

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION SEPTEMBER MINUTES

- DATE:** September 28, 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 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
Representative from Scientific Games
Representative from Pollard Banknote
Representative from International Game Technology
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 10:02 a.m. Commissioners present were Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, and James Stakem. Commissioner Morton was absent.

APPROVAL OF THE AGENDA

Chair Robertson said the Commissioners were provided with a copy of the Agenda, and she would entertain a motion to approve the Agenda. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

APPROVAL OF THE MINUTES

Chair Robertson said the August 24, 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 Hash that the August 24, 2017, open session minutes be approved. Motion was seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson said that the Consent Agenda contains three instant tickets for the Commission's approval: Game #353 *Triple Cash* (\$1), Game #354 *Prize Lines* (\$3), and Game #355 *Payday Doubler* (\$5). She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (8/10/17 to 9/14/17); Consent Agreements—Regulatory Violations for Rocky Gap Casino Resort—April and June 2017; Gaming License Application Denials/Revocations; Lottery Retailer License Revocations; 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. Vice chair McGraw had questions about the employee newsletter and instant ticket closing information.

In response to Vice Chair McGraw's request, Ms. Gentry said the Commission would be provided with future issues of the employee newsletter that is referenced in her report. Mr. Medenica added that the Lottery was a finalist for an award at the recent annual NASPL conference for this newsletter.

Vice Chair McGraw said in the past the Commission has been provided with detailed information on the instant ticket game closings and asked if this has been discontinued. Mr. Gorman said he would begin adding the detailed game closing information directly to his report each month.

Chair Robertson said she would entertain a motion to approve the three instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (8/10/17 to 9/14/17); Consent Agreements–Regulatory Violations for Rocky Gap Casino Resort–April and June 2017; Gaming License Application Denials/Revocations; Lottery Retailer License Revocations; and Staff Reports. Motion to approve made by Commissioner Stakem, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total revenue for August was \$6.3 million, up 5.5% year over year. Both slots and table games were up.

Mr. Heiskell said the property hosted the Maryland Alliance for Responsible Gambling meeting last week. There were representatives from the Lottery and the other casinos. Some MLGCA staff also toured the facility after the meeting, where the casino highlighted some of the changes that have been made at the property. The Greene Turtle Express will open next Monday.

The Casino at Ocean Downs

Ms. Bobbi Sample, General Manager, said total revenue for August was \$6.9 million, up 11.9% year over year. New slot machines are on the floor, and no disruptions were experienced. One additional night of horseracing was added and this brings the racing customers over to the casino. So far, September is trending well.

A job fair will be held next Tuesday to recruit for the table game school. The facility is working with WorWic Community College, and the school will open the week of October 23.

Ms. Sample provided pictures of the facility expansion project to the Commission and gave them a progress report.

Live! Casino

Mr. Howard Weinstein, Senior Vice President and General Counsel, said total revenue for August was \$44.7 million, down 20% year over year. September is showing an improvement in slots and table games. A promotional giveaway included prizes ranging from a mob car to cash to a trip to Italy.

The property was a sponsor of the Susan G. Komen Race for the Cure in Washington D.C., a sponsor of the Anne Arundel Marine Corp 5K race at Arundel Mills, and a sponsor of an event with the Capital Area Food Bank.

Renovation of two of the nine floors have been completed at the Live! Loft hotel. Construction of the new Live! Tower hotel is moving ahead. A topping off ceremony will be held on October 17.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President and General Manager, said total revenue for August was \$4.8 million, up 6.1% year over year. Revenues are being driven by table games and the slots volume continues to grow.

The current facility promotion included a GMC Sierra giveaway this week. Rocktober-Fest featuring 12 craft breweries will be held at Rocky Gap.

Casino Player Magazine's "Best of Maryland Gaming Awards" honored the property with nine first place selections, one of which was the favorite casino resort. Others included best hotel, best golf course, best spa, best rooms, best casino hosts, best comps, best video slot machines and best video poker. The Commission extended their congratulations.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, General Manager, said total revenue for August was \$21.8 million, down 21% year over year. This is in line with where they have been for the past few months. Table games continue to be strong. At the end of August, the casino paid out a \$555,000 jackpot. There is a promotional giveaway of an SUV at the end of September.

