

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION SEPTEMBER MINUTES

DATE: September 25, 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 Marriner
Commissioner John Morton
Commissioner James Stakem

Stephen Martino, Director
Gina Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Holly Citko, OAG Deputy Counsel
Marie Torosino, Executive Associate

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 Resorts International – National Harbor
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 10:10 a.m. Commissioners present were: 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 August 14, 2014 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash made a motion that the August 14, 2014 open session minutes be approved, it was seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains four new instant ticket games for the Commission's approval: Game #182 *Diamonds & Dollars*, Game #185 *Lucky 7*, Game #186 *Big Play Crossword*, and Game #201 *Fat 50s*. The Consent Agenda also contains VLT Games and Component Testing, Bingo Hall Games and Component Testing, Gaming License Application Denials, and Revocation of Lottery Retailer Licenses 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, Bingo Hall Games and Component Testing, Gaming License Application Denials, and Revocation of Lottery Retailer Licenses. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said gross revenue is 4% down for year over year. The facility is happy with the marketing program they have in place including multiple free slot play,

an “As Seen on TV” giveaway and a giveaway of two cars. In October, casino new technology will be on the floor consisting of a kiosk to handle some customer transactions.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for August was slightly under \$6 million, which is the same compared with last month and last year. The summer season is winding down. The 65th racing season at Ocean Downs is ending. It was a good summer and the racing anniversary celebration brought in many more customers.

Mr. Cavilla gave an update on the installation of table games at the casino. He said construction permits have been sent to county for the building. The sewer project is in the final stages of completion. Next project is the update of the water system. The facility is currently on wells. They will start conversations with the county shortly. Upon completion of all the services, the property will have been completely upgraded. The building that is planned will benefit both the casino and racing. There will be room for table games and dining, and will bring the two facilities together. This should add an additional 75 employees.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said August revenue was up 7.5% in slots and up 8.5% in table games. The facility ran a big promotion giving away 18 Harley Davidson motorcycles between August 29 and 31. They are keeping the promotions going in October with \$100,000 Black Jack Tournament and the Mercedes-Benz car a day giveaway for 16 days. The Baltimore Business Journal named the facility as a tourist destination. The facility is working with MLGCA staff on the transition of the slot machines.

October will be a busy month as part of their commitment to the community. They will be the sponsor at the starting line of the Susan G. Komen Annual Race for the Cure, and sponsoring the Casey Cares Rock and Roll Bash. The casino also will be involved again this year with Anne Arundel Community College for the All In fundraiser.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said revenue for August was up for year over year. The facility continues to incur expenses with completion of repairs on the building. Electric, water and sewer, air conditioning and heating continue to be upgraded.

The facility found a unique ways to bring entertainment to the area by using the golf practice range for a concert last month that drew 3,000 to 4,000 people. They will be holding another concert this month.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager, said the casino opened on August 26, and this special event drew over 15,000 people. There were performances by Gladys Knight and Iggy Azalea. Prior to the opening, two controlled demonstrations were held. The after-tax

gaming proceeds from both controlled demonstrations were donated to benefit Cystic Fibrosis and Living Classrooms Foundations.

One of their customer promotions includes the giveaway of a \$200,000 Astin Martin car.

Mr. Barnhill said over 2,300 employees were hired with 51% coming from Baltimore City. Of course this continues to fluctuate up and down, but they are pleased with the employee retention and attrition. He said the facility is pleased with the customer attendance thus far. Players are coming to check out the new casino. As time goes on, they will be able to see more specific areas where players are coming from.

On behalf of the Commission, Commissioner Marriner offered his congratulations on the opening of the facility.

MGM Resorts International – National Harbor

Mr. Lorenzo Creighton, President, said construction is ramping up quickly on the site. They received their permits for concrete and steel structures. They are going vertical in November and December and are bidding out contracts for the contractors that will be needed for this project. The foundation will be installed shortly. He talked about the number of employees that will be involved with the construction of the casino and the comprehensive road plans including traffic light and entrances and exits into the facility and garage. He said everything is going well and they have not run into any major issues.

Mr. Creighton said 3,600 jobs will be created. A job information fair was held for potential employees to see the types of positions that will be available in the future and 4,500 potential employees attended. More job fairs will be held in the future.

Mr. Creighton said the National Harbor complex is approximately one mile from the casino and it is not walkable. They will work with the mall to possibly have a shuttle run between the properties.

Mr. Creighton will attend a future Commission meeting to present an update on the facility construction. He introduced their corporate attorney Mr. Uri Clinton who just joined the company.

