

**MARYLAND STATE LOTTERY COMMISSION  
JULY MINUTES**

DATE: July 26, 2012

TIME: 10 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman J. Kirby Fowler, Jr.  
Vice Chair Kimberly Robertson Pannell  
Commissioner E. Randolph Marriner  
Commissioner Diane McGraw  
Commissioner Bruce L. Reeder

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  
John Mooney, Assistant Director for Enforcement  
Holly Citko, Deputy Counsel  
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville  
Representative from Ocean Downs Casino  
Representative from Maryland Live! Casino  
Representative from Lakes Entertainment  
Representative from Scientific Games International  
Representative from Pollard Banknote  
Representative from GTECH  
Members of the Public

## **CALL TO ORDER**

There being a quorum present, Vice Chair Robertson Pannell called the meeting of the Maryland Lottery Commission to order at 10:12 a.m. Commissioners present were E. Randolph Marriner, Diane L. McGraw, and Bruce Reeder. Chairman Fowler was present via phone. F. Vernon Boozer and Ray Presley were absent.

## **APPROVAL OF THE AGENDA**

Vice Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Motion was made by Commissioner Marriner, seconded by Commissioner McGraw, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Vice Chair Robertson Pannell stated the June 21, 2012, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner Marriner made a motion that the minutes be approved, it was seconded by Commissioner McGraw, and the motion carried by unanimous vote of the Commission.

## **CONSENT AGENDA**

Vice Chair Robertson Pannell said the Consent Agenda contains new instant ticket games: Game #957 *Money Multiplier*, Game #958 *Stocking Stuffer*, Game #959 *It's A Wonderful Life*, Games #960 *\$WEET RICHE\$*, Game #961 *A Wreath of Franklins*, and Games #965 *3s A Charm* (Exhibit #1), as well as VLT Games and Component Testing (Exhibit #2) for the Commission's approval.

Vice Chair Robertson Pannell asked if there were any questions. Hearing none, she requested a motion to approve the new instant games noted above as well as the VLT Games and Component Testing. Motion made by Commissioner Reeder, seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Marc DeLeo said gross terminal revenue (GTR) for June was \$7.9 million, which is down 9.8% compared to June 2011, and compared to May 2012, GTR was down 22%. Competition from Maryland Live! is having an effect on the facility. A Dodge Charger giveaway marketing promotion is scheduled for this Saturday. In August, the new restaurant will open in the space where the buffet was located. The buffet closed in late May and a temporary buffet was housed in a tent in the parking lot. This new restaurant

will have more of a sit down, made to order atmosphere. It will be more versatile with live entertainment and TV screens for the football season. Hopefully, this will bring customers back.

Mr. Martino commented that this is the last meeting that Mr. DeLeo will be attending. Mr. DeLeo said he will be leaving Hollywood Casino/Perryville at the end of August. Penn National has purchased a Harrah's facility in St. Louis, and he will become the Vice President of Marketing at that facility. He said it has been a pleasure working with the Commission. The Commissioners offered their congratulations and best of luck in his new endeavor.

#### Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said the summer season is in full swing and June is showing strong results. Gross terminal revenue (GTR) for June was \$4.4 million, which is up 16% over June 2011. July and August should be strong months. Thus far July is showing a 7% to 8% increase over last year.

Vice Chair Robertson Pannell offered congratulations to the facility on a strong month.

#### Maryland Live! Casino

Mr. Rob Norton, General Manager, said the facility opened in June and they are pleased with the initial results. Gross terminal revenue for June was for \$28.5 million. They are wrapping up their first major \$1 million progressive giveaway promotion. They will be rolling out the next promotion in August called Rapid Fire. This promotion will feature giveaways every 15 minutes. Currently, there are 150,000 active players in their database. The first direct mail piece was sent this week. Phase 1-A was completed with the addition of 520 slot machines, an additional bar and the Rams Head venue. They are lining up entertainment for August and September at Rams Head.

Vice Chair Robertson Pannell said congratulations on a good first month.

#### Evitts/Lakes Entertainment Resorts

Ms. Jeanette Ortiz from Greenwill Consulting Group representing Evitts/Lakes, said on June 20 the Board of Public Works (BPW) approved Evitts' purchase of Rocky Gap Lodge and Golf Resort. The lease agreement with the Department of Natural Resources was also approved. On June 28, the general contractor held its first MBE outreach and there were 60 participants. Construction should begin in mid-August and they anticipate opening in 2013 with 850 VLT machines initially in the first phase and increasing to 1,000 slot machines in the second phase. There will be approximately 400 employees. The facility is estimated to do \$40 million in gross terminal revenue during the first year.

