

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION AUGUST MINUTES

DATE: August 24, 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 10:01 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 Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

APPROVAL OF THE MINUTES

Chair Robertson said the June 29, 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 Stakem that the June 29, 2017, open session minutes be approved. Motion was seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson said that the Consent Agenda contains four instant tickets for the Commission's approval: Game #351 *Money Multiplier* (\$2), Game #352 *\$50,000 Bonus Cash* (\$5), Game #356 *Win Big* (\$20), and Game #361 *Super 7s Jackpot* (\$1) (reprint). She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (6/16/17 to 8/10/17); Consent Agreements—Regulatory Violations for Horseshoe Casino Baltimore-March and April 2017, Maryland Live! Casino-April 2016, March and April 2017, and MGM National Harbor-December 2016, January, February and March 2017; Consent Agreements—Underage Violations-Horseshoe Casino Baltimore – Case Nos. 2017-05-042, 2017-05-050, 2017-05-057, and 2017-05-059; Maryland Live! Casino – Case Nos. 2017-03-024, 2017-03-032, 2017-03-036, 2017-03-037, 2017-03-043, 2017-03-047, 2017-03-049, 2017-03-055, 2017-03-056, 2017-03-058, and 2017-03-059; MGM National Harbor – Case Nos. 2017-06-043, 2017-06-098, 2017-06-100, 2017-06-105, 2017-06-109, 2017-06-115, 2017-06-124, 2017-06-134, 2017-06-135, 2017-06-138, and 2017-06-144; Gaming License Application Denials/Revocations; Lottery Retailer License Revocation; and Staff Reports for John Martin, John Gorman, Carole Gentry, and Robert Fontaine. The Chair asked if the Commission wished to remove any items for discussion.

Commissioner Stakem said he had questions regarding the regulatory violations and would hold those questions until the casino reports were presented.

Chair Robertson said she would entertain a motion to approve the four instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (6/16/17 to 8/10/17); Consent Agreements–Regulatory Violations for Horseshoe Casino Baltimore-March and April 2017, Maryland Live! Casino-April 2016, March and April 2017, and MGM National Harbor-December 2016, January, February and March 2017; Consent Agreements–Underage Violations-Horseshoe Casino Baltimore – Case Nos. 2017-05-042, 2017-05-050, 2017-05-057, and 2017-05-059; Maryland Live! Casino – Case Nos. 2017-03-024, 2017-03-032, 2017-03-036, 2017-03-037, 2017-03-043, 2017-03-047, 2017-03-049, 2017-03-055, 2017-03-056, 2017-03-058, and 2017-03-059; MGM National Harbor – Case Nos. 2017-06-043, 2017-06-098, 2017-06-100, 2017-06-105, 2017-06-109, 2017-06-115, 2017-06-124, 2017-06-134, 2017-06-135, 2017-06-138, and 2017-06-144; Gaming License Application Denials/Revocations; Lottery Retailer License Revocation; and Staff Reports. Motion to approve made by Commissioner Hash, 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 revenue for June was \$6.3 million, up 6% year over year. Slots were up 5% and table games were up 8%. Total revenue for July was \$6.6 million, down 2% year over year. Slot revenue was up, but it was a rough month for table games. August is doing well thus far.

The digital electric table game Blackjack was installed at the property. The Greene Turtle Express is currently under construction and should be completed by mid to late September.

They have a big weekend coming up with the cruise promotion giveaway. In September, the property will be hosting the Maryland Alliance for Responsible Gambling meeting.

The Casino at Ocean Downs

Ms. Bobbi Sample, General Manager, said total revenue for June was \$5.6 million, up 9% year over year. Total revenue for July was \$6.5 million, down 1% year over year.

The property completed the transition of VLT ownership from the State. They changed out 344 games in three weeks. She extended her thanks to the MLGCA staff for their support and assistance. Other than a few slight complaints, they received positive reviews from the customers.

In September, the casino will award the promotional prize of \$250,000 towards the purchase of a beach house. This promotion was held from June to September. A customer, who was chosen to participate in this giveaway, sent a nice thank you note to the casino.

There has been no recent progress on the new building construction. Bid proposals for work on the interior are being obtained. Grading work is currently being done. Progress will pick up after

that is completed. Next month, she will provide pictures to show the progress of construction. Churchill Downs is still targeting to have table games at the casino.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said total revenue for July was \$46.8 million, down 22% year over year. The property continues to see much less impact on slots than table games. Overall revenue trend is running better in August.

The casino held a promotional car giveaway event over the July 4th weekend. In August, Shaquille O'Neal visited the casino for a free-throw competition with David Cordish that was held on the gaming floor. Eight guests were surprised with spots on each team, and each team member won \$1,200.

The casino will be a sponsor of a Capital Area Food Bank event, the Vietnamese Heritage Festival, the Susan G. Komen Race for the Cure in DC, and the Anne Arundel Marine Corp 5K at Arundel Mills.

