

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION AUGUST MINUTES

DATE: August 14, 2014

TIME: 10 a.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 Marrison
Commissioner John Morton
Commissioner James Stakem

Stephen Martino, Director
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, Assistant Director for Policy & Planning
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 10:05 a.m. Commissioners present were: Vice Chair Diane McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, John Morton and James Stakem.

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

APPROVAL OF MINUTES

Chair Robertson Pannell stated the June 26, 2014 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Stakem made a motion that the June 26, 2014 open session minutes be approved, it was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains four new instant ticket games for the Commission's approval: Game #178 *You Win*, Game #181 *I Love Cash*, Game #183 *Double Blackjack*, and Game #184 *Black*. The Consent Agenda also contains VLT Games and Component Testing, Consent Agreements for Hollywood Casino/Perryville and Maryland Live! Casino, Gaming License Application Denials, and Lottery Retailer License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell requested a motion to approve the four new instant ticket games noted above as well as the VLT Games and Component Testing, Consent Agreements for Hollywood Casino/Perryville and Maryland Live! Casino, Gaming License Application Denials, and Lottery Retailer License Application Denials. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said June revenue was down 10% year over year due to increased completion from Delaware and Maryland. July year over year revenue was much better, only down less than 1%. Revenues increased for slots at 2% and table games at 7%.

The facility is still working towards the installation of the sign on Perryville Drive. The design has been completed and they are working with the local developer and the city of Perryville.

The facility completed its annual responsible gambling refresher training of all employees.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for June was \$4.8 million and flat from the prior year. July revenue was \$6.1 million, up 4.6%. The facility is doing more aggressive marketing.

The Ocean Downs anniversary celebration continued at the racetrack. The second annual mascot race was held at the racetrack. The Lottery's participants in the race were the Powerball and Mega Millions mascots and they won. The summer has been going well. August looks to be the facility's best revenue month.

Vice Chair McGraw asked how the shuttle was working out. Mr. Cavilla responded the route was modified somewhat and more stops added in Ocean Pines. The shuttle has been well received and ridership has increased. There is a banner on the side of shuttle advertising Ocean Downs.

Chair Robertson Pannell asked about Ocean Down's responsible gambling awareness and what efforts the facility has in place as far as refresher training of the employees. Mr. Cavilla responded they will be doing their refresher training in December.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said revenue year over year in June was \$56.5 million or 10% and in July it was \$58.2 million or 11%. Table game revenues have been growing and there has been a nice growth in slots. The facility has amped up their promotions calendar with some big events such as a 4th of July giveaway, \$100,000 Baccarat, Poker Night in America television series and an appearance by Brett Michaels at Rams Head. At the end of August, they will give away two Harley Davidson motorcycles.

Maryland Live! launched the first \$1 million slot machine in the State of Maryland.

Maryland Live! remains active in the community with such things as the Ft. Meade USO 4th of July BBQ and sponsor of the Pacific Miss Asian American pageant. The fall calendar includes the kick-off of the Susan G. Komen sponsorship for the Race for the Cure.

The facility completed their responsible gambling week with refresher training for employees.

Commissioner Morton asked what is the estimated impact Horseshoe Casino Baltimore will have on Maryland Live! Casino. Mr. Norton said Horseshoe Baltimore will have a quality product in the marketplace and Maryland Live! is ready for the competition.

Mr. Martino asked for Mr. Norton's comments on rebranding of the name with radio ads stating Live! instead of Maryland Live! Mr. Norton responded the brand has always been Live!. In

certain markets they believe it will be necessary to have Maryland Live! while in other markets just Live!

The Commission complimented Maryland Live! on their community outreach beyond just their promotions. Mr. Norton thanked the Commission and said that community participation is part of their charter mission.

Rocky Gap Casino Resort

Mr. Skylar Dice, Director of Gaming Operations, said June year over year revenue was \$3.7 million or 50%. July year over year revenue was \$4.2 million, or 19.7%. In July, the new parking area with 150 new spots was made available and the new pro shop opened. Responsible gambling refresher training was done in-house for the entire staff.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager, expressed his thanks to Mr. Martino, Commission and staff for their support and partnership.

