

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

DATE: June 29, 2017

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Bert Hash, Jr.
Commissioner John Morton (via phone)
Commissioner James Stakem

Gordon Medenica, Director
Gina M. Smith, Deputy Director, Chief Financial Officer
James Nielsen, Assistant Deputy Director, Chief Operating Officer
Robert Fontaine, OAG Principal Counsel
John Gorman, Managing Director, Chief Marketing Officer
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
Carole Gentry, Managing Director, Communications
James Butler, Director, Legislative and Policy Affairs
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, 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 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. Commissioner Morton participated by phone.

APPROVAL OF THE AGENDA

Chair Robertson said the Commissioners were provided with a copy of the Amended Agenda. The Chair said she would entertain a motion to approve the Amended Agenda. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

APPROVAL OF THE MINUTES

Chair Robertson said the May 25, 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 Commissioner Doetsch that the May 25, 2017, open session minutes be approved. Motion was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson said that the Consent Agenda contains ten instant tickets for the Commission's approval: Game #338 *GOLD* (\$5), Game #340 *4 Way Cash* (\$2), Game #341 *\$100 Grand* (\$10), Game #342 *Deluxe Crossword* (\$5), Game #344 *Candy Cane Cash* (\$1), Game #345 *Gifts Galore* (\$2), Game #346 *Polar Payout* (\$3), Game #347 *Holiday Riches* (\$5), Game #348 *Winter Ice Multiplier* (\$10), and Game #350 *Loose Change* (\$1). She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (5/12/17 to 6/16/17); Consent Agreements—Regulatory Violations for Horseshoe Casino Baltimore—December 2016, January 2017, and February 2017, and Rocky Gap Casino Resort—March 2017; Consent Agreements—Underage Violations for Horseshoe Casino Baltimore—Case Nos. 2017-05-017, 2017-05-022, and 2017-05-029; Gaming License Application Denials; Gaming License Denial Reversal; Lottery Retailer License Revocations; and Staff Reports for John Martin, Carole Gentry, Robert Fontaine, and Marketing Staff. The Chair asked if the Commission wished to remove any items for discussion.

Hearing none, Chair Robertson said she would entertain a motion to approve the ten instant games noted above, the Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (5/12/17 to 6/16/17); Consent Agreements—Regulatory Violations for Horseshoe Casino Baltimore—December 2016, January 2017, and February 2017 and Rocky Gap Casino Resort—March 2017; Consent Agreements—Underage Violations for Horseshoe Casino Baltimore Case #2017-05-017, #2017-05-022, and #2017-05-

029; Gaming License Application Denials; Gaming License Denial Reversal; Lottery Retailer License Revocations; and the Staff Reports. Motion to approve made by Commissioner Doetsch, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for May was \$6.3 million, down 8% year over year. Slots revenue was down 9% and table games revenue was down 2%, year over year. Revenue has been affected by large jackpots won by players. Slots volume down 1.5%. June is looking good and numbers are up for year over year.

Ms. Jeannie Magdefrau has left Hollywood Casino Perryville, but still remains with the company and is now the General Manager at the Baton Rouge location.

The Casino at Ocean Downs

Ms. Bobbi Sample, General Manager, said total revenue for May was \$5.3 million, up 3.2% year over year. They have had steady growth in revenue and thus far, June is doing well.

The smoking patio opened on Memorial Day weekend as planned, and they received positive feedback from the customers.

The casino was a title sponsor of the Ocean City Air show. On that Saturday, the property sponsored a salute to the Armed Forces, and an American flag was presented to a war veteran. The Blue Angels made an appearance and fireworks were held in the evening.

From June to September, the casino is running a promotion with drawings every Tuesday night where five players can win free slot play dollars and a chance to win \$250,000 towards the purchase of a beach house.

Starting July 9, the casino will begin taking ownership of the VLTs. They will eventually have 350 new VLT games on the floor.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said total revenue for May was \$45.9 million, down 22% year over year. Revenues for slots were down 18% and table games were down 29%, year over year. In celebration of the casino's fifth anniversary, they will hold a promotional giveaway of five Tesla cars.

The casino remains active in the community. They participated in the Capital Pride event in DC. A minority vendor fair was held and the Lottery and other casinos in the state participated.

A nearby hotel, which was purchased by the casino, continues to do well. It had a 95% occupancy this month. The construction of the new hotel is progressing nicely.

Chair Robertson asked if the hotel was renovated when it was purchased. Mr. Lamb said renovations would begin in the next two weeks. The hotel is eight years old and in good shape. They will add a casino touch to it, and the Live! Lofts renovation should be completed by the end of the summer.

