

**MARYLAND STATE LOTTERY COMMISSION  
MARCH MINUTES**

DATE: March 24, 2011

TIME: 10:00 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman J. Kirby Fowler, Jr.  
Vice Chairman Matthew Thomas  
Commissioner F. Vernon Boozer  
Commissioner Diane L. McGraw  
Commissioner W. Ray Presley  
Commissioner Bruce L. Reeder  
Commissioner Kimberly D. Robertson  
Commissioner George M. Wagner

Stephen Martino, Director  
Robert Fontaine, Principal Counsel  
John Gallagher, Chief Information Officer  
Jill Baer, Director, Creative Services  
Robert Howells, Director, Procurement  
John Mooney, Director, Enforcement  
Holly Knepper, Deputy Counsel  
Michael Eaton, Director, Internal Audit  
Jennifer Kelley, Responsible Gambling Program Coordinator  
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville  
Representatives from Casino Ocean Downs  
Representative from GTECH Corporation  
Representatives from Scientific Games  
Representative from Pollard Banknote  
Members of the Public

## **CALL TO ORDER**

There being a quorum present, Chairman Fowler called the meeting of the Maryland Lottery Commission to order at 10:08 a.m. Commissioners present were Matthew Thomas, F. Vernon Boozer, Diane L. McGraw, W. Ray Presley, Bruce Reeder, Kimberly D. Robertson and George M. Wagner.

## **APPROVAL OF THE AGENDA**

Chairman Fowler said he would entertain a motion to approve the Agenda. Motion was made by Vice Chairman Thomas, seconded by Commissioner Wagner, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Chairman Fowler stated the February 24, 2011, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner Reeder motioned that the minutes be approved, and it was seconded by Commissioner Robertson. The minutes were approved by unanimous vote of the Commission.

## **CONSENT AGENDA**

Chairman Fowler said the Consent Agenda contains new instant ticket games (Exhibit #1), and VLT Games and Component Testing—GLI and BMM Games, Hardware and Software Certification (Exhibit #2) for the Commission's approval.

For the record, the new instant ticket games were: Game #857 *Double Dice*, Game #869 *Instant Riches*, Game #882 *Silver & Gold*, Game #883 *Hoards of \$100s*, Games #885 *Super Slots*, Games #887 *Super Cash*, Games #889 *Double Jackpot*, and Game #892 *Amazing 8s*.

Chairman Fowler requested a motion to approve the new instant games. Motion was made by Commissioner Wagner, seconded by Vice Chairman Thomas, and motion carried by unanimous vote of the Commission.

Chairman Fowler requested a motion to approve the VLT Games and Component Testing. Motion was made by Commissioner Presley, seconded by Commissioner Wagner, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Himbert Sinopoli, General Manager, said gross terminal revenue for February was \$9 million with \$6 million generated in taxes for the State. February was the facility's best month of gross terminal revenue since October. Currently, March is continuing the success of February. The marketing programs implemented last month have been successful, and over 30 additional employees have been hired.

Several months ago, Hollywood Casino requested permission from the City of Perryville to erect a 175 foot high pylon sign at the facility location that would be visible from Interstate 95, but the city denied their request. They went back to the city last month, again requested permission for the sign, and were still denied. They are appealing the denial to the local City Commission for a hearing request. Mr. Sinopoli said the city's concern is that they do not want to clutter the area with numerous signs that gives the feeling of a Las Vegas type area. He noted that 82,000 cars a day pass by on Interstate 95 and most of those are from out of state. There is currently a combination of 13 state signs with two being on I-95 and two on the road nearby the casino. The State has done quite a bit for the facility by way of signage. Chairman Fowler asked if there is anything the Commission can do to assist Hollywood Casino with the signage issue. Mr. Martino said this is a local issue; however, he will make some inquiries to see what is appropriate in order for the Commission to offer its assistance.

Commissioner Wagner asked if any changes have been made with regards to the closing hours. Mr. Sinopoli responded they have not heard anything positive about a change to the law.