## **VENDOR REPORTS**

### **Scientific Games International**

Mr. Steve Smith stated a new software release included modification improvements. “Five Card Cash”, a poker style game, was part of the release and a launch date has not been determined as yet. Pick 3/Pick 4 combination bet was also part of that release. Over 500 jackpot signs have been installed at agent locations. There are 100 signs in reserve and they will be distributed with the next few months.

### **Pollard Banknote Limited**

Ms. Julin Shaw said fiscal year 2012 instant ticket sales showed a gain of over \$14 million over the last fiscal year, which is a 3% increase. Sales of \$5 and \$10 instant tickets for FY2012 showed an increase over FY2011.

For FY2013, a research project will be initiated geared at testing innovative instant ticket concepts to assist in developing the FY2013 launch schedule. The *Lucky 7s Game Book*, a \$20 instant ticket, will launch in September. She showed the Commission the final print production. Tickets will be available in two varieties of dispensers both on the counter and under the counter. They will not be available in the ITVMs.

Vice Chair Robertson Pannell asked for clarification of Maryland’s per capita sales ranking of the 15 northeastern states. Ms. Shaw responded she will obtain the information and forward it to the Commission.

### **GTECH**

Mr. Kevin Mangus said everything has been going well at the facilities. GTECH is working with Maryland Live! Casino on the installation of the additional machines. GTECH will shortly begin working with the Rocky Gap facility.

## **STAFF REPORTS**

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

Mr. Martino said a copy of the sales and revenue report is not available today and it will be provided to the Commission at a later date. The FY2012 numbers were released this week. The Lottery set a consecutive 15 year record with \$1.795 billion in sales and \$556 million in revenue. He is pleased with what the Lottery was able to accomplish in FY2012. Good media coverage was received and an article appeared at the top fold of the front page of the Baltimore Sun.

Regarding the slots program, the final total gross terminal revenue for FY2012 for the three facilities was \$194 million. The Education Trust Fund received \$94.3 million.

The Lottery continues to develop regulations in reference to SB 864 for amusement/bingo machines. Meetings are being held with the amusement machine operators. A meeting was held with law enforcement personnel from five Maryland counties who are interested in the amusement/bingo machines and a meeting was also held with the State's Attorneys in two Maryland jurisdictions.

Legal counsel will update the Commission later in the meeting on litigation regarding Crooked-I in Calvert County.

Mr. Martino is waiting to hear whether there will be a Special Session of the Legislature to address gaming issues. In order for a referendum question to be placed on the November ballot, work has to be completed by August 20. He will keep the Commission informed.

Commissioner Marriner offered congratulations to the staff and the Director on the Lottery's performance.

Vice Chair Robertson Pannell said on behalf of the Commission, thank you again for a record year of sales and revenue.

At 10:45 a.m., Chairman Fowler arrived at the meeting.

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

Ms. Smith said her report was provided to the Commission. She said Ms. Wilma Edelenbos, the new Internal Auditor, started in early July, and Mr. David Pohlit, the new Controller, started this week. Ms. Smith is currently working on other staffing vacancies.

Commissioner McGraw inquired about the MBE report was for this month. Ms. Smith responded the MBE report was not available due to the fiscal year-end closeout, and will be provided at a later time.

*Information Technology – John Gallagher, Chief Information Officer*

Mr. Gallagher said his report was provided to the Commission. He is making progress on the recruitment for one of the vacant IT positions. There were 32 applications received and they are currently being reviewed. He is also working on an overall department organization plan for completion by mid-August.

*Gaming – Charles LaBoy, Assistant Director*

Mr. LaBoy said his report was provided to the Commission. Staff worked diligently over the past few weeks with Maryland Live! Casino on Phase 1-A, which will include an

additional 520 VLTs and the Rams Head entertainment venue. The facility is quickly transitioning to Phase 2 with almost double the machines in Phase 1.

In August, work will begin on the slot machine procurement process for the Rocky Gap facility. The goal is to have that approved by the Board of Public Works by end of the year.

The Voluntary Exclusion Program chart now has additional information – enrollments by years as well as the violations by years. There are currently 105 individuals participating in the program.

Mr. LaBoy said there are two regulation amendments to present to the Commission.

