

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING COMMISSION NOVEMBER MINUTES

DATE: November 19, 2015

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Agency Headquarters

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

Gordon Medenica, Director
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
Kathy Renzi, Executive Assistant
Jasmine Countess, 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
Representative from Scientific Games
Representative from Pollard Banknote
Representative from GTECH
Representative from BTB Security
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 10:03 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, and James Stakem. Commissioner John Morton was absent.

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 October 22, 2015 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Vice Chair McGraw made a motion that the October 22, 2015 open session minutes be approved, it was seconded by Commissioner Hash, and the motion was carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains the following items for the Commission's approval: two new instant ticket games--Game #246 *Fantasy 5s* and Game #250 *\$250,000 High Rollers Club*; VLT Games and Component Testing Approvals (10/7/15-11/3/15); Consent Agreements – Underage Violations for Hollywood Casino Perryville, Horseshoe Casino Baltimore, Maryland Live! Casino, the Casino at Ocean Downs and Rocky Gap Casino Resort; and Gaming License Application Denials. 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 two new instant ticket games noted above; VLT Games and Component Testing Approvals (10/7/15-11/3/15); Consent Agreements – Underage Violations for Hollywood Casino Perryville, Horseshoe Casino Baltimore, Maryland Live! Casino, the Casino at Ocean Downs and Rocky Gap Casino Resort; and Gaming License Application Denials. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, stated that revenue for October was up 2% year over year. Slot revenue was up 3% for year over year. For November, they are in a wait and see mode, since there is one fewer Saturday in November this year versus last year which will have an effect on revenue.

In December, the casino will host some promotions leading up to New Year's Eve. Last week, the casino sponsored the Cecil County Chambers Legislative Preview Luncheon with Senator Mikulski as a featured speaker.

The casino's private meeting space/event party room is expected to be completed in early December.

Mr. Heiskell wished the best of luck to the departing General Manager, Chad Barnhill, of Horseshoe Casino Baltimore.

Chair Robertson Pannell noted a decline in slot revenue year over year to date and asked if the casino was making improvements to their floor. Mr. Heiskell stated that the casino is still facing some competition from Horseshoe Baltimore and that Hollywood's reduction in slots has been good for the property.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said that October's numbers were up by 13%. November's revenue is trending a little below that.

The casino will be conducting holiday food drives in November and December.

In response to a question about construction from Vice Chair McGraw, Mr. Cavilla responded that construction has begun on some foundations at the casino. The plan is to put the foundations in while the weather is holding. The casino distributes a monthly newsletter to casino employees and they are aware of the construction. The inspections and approvals process have also gone well. Chair Robertson Pannell asked if the casino's expansion would be open by spring. Mr. Cavilla said at this time he does not have an opening date.

The casino finished up with this being their best year in racing, which has benefitted the casino. One of the good things about this property is that racing actually benefits the casino.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said that October revenues were up approximately 9.5%. One driver of this was the casino's Seven Wonders of the World

promotion. The casino pulled back marketing initiatives in November, but will be doing more marketing in December for the holidays.

The casino has given away 300 turkeys to the local food shelter and around 3,000 turkeys to its team members. The casino was also a presenting sponsor at Washington Magazine's 50th anniversary party. The casino donated its dealers' time and put on a mock casino for them. On December 3, Salt-N-Pepa will be performing at Rams Head Live.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, said the casino experienced a 10.8% increase in year over year gaming revenue. The casino is working with Golden Entertainment Management to improve operational efficiencies at the resort.

The casino will be holding a food drive in November and a toy drive in December. Next week, the casino will be giving away turkeys to team members.

The casino is working on their New Year's Eve fireworks show and party.

Horseshoe Casino

Mr. Chad Barnhill, Senior Vice President and General Manager, thanked the Commissioners and staff for all the work they have put into the casino. He stated that he is headed to Cincinnati. On behalf of the Commission, Chair Robertson Pannell thanked Mr. Barnhill and wished him well in his new endeavor.

Mr. Alex Dixon, Vice President and Assistant General Manager, said that the casino grew 9.8% for year over year. The casino has been fortunate to employ individuals from Baltimore City. Also, the steakhouse will be open for lunch during the month of December.

