

**MARYLAND STATE LOTTERY COMMISSION
NOVEMBER MINUTES**

DATE: November 15, 2012

TIME: 10 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Commissioner J. Kirby Fowler, Jr.
Commissioner Kimberly Robertson Pannell
Commissioner F. Vernon Boozer
Commissioner E. Randolph Marriner
Commissioner Diane L. McGraw
Commissioner John Morton, III

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 (Rocky Gap)
Representative from CBAC, Inc. (Baltimore)
Members of the Public

CALL TO ORDER

There being a quorum present, Mr. Martino called the first meeting of the re-branded Maryland Lottery and Gaming Control Commission to order at 10:00 a.m. Commissioners present were: J. Kirby Fowler, Jr., Kimberly Robertson Pannell, F. Vernon Boozer, E. Randolph Marriner, Diane L. McGraw, and John Morton.

APPROVAL OF THE AGENDA

Mr. Martino said he would entertain a motion to approve the Agenda. Motion was made by Commissioner Robertson Pannell, seconded by Commissioner McGraw, and the motion carried by unanimous vote of the Commission.

COMMISSION ITEM

Election of Commission Chairman and Vice Chairman

Commissioner Robertson Pannell made a motion to nominate Commissioner Fowler as Chairman of the new Maryland Lottery and Gaming Control Commission. Commissioner Boozer seconded the motion, and the motion passed by unanimous vote of the Commission.

Commissioner Boozer made a motion to nominate Commissioner Robertson Pannell as Vice Chair of the new Maryland Lottery and Gaming Control Commission. Commissioner Fowler seconded the motion, and the motion passed by unanimous vote of the Commission.

The Commission welcomed new Commissioner John Morton. He provided a brief history of his background. Another new Commissioner member, Bert Hash, will be at next month's meeting

Former Commissioners Bruce Reeder and Ray Presley will be invited to the December Commission meeting to be recognized for their years of service to the Commission.

Selection of Audit Committee Members

Mr. Martino said selection of Commission members for the Audit Committee will need to take place. The Committee will be working with Charles LaBoy and Michael Eaton. Chairman Fowler, Vice Chair Robertson Pannell and Commissioner Morton said they would serve on the Audit Committee.

Establishment of Commission Meeting Dates

The Commission was in agreement to continue to hold the meeting on the fourth Thursday of each month at 10 a.m. The 2013 schedule will be issued.

APPROVAL OF MINUTES

Chairman Fowler stated the September 27, 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 Boozer, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chairman Fowler said the Consent Agenda contains new instant ticket games: Game #983 *The Price is Right*® and Game #971 *Super Jackpot*. (Exhibit #1) for the Commission's approval.

Chairman Fowler asked if there were any questions. Hearing none, the Chairman requested a motion to approve the new instant games noted above. Motion made by Vice Chair Robertson Pannell, seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission.

Chairman Fowler said the Consent Agenda contains VLT Games and Component Testing (Exhibit #2) for the Commission's approval. Chairman Fowler asked if there were any questions. Hearing none, the Chairman requested a motion to approve the VLT Games and Component Testing. Motion made by Commissioner McGraw, seconded by Vice Chair Robertson Pannell, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Bill Hayles, Vice President and General Manager, said October gross terminal revenue (GTR) is down 9% versus September. This decrease could be attributed to the recent hurricane. The facility closed at noon on Monday afternoon and reopened late Tuesday. He estimated a 5% or 6% impact on the numbers for October. November is starting the same way due to a nor'easter at the beginning of the month. The new restaurant, Celebrity Bar and Grill as well as the comedy club and live bands on Saturdays are doing well. The facility is ramping up their marketing and advertising.

Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said September GTR was \$4.9 million, up 5% over 2011, but down 13% compared to August 2012. This is expected because it is a seasonal location. October GTR was \$3.5 million, down 8.3% compared to October 2011, and down 28% compared to September 2012. The facility closed for two days because of the hurricane. Thus far, November is comparable to last year. The facility will begin construction of additional parking lots.

Mr. Cavilla said the facility is working with the Lottery on the regulations for the table games.

Maryland Live! Casino

Mr. Rob Norton, President and General Manager, said October GTR is down \$1 million compared to September. A large percentage of that was due to the storm. The facility shut down at 6 p.m. on Monday and reopened at 8 a.m. the next morning. November revenue is off to a great start and is up over 10% from October. A contributing factor is the launch of the gold and platinum card program with multiple days of parties and prizes. The facility is rolling out the Shop Swap promotion with Arundel Mills Mall. Shop at the Mall, bring same-day shopping receipts to Maryland Live! and swap for free slots play.