Chair Robertson asked what is the completion date for the new hotel currently under construction. Mr. Lamb said the new hotel should be completed by April 2018. The casino will give a presentation to the Commission in the next few months.

A few months ago, he spoke about employee transportation issues. They have made good progress on that. A vanpool program was started with Enterprise providing the vehicles. A group of 30 employees are participating. Employees will save over one and one-half hours of travel time each way.

Chair Robertson asked when the employee transportation program started. Mr. Lamb said it started three weeks ago. Employees pay to join the program. The casino pays for approximately half and the employees pay for the other half. It is 25% less cost for the employees instead of them taking one or two buses to get to work.

Mr. Lamb said they have submitted a request to the Commission for approval of the addition of an outdoor area at the facility. This will include the addition of 13 additional VLTs, taking their VLT count from 3,980 to 3,993. Having the outdoor area will provide customers with an experience similar to the other casinos.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President and General Manager, said total revenue for May was \$4.7 million, up 7% year over year. This increase was led by table games; however, there was a drop in slots. June is trending in the right direction.

In May, the band Kix performed before 2,000 people on the driving range. It was great to see that many people attend the concert.

The lakeside terrace improvement at the back of the property has been completed. It gives guests an opportunity to enjoy the lake views. An opening reception was held last Thursday and it was well received by players and others who attended. This week through September, golf will be in full swing.

They are in the middle of their employee Responsible Gambling refresher training and are rolling out a new training program available both on-line and internally.

The casino is preparing to take ownership of the slot machines. He thanked the Director, Commission, and staff for their assistance during this transition.

The casino was a sponsor of a nonprofit organization's event that provides support for adults with developmental disabilities to help them get back into the community. The casino also participated with the United Way in their "Stuff the Bus" campaign where school supplies were collected.

An MBE vendor event was held at the property on June 19.

Mr. Dice introduced Mr. Sean Higgins, Golden Entertainment's Chief Legal Officer and Executive Vice President of Business Development and Government Affairs. Mr. Higgins said Golden Entertainment would be acquiring American Casino and Entertainment Properties for \$850 million. Consideration consists of \$781 million in cash and the remainder in stock from Golden Entertainment. He explained the transition process. He said this does not directly affect Maryland. The transaction is expected to close by the end of 2017. The Commission was provided with a copy of the acquisition overview.

Horseshoe Casino Baltimore

Ms. Lynn Hughes, Vice President-Legal Affairs and Chief Legal Officer, said total revenue for May was \$23.6 million, down 18% year over year. Soft volume continues in June. They will continue to evaluate it.

The promotion "Experience the Empire" ended. This promotion gave customers a chance to win an experience at one of their other destinations.

In the community, they were a sponsor for the "Race for Homeless" event that benefited homeless veterans and veterans in need. Team members participated in the "Employees Got Talent" show that took place and proceeds were donated to a charitable organization. A festival is scheduled for July.

MGM National Harbor

Mr. Max Fisher, Vice President and Chief Financial Officer, said total revenue for May was \$50.5 million. June is off to a great start. A number of shows in the theater are scheduled, including Barry Manilow and Cher.

A promotional summer cash giveaway is coming up. They are planning for a 4th of July celebration.

The casino continues to participate in a number of community activities throughout the summer. They are working with Prince George's County Human Resources to sponsor five county youths in the youth services program.

Mr. Fisher introduced Mr. Alexander Alvarado, Vice President of Slots Operations, who will talk about the casino expansion. Mr. Alvarado said that after the first six months of operation, MGM would be investing \$27 million for a 50,000 square foot expansion into the second level of the property. Focal point will be the new poker room as well as new VLTs, table game areas and bar

space. There will be a new terrace with views of the Potomac. Construction will generate between 350 and 400 construction jobs and add 130 full time jobs at the casino.

Chair Robertson asked if any type of interruptions are anticipated during the construction. Mr. Madamba said they are repurposing the empty 50,000 square foot space on the second floor and it will only have a minimal impact on revenue. They expect the project to begin in October 2017 and be completed in June 2018. Between 3,321 and 3,600 VLTs will be on the first and second floors. Mr. Madamba thanked the Commission and staff for working with them on his expansion.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said he would be presenting three action items.