MGM Resorts International – National Harbor

Mr. John Rooney, Director of Construction, said that MGM has been increasing its staff. The casino participated with Under Armour for DC Fight Night. Also, the casino partnered with the Washington Redskins this weekend to do a Thanksgiving food drive.

Mr. Rooney introduced two new employees. They are Tamala Law, Director of Compliance and Mark Moore, Director of Security.

Mr. Rooney provided a construction update on MGM's development. In response to a question from Chair Robertson Pannell, Mr. Rooney stated that the casino is targeting the second half of 2016 for opening.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith, General Manager, stated that Racetrax revenue is up 7% and Keno revenue is up approximately 5%. Racetrax revenue may increase to \$10 million for the year. If any games would be affected by the casinos, they feel it would be the monitor games. The drawing games are hanging in there, though there is impact from Mega Millions and Powerball. The Cash for Life® game will premiere in January. For the third year, Scientific Games contributed to the Marine Corps Toys for Tots. Things are going well and there have been no issues.

Pollard Bank Note

Ms. Julin Shaw, Manager, Interactive Sales and Marketing, stated that instant ticket sales are trending strongly. The \$3, \$10, and \$20 products have trended upwards. For first quarter, sales are up by 13%. That puts the Maryland Lottery in the top five in performance of U.S. Lotteries for instant sales in the first quarter.

GTECH

Mr. Gary Cherwinski, Account Development Manager, said that operations are continuing to go well. GTECH is planning to do a disaster recovery test on December 8. The company is also working on software enhancements.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica stated that year-to-date revenue has been steady with a mid-single digit growth rate; however, profitability is flat. Casino revenues are up by 4.4% and Lottery revenues remain flat.

Maryland Lottery and Gaming is making some organizational changes. The Agency will be bringing in James Nielsen, who is currently the head of gaming in New York. He has a strong, 30-year lottery background and will start on November 30. Mr. LaBoy and Mr. Mooney will report to him. Mr. Medenica has also asked Mr. Martin to become Chief Revenue Officer to help grow the retail network. Additionally, a new Chief Marketing Officer position has been created. An interim staff person will begin in a few weeks in that position.

The Lottery is seeking to grow its instant ticket sales, expand its retailer network, focus on MGM, and process an RFP for the Central System (which will involve all Lottery software and hardware).

Chair Robertson Pannell asked about the number of retailers in the state. Mr. Medenica responded that the industry best practices ratio for retailers is 1,100 to 1. The Lottery is looking to test this goal for retailer expansion.

Vice Chair McGraw asked if the Agency plans to do more advertising in light of the expansion of retailer agents. The Agency has submitted a request to the Department of Budget Management for more advertising funds.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy stated that the Gaming Division has made progress with the IRS and FinCEN Memorandum of Understanding (MOU). By the end of the month, the MOU should be ready for review. This is a great opportunity for the Agency.

The Audit Committee met with Caesars representatives for a financial update. The next Audit Committee meeting is scheduled for December 4.

Staff is working with MGM on infrastructure development, along with GTECH and IGT. The team is making good progress on this. In January, Agency staff will dive deeply into project planning with MGM.

In response to a question from Chair Robertson Pannell regarding deadlines for bingo hall responsible gambling plans, Mr. LaBoy stated that they are due at the end of November. These are refreshed each year. To date, 10 of 13 bingo hall responsible gambling plans have been received.

In response to Vice Chair McGraw's question related to video lottery terminal (VLT) benchmarking and performance plans, Mr. LaBoy stated that Rocky Gap and Ocean Downs transitioned to a leased VLT model. Service providers for these VLTs must meet certain criteria and make recommendations and changes based on the criteria. Agency staff has received feedback, and software and physical machine changes are anticipated. Rocky Gap Casino and The Casino at Ocean Downs have given positive feedback on this process.

Entity Approval – Information Technology Security Control Audits

In accordance with COMAR 36.03.10.07F, a facility operator shall require the independent certified public accountant auditing its financial statements or other qualified entity approved by the Commission to render a report expressing an opinion as to the adequacy and effectiveness of the facility operator's information technology security controls. BTB Security has submitted an information packet outlining their experience and qualifications to conduct reviews of facilities information technology security controls and request to be approved by the Commission to offer such services.

Mr. LaBoy introduced Mr. Ron Schlecht, Managing Partner of BTB Security, who provided an overview of BTB's services.