The facility is working on plans for table games and will start the hiring process for 1,200 new jobs. Over 1,000 people are taking advantage of the free dealer training sponsored through Anne Arundel Community College dealer school. Community job fairs to be held in next few weeks. Contingent upon table game regulations being in place, they hope to have table games available in early spring. Planning is underway for opening 24/7 and the hiring of additional staff.

Evitts/Lakes Entertainment Resorts

Mr. Timothy Cope, President of Lakes Entertainment, said their plans are convert the conference meeting area to the VLT facility with the installation of 550 VLTs and 10 table games. The facility is working with the architect on the design and renovation plans for the casino and the renovations began yesterday. The lobby area will also be renovated with the addition of a bar and food outlet area to take pressure off the downstairs restaurant. During the renovations, the hotel and restaurant will remain open. They will come back at some point in time to discuss the replacement of the conference meeting space area. He anticipates the new casino to open in June 2013.

The facility will begin the hiring process for employees and by December, they should have an update on the General Manager selection process. They are actively working with Lottery staff on the VLT selection as well as the licensing requirements for employees and vendors.

CBAC Gaming

Mr. Chad Barnhill, Sr. Vice President and General Manager of Horseshoe Casino Baltimore, distributed information to the Commission containing an overview of Caesars Entertainment, CBAC joint venture and Horseshoe Baltimore overview. He reviewed the information in further detail with the Commission. Construction will begin in February 2013 with completion and opening by February 2014.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said lottery sales through November 11 were \$618.4 million, which is 1.6% over last year, a plus of \$9.8 million. There was some impact on sales from the hurricane. Revenue was \$180.9 million, which is down 3.4% compared to last year, a minus of \$6.3 million.

Sales of Keno are showing the first signs of cannibalization by the casinos. Mega Millions sales are down \$2.5 million compared to last year. Powerball is having more of an impact on Mega Millions. Powerball sales are ahead and the current jackpot is over \$200 million for Saturday. Sales of Bonus Match 5 and Multi-Match are down from last year.

The revenue projections are set by the State. The BRE shown on the sales and revenue sheet is \$193.8 million for this year and we are under that by \$13 million with 36.85% of the year completed.

There was further discussion on Keno and what can be done to refresh the product and increase sales.

VLT GTR for all facilities for October was \$39.6 million with \$19.5 million going to the Education Trust Fund. The percentage of GTR to the Education Trust Fund increased from 48.5% to 49.25% effective October 1.

The Commission was provided with a draft of the revised and reformatted Lottery regulations for their review. The December meeting will be dedicated to discuss the regulations governing games in the state. Additional draft regulations will be provided to the Commission prior to the December meeting.

The new Five Card Cash game was launched. Point of sale was installed at lottery retailers and information is posted on the Lottery's website. Mr. Martin will talk about this further in his report.

Mr. Martino said at the December meeting regulations will be discussed on how best to process requests for casinos to reduce their VLT inventory. Mr. LaBoy is working with

Hollywood Casino and Maryland Live! Casino on their requests to reduce their VLT inventory to accommodate table games.

Documentation was submitted to the Board of Public Works (BPW) on November 14 to request approval to create 44 new positions to accommodate the Lottery's added responsibilities for the oversight of bingo in Anne Arundel and Calvert Counties, oversight of electronic gambling devices, table game operations, and 24/7. The BPW approved the request. Included in this request were PINs for each Commission member, the hiring of a director of table games, a director and assistant director of gaming research, additional VLT licensing staff, two financial investigators, a table game audit supervisor, table game auditors at each facility location, new compliance officers for 24/7 coverage and administrative support. The Lottery is working with the Department of General Services (DGS) for additional work space to accommodate these positions.

The Lottery is scheduled for a budget conference with the Department of Budget and Management (DBM) on November 26.

Commissioner Morton requested a Plan of Implementation of Gaming Tables with timeline and milestones.

Commissioner Morton requested a Plan to Transition Ownership of Equipment to Casino owners.

Commissioner Marriner requested a description of responsibilities and authorities of MLGC Commissioners.

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

Ms. Smith said her report was provided to the Commission. She briefly explained the purpose of the Special Purpose Statements and the GAAP statement to the new Commissioner.

She is working the Capt. Mooney to get the process underway as soon as possible for the hiring of additional VLT staff. She will be contacting the Commission to obtain information for their State PIN numbers and payroll as soon as further information is received from the Department of Budget and Management.

