

# Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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## MARYLAND LOTTERY AND GAMING COMMISSION DECEMBER MINUTES

DATE: December 17, 2015

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Agency Headquarters

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

Gordon Medenica, Director  
Gina Smith, Deputy Director, Chief Financial Officer  
James Nielsen, Assistant Deputy Director, Chief Operating Officer  
Robert Fontaine, OAG Principal Counsel  
Holly Citko, OAG Deputy Counsel  
Charles LaBoy, Managing Director, Gaming  
Leo Mamorsky, Managing Director, Chief Marketing Officer  
John Martin, Managing Director, Chief Revenue Officer  
John Mooney, Managing Director, Regulatory Oversight  
Jaclyn Vincent, Managing Director, 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, Vice Chair McGraw called the meeting of the Maryland Lottery and Gaming Commission to order at 10:03 a.m. Commissioners present were: F. Vernon Boozer, George Doetsch, Bert Hash, John Morton and James Stakem. Chair Robertson Pannell was absent.

## **APPROVAL OF THE AGENDA**

Vice Chair McGraw said there were two changes made to the Agenda. Mr. Martin's title should be Chief Revenue Officer, and the name of Game #254 should be *Wild Tic Tac Toe*. She said she would entertain a motion to approve the Amended Agenda. Motion to approve the Amended Agenda was made by Commissioner Hash, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Vice Chair McGraw said the November 19, 2015 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 November 19, 2015 open session minutes be approved, it was seconded by Commissioner Doetsch, and the motion was carried by unanimous vote of the Commission.

## **CONSENT AGENDA**

Vice Chair McGraw said that the Consent Agenda contains six new instant ticket games. They are Game #244 *The Walking Dead* \$2, Game #249 *Home Run Riches* \$5, Game #252 *Monopoly* \$20, Game #254 *Wild Tic Tac Toe* \$1, Game #255 *Crab Cash* \$2, and Game #261 *Crossword Deluxe* \$10. Vice Chair McGraw noted that there were advertising expenses associated with Games #244 and #249. There being no further discussion, she said she would entertain a motion to approve the six new instant games noted above. Motion to approve made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains VLT Games and Component Testing Approvals (11/3/15 – 12/4/15). She asked if there were any questions or discussion. Hearing none, she said she would entertain a motion to approve the VLT Games and Component Testing Approvals (11/3/15 – 12/4/15). Motion to approve made by Commissioner Hash, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Gaming License Application Denials. She asked if there were any questions or discussion. Hearing none, she said she would entertain a motion to approve the Gaming License Application Denials. Motion to approve made

by Commissioner Boozer, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Matthew Heiskell, General Manager, stated November revenue was \$6.1 million, which is down 1.6% for year over year. There was one fewer weekend in November this year versus last year, which had an effect on revenue. Compared to October, slots were down 3.5% and table games were up 9%. December is showing a significant increase in table games.

Reservations are looking strong for the New Year's Eve celebration at the casino. The new meeting room and event/party space will be completed this week.

The casino is hosting a holiday party for the employees and their children. It will feature a Polar Express train theme that was built by the facility. Children will have an opportunity to have their picture taken with Santa. The party will be located in a place where the children will not have to go through the casino for access to the party.

Commissioner Morton brought up the subject of disaster recovery, fire drill practices, and system backups at all the casinos. He asked if each casino representative could comment on their procedures regarding these items when they present their reports.

Mr. Heiskell said they have procedures in place that would apply in case of a fire. Team members know what to do if a fire occurred. System is backed up and they have the ability to get their operation back up and running, whether it is a small or large incident.

### **The Casino at Ocean Downs**

Mr. Joseph Cavilla, General Manager, said November revenue was \$3.8 million, which was 1.5% ahead for year over year. The casino continues its strong summer momentum, and December is looking strong.

The casino is taking the opportunity at this time of year to hold the Title 31 annual training for its team members.

The casino continues to hold food drives in November and December. They have been able to donate approximately 4,000 pounds of food thus far to the food banks.