Mr. Martino said in January the Governor's Office of Minority Affairs (GOMA) issued the MBE compliance report for the VLT facilities. The Commission reviewed and discussed this report and found Hollywood Casino's overall goal was 19.35% through December 31. The State's MBE goal is 25%. Mr. Sinopoli said that percentage was primarily construction related. Every effort has been made to bring more MBE businesses into the project. In meetings with the Purchasing Department, they discuss how more minority and women-owned businesses can be utilized. He understands they are below their goal, but they are working to utilize more MBE vendors. Some MBE vendors have not yet been certified by State of Maryland but are in the process. Unfortunately, they cannot be counted.

Vice Chairman Thomas asked if the MBEs are having difficulty obtaining certification. Mr. Sinopoli responded it does take time to get time to get certified, but there are no issues. Commissioner Wagner asked what percentage of Cecil County's population is minority. Mr. Sinopoli responded it is not more than 12% Hispanic and 19% women and minorities. Commissioner Wagner asked what percentage of Harford County's population is minority. Mr. Sinopoli said he did not know but believes it is higher than Cecil County.

The Commission applauds Hollywood Casino's ongoing efforts to bring in MBE businesses, and they will continue to work with Hollywood Casino to provide any assistance needed. Mr. Sinopoli said Hollywood Casino will continue to submit their MBE report to GOMA on a monthly basis.

#### Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said with him today is Bobbie Sample, Assistant General Manager, and Chris Llinas from Royal Plus, who served in the construction management role during the project and was also the point of contact with GOMA. The facility opened in January and gross terminal revenue was approximately \$3 million in both January and February. To date, March is trending similarly with no erosion to the numbers. This is a unique location with seasonal business that opened during a slow period of time. The summer months should bring more customers to the facility on the weekends. Currently, 195 employees have been hired. Ocean Downs is continuing to build its marketing database. Chairman Fowler asked if there are any restaurants located in the casino. Mr. Cavilla responded a Dine and Dash is located in the casino, and there is also a full service restaurant in the clubhouse that opens on April 15. Vice Chairman Thomas asked about Ocean Downs' advertising reach. Mr. Cavilla responded they are advertising in the Virginia and the Baltimore/Washington market areas.

Mr. Cavilla said MBE goals are a new requirement to them. This is a challenge to the casino industry as there is no established supplier base for casino operations. Ocean Downs met with GOMA and came up with items to reach out and connect with MBE vendors. During the bidding processes, Ocean Downs took the opportunity to make contact with MBE firms, and continued that process through the opening of the facility. They were able to establish relationships with a number of MBE firms. They filed their report with GOMA in January but have since updated the report. On March 14, a full MBE package was delivered to GOMA. They will continue to make a good faith effort to meet the 25% MBE goal. Commissioner Wagner asked what percentage of Worcester County's population is minority. Mr. Cavilla responded it is under 10%.

Chairman Fowler said the Commission appreciates the good faith efforts made by Ocean Downs to achieve the MBE goal. Mr. Martino said an urgent message was received from GOMA that they had not heard anything from Ocean Downs, and this is not acceptable. Ocean Downs must meet the MBE reporting requirements. In an e-mail received this morning from Special Secretary Jenkins of GOMA, she received Ocean Downs' MBE report but found a large discrepancy in the report with what they were able to verify. It does not support the 22% reported by Ocean Downs. Ocean Downs was directed after today's meeting to reach out to GOMA and work to clarify the information. Mr. Cavilla said he will contact GOMA to discuss that issue. Mr. Martino said under law the MBE review is done by GOMA and then reported to the Lottery Commission. It is the responsibility of the Commission to enforce this statutory requirement to ensure that good faith efforts are being made by the VLT facilities. Mr. Cavilla said thank you for the opportunity to discuss this issue.

### Maryland Live! Casino

Mr. Martino said there is no representative from Maryland Live! Casino present today. However, he spoke to Mr. Weinberg yesterday and was informed that Maryland Live! is finalizing its plans for construction and opening of the facility. Mr. Weinberg believes that by the April meeting he will be able to make a full presentation to the Commission.