Mr. Barnhill said 2,000 employees are on the gaming floor going through the process. One-half are acting as customers and the other half are playing their casino roles going through steps for the upcoming controlled demonstrations next week. There are currently 2,000 team members on the payroll, with 49% of them being from Baltimore City, as part of the facility's commitment to the Mayor and City of Baltimore.

There is a lot of work going on with the finishing touches and it will be a busy weekend leading up to the controlled demonstration on August 19 and August 21 next week with the eventual opening on August 26.

Commissioner Morton noted that with a number of events occurring at both nearby stadiums, there is always the worry that something may happen that would have a negative impact on the casino. Mr. Barnhill said a new district around casino was created with 18 police being present in that area. There will be ten special traffic officers to ensure good traffic flow.

VENDOR REPORTS

Scientific Games

Mr. Steven Smith said the Monopoly Millionaires Club will launch in October. This is a multi-state initiative that is driven by SGI. There is a television game show tied into this and in early 2015 the show will premiere in Las Vegas. There are three ways to win and the top tier prize could be up to \$25 million. When the top tier prize is won, a second drawing occurs for \$1 million prizes. This is a huge initiative for all the vendors. It will launch on October 18 in Maryland.

The second initiative SGI is working on is the launch of the self-service lottery vending machines in approximately 55 Wawa stores. Pennsylvania, New Jersey, and Virginia are already showing huge sales in Wawa stores with these machines.

Pollard Banknote

Ms. Julin Shaw said the Commission was provided with a copy of the quarterly report. The prize structure enhancement plan across all price points has shown significant instant ticket sales improvement. At the end of FY2014, instant ticket sales were only 1.3% behind FY2013 sales. The *\$3 Bonus Crossword* instant ticket is tied to Pollard's interactive crossword game. The interactive game is offered via mobile and desktop channels offering second chance prizes of instant ticket coupons and "My Lottery Rewards" loyalty points. It launched at the end of May and is showing very positive results.

The Lottery is successfully reaching the product's core objective of engaging the younger demographic, driving players back to retailers, and supporting the "My Lottery Rewards" loyalty program. Of the three jurisdictions that have launched the program, Maryland is outpacing Idaho and Michigan.

GTECH

Mr. Gary Cherwinski said operations continue to do well and there were no operational issues to report at this time. They have been working with Horseshoe Casino Baltimore for several months in preparation for the opening and everything is going well.

STAFF REPORTS

Director's Report - Stephen Martino

Mr. Martino said he has sent the Commissioners a number of e-mails over the last week or so, and will be reaching out to each Commissioner over the next month for further discussion.

Mr. Martino said the FY2014 numbers for lottery and casino were announced. There was no expansion of gaming during the fiscal year. Total revenue of \$849.2 million went to the Maryland General Fund and Education Trust Fund, an increase of \$19.7 million or 2.4% over FY2013. A copy of the fiscal year-end summary was provided to the Commission. He said copies will also be sent to Maryland Senators and Delegates as well as being made available for the public.

In FY2014, \$122.1 million or 7.1% was paid to approximately 4,500 retailers in commissions for sales and cashing. Prizes awarded to players were approximately \$1.024 billion or 59.4%. The Lottery's operation expenses remained at 3.3%, which is one of the lowest operating expenses by a U.S. lottery.

Traditional lottery sales for FY2014 were \$1.734 billion. Total revenue contributed to the State General Fund was \$521.1 million, which included \$20 million going to the Maryland Stadium Authority. The Lottery met its BRE estimate.

In FY2014 casinos generated gross gaming revenue of \$833.3 million with the Education Trust Fund receiving \$328.1 million or 39.4%.

The Commission expressed their congratulation to the Agency on the FY2014 numbers.

For the week ending August 10, sales were up \$8.8 million or 4.73% over last year, and revenue was down \$6.3 million or 9.8%. A Pick 4 analysis on payouts will be done this year and the results will be provided to the Commission.

Mr. Will Cummings and Mr. Doug Walker will make a presentation at today's meeting focusing on the impact of traditional lottery sales with the opening of the casinos.