The casino will be celebrating their fifth anniversary in January. Various giveaway activities will be held in January and later in the year to celebrate.

There is a recovery procedure in place. Operations, computer system, and back up are in one building on site. The casino has procedures for evacuation of the facility. They did have a grease fire in the restaurant area and evacuated that portion. They have never done a full building evacuation.

### Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said they have a lengthy set of recovery procedures that they utilize and he spoke further on these procedures.

Revenue for November was \$51.6 million, which is down 4% down for year over year. The casino cut back on its marketing initiatives slightly in December, but is now moving ahead in January with more marketing.

Salt and Pepa appeared on December 3 at Rams Head Live and on January 17, Kool and the Gang will be appearing.

The casino will be holding an invitation only New Year's Eve celebration.

### Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, said they have specific procedures for employees to follow in the event of a fire. They have held fire drills. Casino has backup capabilities.

The casino showed growth in slots and table game revenue for year over year in November with revenue of \$32.6 million, which is up 1.8% for year over year.

The casino continues to work with their new partner Capital Entertainment. Work continues with the Department of Natural Resources on the parking expansion.

In November, a food drive was held to help replenish the local food bank. Turkeys were given to team members as well as donated to a few homeless shelters. In December, a Toys for Tots drive was held. The hotel is fully booked for the New Year's Eve celebration. Another off-site hotel is providing additional rooms. In response to Commissioner Stakem's question regarding a shuttle, Mr. Dice said shuttle service to the casino will be provided for those patrons attending the New Year's Eve celebration and staying at the off-site hotel.

### Horseshoe Casino

Mr. Alex Dixon, Vice President and Assistant General Manager, introduced the new Vice President and General Manager, Ms. Erin Chamberlain. Ms. Chamberlain said she has been on the job for two days at Horseshoe Casino. She has been involved in the industry for over 12

years in several jurisdictions such as Missouri, Atlantic City, Indianapolis and most recently Las Vegas.

Mr. Dixon said security and back up procedures are in place. Surveillance and security engaged in trial runs so employees would know how to react.

November revenue was \$24.6 million, which is up 5.2% for year over year. Volumes are looking strong for December. A Roaring 20's theme is planned for the invitation only New Year's Eve event at the casino.

A Toys for Tots drive was held and a large donation of toys has been received thus far.

Commissioner Morton said the Agency should give some thought as to how what it wants to do going forward if there was a fire or other type of incident at the casinos. He thanked the facilities for their responses.

## **STAFF REPORTS**

### *Director's Report – Gordon Medenica*

Mr. Medenica said last month he spoke about the significant reorganization of the Lottery. Today he introduced Mr. Jim Nielsen, the Assistant Deputy Director and Chief Operation Officer. He has 30 years of experience in lottery and gaming. Most recently, he was head of Gaming for the New York Gaming Commission.

He also introduced Mr. Leo Mamorsky, the Interim Chief Marketing Officer. Mr. Mamorsky was the account head at DDB, the ad agency for the New York Lottery for 22 years. He will be working with us to design the role of Chief Marketing Officer and then assist in seeking a full time person to fill that role.

Mr. Medenica said current lottery sales are 5% ahead for year over year. This has been driven by the instant games. Year over year combined revenue for casinos and the Lottery are up 12.4%. Lottery year over year profit is up 1.3% and slots and table games are up 4%. We are halfway through the fiscal year. The Agency is on track with its budget revenue estimate.

Maryland joined the World Lottery Association a few months ago. We were awarded Level I certification for responsible gaming when we joined, and last week received certification for Level II. The application for the Level III certification process has begun and this will take several months to complete. Level IV is the highest level of certification, and has only been reached by one state, California.

The Request for Proposal for the Lottery Central Monitor and Control System was issued on December 10. The due date for proposal submission is March 3. Any inquiries from any potential vendors should be referred to Robert Howells, Procurement Officer. An evaluation committee has been selected and they will review the bids and make a recommendation to the

Director and Commission. Mr. Nielsen will be the chair of the committee. The other members are Diane McGraw, Gina Smith, John Gallagher, John Martin, Leo Mamorsky, and Jeff Patchen. The evaluation and selection process will take approximately six months.