Construction of the Live! Hotel has reached the 17th floor, which is the top floor. In July, they broke through the connection from the casino main floor to the hotel lobby area. The goal is to have the hotel completed by the end of the fourth quarter. Room renovations of the off-site hotel, Live! Lofts, will begin to bring the hotel up to casino standards.

Chair Robertson asked if there are plans for another area of table games. Mr. Lamb said they would have an additional table games in the new area.

Commissioner Stakem asked Mr. Lamb to comment on the regulatory violations. Mr. Lamb said for those on the voluntary exclusion list, the system lets them know when that individual may be on the property. A swipe of a driver's license also usually alerts them to any underage individuals. Employees are consistently being trained. Mr. Lamb said that for any internal violations of policy, employees are disciplined.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President and General Manager, said total revenue for June was \$4.5 million, up 8.6% year over year. Slots, table games, and the favorable weather helped with this increase. The property is becoming more of a tourist destination.

Total revenue for July was \$5.1 million, up .3% year over year. July was the first month of taking over the ownership of the VLTs. It was a smooth transition.

The property participated with United Way in their "Stuff the Bus" campaign collecting school supplies for underprivileged children in Allegany County. Funds from gaming revenue have benefitted Allegany College of Maryland, Frostburg State University, Allegany County fire companies, Western Maryland Food Bank, and Board of Education capital projects.

Chair Robertson asked for the casino to comment on meeting their MBE goals. Mr. Dice said MBE dollars have increased since taking ownership of the VLTs. An MBE firm is taking over the maintenance of the machines. The property is holding an MBE Outreach event in the fall. They are making a significant increase in their efforts and are on target to meet their 2018 MBE goal.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, General Manager, said total revenue for June was \$22.1 million, down 10% year over year. July total revenue was \$23 million, down 8% year over year. They will continue to observe and adjust to the new competition.

For the July 4th celebration, the casino donated 4,000 flags for display at the Inner Harbor.

The casino is gearing up for the football season. The area between the parking garage and the main building has been turned into the Purple Plaza for all Ravens home games where they will have food and drink specials.

The property is in the process of converting Jack Binion's Steak House. It is being rebranded to Gordon Ramsey Steak House. In the future, another restaurant will undergo a change.

Commissioner Stakem asked Ms. Chamberlain to comment on their regulatory violations. Ms. Chamberlain said they have a very robust audit program through corporate entity. Employees are constantly trained and disciplined as appropriate. Regulatory violations were discussed in further detail.

MGM National Harbor

Mr. Michael Pappas, General Counsel for MGM National Harbor, said revenue for July was \$50.8 million. The increase in revenue is attributed to the uptick in promotional activities. They are seeing more VLT business.

July promotions included a \$250,000 Chose your Ride and a \$100,000 Blackjack tournament. Giveaways were held where customers received items used for tailgating such as tents and grills. This promotion was very popular with the customers.

It has been a busy month for entertainment at the theater with appearances by the Deftones, Jill Scott, Theresa Caputo, Barry Manilow, and Journey. Entertainment in October includes Brad Garrett, Rita Rudner, and Chris Rock.

Pizzapalooza will be held on September 10 with a variety of chefs from around the country participating. Approximately 900 tickets have been sold thus far for this event.

Employees have given back to the community by volunteering over 3,000 hours. Casino employees volunteered as part of Habitat for Humanity in Prince George's County. Within the Community, 40% of the employees are Prince Georges County residents. The property was a sponsor of the Andrews Air Force air show.

In response to Commissioner Stakem's comments regarding one of the regulatory violations, Mr. Pappas said in the violations where a jackpot was paid in cash and check or all cash, the casino will comply with the regulation requiring only a check be issued.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said the \$759 million Powerball jackpot was won last night in Massachusetts. There were a total of 34 \$1 million winners, one of which was in Maryland, and six \$2 million winners that played the Power Play option. For a period of time, both Mega Millions and Powerball jackpots were at \$300 million. One winner won the \$494 million Mega Millions jackpot on August 12 in Illinois.

FY2018 is off to a great start. On the lottery side, total sales are up 9.3% with profits up 15.3%. On the casino, side total revenue is up 37.6% with total profits up 25.3%.

Rocky Gap and Ocean Downs have completed the transition of taking over ownership of the VLTs.

Last year, the MLGCA introduced several legislative bills and four of the five bills passed. Currently, we have no legislation to submit for the upcoming session. The due date for submissions is September 1.

Commissioner Stakem complimented the Director on the FY2017 review sheet for the Lottery and casinos. Mr. Medenica said this is a very useful tool showing how much we made this fiscal year, contributions to the State, and where the money goes.

Vice Chair McGraw asked how the sales of the \$30 instant ticket are doing. Mr. Medenica said the ticket launched in February 2017, and is still one of the Lottery's top selling tickets. The next launch of new instant tickets is Monday and we are waiting to see if it is unseated.