She is working with the Department of General Services for extra space at Montgomery Park to accommodate the additional staff.

In reference to the MBE participation report, a request was made for additional information on meeting the contract goals as well as year-to-date information. Ms. Smith said she will follow up with Mr. Howells for this information.

Information Technology – John Gallagher, Chief Information Officer

Mr. Gallagher said his report was provided to the Commission. He is working with the Maryland Department of Information Technology for the migration from the current e-mail system to the statewide e-mail system. This should occur in January or February 2013, and the Lottery's e-mail address will change. Work continues on the recruitment process for the vacancies in IT. He is working on making modifications in specifications for the VLT licensing system for the influx of the licensing of additional individuals.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said his report was provided to the Commission. He said he has been working on the draft regulations for table games and meeting with the facility operators.

Chairman Fowler said when VLTs were originally approved, the Commission was provided with a summary page of comparisons of other VLT state regulations. Mr. LaBoy said he will look into this and put together a summary of other states' table game regulations.

A draft of the instant bingo regulations is being developed and may be provided to the Commission at the December meeting for their review.

A copy of the VLT audits for Maryland Live! Casino were sent to the Commission. He will schedule a third quarter audit committee meeting.

Mr. LaBoy said Rocky Gap's slot mix request for 550 VLTs has been received. Requests are pending from Hollywood Casino Perryville and Maryland Live! Casino for a reduction of their VLT inventory.

Lottery – John A. Martin, Assistant Director

Mr. Martin said his report was provided to the Commission. Early in this fiscal year he knew that there was going to be a concern with Keno. Three promotions are planned for this quarter-- a Keno Sprinkler promotion from October 15 to November 4, a Buy \$10 in Keno and get free Five Card Cash game ticket promotion from November 12 to 25, and another Keno Sprinkler promotion from November 19 to 25. Strategy for the mid-term is working with SGI for an update of the graphics and visual presentation. Strategy for the long-term is the rebranding of Keno in fall 2013. Hopefully, this will help secure the product for the future. He will keep the Commission updated.

The on-line game, Five Card Cash, launched on November 12. After three days of sales, no impact being seen on the other lottery games. Players can win instantly or watch the evening drawing for another chance to win. Thus far, it has received a favorable response from the players.

New website address for news and information on the agency is www.mlgca.org.

Mr. Martin presented to the Commission the Price is Right® Licensing Contract (#2013-06) with MDI Entertainment, LLC, in the amount of \$631,300. The instant ticket will launch in February 2013 and has a second chance component associated with it. He is requesting the Commission's approval of the licensing contract.

After discussion, Chairman Fowler asked if there were any further questions. Hearing none, the Chairman entertained a motion to approve the Price is Right® Licensing Contract (#2013-06) with MDI Entertainment, LLC. Motion made by Commission Marriner, seconded by Vice Chair Robertson Pennell and motion passed by unanimous vote of the Commission.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission. He said he is working with Ms. Smith to increase his staff to handle the additional license applications due to the workload increase, and to increase staff to handle the casinos being open 24/7 as well as the additional of table games. Attached with his report was a monthly report showing the number of licenses issued thus far in 2012.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said his report was provided to the Commission. He had no further information to add.

PUBLIC COMMENTS

Larry Bershtein, President, Maryland Amusement & Music Operators Association (MAMOA), said his organization wanted to be an active part of the regulatory process in representing the interests of the bingo operators. He introduced Kevin O'Keeffe, their lobbyist, who was also present.

CLOSED SESSION

Chairman Fowler said that 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. Motion was made by Vice Chair Robertson Pannell, seconded by Commissioner Morton, and motion carried by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a)(7). The meeting moved to a closed session at 11:37 a.m.

In addition to the six Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, John Gallagher, Charles LaBoy, John Martin, John Mooney, Robert Fontaine, Holly Citko, James Butler, Michael Eaton, Jennifer Wetherell, Jeff Patchen and Marie Torosino. The meeting returned to open session at 12:15 p.m.

Chairman Fowler announced that during the closed session, the Commission discussed legal issues and received legal advice regarding newly enacted legislation.

DATE AND TIME OF NEXT MEETING

Chairman Fowler said the next Commission meeting is scheduled for 10 a.m. on Thursday, December 13.

ADJOURNMENT

There being no further business for discussion, Chairman Fowler said he would entertain a motion to adjourn. Motion made by Commissioner Marriner, seconded by Vice Chair Robertson Pannell, and motion passed by unanimous vote of the Commission. Meeting adjourned at 12:20 p.m.

Respectfully submitted,

Stephen L. Martino