## **VENDOR REPORTS**

### GTECH

Mr. Jeff Patchen said the GTECH day-to-day operations have been running smoothly. In the near future, they will be issuing a software release to make some changes to the system. They are also working on developing a Disaster Recovery Plan. They are waiting for receipt of Maryland Live! Casino's timelines so planning work can begin. If any Commissioners wish to tour the GTECH operation, please him know.

### Scientific Games

Mr. Stephen Smith said there are two Lottery in Motion (LIM) terminals on display at today's meeting for the Commission to view. LIMs is a design tool with the capability of making changes relatively quickly. They will be used for advertising, responsible gaming acknowledgements, to update jackpots, and send text messaging whenever needed. LIMs will assist with overall sales in the State of Maryland. LIMs are currently at five agent locations, one of which is at the Mary Mervis location at Montgomery Park on the first floor. He said Mr. Gallagher will brief the Commission further on the system.

Commissioner Wagner asked if any more thought has been given to a prior discussion regarding zero and one times on the Keno Bonus wheel. Mr. Smith said this has been discussed with Lottery staff. It is mathematically correct and might be more confusing to players if it is changed. Chairman Fowler asked that the Lottery weigh the suggestion. Mr. Smith said they will review it again, and SGI will seek guidance from the Lottery.

### Pollard Banknote

Ms. Lori Denton presented recently successful scratch-off games that have been launched. *Lucky Hearts* is a \$2 scratch-off ticket, and sales are 40% ahead of the average \$2 game. *Instant 3-4-5* is a \$3 scratch-off ticket, and sales are 30% ahead of the average \$3 game. *Mega Millions/Powerball* is a \$5 scratch-off ticket and sales are 60% ahead of the average \$5 game. Crossover scratch-off games such as *Instant 3-4-5* and *Mega Millions/Powerball* have been successful in pulling customers over toward the purchase of the on-lines games. *Livin' Lucky* is a \$10 scratch-off ticket and sales are 10% ahead of average \$10 sales. Sales of the \$10 scratch-off tickets have been somewhat flat. *Black*, the new \$20 scratch-off ticket launched this week.

Commissioner Reeder asked if sales of the higher price point scratch-off tickets are higher in certain geographical areas. Ms. Denton said the higher percentage of sales is in the Baltimore market due to the population density, and also the DC market, including Montgomery and Prince Georges Counties.

## **STAFF REPORTS AND COMMISSION ACTION ITEMS**

### *Director's Report – Stephen Martino*

An updated sales and revenue sheet was provided to the Commission. Mr. Martino said through March 20, sales were \$10.2 million ahead of last year, with revenue \$1.5 million behind. On Saturday evening a few weeks ago, the number 4444 was drawn in the Pick 4 game. On that day, Pick 4 sales were \$450,000 and the Lottery paid out \$7 million, for a loss of \$6.5 million. The Mega Millions jackpot for Friday night's drawing is \$304 million, and the jackpot is being advertised through various media. An additional Mega Millions conference call is scheduled for today to discuss the possibility of raising the jackpot to a higher amount depending upon sales.

The Hollywood Casino and Ocean Downs VLT operators previously provided revenue information on their facilities. February was a very good month. The sales trends for each facility are also included on the VLT gaming revenue report.

The Lottery received its budget recommendations from the House and Senate Subcommittees. The Lottery's advertising budget was reduced by \$400,000, and the request for additional staff positions at the Ocean Down and Perryville facilities were accepted.

Mr. Martino said Ms. Smith is on vacation and her report was provided to the Commission for their review.

### *Creative Services – Jill Baer, Director*

Ms. Baer said the Mega Millions and Powerball jackpots are currently being advertised on radio, television and on outdoor signs. The next Mega Millions drawing is on Friday and the next Powerball drawing is on Saturday.