In August, they were involved in some events in the community. They held a back to school event for children of the employees in the garage area where school supplies were collected and put together in a backpack. Each employee could bring their children for fun activities and get them prepared for the school year. The property looks to continue to do that.

This year, the property will again sponsor Pinktober breast cancer awareness month. It begins with an employee event between the garage and the entrance next week with all proceeds going to breast cancer awareness. Employees will have an opportunity to purchase pink t-shirts and bow ties to wear while at work.

During Ravens football season, they will again host Purple Plaza in the area between the parking garage and the main building during home games. Fans can tailgate before the game, and enjoy food and drink specials.

Ms. Chamberlin spoke about the Caesars' bankruptcy resolution.

Ms. Chamberlin said negotiations with the union were ratified last week for the employee contract. This new contract will help stabilize the work force.

Concerning the recent audit findings, she wanted to assure the Commission that the casino is always striving to be compliant to the highest level. They have taken steps to improve operations, management oversight and employee training.

MGM National Harbor

Mr. William Boasberg, General Manager, said revenue for August was \$52.9 million. August has been their best month. Attendance averages 14,000 to 20,000 patrons on the weekends. They continue to ramp up their promotional efforts with Blackjack tournaments, Baccarat tournaments and giveaways.

The theater continues to be a great asset for the property. Past performers included Mary J. Blige, Theresa Caputo and Journey. In September, Cher will perform six shows over two weekends and they are sold out. In October, Chris Rock, Brad Garrett and Rita Rudner will be performing.

The conservatory area will be changed out with a fall season theme.

Over five community events were held involving the casino employees, volunteering over 2,000 hours. They will be scheduling six to 12 months of volunteer events for the employees to participate in.

Mr. Boasberg said this would be his last Commission meeting. He has accepted another position with the company at a property in Mississippi. He thanked the Commissioners, Director and MLGCA staff for their past support.

Chair Robertson said on behalf of the Commission, she wanted to thank him for his efforts and wished him good luck in his future endeavor.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith, General Manager, said the conversion is moving along well. They are gearing up for retailer training in October and November. There are over 30,000 pieces of equipment and 5,000 locations that maintain the current system. He thanked the Commissioners and Director for their support.

Chair Robertson asked what is the conversion completion date. Mr. Smith said retailer training will begin in October and installation of the equipment will begin in November. They hope to have the conversion completed by March 2018. This massive effort involves the installation of new communications and new terminal devices at every retailer location. The Keno and Racetrax graphics will change quite a bit, and he feels that the customers will be happy when they see it.

Chair Robertson asked how the conversion roll-out would be one geographically. Mr. Smith said they would start in the Western Maryland and Eastern Shore areas, and then move to Baltimore and the I-95 corridor.

Pollard Banknote

Mr. Tim Sansone, Account Executive-Sales and Marketing, said FY2017 was a strong year for the Lottery. The Lottery did 10% more in instant sales as compared to FY2016. Thus far for FY2018, instant ticket sales are 21% ahead for year over year. This places Maryland second in the industry for growth, which is 3.5 times the U.S. average.

Chair Pannell said congratulations to the Pollard and MLGCA staff on the growth of the instant tickets.

International Game Technology (IGT)

Ms. Carmen Vegas, Operations Manager, said IGT is currently working with Ocean Downs on their facility expansion. There have been no operator issues to report.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said the Commission heard from the vendors and they are doing a great job for the Agency. The first quarter is ending, and total Lottery sales are up 10%, driven mainly by the growth in instant tickets sales. The first quarter also benefited by the growing Powerball jackpot. Casino business is good, even with the marked decline at Horseshoe and Live! Casinos. In December, we will begin to see full year comparisons for all six casinos. Lottery profits are up 10.6% and casino contributions are up 27.5%, year over year. Combined lottery profits and casino contributions are up 19.1% year over year. The Board of Revenue Estimates pushed up their expectations, and our BRE goal for FY2018 for the Lottery was raised from \$546 million to \$560 million. This is an aggressive goal for FY2018.

