

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION OCTOBER MINUTES

DATE: October 22, 2015

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

Gordon Medenica, Director
Gina M. Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy 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 and Planning
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
Members of the Public

Kimberly Robertson Pannell, Chairman

Diane L. McGraw, F. Vernon Boozer, George L. Doetsch, Jr., Bert J. Hash, Jr., John Morton, III, James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Robertson Pannell called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:02 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, John Morton, and James Stakem.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Motion to approve the 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 said the September 24, 2015 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 September 24, 2015 open session minutes be approved, it was seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains one new instant ticket game for the Commission's approval: Game #245 *Instant Keno*. The Consent Agenda also contains VLT Games and Component Testing (9/10/15 – 10/7/15)—Approvals, Bingo Hall Games and Component Testing (9/10/15 – 10/8/15)—Approvals, and Gaming 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 said she would entertain a motion to approve the new instant ticket game noted above, VLT Games and Component Testing (9/10/15 – 10/7/15)—Approvals, Bingo Hall Games and Component Testing (9/10/15 – 10/8/15)—Approvals, and Gaming License Application Denials. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Morton, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Matthew Heiskell, General Manager, said revenue for September was up 5% for year over year. Slots revenue was under by 5% and table games were up by 10%. October numbers are not looking as strong as September.

The casino celebrated its 5th anniversary in September with a celebration that included attendance by the local dignitaries. He also thanked the Director for attending.

The casino hosted Habitat for Humanity Susquehanna and held a house frame build in the parking lot that was then transported to a home site. There were numerous employees and community members that volunteered for this build. One of the Hollywood Casino employees was chosen by Habitat for Humanity to receive the house.

Construction has begun on the meeting space and dining room at the casino.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for August was up 2.3% for year over year. September revenue continued that trend with revenue of 15.3% ahead for year over year. October appears to be performing ahead of last year as well. The summer was very good for the casino.

Living racing ended on September 4, with \$2.6 million in purses, which is three times what they are usually able to give out. There was an increase in attendance at the race track.

On October 5, the casino returned to their off season hours of operation of 8 a.m. to 4 a.m., Mondays through Thursdays. They remain open 24 hours from Fridays through Sundays. They will have extended hours during the Christmas holidays.

The casino sponsored their third annual Wine & Beer Festival to benefit the local charity "Diakonia". Diakonia is a local food bank and shelter and a charity the casino tries to support throughout the year via food drives and other events.

There was a golf tournament held at the Lighthouse Sound Golf Course to benefit the casino's employee assistance fund.

He said he attended the anniversary celebration at Hollywood Casino Perryville. It was a great event and offered congratulation to Mr. Heiskell and his team.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said revenues for September were \$49.6 million which is up 8.9% for year over year. October revenue is looking to be the same.

In August, the Football Frenzy promotion began. An RV was given away as well as \$100,000 in cash and prizes.

Entertainment continues at Rams Head Live. A recent concert by Jodie Messina was standing room only and tonight's concert features Bill Biv Devoe.

This month's promotion is the Seven Wonders of the World giveaway. Eleven patrons and one employee will win a chance at a choice of trips to see one of the Seven Wonders of the World and more than \$200,000 in other travel prizes will be awarded.

Mr. Shipley said for the third year the casino is the sponsor of the USO Stars and Stripes Benefit for the Troops casino night fundraiser in D.C. Also, this is the casino's third year as presenting sponsor for the Susan G. Komen Race for the Cure in D.C. A number of Maryland Live! employees will be participating. During October, the casino building was illuminated with pink lights in honor of breast cancer awareness month.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, said the casino experienced a 6.2% revenue increase for year over year in September. October revenue is doing well.

With the changing of the leaves on the trees in Western Maryland, a lot of people have been coming to the area to enjoy the scenery and the weather has been cooperating nicely. Weather permitting, the golf course at Rocky Gap will stay open as long as possible.

"Casino Player" magazine voted Rocky Gap Casino Resort as the Best Overall Gaming Resort in Maryland. This is one of 22 awards Rocky Gap received from this publication.

