

MINUTES
KANSAS LOTTERY COMMISSION
Wednesday, August 15, 2007
11:15 a.m.
128 North Kansas Avenue
Topeka, Kansas 66603-3638

Call to Order

The regular monthly meeting of the Kansas Lottery Commission was called to order on Wednesday, August 15, 2007, at approximately 11:15 a.m. by Chairperson Harold Nye. The meeting was conducted with the Commission via telephone conference and was open to the public at Lottery headquarters, 128 North Kansas Avenue, Topeka, Kansas. Security Director Gary Herman determined compliance with the *Open Meetings Law*. Minutes were recorded by Executive Secretary Mary Metzler.

Attendance

Commissioners Present	Commissioners Absent
Harold Nye, <i>Chairperson</i> - Hays	
Jeanine McKenna - Reading	
Michael Gayoso, Jr. - Pittsburg	
Joni Franklin - Wichita	
Robert Van Cleave - Overland Park	

Participating

Staff: Ed Van Petten, Executive Director
Keith Kocher, Assistant Attorney General
Gary Herman, Director of Security
Sally Lunsford, Director of Communications
Mary Metzler, Executive Secretary

Visitors: A list of signed-in visitors is attached and incorporated by reference to the official minutes. Several unidentified individuals listened to the meeting via conference call.

Introduction of Attendees

Executive Director Ed Van Petten informed the group that several parties were listening to the meeting via telephone.

At this time, Chairperson Nye, who was connecting via cell phone, lost his phone connection. Commissioner McKenna assumed the role as acting chairperson.

Approval of Minutes

Minutes of the previous meeting on July 18, 2007, were submitted to the Commission in their online agenda packets. There were no additions or corrections to any of the minutes as presented. **Commissioner Franklin moved to approve the minutes as presented; Commissioner Van Cleave seconded;** motion approved unanimously.

New Business:

(1) RULES Assistant Attorney General Keith Kocher

Lottery Rules

Assistant Attorney General Keith Kocher presented a written summary of the rules prior to the meeting, a copy of which is filed with the official minutes. Mr. Kocher first presented the Lottery rules to the Commission for approval as follows:

New Instant Game Rules

<i>Specific Instant Game Rules</i>	<i>Article 4</i>
K.A.R. 111-4-2600	“Winner Weather” - Game No. 693
K.A.R. 111-4-2601	“Win \$um” - Game No. 712
K.A.R. 111-4-2602	“Cash Frenzy” - Game No. 713
K.A.R. 111-4-2603	“Super Match 3” - Game No. 714
K.A.R. 111-4-2604	“2 for 1” - Game No. 715
K.A.R. 111-4-2605	“Deal or No Deal” - Game No. 716
K.A.R. 111-4-2606	“New Year’s Cash” - Game No. 717
K.A.R. 111-4-2607	“Sweet Treats” - Game No. 718
K.A.R. 111-4-2608	“Quick Crossword” - Game No. 719
K.A.R. 111-4-2609	“2008 Quadrupler” - Game No. 720
K.A.R. 111-4-2610	“Holiday Crossword” - Game No. 721
K.A.R. 111-4-2611	“Silver Bell Bucks” - Game No. 722

Hearing no questions or comments from the Commissioners, Chairwoman McKenna called for a motion to approve the rules. **Commissioner Franklin so moved; Commissioner Van Cleave seconded;** motion carried unanimously.

Expanded Gaming Rules

Assistant Attorney General Keith Kocher then presented the rules pertaining to expanded gaming to the Commission. Mr. Kocher informed the Commission that the expanded gaming rules had been revised following the last Commission meeting as a result of conferences with staff members from the offices of the Governor and Attorney General. Mr. Kocher said that expanded gaming rules had been approved by the Attorney General's office, with the exception of K.A.R. 111-101-18, which was pending Attorney General approval at this meeting date.

Expanded Gaming Rules

Electronic Gaming Machines at Racetrack Gaming Facilities Article 101

K.A.R. 111-101-1	Definitions
K.A.R. 111-101-2	Allocation of Electronic Gaming Machines
K.A.R. 111-101-3	Privilege Fee Bids
K.A.R. 111-101-4	Credentialing or Certification
K.A.R. 111-101-5	Certifying Net Electronic Gaming Machine Income
K.A.R. 111-101-6	Advertising, Marketing, and Promotion Materials
K.A.R. 111-101-7	Kind, Type, Number and Location of Electronic Gaming Machines
K.A.R. 111-101-8	Accounting and Reporting of Required Payments from Racetrack Gaming Facility Managers
K.A.R. 111-101-9	Notices Regarding Released Information
K.A.R. 111-101-10	Floor Plan
K.A.R. 111-101-11	Surveillance Plan
K.A.R. 111-101-12	Security
K.A.R. 111-101-13	Equipment Tampering, Damage or Malfunctions
K.A.R. 111-101-14	Equipment Manipulation
K.A.R. 111-101-15	Equipment Installation, Maintenance or Repair
K.A.R. 111-101-16	Internal Controls
K.A.R. 111-101-17	Persons Prohibited from Playing Electronic Gaming Machines
K.A.R. 111-101-18	Prohibited Acts Involving State or Local Officials or Affiliated Persons

Commissioner Franklin moved to accept the expanded gaming rules numbers K.A.R. 111-101-1 through K.A.R. 111-101-17, and K.A.R. 111-101-18, pending approval of the Attorney General. Commissioner Gayoso seconded; motion approved unanimously.

