

**MARYLAND STATE LOTTERY COMMISSION  
JUNE MINUTES**

DATE: June 21, 2012

TIME: 10 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman J. Kirby Fowler, Jr.  
Commissioner F. Vernon Boozer  
Commissioner E. Randolph Marriner  
Commissioner Diane McGraw  
Commissioner W. Ray Presley

Stephen Martino, Director  
Gina Smith, Deputy Director/CFO  
Robert Fontaine, Principal Counsel  
John Gallagher, Chief Information Officer  
Charles LaBoy, Assistant Director for Gaming  
John Martin, Assistant Director for Lottery  
Phil Metz, VLT Licensing Manager  
Holly Citko, Deputy Counsel  
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville  
Representative from Ocean Downs Casino  
Representative from Maryland Live! Casino  
Representatives from Lakes Entertainment  
Representative from CBAC  
Representative from Gaming Labs Incorporated  
Representative from BMM Compliance Testing  
Representative from Eclipse Compliance Testing  
Representative from Spectrum Gaming Group, LLC  
George Wagner  
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 10:05 a.m. Commissioners present were, F. Vernon Boozer, E. Randolph Marriner, Diane L. McGraw, and W. Ray Presley. Kimberly Robertson Pannell and Bruce L. Reeder were absent.

## **APPROVAL OF THE AGENDA**

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

## **APPROVAL OF MINUTES**

Chairman Fowler stated the May 17, 2012, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner Presley made a motion that the minutes be approved, it was seconded by Commissioner Marriner, and the motion carried by unanimous vote of the Commission.

## **COMMISSION SERVICE RECOGNITION**

Mr. George Wagner, former Lottery Commissioner, was presented an award of recognition for his service to the Lottery Commission. Chairman Fowler thanked Mr. Wagner for his service and said it has been a pleasure serving with him on the Commission. Mr. Wagner thanked the Commission and the staff for this recognition of service, and he spoke about his time as a Commissioner. The other Commissioners made a few comments and the Chairman wished him the best in his future endeavors.

## **CONSENT AGENDA**

Chairman Fowler said the Consent Agenda contains new instant ticket games: Game #955 *On the Money* and Game #956 *Stacked with Cash* (Exhibit #1), as well as VLT Games and Component Testing (Exhibit #2) for the Commission's approval.

Chairman Fowler asked if there were any questions. Hearing none, he requested a motion to approve new instant games #955 *On the Money* and #956 *Stacked with Cash* as well as the VLT Games and Component Testing. Motion made by Commissioner Marriner, seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Bill Hayles said gross terminal revenue for May showed a year over year increase of 5%. Thus far, revenue for June is showing somewhat of an impact with the opening of the newest casino.

The casino's buffet is undergoing renovation. During this renovation, the buffet is being housed in a tent in the parking lot. It is scheduled to reopen as a new dinner restaurant in August. The conversion will allow them to do more things from a flexibility standpoint regarding live entertainment.

Mr. Hayles congratulated Mr. Norton on the opening of the Maryland Live! Casino and said he had an opportunity to attend opening night.

Chairman Fowler offered congratulations to the facility on a strong month.

### **Ocean Downs Casino**

Mr. Joseph Cavilla, General Manager, said gross terminal revenue (GTR) for May shows a 21% increase over last year. He attributes this increase to a combination of great weather and enhanced marketing. For June, revenue is trending slightly upward.

Ocean Downs was host to the Ocean City Air Show. They hosted a private party for 400 guests who were taken to the air show and brought back to facility. It was a great public affairs events and a chance to get the Ocean Downs Casino name out to the public. They continue to look for other types of these events.

Mr. Cavilla offered his congratulations to Maryland Live! and said he also had an opportunity to attend the opening.

Chairman Fowler offered congratulations to the facility on their strong month.

### **Maryland Live! Casino**

Mr. Rob Norton, General Manager, said he hoped everyone enjoyed the opening night of the casino. There were 122,000 guests invited that night. Many more were outside the facility waiting to get in for the 10 p.m. public opening. Phase one was completed with the opening of the Cheesecake Factory Restaurant yesterday.

He said for the first ten days of operation, over \$11 million was paid to the State, over 65,000 active members were in the player database and approximately 900 employees have been hired with more hiring taking place.

Construction of phase two is ahead of schedule, and they will be working with Lottery staff concerning the 500 additional VLT's. Phase two should be completed in the fall.

Chairman Fowler offered congratulations to the casino on behalf of the Commission.