During October in honor of breast cancer awareness month, employees were provided with pink t-shirts to wear during their work day.

Allegany County Merit scholarships were awarded to over 600 students for their college education in Allegany County.

Horseshoe Casino Baltimore

Mr. Alex Dixon, Vice President and Assistant General Manager, said September revenue was 1% down for year over year, but was strong in the volume of players.

While Guy Fieri was in town to film episodes of his show "Diners, Drive-Ins and Dives", he attended a dinner at the casino with a group of their best customers. The Ultimate Tailgate parties before the Ravens home games are continuing.

Mr. Dixon discussed the recent incident involving a security guard and a few patrons that occurred at the casino early this past Sunday morning. The casino has a zero tolerance policy for this type of behavior and the patrons were barred for life. The security guard is doing fine.

The D.C. National Meals on Wheels organization honored Caesars for their long term participation in providing meals to seniors. Casino employees participated in the American Heart Association Walk fundraiser.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said the Board of Public Works approved our request for the extension of the Scientific Games online gaming system contract which was necessary to give the Agency ample time for the conversion and transition process. We expect the RFP to be issued within the next six to eight weeks. Bids will be due in the spring and we hope to make an award no later than mid-year. It will then take one year to do the conversion. It is a very intensive project requiring participation by MLGCA staff, vendors, and retailers. All the current equipment will be changed out no matter who is awarded the contract.

A number of MLGCA staff members attended the annual NASPL conference in Texas last week. They were able to see vendor presentations and look at the latest technology available in the gaming industry.

On the Lottery side, sales and revenues are still affected by unusual numbers being drawn in the Pick 3 and Pick 4 games causing large payouts. Keno sales are strong and somewhat strong on the profit side. It is showing a lot of promise. There is some competition from the casinos.

Power Ball and Mega Millions continue to suffer from lack of big jackpots. Power Ball jackpot of \$310 million was recently hit. Currently both game jackpots are at approximately \$100 million. Changes to the Power Ball game took effect last week. We are hoping that these changes will help to drive larger jackpots and make more winning experiences for players.

Total profit numbers continue to do well.

Mr. Medenica said that Commissioner Stakem was reappointed to the Commission for another term.

Commissioner Morton asked what is the strategy to move the lottery business to an upward trend. Mr. Medenica said our major emphasis will be on the instant ticket product. We see this as the biggest area for growth. The Numbers games are relatively mature. Cash4Life® is being added to the game mix in January. The game has been successful in the states that have launched it.

There was discussion regarding casinos Win Per Unit figures and the Education Trust Fund allocation.

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

Ms. Smith said the Commission was provided with the financial statements for April, May, June, and July as well as the GAAP statement. The October 1 deadline was met for the submission of the GAAP statement.

She is working with Department of Budget and Management (DBM) on the FY2017 budget submission and is awaiting any questions from them.

Work is being finalized with SGI regarding the Cash4Life® game that will launch after the first of the year. The Power Ball matrix changes took effect. She is focusing on the recruitment of a Director of Finance.

She is currently working on the CAFR that is due at the end of December. Upon completion, a copy will be provided to the Commission.

Chair Robertson Pannell asked for more information on the Phase 2 of the “My Lottery Rewards” (MLR) app. Ms. Smith responded Mr. Gallagher and Mr. Martin have been working on that project. Mr. Martin said the MLR app was introduced several weeks ago. This app gives players the ability to check their tickets and enter their data into the MLR program. The second phase is the electronic play slip that would replace the paper one that players currently complete. We hope to have that ability available after the first of the year.

Chair Robertson Pannell asked what does VDI stand for as noted in the Information Technology section of Ms. Smith’s report. Ms. Smith said VDI is Virtual Desktop Infrastructure. The plan is to have it in place for MLGCA staff at Maryland Live! Casino early next year, and then the rest of the casinos by June 2016. This is a cost savings for the Agency.