There are changes coming to the Mega Millions Game. The ticket price will be raised from \$1 to \$2 (same as Powerball) and the matrix will also be changed. The matrix will enable the Lottery to drive higher jackpots.

On October 10, he and other MLGCA staff will be making a presentation to the Joint Committee on Gaming Oversight. There will also be speakers from companies that offer new games in the industry as well as a presentation on sports betting.

Mr. Medenica said in November he will be speaking at the American Gaming Association's Board of Directors meeting in Las Vegas on Maryland's annual regulatory review process. The Association is considering recommending this process to other jurisdictions.

Mr. Medenica introduced James Logue, the new Managing Director for Gaming. Today is his first day and next week, he will be attending the G2E conference in Las Vegas. Mr. Logue said

he was the Assistant Director for Video Lottery in Delaware. He has been a gaming regulator for 20 years, and previously he was with the Delaware State Police. He has experience in casinos and regulations.

Mr. Medenica also re-introduced John Gorman, the Chief Marketing Officer who has been with the Lottery for the past three months.

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

Ms. Smith said as you heard from the Director, the Mega Millions game would be changing. In anticipation of the change, at the end of July the Lottery stopped accepting subscriptions and will resume processing subscriptions on October 1. That is the reason that there are no figures for August in her report. In October, new data will be in place. Existing subscriptions will be terminated and customers will be refunded and paid any subscriptions winnings.

The Lottery is very involved in the conversion process. We are working with SGI on a daily basis on the technical requirements for the back office functions as well as the day-to-day business requirements. The process is moving along well.

The FY2019 budget was submitted to the Department of Budget and Management by the due date of September 22. The GAAP financial statements are due to the State on October 2.

Vice Chair McGraw asked for a status of the televised drawings RFP. Ms. Smith said the Lottery is currently working through that process.

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

Mr. Nielsen said the SGI conversion involves a tremendous amount of work and time and it is moving along well.

Commission Action Item

Approval of Annual Change of Operating Hours at the Casino at Ocean Downs

Mr. Nielsen said the casino is seeking approval for an annual change in operating hours to accommodate the seasonality of their property. The casino has made the change of hours request annually since opening, and would like to discontinue that practice and instead utilize the following schedule as their normal operating hours unless and until another written request is made of the Commission.

Beginning on the first Monday of October each year:

- Monday through Thursday, 8:00 a.m. to 4:00 a.m.
- Friday, 8:00 a.m. through Monday, 4:00 a.m., 24 hour operation

Beginning on the Monday one week prior to Memorial Day each year:

- Full 24 hour, seven day a week operation

Annually, from December 26 to January 2:

- Full 24-hour operation on all weekdays (Monday through Thursday) during the holiday week in addition to the standard 24-hour operation on weekends.

Staff recommends approval.

There were no questions for Mr. Nielsen.

Chair Robertson said she would entertain a motion to approve the Casino at Ocean Downs' request to discontinue the annual practice of requesting the change in operating hours and instead utilize the above schedule as their normal operating hours unless and until another written request is made to the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Doetsch, 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 Items

Acquisition of American Casino and Entertainment Properties, LLC by Golden Entertainment, Inc.

Mr. Mooney said in June 2017, MLGCA received official notification that Golden Entertainment, Inc. had signed a definitive agreement to acquire 100% of American Casino & Entertainment Properties, LLC (ACEP), which wholly owns four hotel/casinos in Nevada including Aquarius Casino Resort, Arizona Charlie's Boulder, Arizona Charlie's Decatur and Stratosphere Casino, Hotel and Tower. ACEP is wholly owned by W2007/ACEP Holdings, LLC, who is a wholly owned indirect subsidiary of The Goldman Sachs Group, Inc. On September 14, 2017, W2007/ACEP Holdings, LLC obtained an Institutional Investor Waiver with respect to the transaction. Golden Entertainment, Inc. is the parent company of Evitts Resort, LLC and operator of the Rocky Gap Casino. Golden Entertainment is proposing to issue more than 5% of its common stock as part of the purchase price for the acquisition, and to use Evitts Resort, LLC as collateral and guarantor of loans made to Golden Entertainment.