Work is progressing on the Oriole's sponsorship proposal. A second chance contest is tied into the *Double Play* scratch-off ticket. Players go to the Lottery's website and enter their ticket code which then enables them to win cash and Oriole's experiential prizes. Advertising of the scratch-off game will begin with the start of the pre-season baseball games.

*Information Technology – John Gallagher, Chief Information Officer*

Mr. Gallagher said lottery terminals at the agent locations were refurbished for the new hardware and software compatibility for the LIMs project. However, there are still some outstanding issues. SGI corporate staff will be meeting at the Lottery to discuss the issues associated with the LIMs project. There are currently five agent locations with the LIMs installed. The Lottery is waiting until the issues are resolved before moving forward with the installation of additional LIMs.

*Legislation*

Mr. Martino said Mr. Dorsey was not available to present an update on legislation. He said the Legislature is deferring most of the table game legislation until next year's session. If any table game legislation is passed during next year's session, it would then be placed on the 2012 ballot as a referendum. Chairman Fowler asked if VLT operators will be permitted to have more than one VLT license in the State. Mr. Howells responded only in connection with the Rocky Gap VLT facility. Chairman Fowler asked about the status of the Baltimore City VLT facility. Mr. Fontaine responded Baltimore City Entertainment Group appealed the Maryland State Board of Contract Appeals decision and a hearing is scheduled for May 25 with the Circuit Court of Baltimore City.

*Internal Audit – Michael Eaton, Internal Auditor*

Mr. Eaton said his report contains the status of various audits for this year. He will be meeting with the Commission Audit Subcommittee on April 12 to review the status of the audits completed through March.

*Responsible Gambling Program – Jennifer Kelley, Coordinator*

Ms. Kelly said there was one additional application received last month for voluntary exclusion from Maryland casinos. The Maryland Alliance for Responsible Gambling website will be launched in conjunction with a press conference that will be held at the Lottery at the end of April. Next month she will present additional information regarding the Commission's responsible gambling program.

*Legal Unit – Robert Fontaine, Principal Counsel*

Mr. Fontaine presented proposed amendment COMAR 14.01.10.03D(6) Video Lottery Terminals—Process—Changes in Application. This amendment would clarify that an applicant for a video lottery employee license may withdraw his or her application, as long as the withdrawal is done in writing and before the Commission denies the application.

Chairman Fowler said he would entertain a motion to approve amended regulation 14.01.10.03D(6). Motion was made by Commissioner Robertson, seconded by Commissioner Reeder, and motion carried by unanimous vote of the Commission.

Chairman Fowler said he would entertain a motion to permit Lottery staff to submit amended regulation 14.01.10.03D(6) approved today on both an emergency and regular basis. Motion was made by Vice Chairman Thomas, seconded by Commissioner Robertson, and the motion carried by unanimous vote of the Commission.

### **PUBLIC COMMENTS**

There were no public comments made.

### **CLOSED SESSION**

Chairman Fowler said pursuant to State Government Article §10-508(a)(7) he would entertain a motion to move to a closed session to consult with counsel to obtain legal advice concerning hearings before the Commission. Motion was made by Commissioner Robertson, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a) (Exhibit #3). The meeting moved to a closed session at 11:19 a.m.

In addition to the eight Commission members present, the following were also present during the closed session: Robert Fontaine, Holly Knepper, James Butler and Marie Torosino. The meeting returned to open session at 11:36 a.m.

Chairman Fowler announced that during the closed session, the Commission reviewed with counsel its responsibilities and obligations during the license denial hearing.

### **DATE AND TIME OF NEXT MEETING**

The next Commission meeting will be at 10 a.m., Thursday, April 28.

### **ADJOURNMENT**

There being no further business for discussion, Chairman Fowler said he would entertain a motion to adjourn. Motion was made by Commissioner Wagner, seconded by Commissioner Robertson, and motion carried by unanimous vote of the Commission. The meeting adjourned at 11:45 a.m.

Respectfully submitted,

Stephen L. Martino