Commissioner Morton asked has if she has cost out the first quarter of the fiscal year expenses versus budget. Ms. Smith responded the Agency is in line with its budget expenses, and we actually gave money back to the State. Work continues to fill any Agency vacancies. For the first time, Mr. Mooney’s area is fully staffed. However, the AFO Financial Division is still short-staffed and she is working to fill those positions. The Agency should be fully staffed soon.

Commissioner Morton said it would be helpful at the next meeting to take a look at the FY2017 budget and what it looks like versus the FY2016 budget. Are there any new initiatives and what the Agency is looking at to make it more efficient. Mr. Medenica said the most significant request is in the marketing portion of the budget. We are requesting to bring the marketing budget amount back up.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said he and other staff members attended the G2E conference recently. There have been a lot of changes in the gaming industry with the acquisitions and mergers of large companies. This is a positive for the industry and we want to make sure Maryland is in a position to take advantage of this technology in the industry.

He is working with FinCEN and the IRS to establish a Memo of Understanding (MOU) to allow information sharing on Title 31 compliance. This agreement would strengthen Maryland’s Title 31 audits to ensure the gaming facilities remain in compliance with FinCEN regulations. There was continued discussion on working with the IRS on Title 31.

Chair Robertson Pannell asked for more information with regards to the annual update of the bingo halls responsible gambling plans. Mr. LaBoy responded similar to the casinos, the bingo halls are required to have a responsible gambling plan. We are currently working with them on their annual updates which are due by October 15. To date, 7 of 13 Bingo halls have submitted their plans.

Chair Robertson Pannell asked what is the status of the electronic device regulations. Mr. LaBoy responded we received a request from the Administrative, Executive and Legislative Review Committee (AELR) on the last set of regulations that were passed. They asked us to take another look at the regulations. This is a very diverse industry and it is difficult to craft rules across the board. In order to get more direction to move forward, we may go back to the Legislature for additional clarification as to what their original intent was.

Chair Robertson Pannell noted a Public Information Act (PIA) request was received regarding information on a VLT malfunction. Mr. LaBoy responded three instances have occurred over the past five years of operation. The Agency responded and satisfied the PIA request.

Chair Robertson Pannell asked about the next Audit Committee meeting with Caesars. Mr. LaBoy said he is working with Sue Carletta from Caesars to set up a meeting, and they may set up a conference call. He will keep the Commission informed.

Lottery – John A. Martin, Assistant Director

Mr. Martin said new holiday instant ticket games launched in October are: \$1 *Penguin Doubler*, \$2 *Cookies and Cash*, \$3 *Tic Tac Dough*, \$5 *Holiday Lucky Times 10* and \$10 *Let It Snow Tripler*.

As part of the holiday instant ticket second chance promotion, players will be able to enter \$10 worth of non-winning holiday instant tickets into their “My Lottery Rewards” (MLR) account for an entry. Eight winners will go to Chicago in April and have 90 seconds to race through the warehouse aisles grabbing as much merchandise as they can. Radio advertising starts October 26 and runs for three weeks. Also, television support will run in November and December.

We are looking to enhance the Keno mobile app to include Racetrax results and related features.

Sales Department continues to work closely with the retailers.

Communications Division will be at a number of events—on Ravens Walk during the Maryland Terps vs. Penn State game on October 24, and during the Ravens games on November 1, 15 and 22. Also, look for Ms. Everett on WBAL-TV for a segment on Halloween.

Chair Robertson Pannell asked for the status of the Washington Redskins sponsorship for 2015. Mr. Martin responded they are working on finalizing the current year contract. This sponsorship includes promotional material and prizes for “My Lottery Rewards”. Advertising has been finalized.

Chair Robertson Pannell asked if the Player Tracking Study has been completed and distributed. Mr. Martin responded they are in the process of working with the Key Group to analyze the findings. He will provide a copy to the Commission when it is completed.

Chair Robertson Pannell asked if there has been any feedback from players regarding the Power Ball game changes. Mr. Martin responded the players usually respond favorably to changes, and these changes should help the jackpot grow quicker.