### Evitts Resorts

Mr. Tim Cope, President and CFO and Mr. Mike Montross, Vice President of Marketing from Lakes Entertainment were present. Mr. Montross said they received approval from the Board of Public Works for the purchase of Rocky Gap as well as approval of the land lease. They will be submitting documents to the Allegany County Commission for the issuance of building permits. During construction, the hotel and golf course will be kept in operation as much as possible. They anticipate approximately 12 months of construction depending on the weather, and will begin construction in the fall.

Chairman Fowler thanked them for the update.

## **STAFF REPORTS**

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

Mr. Martino said through June 17, total lottery sales are \$75.6 million or 4.5% ahead over last year. Revenue is \$35.4 million or 7% ahead of last year. As it currently stands, by the end of the fiscal year, the Lottery will set a sales and revenue record for the 15<sup>th</sup> consecutive year. He will have a fiscal year-end report available at next month's meeting.

The Lottery's Gaming Division was heavily involved in the preparation of the June 6 opening of the Maryland Live! Casino. As a result of the controlled demonstration conducted on June 2 and two other private events, Maryland Live! Casino donated \$42,000 to four charities.

The casino opening night was a first-class event. There were 3,171 active machines on the floor at opening. We have developed a good working relationship with the facility. He expressed his appreciation to Maryland Live! for working through any issues that arose.

Mr. Martino said a work group to consider gaming expansion was appointed by the Governor, President of the Senate and Speaker of the House. He attended the group's final meeting yesterday. The group could not reach a consensus on all the issues. Thus far, no special session is planned to address gaming expansion this year. He said he would keep the Commission informed of any changes.

Chairman Fowler asked for an update regarding SB864 concerning the electronic gaming devices. Mr. Martino responded the bill goes into effect July 1 and regulations need to be written and in place by January 2013. He will to keep the Commission updated.

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

Ms. Smith said the January, February and March financial statements were provided to the Commission. The April statement is currently under audit and will be provided at next month's meeting. After May's statement is issued, no financial statements will be provided until conversion to GAAP is completed.

Ms. Smith said new employees have been hired in the Accounting Division. An offer was made for the Controller's position, the person accepted the offer, and he will start on July 9. A new VLT Accountant started on July 11. An offer was made for the Internal Auditor's position, the person accepted the offer, and she will start on July 11. Ms. Smith said she will contact the Vice Chair, who was absent today, regarding the hiring of the Internal Auditor.

*Information Technology – John Gallagher, Chief Information Officer*

Mr. Gallagher said he continues to meet regularly with the Lottery's internet work group to discuss requirements for the scope of the project and development of software specifications needed for the implementation. The tentative launch is during the first quarter of 2013.

*Gaming – Charles LaBoy, Assistant Director*

Mr. LaBoy thanked Jeff Patchen and Michael Eaton for the many hours they spent preparing for the opening of Maryland Live! Casino. A Slot Department Audit was conducted at Ocean Downs Casino and a Cage Department Audit was conducted at Hollywood Casino. Those results were provided to the Commission. An Internal Control amendment request was received from Hollywood Casino regarding the ticket redemption process. It was reviewed and approved by staff. There are currently 87 people enrolled in the responsible gambling voluntary exclusion program. The number has increased since the opening of Maryland Live!

Maryland Live! completed VLT implementation, communication and meter testing during the week of May 20. Gaming Laboratories International (GLI) was brought in to assist, and 3,114 VLT devices passed testing during this period. GLI and staff were able to test the remaining 62 VLT's and determined they were operating properly. A copy of GLI's report was provided to the Commission. Since the opening of the casino, the GTECH central monitor and control system has performed well.

During Maryland Live's controlled demonstration and mock operations, staff identified several issues and the facility addressed them. A copy of that report was provided report to the Commission.

On June 4, an Arundel Mills Community Forum was held to give the public and media an opportunity to ask any questions regarding the casino, the responsible gambling program, and the voluntary exclusion program.

Mr. LaBoy presented an action item request for the Commission's approval of the independent testing laboratories. They are: Gaming Laboratories International (GLI), BMM Compliance Testing (BMM) and Eclipse Compliance Testing (Eclipse). The Commission was provided with detailed information on each vendor.

Each lab meets the requirements established in COMAR 14.01.15.01B(2): Holding a certificate in good standing for compliance with the International Organization for Standardization #17025—General Requirements for Competence of Testing and Calibration Laboratories; and International Organization for Standardization #17020—General Criteria for the Operation of Various Type of Bodies Performing Inspections. Each lab has also performed testing and certification of gaming equipment, systems and software on behalf of a state within the U.S. for a period of five years or more. Each lab has also agreed to provide up to 200 hours of training per year at the lab, the Lottery or at a casino, and provide annual inspection of the lab by Lottery staff.