Vice Chair McGraw asked who is handling the responsible gaming certification application process. Mr. Medenica responded Mary Drexler, the Responsible Gaming Program Coordinator is handling the process and it involves other members of the Agency staff.

Commissioner Boozer commented on an article in *The Sun* regarding scratch off winners and prizes. Mr. Medenica said the Agency generally pulls instant games when the top tier prizes are won. There has been debate about pulling the tickets when the top prize is won because there are still many other lower tiers of prizes left. The Agency website shows the prizes that are still available. The Sales force pulls the tickets from the agent locations.

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

Ms. Smith said fire drills are held in the Montgomery Park building. We have employees who work from home and the Agency would still be able to function if we could not get into the building during a disaster. SGI would be able to switch over to their back up site and continue operations. A fail over test was done two weeks ago where we operated for a period of time at the backup site and then came back to the prime site, and there were no issues.

The October financial statements were provided to the Commission. She is working on the Comprehensive Annual Financial Report (CAFR), which is due to GFOA by December 31. The Commission will be provided a copy of the CAFR at the January meeting.

She is working with the Sales force to have all claim forms that were cashed at Lottery XCap locations submitted to the Agency in order to issue the W2Gs by the end of the year. Also, preparation of the 1099s is being done.

She is working with the State Personnel System regarding the automated time keeping system that should begin in April.

The Agency is on schedule for implementation of the Cash4Life® Game in January. Testing is currently being done by SGI.

Commissioner Stakem commented that the sales and profit sheet is a very helpful tool, and he appreciates the work that goes into this.

In response to Commissioner Morton's questions regarding the budget report that shows the Agency's expenditures, Ms. Smith said the report is issued on a quarterly basis and the Commission will receive the report at January's Commission meeting.

With the recent organizational changes, John Gallagher will now be providing the Contract Management information to Mr. Nielsen. However, she will continue to bring any contracts to the Commission for review and approval.

**Gaming – Charles LaBoy, Managing Director**

Mr. LaBoy spoke more on the communication with the central system and the fail over tests that have been done, the ability to operate the casino, and access information. There are various levels of controls as well as network enforcement.

The Audit Committee met on December 4 to review the 2016 audit plan, the third quarter financial statements, and the third quarter audit reports.

The Agency continues to lease video lottery terminals to Ocean Downs and Rocky Gap and monitor their performance on a quarterly basis. For the third quarter review, over 250 changes will occur at those properties.

After successfully passing all phases of testing, on November 24 the first dealer operated electronic games at Maryland Live! went live. These table games are operated by live dealers but have electronic betting stations. Performance for those machines increased up to 50%.

Mr. LaBoy said staff continues to meet with MGM National Harbor for an overview of their corporate accounting and audit departments and how those departments operate. In January, staff will start meeting with them every two weeks.

In response to Vice Chair McGraw's question regarding the electronic gaming devices, Mr. LaBoy said staff submitted a renewal of the annual gambling device registration with the Department of Justice which is due by December 31. This will enable the Agency to continue to transport, operate, and sell the electronic gaming devices.

In response to Vice Chair McGraw's question regarding the VEP Computer System RFP, Mr. LaBoy said this RFP is being revised as a Task Order RFP under the State CATS program. The new system will allow casinos to access VEP information in real time through a secure on-line system. It is anticipated that the RFP will be released in the first quarter of 2016.

**Lottery – John Martin, Managing Director, Chief Revenue Officer**

Mr. Martin said he has one correction on his report. On page two, the December instant ticket launch date should be December 28. Four new games will launch—*Black Pearls*, *Lucky Bucks Bingo*, *Extreme Green (Taxes Paid)*, and *Million Dollar Spectacular*.

Holiday instant ticket sales are strong. Players have been expressing a lot of interest in the Warehouse Dash promotion.