Mr. Martino said he sent an e-mail to the Commissioners regarding a new initiative we are undertaking at the Agency on goal setting, strategic planning and strategic objectives. We have created a sales goal for this fiscal year. It will be noted on the sales and revenue sheet so that the progress can be tracked.

Mr. Martin is leading this campaign with focusing target market efforts on sales goals around the phrase "Pick up the Pace at \$1.8 million". He will be tracking this within the Agency on the traditional lottery side.

Some changes being made on the staffing level. Director of Strategic Planning and Director of Project Planning positions are being created.

There was further discussion on the Pick 4 game and sales and revenue.

Mr. Martino said the budget report completed by Ms. Smith shows the Agency ending the fiscal year in good financial shape. Ms. Smith did a great job and \$12,000 in surplus funds was sent back to Annapolis. He expressed his appreciation to Ms. Smith.

Later in the meeting, Mr. LaBoy will present the statutory license requirements for Horseshoe Casino Baltimore for operation of the gaming license. Controlled demonstrations will be held on August 18 and 21. Commission attendance is welcome, but be mindful that no more than three Commissioners can attend at the same time. Commission will be receiving an invitation to the opening of the casino. He will send an e-mail with some direction regarding state ethics and participation by spouses if they attend the opening.

Mr. Martino expressed his appreciation and thanks to Mr. LaBoy and his team, Mr. Mooney, Mr. Metz and their team for all their work concerning Horseshoe Casino Baltimore. Approximately 2,000 people were licensed with half coming from Baltimore City. He thanked Mr. Eaton and Ms. Wetherell for testing of all the machines on the floor to make sure they are appropriately connected and ensuring that staff is trained in responsible gambling. He wanted to publicly thank everyone for all their efforts.

Mr. Martino said Ms. Smith was unavailable to attend today's meeting, and he presented her report. Her report stands as written and if there are any questions, please contact Ms. Smith.

Contract Modification – On-Line Gaming System Contract (#2005-11)

This is a Contract Modification for the remaining term of the SGI contract to provide additional technical enhancements, specifically SGI will provide 124 game monitors and installation of the monitors at 62 retailer locations. There will be no change in the total amount of the Contract.

The value of the monitors provided will not exceed \$100,957 which the Lottery will pay to SGI in the form of a credit applied against liquidated damages already accrued and presently owed by SGI in accordance with the Contract. Due to time constraints, this item was sent to the Board of Public Works and it was approved on August 13, prior to presentation to the Commission.

Chair Robertson Pannell asked if there were any questions. Hearing none, the Chair said she would entertain a motion to approve the Contract Modification to the SGI On-Line Gaming System Contract (#2005-11). Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said his report contains an update on VLT audits. There are still a few audit positions in the recruitment process. Applications are being reviewed and interviews will be scheduled.

The Gaming Law requires that Maryland Live! Casino and Hollywood Casino/ Perryville either purchase or lease their own machines as of March 31, 2015. He has been working with those facilities as well as the Treasurer's Office, Department of Budget and Management and Department of General Services, all the operational casinos and slot manufacturers to ensure there is an effective and efficient transition with minimal impact on the ongoing operations. He will keep the Commission updated.

Mr. LaBoy said each property spoke about their responsible gambling training efforts. Per the regulations, each facility must submit their responsible gambling plan updates on an annual basis for review. The facilities are also required to hold annual refresher training for all employees.

Commissioner Stakem asked a question about criteria for the removal and replacement of a gaming table. Mr. LaBoy gave a brief explanation of the procedure for removal and replacement of gaming tables.

Proposed Amended Regulation – Table Games, Craps Rules

The proposed amendment to COMAR 36.05.05.06E, allows for supplemental wagers in the game of Craps in support of a Pass or Come Bet in an amount up to one hundred times the amount of the original Pass or Come Bet as opposed to the current ten times limit. Based on review, staff recommends approval.

Chair Robertson Pannell asked if there were any further questions. Hearing, none, the Chair said she would entertain a motion to approve proposed amendment to regulation 36.05.05.06. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Request for Approval of Instant Bingo Operations at Bingo World

Mr. LaBoy reviewed and discussed the regulatory requirements that must be met for the operation of instant bingo machines. He said staff recommends approval of the continued instant bingo operations at Bingo World and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements.