An Executive Summary was provided to the Commission that Mr. Mooney read into the record. The summary included an introduction, information on the transaction and the investigation.

Mr. Sean Higgins, Golden Entertainment's Chief Legal Officer and Executive Vice President of Business Development and Government Affairs and Mr. Robert Ruben, outside counsel, were present to answer any questions.

Mr. Mooney said it is the opinion of MLGCA staff that the proposed transaction is consistent with the Gaming Law and that W2007/ACEP Holdings, LLC (The Goldman Sachs Group) is qualified to be granted a waiver as an Institutional Investor. Staff recommends approval of the proposed transactions, including:

- (1) Issuance by Golden Entertainment, Inc. of more than 5% of its common stock,
- (2) For Golden Entertainment, Inc. to enter the financing,
- (3) For Golden Entertainment, Inc. to pledge the equity of Evitts Resort, LLC as part of the collateral for the financing;
- (4) For Evitts Resort LLC to enter the financing in order to provide the guarantees required by the financing; and
- (5) For Evitts Resort, LLC to execute and deliver the Leasehold Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing required by the financing.

The Chair asked if there were any questions for Mr. Mooney or the applicants. There were none.

Chair Robertson said she would entertain a motion to approve the acquisition of American Casino and Entertainment Properties, LLC by Golden Entertainment, Inc. Motion to approve made by Commissioner Hash, seconded by Commissioner Stakem and the motion carried by unanimous vote of the Commission.

REIT Transaction – MGM Growth Properties, LLC.

Mr. Mooney said MGM Resorts International contacted the MLGCA seeking approval for a material change in the ownership structure of the MGM National Harbor video lottery facility and, in connection therewith, a finding that MGM Growth Properties, LLC (MGP) and certain of MGP's affiliates are each qualified as a principal entity of MGM National Harbor, LLC, the holder of the video lottery facility operation license. The MLGCA conducted a suitability background license investigation of MGM Growth Properties, LLC.

An Executive Summary was provided to the Commission that Mr. Mooney read into the record. The summary included an introduction, findings, qualifiers, and conclusions and opinion. The Commission was provided with all the information pertaining to the request.

Mr. James Stewart, MGM Growth Properties CEO and Mr. Patrick Madamba, MGM National Harbor's Vice President and Legal Counsel, were present to answer any questions.

Mr. Mooney said it is the opinion of MLGCA staff that the applicant and its qualifiers have established by clear and convincing evidence their qualifications and approval of the request for a material change in the ownership structure of the MGM National harbor video lottery facility. Staff recommends approval.

The Chair asked if there were any questions for Mr. Mooney or the applicants. There were none.

Chair Robertson said she would entertain a motion to approve MGM Growth Properties' request for a material change in the ownership structure of MGM National Harbor. Motion to approve made by Commissioner Doetsch, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Mr. Madamba made some additional comments. He complimented the MLGCA staff on their work and appreciated all their assistance in this matter.

COMMISSION COMMENT

Chair Robertson said Mr. James Butler would speak on the Open Meetings act. Mr. Butler said during the past legislative session, additional requirements to the Open Meetings Act were passed. Each commission or board that may adjourn into a closed session must designate at least one member who will take an Open Meetings Act training program. He suggested that two members from the Commission take the training. Mr. Butler indicated that Commissioners Robertson and McGraw have agreed to take the training. The training is an on-line course that takes about two hours. He said he could send the link to all Commissioners to see if anyone else is interested in taking the training.

PUBLIC COMMENT

There were no public comments.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, October 26.

ADJOURNMENT

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

Respectfully submitted,


Gordon Medenica