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

Ms. Smith said she is working on close out for FY2017. She is also working on the GAAP financial statement that is due to the State by October 2. No further financial statements will be distributed to the Commission until after the completion of the GAAP in October. There is a meeting scheduled with the Commission Audit Committee prior to the submission of the GAAP to the State. The FY2019 budget is due to the Department of Budget and Management by the end of September.

The SGI conversion is a major undertaking and she is working with SGI on the back office functions. The conversion process is going well.

Commission Action Item

Contract Modification – Central Monitor and Control System for a Video Lottery Terminal Program with IGT Global Solutions Corporation (f/k/a GTECH Corporation) (#2009-11)

Ms. Smith said Contract Modification #3 in the amount of \$18,000 is to enhance the central system to comply with House Bill 152 passed in the 2017 session of the General Assembly by adding the General Fund as part of the distribution of slot machine proceeds. This modification does not need to be submitted to the Department of Budget and Management or Board of Public Works for approval. Staff recommends approval.

There were no questions for Ms. Smith.

Chair Robertson said she would entertain a motion to approve Contract Modification #3 in the amount of \$18,000 for the Central Monitor and Control System for a Video Lottery Terminal Program with IGT Global Solutions Corporation (#2009-11). Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

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

Mr. Nielsen said the reports submitted this month are for both Operations and Gaming.

In Operations, we are moving forward with the SGI conversion. Conversion planning and status meetings are continuing.

In Gaming, 1,953 registered skills-based amusement devices and 497 locations have been registered since the inception of the program. We are continuing our outreach efforts to locate these devices. The number will continue to increase. We go through the Comptroller's Office to find any locations and are reaching out to other various organizations.

Attached with his Gaming Division report are two new standard table game rules – Three Card Baccarat and Casino War.

Commission Action Items

Rocky Gap Resort VLT Increase

Mr. Nielsen said in accordance with the amended license award 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 the issuance of the operation license," Rocky Gap has requested to increase their VLT count by two, which would bring their total to 665 VLTs. This increase will not require any budget resources of the Agency. Staff recommends approval.

There were no questions for Mr. Nielsen.

Chair Robertson said she would entertain a motion to approve Rocky Gap's request to increase their VLT count by two VLTs, which would bring their total to 665 VLTs. Motion made by Commissioner Stakem, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Live! Casino & Hotel Gaming Floor

Mr. Nielsen said Live! Casino & Hotel has submitted a request to expand their gaming floor to include an outdoor gaming area. The property's request incorporates the addition of 177 VLTs and 10 table games as well as the relocation of 28 dealer assisted terminals from the existing gaming floor to the outdoor space, all occurring in 2018. Live! Casino & Hotel has submitted an affidavit attesting that their outdoor gaming area meets the requirements of State Government Article, Subtitle 9-1A, Annotated Code of Maryland, Title 36 of Chapter 3 of the Code of Maryland Regulations and the Maryland Clean Air Act. Staff recommends approval.

There were no questions for Mr. Nielsen.

Chair Robertson said she would entertain a motion to approve Live! Casino & Hotel's request for expansion of their gaming floor to include an outdoor gaming area. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Live! Casino & Hotel VLT Increase and Decrease

Mr. Nielsen said Live! Casino & Hotel is seeking extension of the September 2017 deadline for completion of their current construction project and flexibility in regards to total VLTs counts, as approved on February 22, 2017. They are requesting that the deadline be extended to March 2018, to accommodate an extended construction period. During construction, the number of VLTs in use will not increase or decrease by more than 300 above or below the authorized allotment of 3,922 VLTs at any given time during construction. Staff recommends approval.

There were no questions for Mr. Nielsen.

Chair Robertson said she would entertain a motion to approve Live! Casino & Hotel's request for an increase and decrease to the VLT count. Motion made by Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Amusement Gaming Licenses – Delegation of Authority

Mr. Nielsen said the Commission has the authority to issue licenses to family entertainment centers in Worcester County that operate up to 10 skill based amusement devices that award prizes with a wholesale value of more than \$30 but less than \$600 if the facility meets the requirements of COMAR 36.08.03.02. This authority can be delegated to the Director of the Maryland Lottery and Gaming Control Agency or his designee to streamline the licensing process. Staff recommends approval.

There were no questions for Mr. Nielsen.

Chair Robertson said she would entertain a motion to approve a Delegation of Authority to the Director or the Director's designee for the issuance of amusement gaming device licenses at family entertainment centers in Worcester County. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and the 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 – JCM American Corporation

Mr. Mooney said MLGCA staff conducted a suitability background licensing investigation of JCM American Corporation in connection with the application for the renewal of its manufacturer license. An Executive Summary was provided to the Commission. 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, background, financial analysis, 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 the renewal of their manufacturer license.

There were no questions for Mr. Mooney.

Chair Robertson said she would entertain a motion to find that JCM American Corporation 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 Commissioner Hash and the motion carried by unanimous vote of the Commission.

PUBLIC COMMENTS

There were no public comments.


DATE AND TIME OF NEXT MEETING

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

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 11:10 a.m.

Respectfully submitted,



Gordon Medenica