(2) ONLINE GAMING CONTRACT: GTECH Corporation

Presented by Assistant Attorney General Keith Kocher

Copies of the online gaming contract with GTECH Corporation were presented to the Commission in their agenda packets. Assistant Attorney General Keith Kocher informed

the Commission that the current online contract was due to expire on June 30, 2008. He explained that the new contract, which covers a 10 year period beginning July 1, 2008, through June 30, 2018, was being presented at this time since a new vendor would require approximately a year to implement a contract. Mr. Kocher said that after the RFP was developed and released, there were two bidders, i.e., Intralott and GTECH. He said that the Procurement Negotiating Committee, which consisted of Chairman Nye, Executive Director Van Petten, and Purchasing Representative Sherrie Mackee, selected GTECH Corporation based on a proposal price of 4.9999% of net online sales. He said the price represented a savings of more than \$1 million per year.

At this time Chairman Nye arrived at Lottery headquarters and resumed the chair.

Commissioner Franklin moved to approve the online contract with GTECH Corporation as outlined hereinabove; Commissioner McKenna seconded; motion approved unanimously.

(3) EXPANDED GAMING Executive Director Ed Van Petten
Assistant Attorney General Keith Kocher

1. Southwest Gaming Zone. Request by Ford County and the City of Dodge City for Extension of Lottery Gaming Facility Application Deadline

Executive Director Van Petten informed the Commission that Ford County and the City of Dodge City had requested a 90 day extension to submit applications for a gaming facility in the Southwest Gaming Zone. A copy of the written request was presented to the Commission in their packets. Mr. Van Petten reminded the Commission that they had the authority to grant the request and extend the deadline, or they could do nothing. **It was moved to extend the time for the Southwest gaming zone, changing the deadline to December 26, 2007; Commissioner McKenna seconded; motion carried unanimously.**

2. Southeast Gaming Zone. Request by Crawford County and the Cities of Frontenac and Pittsburg for Extension of Lottery Gaming Facility Application Deadline

A similar request to extend the application deadline by 90 days was presented (in writing) to the Commission in their agenda packets for the Southeast Gaming Zone. The Southeast Gaming Zone is a dual-county zone covering the counties of Crawford and Cherokee. The request to extend was presented by Crawford County and the Cities of Frontenac and Pittsburg. There were both proponents and opponents to the request for extension by individuals and/or groups in Crawford and Cherokee counties. Chairman Nye opened the floor for comments.

Those persons making verbal comments included the following individuals:

Doug Gatewood, state representative from Columbus, Kansas

Stephen M. Joseph, an attorney representing Heart of the Balkans Gaming Company who was associated with the Milan Group

David R. Cooper, an attorney who spoke on behalf of the Board of County Commissioners of Cherokee County

Jim Emerson, Crawford County Counselor

Written comments were also received from the following and submitted to the Commission prior to the meeting:

Stephen M. Joseph, an attorney representing Heart of the Balkans Gaming Company whose client was associated with the Milan Group

David R. Cooper, an attorney who spoke on behalf of the Board of County Commissioners of Cherokee County

Marta Brown, a taxpayer in Cherokee County affiliated with Crossland Construction Company

Curt Crossland, owner and operator of Crossland Construction Company in Columbus, Kansas

Huey York, Office of the Mayor, City of Baxter Springs

Dale Oglesby, Mayor, City of Galena

A discussion among the Commissioners ensued during and following the public comments. Commissioner Franklin opposed the 90 day time extension. She cited her position based on “the interest of equity and fairness.”

Motion:

Commissioner Gayoso moved to grant the 90 day extension of the Lottery gaming facility application deadline in the Southeast Gaming Zone. Commissioner McKenna seconded. Motion carried by a vote of four (4) in favor, and one (1) opposed. Commissioners Gayoso, McKenna, Van Cleave, and Nye voted in favor; Commissioner Franklin opposed. Motion passed.

The new deadline for submitting applications in the Southeast Gaming Zone is December 6, 2007.

(4) DIRECTOR’S REPORT
Executive Director Ed Van Petten

In the interest of time, Mr. Van Petten briefly informed the Commission that sales were currently ahead of last fiscal year by approximately 6 percent.

Announcements

The next Commission meeting was scheduled for Thursday, September 13, 2007, at 1:30 p.m. in Topeka. The meeting will be an in-person meeting, with approval of the agency budget on the agenda.

Adjournment

Having no further business, **Chairperson Nye called for a motion to adjourn. Commissioner McKenna moved to adjourn the meeting; Commissioner Franklin seconded.** Meeting adjourned at approximately 12:35 p.m.