STAFF REPORTS

Director's Report - Stephen Martino

Mr. Martino said the lottery sales and revenue report through September 21 shows sales are \$777,994 or .2% ahead of last year and revenue is \$6.4 million or 5.5% ahead of last year. Pick 4 revenue is up \$4.7 million or 21.1%. Instant ticket sales are up \$16.3 million or 16.4%. Power Ball sales are down \$17.9 million or 52.23%. Power Ball sales rely on jackpots. The \$225 million jackpot was hit yesterday in California and now goes back to the base jackpot of \$40

million for the next drawing. MUSL may discuss making changes to Power Ball in the future. Keno sales are up while Race Trax sales are down.

On the sales and revenue sheet there is an additional line item that show the Instant Ticket Lottery Machines (ITLM) installed at veterans' service organizations. The first 100 machines have been installed. ITLMs are having moderate impact on revenue. Sales are \$734,000 and \$5,700 in revenue. They are not designed to generate money for the State but for the veterans' organizations for their programs. Contributions to the Maryland Veterans Trust Fund are also being tracked on the sheet.

Chair Robertson Pannell said sales in Power Ball are down although there was a significant increase in instant sales and asked if that is a trend that we are seeing or a sign that players that played Power Ball are now playing instants. Mr. Martino responded Power Ball is a function of jackpots and the public becomes desensitized to jackpots. We need the jackpots to roll. There may be a change to the game matrix in the future. Now that California has joined, the frequency of hits has increased. Number coverage on the jackpot is at 70% and 80%. As far as the instant side, this is the result of specific planning and prize payouts. We are capturing more players through the licensed products. We have seen success with the Orioles and Ravens instant tickets, and installation of player activated terminals and the self-service vending machine at Wawa's.

Monopoly™ Millionaire's Club launches on October 19. Maryland is one of 23 states to launch this game in October. The first game show is in February. The Lottery's drawing partner, WBAL-TV, will carry the weekly drawings on Friday evenings.

Mr. LaBoy, Ms. Wetherell and their staff will be working on the transition of slot machines from State to private ownership. Mr. LaBoy will provide an update to the Commission.

Ms. Vincent was not present at today's meeting to give her report. The Agency is making progress hiring the strategic planning manager and policy and planning manager. Next week, staff members will be attending the G2E Conference in Las Vegas and the NASPL annual conference in Atlantic City.

Vice Chair McGraw congratulated Mr. Martino on being named Regulator of the Year. Mr. Martino said the award reflects the MLGCA team of employees. He expressed his thanks to the Commission.

Proposed Amended Regulation – General Provisions – General – Lottery and Gaming Control Director

Proposed amendment to COMAR regulation 36.01.01.04 is the deletion in §B(4)(b) of a specific citation to a subsection of State Finance and Procurement (SFP) §11-203. The General Assembly frequently passes legislation that effects a renumbering of SFP §11-203. This frequently renders obsolete any reference in the Commission's regulations to a specific subsection which then requires a corresponding COMAR change. The proposed amendment would simply eliminate the need for frequently changing this regulation.

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 36.01.01.04. Motion made by Commissioner Marriner, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Delegation of Authority – Promotions

This action would delegate to the Director the Commission's authority to approve contracts for the promotion of the Lottery and its games and to enter into private sector cooperative marketing project agreements. The delegation further allows the Director to delegate to the Agency's Director of Communications the same authority for promotions and marketing agreements up to \$5,000. All promotions and marketing agreements will be reported to the Commission on a quarterly basis.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the delegation of authority to the Director to approve contracts for the promotion of the Lottery and its games and to enter into private sector cooperative marketing project agreements. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

License Specifics #2005-11 (MLR #6) - Monopoly™

At its November 2013 meeting, the Commission delegated authority to the Director to approve future licensed games associated with a blanket contract that would be utilized for licensing agreements. The License Specifics for the Monopoly™ instant ticket was prepared by MDI and the signature page contained wording for approval and signature of the Commission. This inclusion was in error since the Commission previously delegated the authority to the Director for approval. On future License Specifics, we will ensure that it is not included.

Chair Robertson Pannell said she would entertain a motion to approve the License Specifics #2005-11 (MLR #6) - Monopoly™. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

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

Ms. Smith said during the week of September 30, the Department of Information Technology will perform a cyber-security vulnerability assessment and network penetration test at the Lottery. The Commission will be provided a copy of the results.

The GAAP statements have been submitted to the Lottery's audit firm for review in order to meet the October 1 deadline. The FY2016 budget submission is due tomorrow to the Department of Budget and Management.

Over the past month recruitment efforts resulted in the hiring of employees for Casino Compliance, Licensing, Security and Sales Divisions. Recruitment continues for other vacant positions within the Agency.