Mr. LaBoy introduced the representative of each testing lab and gave them an opportunity to talk about their company. They were John Grau from GLI, Richard Williamson from BMM, and Jeff Jalovec from Eclipse.

Chairman Fowler asked if there were any questions from the Commission. Hearing none, he said he would entertain a motion to approve the independent testing laboratories: Gaming Laboratories International, BMM Compliance Testing and Eclipse Compliance Testing. Motion made by Commissioner Boozer, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

#### *Lottery – John A. Martin, Assistant Director*

Mr. Martin said the SalesMaker project is well underway. Approximately 200 lottery retailers are in various stages of updates. The Lottery participated as a title sponsor of WBAL-TV's Sailabration. The \$2 *Star Spangled Tripler* scratch-off ticket launched in May and after five weeks, the ticket is approximately 30% sold. Brian Johnson, Assistant Director in the Communications Division, will be leaving the Lottery next week. He has been a part of the organization for 16 years and has been the face of the Lottery at various events. He will be missed.

#### *Enforcement – Phil Metz, VLT Licensing Manager*

In Capt. Mooney's absence, Mr. Metz presented the report. He said there was no further information to add to the report.

Video Lottery Terminal Operation License Qualification Hearing – CBAC Gaming, LLC (CBAC)

Chairman Fowler stated that the purpose of the hearing was to determine whether CBAC was qualified under the VLT Law for a video lottery facility operation license. He explained that Staff will explain its role and the results of the background investigation, the Applicant will be given an opportunity to address the Commission, the Commission will then have an opportunity to ask any questions, and the Commission will accept comments from the public.

Chairman Fowler asked that those who would be testifying to stand and be sworn in. Mr. Metz was sworn in. Mr. Metz summarized the background investigation of CBAC that was conducted by Spectrum Gaming Group, LLC (Spectrum). The summary included an introduction, findings, listing of applicants and principal entities, principal qualifiers, and conclusions and opinions.

Mr. Metz stated that Spectrum's investigation confirmed that the Applicant has the financial resources to execute its business plan with no derogatory information regarding the Applicant's suitability. No disqualifying factors were found that would preclude the Applicant from being issued a Video Lottery Facility Operation License based on the criteria listed in the VLT Law and the Applicant has satisfied the requirements listed in the VLT Law. It is the opinion of the Lottery staff that the Applicant is qualified to be approved for a Video Lottery Operation License. The parent companies are also suitable.

There was further discussion pertaining to one of the principals. There were no further comments made by the applicant or the public.

Chairman Fowler said he would entertain a motion for the Commission to find that CBAC Gaming, LLC is qualified under the VLT law to hold a video lottery facility operation license, and asked if there was any further discussion. There was none. Motion made by Commissioner Boozer, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

Chairman Fowler said he would entertain a motion for the Commission to find that the identified principal entities and individuals of CBAC Gaming, LLC are qualified under the VLT law, and asked if there was any further discussion. There was none. Motion made by Commissioner Boozer, seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission.

Chairman Fowler said he would entertain a motion for the Commission to authorize the Chairman to prepare and issue a written Decision and Order with Findings of Fact and Conclusions of Law and send it to the Applicant and the Chairman of the Video Lottery Facility Location Commission. Motion made by Commissioner Boozer, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

Mr. Fontaine said GEM Liquors, a lottery retailer, had requested a hearing before the Commission on the revocation of their lottery license. The hearing was originally scheduled in March but was postponed at the retailer's request. The Lottery may be rescheduling the revocation hearing for the September meeting after the retailer's criminal trial in Baltimore County District Court for that is scheduled for August 14. He will keep the Commission informed.

The Commission was provided with a copy of the Decision of the Court of Special Appeals affirming the order of the Circuit Court for Baltimore City denying the challenge of Baltimore City Entertainment Group (BCEG) to the Location Commission's rejection of the proposal for the Baltimore City operation license. He does not know if BCEG will ask the Court of Appeals to review the decision. He will keep the Commission informed.

### **PUBLIC COMMENTS**

Mr. Kevin O'Keeffe spoke on behalf of the Maryland Amusement and Music Operators Association (MAMOA). He said a meeting was scheduled for July 2 with Lottery staff to discuss the implementation of SB 864. They look forward to working with the staff.

There were no other public comments.

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

Chairman Fowler said the next Commission meeting is scheduled for 10 a.m. on Thursday, July 26. Commissioner Boozer motioned to approve, it was seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

### **ADJOURNMENT**

There being no further business for discussion, Chairman Fowler adjourned the meeting at 11:29 a.m.

Respectfully submitted,

Stephen L. Martino