Chair Robertson Pannell asked what is the “Retailer Report”. Mr. Martin responded this report was developed for retailers and was placed on the Lottery’s website only access. We are going back to a printed copy in addition to the digital one at the request of retailers who said they wanted a printed copy. We are working on the design of a new print version of this quarterly report.

Enforcement – John Mooney, Assistant Director

Mr. Mooney noted one change to his report. He will only be presenting three instant bingo manufacturers license approval requests. Eclipse Gaming System should be deleted and will be presented to the Commission at the November or December meeting.

Two Licensing Investigator positions were filled and the individuals will start next month. This brings Licensing up to staff. In January, recruitment will begin for four positions to start staffing up for MGM National Harbor. Compliance Division will fill four positions in January for MGM National Harbor. There are approximately 7,500 gaming and non-gaming licenses that have been issued.

Instant Bingo Manufacturers’ Licenses

- Atlantic Bingo Supply, Inc. – represented by Lawrence Weinstein
- Pen-Tech Associates, Inc. – represented by Dwayne Graham
- TICTABS, LLC – represented by Marcus Fortunato

Mr. Mooney said he provided the Commission with individual executive summaries on the three applicants noted above as well as a condensed report. Representatives from each manufacturing company were present as well as the MLGCA Licensing Division staff represented by Phil Metz, Michael Pfisterer, and Mark Ermer, to answer any questions.

Mr. Mooney read into the record the Executive Summary on the three manufacturers that included an introduction, financial stability review, findings, applicant and principal entities, principal qualifiers, and conclusions and opinion. It is the opinion of MLGCA staff that the three applicants noted above and their principal entities and principals have established by clear and convincing evidence their qualifications for a Manufacturer License.

Chair Robertson Pannell asked if anyone that would like to make statement from manufacturers. There were none.

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

The Commission expressed their concern regarding TICTABS number of clients and why the financial statements provided were only through 2013.

There was further discussion between the Commission, Mr. Mooney and the TICTABS representative.

Chair Robertson Pannell asked how the Commission wished to proceed on the request for approval of the instant bingo license manufacturer's license for TICTABS, LLC. Commissioner Morton said the financial statement for 2014 and six months into 2015 should be reviewed before a decision is made.

Chair Robertson said it is the consensus of the Commission to defer the decision for TICTABS, LLC until the November or December Commission meeting so that the Commission has sufficient time to receive and review the financial statements for 2014 and six months into 2015.

There being no further discussion, Chair Robertson Pannell said she would entertain a motion to find that Atlantic Bingo Supply, Inc., individual principals Lawrence Weinstein, Jeannie Gallagher, and John Simonelli, and principal entity Activity Advisors, Inc., have established their compliance with applicable instant bingo manufacturer license requirements in COMAR 36.03.02.13, and the relevant provisions of the Gaming Law. Motion made by Vice Chair McGraw, seconded by Commissioner Morton, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to find that Pen-Tech Associates, Inc., individual principals Larry Graham and Gregory Graham, and principal entity GTSource, Inc., have established their compliance with applicable instant bingo manufacturer license requirements in COMAR 36.03.02.13, and the relevant provisions of the Gaming Law. Motion made by Commissioner Morton, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a Decision Statement on behalf of the Commission that reflects the Commission's decision, and to transmit the Decision Statement to the two applicants. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Mr. Mooney said he will work on the financial update on TICTABS, LLC and get back to the Commission.

PUBLIC COMMENTS

There were no public comments.

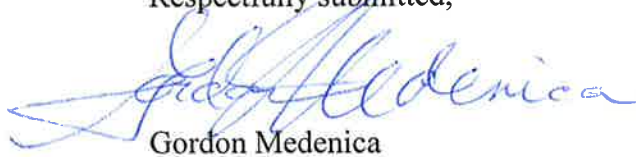
DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, November 19.

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 Morton and the motion carried by unanimous vote of the Commission. The meeting adjourned at 11:45 a.m.

Respectfully submitted,



Gordon Medenica