Renewal Option - Video Lottery Terminals and Related Services Master Contract (2009-12)

This original contract is due to expire in March 2015, and has one five-year renewal option available. Gaming Law that was revised effective March 2015 removes the responsibility from the Agency to own or lease the VLTs and to require that each facility, except for The Casino at Ocean Downs and Rocky Gap Casino Resort, acquire its own VLTs. During the renewal option period, the contract will be used by the Agency only for VLTs for the Ocean Downs and Rocky Gap facilities. Staff recommends approval of this renewal option. Subject to the Commission's approval, this renewal will be submitted for inclusion on the October 15 Board of Public Works Agenda.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the Renewal Option to the Video Lottery Terminals and Related Services Master Contract (#2009-12). Motion made by Commissioner Morton, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

Mr. Martino said that a report will be submitted to the Legislature regarding the VLT transition and a copy will be forwarded to the Commission when it is available.

Request for Proposal – Sports Venue and Event Sponsorship Services (#2015-03)

This Request for Proposal will provide sports venue and event sponsorship services to the Agency. The contract is anticipated to be for a term of approximately 1.5 years, tentatively beginning on or about December 19, 2014. The Agency does not have experience in dealing with sponsorships related to vendors and products, and is looking to find a firm that can help the Agency to maximize its reach. This is similar to what other State Agencies have done. Staff recommends approval.

Chair Robertson Pannell said she would entertain a motion to approve the Request for Proposal for Sports Venue and Event Sponsorship Services (#2015-03). Motion made by Commissioner Morton, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said Horseshoe Casino Baltimore successfully completed their controlled demonstrations on August 18 and 21. He provided a report to the Commission with details on the staff's observations made during the controlled demonstrations. Items noted are consistent with other property openings. Casino staff addressed any issues found. Since the casino opening on August 26, things are going well and there have been no issues.

The VLT Audit Division continues to maintain the audit program schedule on time and there are no issues to note. The Commission Audit Committee met on September 16 to discuss both Gaming Division and Lottery Division audits. Offers for four new staff auditors are pending background checks and acceptance.

As of March 31, 2015, the MLGCA will no longer provide slot machines to Maryland Live! Casino and Hollywood Casino Perryville. The Electronic Gaming Device Operations staff has been working with the casinos and slot manufacturers to ensure that there is an effective and efficient transition that has minimal impact on ongoing operations. The transition will include the sale of a majority of the approximately 1,900 state-owned slot machines to the licensed gaming casinos and a transition to a primarily leasing model for Ocean Downs and Rocky Gap. He will provide a report to the Commission next month.

Mr. LaBoy talked further on an analysis that will be done on Hollywood Casino Perryville and Maryland Live! Casino as to what would be an optimal number of machines for that facility to maximize benefits to the State. He will share that report with the Commission upon completion.

In September, the MegaHits slot machines launched with six machines at the Casino at Ocean Downs, two machines at Hollywood Casino Perryville, and eight machines at Maryland Live! Casino. This is a multi-jurisdictional progressive video lottery game that offers a shared pari-mutuel grand prize. The current jackpot is approximately \$346,000. Rocky Gap is looking at these as well to see if they want to participate.

Instant Ticket Lottery Machine (ITLM) program completed the first round of installations and 29 locations received the first 100 machines. Everything went well. These ITLMs are integrated with the current central system. The second phase of installation is planned for October. The MLGCA is still accepting applications from various Veterans organizations and 14 applications are currently in various stages of the process. The machines are doing well and customers enjoy playing the machines.

In August, VLT VEP added 35 new participants and the Lottery VEP added four new participants. Several rounds of interviews have been conducted for a new Responsible Gambling Coordinator.

Various Proposed Amendments to Regulations

The Gaming Division conducts an annual regulatory review whereby staff seeks to continue to improve and update the regulations and technical standards through consultation with industry stakeholders, review of industry best practices and internal reviews. As a result of the 2014 regulatory review progress, 25 proposed regulation amendments have been identified that will serve to improve and update the gaming regulations in COMAR – 36.03.03.07, 36.03.10.07, 36.03.10.08, 36.03.10.09, 36.03.10.18, 36.03.10.20, 36.03.10.24, 36.03.10.26, 36.03.10.27, 36.03.10.28, 36.03.10.30, 36.03.10.32, 36.03.10.34, 36.03.10.35, 36.03.10.38, 36.03.10.41, 36.03.10.42, 36.03.10.43, 36.03.10.49, 36.04.02.20, 36.05.02.16, 36.05.03.03, 36.05.03.05, 36.05.03.23, and 36.05.06.08. Mr. LaBoy provided a brief summary of each proposed amendment with his report.

Chair Robertson Pannell said the Commissioners had an opportunity to review the proposed amendments to these regulations and asked if there were any questions. There were none. The Chair asked if anyone from the casino industry would like to comment.