Commission Action Items

MGM National Harbor Gaming Floor Expansion

Mr. Medenica said MGM National Harbor has submitted a request to expand their gaming floor to include additional VLTs and table game space on the second floor of the existing building. In order to accomplish the required construction, various changes must be made to the first floor gaming area resulting in temporary reductions in the number of installed VLTs. At no time will these changes result in less than 2,700 VLTs on the gaming floor. Additionally, MGM requests a temporary waiver of COMAR 36.04.02.02(E)(2) to delay making permanent the reduction to 3,321 approved VLTs under the current temporary reduction previously approved on August 17, 2016. A copy of the request from MGM National Harbor was provided to the Commission. Staff recommends approval.

Chair Robertson said she would entertain a motion to approve MGM National Harbor's request for expansion of the gaming floor, temporary reduction in VLTs, and temporary waiver of COMAR 36.04.02.02(E)(2) while preserving MGM's authorized VLT count between 3,321 and 3,600 as of December 8, 2018. Motion made by Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Rocky Gap Gaming VLT Increase

Mr. Medenica said in accordance with the amended license agreement approved by the Location Commission on January 31, 2013, which states, "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 issuance of the operation license", Rocky Gap has requested to increase their VLT count by one, which would bring their total to 663. During the August 2016 Commission meeting, the Commission approved a similar increase of 28 VLTs to bring Rocky Gap's current total to 662. This increase will occur during the VLT ownership transfer and will not require any budget resources from the Agency. Staff recommends approval.

Chair Robertson said she would entertain a motion to approve Rocky Gap's request to increase their VLT count by one VLT, which would bring their total to 663. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

Maryland Live! Casino Gaming Floor Outdoor Expansion

Mr. Medenica said Maryland Live! Casino has submitted a request to expand their gaming floor to include an outdoor gaming area. The property's request incorporates a relocation in August of 13 VLTs from the existing gaming floor to the outdoor space. Live! Casino has submitted an affidavit attesting that their outdoor gaming area and its intended use meet all applicable local and state requirements. Staff will ensure that the outdoor gaming space meets all regulatory requirements prior to commencement of gaming activities. A copy of the request from Maryland Live! Casino was provided to the Commission. Staff recommends approval.

Chair Robertson said she would entertain a motion to approve Maryland Live! Casino's request for an outdoor gaming area. Motion made by Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Mr. Medenica said we are two days short of the end of the fiscal year. We will be reporting all-time records of contributions to the State. On the casino side, we will have an all-time record in revenue contributions to the State with the addition of MGM National Harbor. Less expected was the record for lottery sales. We had to overcome a \$1.6 billion Powerball jackpot last year. However, on the instant game side we have had sales growth in the double digits. Total lottery profits are down 7% due to the Powerball jackpot last year, and the higher than normal payouts on Pick 4. One year ago, we averaged 44% and this year averaged 55% payout in the Pick 4 game.

Mr. Medenica said Leo Mamorsky, Chief Marketing Officer, resigned from the Lottery in February. He then introduced the new Chief Marketing Officer, John Gorman. Mr. Gorman has been with the Washington D.C. Lottery in the Marketing Division for 13 years. We are pleased to have Mr. Gorman as a part of our team.

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

Ms. Smith said the April financial statements were provided to the Commission. In the month of August, the Commission will receive the May financial statement. After that, they will not receive statements until October due to the conversion to GAAP.

The RFP for the Televised Drawings of Lottery Draw Games and Related Services was issued and responses are due by July 12, 2017. At the end of July, the Agency will go before the Board of Public Works requesting that the instant ticket games and related services contract modification be approved.

She is working with the State on the new statewide budget system. Budgets will be prepared in the new system.

The FY2017 budget is closing out, the FY2018 budget will be disbursed to the individual divisions, and preparation of the FY2019 budget will begin.

Work continues with SGI on the conversion process. The Lottery's Accounting and Customer Resource Center are working with SGI to define all requirements as it relates to back office conversion.

Operations and Gaming – James Nielsen, Assistant Deputy Director/Chief Operating Officer

Mr. Nielsen said reports submitted this month are for both Operations and Gaming. He had no further information to add to his reports.

Chair Robertson asked how many skill-based gaming devices are there in the State. Mr. Nielsen said he is unsure of the number but would obtain an answer.

Mr. Nielsen said work continues on the VLT ownership transfer program. Rocky Gap will take ownership by July 3. Ocean Downs will take ownership by July 31. Both casinos will be taking advantage of the 10% tax reduction by taking over the ownership of the VLTs. The State will be selling 50 VLTs to Ocean Downs and 20 VLTs at a later date to various casinos and third party purchasers pending approval from the Department of General Services.