Mr. Mooney said all documents were submitted on time but because of the work involved with background investigations for Horseshoe Casino Baltimore, there was not enough time to complete the background investigations for the bingo halls. They will be finished by the end of the year.

Commissioner Marriner asked what happens if something is found in your review that does not meet the standards. Mr. Mooney responded that it would be immediately brought to the Commission's attention.

There was further discussion on the background investigations, the number of machines at each bingo facility and their responsible gambling program.

After discussion, Chair Robert Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to approve continued instant bingo operations at Bingo World and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Request for Approval of Instant Bingo Operations at Chesapeake Beach & Resort

Mr. LaBoy reviewed and discussed the regulatory requirements that must be met for the operations of instant bingo machines. Staff recommends approval of the continued instant bingo operations at Chesapeake Beach & Resort and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements.

After discussion, Chair Robert Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to approve the continued instant bingo operations at Chesapeake Beach & Resort and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Request for Approval of Instant Bingo Operations at Delta Bingo

Mr. LaBoy reviewed and discussed the regulatory requirements that must be met for the operation of instant bingo machines. Staff recommends approval of the continued instant bingo operations at Delta Bingo and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements.

Chair Robert Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to approve continued instant bingo operations at Delta Bingo and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements. Motion made by Commissioner Marriner, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Request for Approval of Instant Bingo Operations at Wayson's Bingo

Mr. LaBoy reviewed and discussed the regulatory requirements that must be met for the operation of instant bingo machines. Staff recommends approval of the continued instant bingo

operations at Wayson's Bingo and to defer to the Director the authority to sign the license upon satisfactory completing of all licensing requirements.

After discussion, Chair Robert Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to approve continued instant bingo operations at Wayson's Bingo and to defer to the Director the authority to sign the license upon satisfactory completion of all licensing requirements. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said we have a very aggressive campaign this year on all fronts, one of which is the Keno product line. He has had conversations with multiple lottery states concerning the add-on feature for Keno. Work is being done on the details to have that offered in the spring. He will keep the Commission informed on the progress.

Four new instant games will launch on August 25. They are \$1 *Quick Cash*, \$2 *The Walking Dead*, \$5 *Get Lucky!* and \$10 *Emerald Riches*. The \$2 *The Walking Dead* instant ticket will be promoted at the State Fair. An extensive television ad campaign for that ticket will air as Halloween gets closer. It has been a very popular ticket nationwide.

Ravens Cash Fantasy instant ticket launch is well underway. The campaign this year is called "Win Big". With the new prize structure of a top prize of \$5,000, we have been able to seed 166 top prizes and 12 have already been won by players. This is an excellent start to the campaign and he expects the tickets to last through the season.

"My Lottery Rewards" terminal game program launched on June 23 and is doing well. As of the end of July, membership is over 85,000 players. Mr. Martin spoke further on the program and the direct mail campaign.

In July, staff attended the American Legion and VFW conventions in Ocean City to enhance our relationship with these organizations to have the Instant Ticket Lottery Machines (ITLMs) installed. Applications have been received and they have identified the first 100 ITLMs that will be installed in September. Machines will be installed over a four month period. He will provide updates to the Commission each month.

He will have an update next month regarding the Wawa installations of the self-service vending machines. He is hoping the 50 machines will be installed by September.

On August 22, a live lottery remote drawing will be held at the State Fair. August 30 is Lottery Day where the Lottery will award \$30,000 in prizes associated with the "My Lottery Rewards" State Fair giveaway.

Chair Robertson Pannell noted that the Lottery has a sponsorship with Towson University and asked if there are any plans for other school sponsorships, such as the University of Maryland. Mr. Martin responded we do have an active sponsorship with the University of Maryland during the football and basketball season.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said there are four vacancies in the Security Division and two people have been hired. Security will be overseeing the monitoring machines at the bingo halls and VFWs. Staff will be dual-trained to handle traditional lottery issues as well as the additional responsibilities associated with the bingo halls and instant ticket lottery machines.