Mr. Norton from Maryland Live! Casino thanked the staff for including the casinos in this process.

Mr. LaBoy said staff recommends approval of these proposed amendments to these regulations, that the Commission delegate authority to staff to make any additional formatting and grammatical changes, and that these amendments be processed on an emergency basis.

Chairman Robertson Pannell said she would entertain a motion to approve the amendments to COMAR 36.03.03.07, 36.03.10.07, 36.03.10.08, 36.03.10.09, 36.03.10.18, 36.03.10.20, 36.03.10.24, 36.03.10.26, 36.03.10.27, 36.03.10.28, 36.03.10.30, 36.03.10.32, 36.03.10.34, 36.03.10.35, 36.03.10.38, 36.03.10.41, 36.03.10.42, 36.03.10.43, 36.03.10.49, 36.04.02.20, 36.05.02.16, 36.05.03.03, 36.05.03.05, 36.05.03.23, and 36.05.06.08 on an emergency basis and to grant staff the authority to make any formatting and grammatical changes that may be necessary. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said the new Monopoly™ Millionaires' Club game will launch on October 19. This is a unique \$5 game that will make more millionaires. We expect it to be very successful. The first weekly drawing will be on October 24. Players have three ways to win and he explained the ways in further detail. Radio and television advertising will run to support the game.

His report stands as written and closed games were also included with the report.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said the Licensing Division processed 14,000 licenses since the process began with the approval of the first casino.

Proposed Merger Agreement between Scientific Games Corporation and Bally Technologies, Inc.

Mr. Mooney said in August 2014, the MLGCA received official notification of the proposed Merger Agreement between Scientific Games Corporation (SGC) and Bally Technologies, Inc. (Bally). Gaming Law requires that the Commission determine whether a transfer of a licensee's interests meets, and is consistent with, the requirement of the Gaming Law. Mr. Mooney then read the Executive Summary into the record which included an introduction, proposed merger, manufacturer background information and findings. It is the opinion of the MLGCA staff that the proposed merger of SGC and Bally be approved.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney or the applicants, or any public comment. There were none. Chair asked if there was any further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to approve the proposed Merger Agreement between Scientific Games Corporation and Bally Technologies, Inc. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Proposed Merger Agreement between International Game Technology and GTECH, S.p.A.

Mr. Mooney said in July 2014, the MLGCA received official notification of the proposed Merger Agreement between International Game Technology (IGT) and GTECH, S.p.A. (GTECH). Gaming Law requires that the Commission determine whether a transfer of a licensee's interests meets, and is consistent with, the requirement of the Gaming Law. Mr. Mooney then read the Executive Summary into the record which included an introduction, proposed merger, manufacturer background information and findings. It is the opinion of the MLGCA staff that the proposed merger of IGT and GTECH be approved.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney or the applicants, or any public comment. There were none. Chair asked if there was any further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to approve the proposed Merger Agreement between International Game Technology and GTECH, S.p.A. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell commented on an incident noted in the Compliance Report concerning Horseshoe Casino Baltimore where an employee allowed individuals to enter the casino from a side entrance and asked if an employee is terminated after these types of incidents. Mr. LaBoy said the doors set off an alarm when opened. The employment of the employee in question has been terminated. Mr. Mooney said the surveillance tapes of the incident were also reviewed.

Chair Robertson Pannell expressed the Commission's thanks to Mr. LaBoy, Mr. Mooney and their staff for all their work involved in the opening of Horseshoe Casino Baltimore.

Policy and Planning – Jaclyn Vincent, Assistant Director

Ms. Vincent was not present at today's meeting.

Office of the Attorney General – Robert Fontaine, Principal Counsel

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

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION AUDIT COMMITTEE REPORT

Chair Robertson Pannell said on September 16, 2014, the Audit Committee met with Caesars to discuss the financial condition of the company. The Committee discussed with Caesars the impact the financial condition of the company would have on Caesars Entertainment parent company as well as Horseshoe Casino Baltimore. The Chair wanted to let the Commission know the Audit Committee is reviewing the operations.

DIGITAL MARKETING AND PLAYER DEVELOPMENT

Mr. Jason Snapkoski, New Media Manager showed a PowerPoint presentation that included the following topics: mdlottery.com, My Lottery Rewards, Mobile Apps, Email Marketing and Social Media.

The Commission thanked him for the informative presentation.

PUBLIC COMMENTS

There were no public comments.

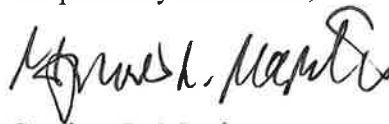
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, October 23.

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 by Commissioner Boozer and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:59 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen L. Martino".

Stephen L. Martino