Commission Action Item

Mr. Nielsen said in a continuing effort to achieve industry best practices, one new regulation and 17 amended regulations have been proposed. Most of the changes were made at the request of Maryland's casino industry and several are staff recommendations. Mr. Nielsen explained how the process works and that it was a collaborative effort between the casinos and the Agency. This process began four years ago in order to avoid having regulations submitted on an emergency basis. Mr. Nielsen then explained what changes were made to the regulations. The Commission was given an opportunity to question any of the regulations. The regulations were as follows:

Amended Regulations

- 36.03.01.02 Definitions
- 36.03.01.03 Unclaimed Video Lottery Terminal Jackpots
- 36.03.03.07 Automated Teller Machines
- 36.03.10.02 Accounting Records
- 36.03.10.11 Surveillance System Design Standards
- 36.03.10.19 Accounting Controls for a Cashiers' Cage
- 36.03.10.20 Checks Accepted from a Player
- 36.03.10.24 Credit Authorization
- 36.03.10.27 Counter Check Issuance at a Video Lottery Terminal or Table Game
- 36.03.10.28 Counter Check Substitution, Consolidation, and Redemption
- 36.03.10.38 Jackpot Payout
- 36.03.10.41 Automated Jackpot Payout Machine

- 36.03.10.42 Access to Bill Validators, Cash Storage, and Table Game Drop Boxes
- 36.04.01.20 Video Lottery Terminal Entry Logs
- 36.04.01.31 Remote Access
- 36.05.02.16 Cards – Receipt, Storage, Inspection, and Removal
- 36.05.03.03 Procedures for Opening a Table Game

New Regulation

- 36.03.10.51 Donation of Coins from Gaming Payouts

Mr. Nielsen said staff recommends approval of the above new and amended regulations.

After discussion, Chair Robertson said she would entertain a motion to approve the above listed amended regulations. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Chair Robertson said she would entertain a motion to approve new regulation 36.03.10.51. Motion made by Commissioner Hash, seconded by Vice Chair McGraw and motion carried by unanimous vote of the Commission.

Regulatory Oversight – John Mooney, Managing Director

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

Commission Action Item

Manufacturer Licensing Hearing – Table Trac Inc.

Mr. Mooney said MLGCA staff conducted a suitability background license investigation of Table Trac, Inc. in connection with its application for a manufacturer 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, but was available by phone for any questions.

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

There were no questions for Mr. Mooney.

Chair Robertson said she would entertain a motion to find that Table Trac, Inc. and its individual principal qualifiers, have established, by clear and convincing evidence, their qualifications for licensure under the applicable provisions of the Gaming Law and COMAR. Motion to approve made by Commissioner Doetsch, seconded by Vice Chair McGraw and the motion carried by unanimous vote of the Commission.

Chair Robertson 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 Table Trac, Inc. Motion was made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Approval of CasinoTrac System

Mr. Mooney said the Commission just approved the manufacturer's license application of Table Trac, Inc. The company is seeking approval of their CasinoTrac System for use within instant bingo halls. The CasinoTrac system is an online slot management and accounting system, a cashless wagering system providing services and accounting for ticket-in/ticket-out functionality across the gaming floor, and a player tracking and management system for loyalty programs. However, approval is contingent upon the receipt of an independent testing lab report certifying the hardware and software as well as review by staff to confirm that system-generated reports provide the information needed to perform our regulatory function. It is requested that the Commission delegate to the Director the authority to approve the use of CasinoTrac software and hardware. The certification and staff reviews are expected to be completed within two weeks.

Chair Robertson said she would entertain a motion to delegate to Director Medenica the authority to approve the use of the CasinoTrac system, hardware, and software for use in instant Bingo halls after an independent lab certification and staff review. Motion was made by Commissioner Hash, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

PUBLIC COMMENTS

Mr. Eric Koehlerschmidt said he was here today to ask the Commission to look into a complaint he filed against Horseshoe Casino Baltimore regarding linked progressive jackpot machines. He originally filed a complaint on March 17, 2017. He said he also sent a letter dated April 14, 2017 to four members of the MLGCA staff. He summarized the facts contained in this complaint. He is asking that the Commission reopen his case and look into this complaint.

Chair Robertson said the Commission would consider Mr. Koehlerschmidt's comments. Mr. Koehlerschmidt said a response to his complaint would be appreciated.

DATE AND TIME OF NEXT MEETING

There will be no Commission meeting in July. The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, August 24.

ADJOURNMENT

There being no further business for discussion, Chair Robertson said she would entertain a motion to adjourn the meeting. Motion made by Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission. The meeting adjourned at 11:45 a.m.

Respectfully submitted,



Gordon Medenica