Chair Robertson Pannell said she would entertain a motion to approve BTB Security as an entity authorized to conduct information technology security control audits. Motion to approve made by Commissioner Stakem, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Lottery – John Martin, Assistant Director

Mr. Martin said that a new lottery holiday TV commercial will premiere next week. The retailers have been embracing the holiday program.

The player tracking study has not yet been finalized for distribution. It should be ready for next month's meeting.

At the end of November, Ms. Palmisano, Assistant Director of Communications, will be featured in a lottery update segment. The Communications Division has also been participating in the Ravens Walk.

Chair Robertson Pannell asked how many instant ticket games are currently open. Mr. Martin responded that 60 to 70 instant ticket games are open.

Vice Chair McGraw asked Mr. Martin to provide more information about the Diamond Game initiatives. In response, Mr. LaBoy stated that Diamond Game is in phase two of the Instant Ticket Lottery Machine (ITLM) development, which will feature increased jackpots. A rollout is projected for the first quarter of 2016.

Enforcement – John Mooney, Assistant Director

Mr. Mooney stated that approximately 7,500 individuals have been licensed, 100 individuals have renewed their licenses, and the Licensing Division handled 60 vendors last month. They also fingerprinted over 337 individuals.

In response to a question about stolen lottery tickets, Mr. Mooney responded that there were no significant losses on lottery tickets.

Chair Robertson Pannell asked Mr. Mooney to explain who Raging Capital Management, LLC and Global Cash Access Holdings are. Mr. Mooney stated that Global Cash Access Holdings asked staff to approve Raging Capital Management, LLC who is a contractor that provides ATM services to casinos.

Bingo Transaction

The Agency had been notified regarding a proposed acquisition of Wayson's Properties, Inc. by Delta Bingo Holdings, Inc. A copy of an executive summary of the proposed asset purchase agreement was provided to the Commission.

Mr. Mooney read the Executive Summary into the record that included an introduction, background, and asset purchase transaction. It is the opinion of MLGCA staff that this proposed asset purchase and its transfer of Wayson's interests meets and is consistent with the Gaming Law.

Chair Robertson Pannell said she would entertain a motion to approve the acquisition of Wayson's Properties, Inc. by Delta Bingo Holdings, Inc. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

Proposed Amendments to Regulations – Gaming Provisions

COMAR 36.03.02.12D – Video Lottery Employee License

COMAR 36.03.02.13C – Manufacturers License

COMAR 36.03.02.14D – Contractors License

COMAR 36.03.02.16A – Denial of a License

COMAR 36.03.03.04 – Qualification by the Commission

Mr. Mooney provided an explanation of the changes for each of the above proposed amendments.

Chair Robertson Pannell asked about the rationale behind the language change in 36.03.02.12 D. Mr. Mooney explained that this gives the Agency discretion regarding these types of activities.

Chair Robertson Pannell asked if sponsored licenses were now called temporary licenses. Mr. Mooney replied they are now called temporary licenses.

Vice Chair McGraw stated that the language on page 26, line 11 of the regulation (36.03.03.04) seems awkward. Mr. Fontaine responded that staff will correct this as well as other minor corrections on pages 14 and 15 of the regulation (36.03.02.13).

Chair Robertson Pannell said she would entertain a motion to approve proposed amended COMAR 36.03.02.12D, 36.03.02.13C, 36.03.02.14D, 36.03.02.16A, and 36.03.03.04. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Legal – Robert Fontaine, Principal Counsel

Proposed Amendments to Regulation – General Provisions

COMAR 36.01.02.01 – Public Information Act Requests

Mr. Fontaine stated that the Maryland Public Information Act (PIA) was changed and that the Agency’s regulations need to be amended to implement these changes. In response to a question from Vice Chair McGraw regarding PIA personnel, Mr. Fontaine stated that Ms. Everett is the PIA coordinator and that an ombudsman has not yet been appointed or created within the State system.

Chair Robertson Pannell said she would entertain a motion to approve proposed amendments to COMAR 36.01.02.01. Motion to approve made by Commissioner Stakem, seconded by Vice Chair McGraw, 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 regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, December 17.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion carried by unanimous vote of the Commission. The meeting adjourned at 11:20 a.m.

Respectfully submitted,


Gordon Medenica