Cash4Life® Game point of sale has been approved, and it will be added to the marketplace in the new year at all lottery retailer locations. The television commercial shoot and how to play video production have been scheduled. Advertising will begin on January 18, ticket sales start January 26, and the first drawing will be January 28. The drawings are twice a week, on Mondays and Thursdays at 9 p.m. Players match 5 of 60 and 1 of 4 numbers to win \$1,000 a day for life. Second prize is \$1,000 a week for life.

Commissioner Morton asked what is the impact of cannibalization on the other lottery games. Mr. Martin responded we will monitor the game and look at cannibalization. However, he does not anticipate an issue. It is hard to predict the behavior of the players.

Mr. Martin said the Player Tracking Study results are being summarized and will be distributed when available.

***Regulatory Oversight – John Mooney, Managing Director***

Mr. Mooney said staff continues to work closely with MGM National Harbor. Licensing and Compliance visited MGM's hiring center to look at the space that will be occupied to handle the fingerprinting. Formal meetings will be held every other week starting in January.

**MGM National Harbor, LLC \$600 Million Senior Credit Facility**

Mr. Mooney said MGM National Harbor LLC seeks to enter into a credit agreement with various lenders to secure credit in an amount not to exceed \$600 million. The credit facility will consist of multi-draw Initial Term A Loans in an amount not to exceed \$500 million, and Revolving Commitments (Revolving Loans and Letters of Credit) in an aggregate principal amount not to exceed \$100 million. He then read the Executive Summary into the record, which included a background, participating lenders, Maryland gaming regulatory requirements and conclusions. Members of MGM were present to answer any questions, as well as members of the MLGCA Licensing Division that conducted the investigations. It is the opinion of MLGCA staff that the lenders meet the requirements for participation in the credit facility and were found to have satisfactory credit ratings. The lenders are not disqualified under the Gaming Law. Additionally, the credit agreement and other loan documents contain provisions that appear to satisfy Maryland gaming regulatory requirements.

After discussion, Vice Chair McGraw said she would entertain a motion to approve MGM National Harbor, LLC \$600 Million Senior Credit Facility. Motion made by Commissioner Hash, seconded by Commissioner Morton, and motion passed by unanimous vote of the Commission.

On behalf of MGM National Harbor, Mr. Pat Madamba, Esq. from Fox Rothschild expressed his thanks and appreciation for the work done by Mr. Mooney's group.

Manufacturer's License Hearing – Incredible Technologies, Inc.

Mr. Mooney said the MLGCA conducted a suitability background licensing investigation of Incredible Technologies in connection with its application for a manufacturer's license. The Commission was provided with an executive summary. A representative from the manufacturing company was present as well as members from the MLGCA Licensing Division to answer any questions.

Mr. Mooney read the Executive Summary into the record, which included an introduction, background, 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 principal entities and principals qualifiers have established by clear and convincing evidence their qualifications for a Manufacturer's License.

Vice Chair McGraw asked if anyone from the manufacturer would like to make a statement. Mr. Madamba from Fox Rothschild expressed his thanks to the staff for their work on this.

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

There being no further discussion, Vice Chair McGraw said she would entertain a motion to find that the following meet applicable qualifications for licensure under Maryland's Gaming Law:

- Manufacturer license applicant Incredible Technologies, Inc.
- Individual principal license applicants Elaine A. Hodgson, Richard A. Ditton and James M. Dore.
- Principal entities Elaine A. Hodgson 2008 Special Trust and Richard A. Ditton 2014 Special Trust.

Motion made by Commissioner Hash, seconded by Commissioner Boozer, and motion carried by unanimous vote of Commission.

Vice Chair McGraw said she would entertain a motion to delegate to the Vice 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 Incredible Technologies, Inc. Motion made by Commissioner Boozer, seconded by Commissioner Stakem, and motion carried by unanimous vote of 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, January 28.

**ADJOURNMENT**

Vice Chair McGraw wished everyone a Happy Holiday and Happy New Year.

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

Respectfully submitted,



Gordon Medenica