COMAR 14.01.10.18 – Video Lottery Terminals – Hearings. The current regulation authorizes the Director to recommend that the Commission deny an application for a video lottery license. An applicant for whom the Director recommends denial may request a reconsideration meeting with the Director. As written, this regulation currently requires the Director to personally conduct all reconsideration meetings. With the anticipated increase in video lottery license applications, staff anticipates the potential for more denial recommendations, and believes that the Director should be authorized to delegate to staff the authority to conduct reconsideration meetings. Nothing in this proposed amendment would affect the due process rights of an applicant for whom the Director, or the Director’s designee, recommends denial. Staff is recommending approval.

After discussion, Vice Chair Robertson Pannell said she would entertain a motion to approve the amendment to COMAR 14.01.10.18 with the following change: on page 1, line 19 delete “or the Director’s designee.” Motion made by Commissioner Reeder, seconded by Chairman Fowler and motion carried by unanimous vote of Commission.

COMAR 14.01.12.04 – Video Lottery Terminal Machines – Transportation. This amendment would delete the requirement for a VLT manufacturer to give staff two weeks notice prior to shipping a VLT into Maryland and require notice prior to shipping unless otherwise directed. Removal of this requirement would increase the speed to bring new products to market or to replace defective VLTs. Staff is recommending approval.

After discussion, Vice Chair Robertson Pannell said she would entertain a motion to approve the amendment to COMAR 14.01.12.04. Motion made by Commissioner Marriner, seconded by Commissioner McGraw, and motion carried by unanimous vote of Commission.

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

Mr. Martin said his report was provided to the Commission. It was a very good sales year for FY2012. There are five sales regions with a total of 40 territories. Region 1 showed the most year-to-year improvement in percentage of sales at 6.4% while Region 3 showed the

most year-to-year improvement in sales dollars at \$25 million. Glenn Abbott, the sales rep in Region 1, led all territories with a 12.9% sales growth in his territory.

Ravens Cash Fantasy scratch-off will launch on August 6 for the fourth consecutive year. This year's second chance contest has been revamped with changes to the draw schedule and prizes being awarded.

The Medal Madness Summer Olympics All Games promotion began July 9. Statewide advertising centering on a fictional character named Brooks Velour will air from July 27 through August 12 on WBAL and WRC. Brooks Velour made an appearance at the monthly sales meeting.

The Communications Division has been on site at Orioles games and at various events throughout the State.

Chairman Fowler offered congratulations to the Sales staff on the record sales year.

*Enforcement – Capt. John Mooney, Assistant Director*

Capt. Mooney said his report was provided to the Commission. Next month he will be presenting an action item for a manufacturer qualification hearing. Within the last two weeks, he met with representatives from Lakes Entertainment to discuss the licensing process. Lakes is interested in moving forward quickly with this process.

*Office of the Attorney General – Robert Fontaine, Principal Counsel*

Mr. Fontaine said his report was provided to the Commission. He said the Commission may wish to go into closed session to discuss the issue concerning Crooked-I litigation.

Today is the deadline for the Baltimore City Entertainment Group (BCEG) to request the Court of Appeals to review the decision denying BCEG's challenge to the Location Commission's rejection of its proposal for Baltimore City Operations license. He will keep the Commission informed.

**PUBLIC COMMENTS**

There were no public comments.

**CLOSED SESSION**

Vice Chair Robertson Pannell said that pursuant to State Government Article §10-508(a)(7) and (8), she would entertain a motion to move to a closed session to consult with counsel to obtain legal advice, and consult with staff, consultants, or other individuals

about pending or potential litigation. Motion was made by Chairman Fowler, seconded by Commissioner Reeder, and motion carried by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a)(7) and (8). The meeting moved to a closed session at 11:04 a.m.

In addition to the five Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, Charles LaBoy, John Martin, John Mooney, Robert Fontaine, Holly Citko, James Butler, Jennifer Wetherell, and Marie Torosino. The meeting returned to open session at 11:27 a.m.

Vice Chair Robertson Pannell announced that during the closed session, the Commission discussed legal issues associated with the implementation of SB 864 and the impact of Crooked-I litigation on the State and the Lottery Commission.

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

Vice Chair Robertson Pannell said the next Commission meeting is scheduled for 10 a.m. on Thursday, August 23. Commissioner Marriner motioned to approve, it was seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission.

### **ADJOURNMENT**

There being no further business for discussion, Vice Chair Robertson Pannell adjourned the meeting at 11:35 a.m.

Respectfully submitted,

Stephen L. Martino