The Licensing Division vacancies have been filled. There are four compliance vacancies at Horseshoe Baltimore and one at Maryland Live! His Division is staffed adequately to deal with all the casinos.

The Licensing Division appreciates the Commission's prior comments. They worked hard the last several weeks on the Horseshoe Baltimore applications. As of this morning, there a total of 1,888 non-gaming and sponsored-gaming employees with an additional 200 transfers from other casinos of current and past employees for a total of 2,088 employees. This does not include the principals which is another 50 or so. Mr. Mooney believes that Horseshoe Baltimore will have adequate staff to handle the facility. He further discussed the licensing at Horseshoe Baltimore.

Chair Robertson Pannell asked what is the "All Others" column use for on the monthly e-license report. Mr. Mooney responded said that is the manufacturers and contractors.

The Chair expressed her thanks and appreciation for all his Division's hard work.

Policy and Planning – Jaclyn Vincent, Assistant Director

Ms. Vincent said she is working on the process of hiring someone for the new position as part of the Director's strategic planning. She will keep the Commission updated.

A question was asked when MGM Resorts would start attending the monthly meetings. Mr. Martino said at this point MGM does not have enough information to provide to the Commission at a monthly meeting. They are scheduled to attend meetings quarterly and are scheduled for the September meeting.

There was discussion concerning the local impact fees and the machines transfers. Mr. Martino will prepare a memo for the Commission regarding these changes.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said at this time he had nothing new to report.

The Commission took a short break at 11:31 a.m. The meeting went back into session at 11:44 a.m.

COMMISSION ACTION ITEM

Request for Issuance of Gaming Operations License to CBAC Gaming, LLC, DBA Horseshoe Casino Baltimore

Mr. LaBoy said he prepared a binder with samples of the chips, dice and cards and passed it onto the Commissioners for further review. He said Horseshoe Casino Baltimore is seeking issuance of its license to commence gaming operations for VLT and table games upon completion of its controlled demonstrations and other items as required by the Commission. Controlled demonstrations are scheduled for August 18 from 12 p.m. to 8 p.m. and August 21 from 3 p.m. to 11 p.m. Pending final approval, the facility plans to open to the public on August 26. He reviewed each item in the statutory regulation requirements as well as the attachments provided to the Commission. He also answered any questions posed by the Commission.

Mr. Barnhill spoke further on the slot machines that are located on the outdoor patios, including security and exposure of the machines to the weather.

Mr. Mooney said the Surveillance Department Operating Procedures and Minimum Staffing Plan have been reviewed by staff and found to be adequate. The Security Department Operating Procedures and Minimum Staffing Plan have been reviewed by staff and found to be adequate.

Mr. LaBoy stated that staff recommends the Commission's issuance of the license for Horseshoe Casino Baltimore to commence gaming operations contingent on the successful completion of the controlled demonstrations and any other items required by the Commission staff, and to defer authority to the Director to sign the license.

After Commission review and discussion, Chair Robertson Pannell said the Commission has heard the recommendation from staff and she would entertain a motion to approve Horseshoe Casino Baltimore's request for issuance of its gaming license to commence gaming operations contingent upon successful completion of its controlled demonstrations on August 18 and August 21 and any other items required by Commission staff, and to defer to the Director the authority to sign the license upon satisfactory completion of all requirements for gaming operations. Motion made by Commissioner Boozer, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

CONSULTANT'S REPORT

Mr. Will Cummings of Cummings Associates and Mr. Doug Walker of Casinonomics Consulting LLC presented their report on the Impacts of the Introduction of Casinos on the Sales of Traditional Lottery Products in Maryland. The Commission was provided with an Executive Summary.

PUBLIC COMMENTS

There were no public comments.

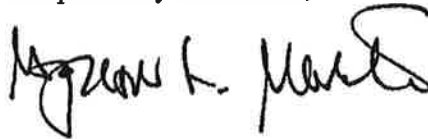
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, September 25.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell adjourned the meeting at 1:02 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen L. Martino". The signature is written in a cursive, somewhat stylized font.

Stephen L. Martino