdrawal and Replacement of Electronic Gaming Device and Skills-Based Amusement Device Regulations

Mr. LaBoy said staff is requesting that the electronic gaming device and skills-based amusement device regulations that were approved by the Commission at the May 2015, meeting be withdrawn and replaced with new regulations to incorporate requirements as provided for in Senate Bill 941 that was passed during the 2016 Legislative session.

After discussion, Chair Robertson Pannell said she would entertain a motion to withdraw proposed electronic gaming device regulations COMAR 36.06.01 through 36.06.06, which were proposed on May 28, 2015. Motion made by Commissioner Stakem, seconded by Commissioner Doetsch, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to withdraw proposed skills-based amusement device regulations COMAR 36.08.01 through 36.08.03, which were proposed on May 28, 2015. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve new electronic gaming device regulations COMAR 36.06.01 through 36.06.03, which are intended to take effect on January 2, 2017. Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to approve new skills-based amusement device regulations COMAR 36.08.01 through 36.08.04, which are intended to take effect on January 1, 2017. 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 delegate to Staff the authority to make any non-substantive changes necessary to the approved amendments to prepare them for

publication in the *Maryland Register*. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Lottery – John Martin, Managing Director, Chief Revenue Officer

Mr. Martin said closed game financials were provided to the Commission. Mr. Martin gave a brief explanation regarding the comments and percentages on page two. We make proactive decisions to manage profit and how long games stay on the street. Some games will be 18 to 24 plus months sold at 98% to 99% levels. Best practices are to have games off the street in approximately a 52-week period with enough time fill in with new games.

Most Lotteries pull tickets from the field when at the 60% to 70% sales level. There are one or two games that are pulled after a year on the street because the retailers are not getting the return they deserve. After top prizes sold in a particular game, it is pulled. However, each game pulled is decided on a case by case basis. Maryland is currently doing double digit instant game sales.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said he continues to work closely on the upgrades to the e-licensing system, which has involved many hours of design and testing.

Currently, there are approximately 7,600 licensed gaming employees. Licensing continues to work closely with MGM National Harbor in processing employee and vendor license applications. A Casino Compliance Supervisor and two Leads have been hired for MGM National Harbor.

Commission Action Item

Manufacturer’s License Hearing – Cammegh Limited

Mr. Mooney said MLGCA staff conducted a suitability background licensing investigation of Cammegh Limited 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. A representative from the manufacturing company was not present.

Mr. Mooney read the Executive Summary into the record, which included an introduction, financial suitability review, 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.

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 Cammegh Limited and individual principal license applicants: Richard Cammegh, Andrew Cammegh, and Barbara Cammegh. Motion to approve was made by Commissioner Hash, seconded by Commissioner Doetsch, and the 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 the applicant. Motion was made by Commissioner Hash, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of Commission.

PUBLIC COMMENTS

There were no public comments.

DATE AND TIME OF NEXT MEETING

There will be no Commission meeting in July. The next regular monthly Commission meeting is scheduled for 10 a.m. on Wednesday, August 17. However, the Commission may be contacted concerning the possibility of a conference call to discuss the results of the Central Monitoring and Control System RFP.

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, seconded, and the motion carried by unanimous vote of the Commission. The meeting adjourned at 10:53 a.m.

Respectfully submitted,



Gordon Medenica