

VIRGINIA LOTTERY
Board Meeting
April 27, 2022

The Virginia Lottery Board met on April 27, 2022, at 9:30 a.m. at Lottery Headquarters in Richmond, Va. A livestream link to the meeting was available on the Virginia Regulatory Town Hall website. A video recording of the meeting can be viewed here:
https://youtu.be/Xlu_ASnoZCk

MEMBERS PRESENT: Ferhan Hamid, Chairman
Cynthia Lawrence, Vice Chairman
Vonda Collins
Orrin Gallop
Kimberley Martin
John Paul (JP) Powell
Scott Price

STAFF PRESENT: Kelly T. Gee, Acting Executive Director
Frank Wagner, Deputy Director
Amy Dilworth, General Counsel
Deborah Courtney, Deputy Executive Director of Finance and Administration
Tony Russell, Deputy Executive Director of ITS and Operations
Gina Smith, Deputy Executive Director of Gaming Compliance
Rob Wesley, Deputy Executive Director of Lottery
Robert Fontaine, Deputy General Counsel for Gaming
Jo Murphy, Executive Assistant

Mr. Hamid, chairman, presided, and Jo Murphy was the recording secretary.

CALL TO ORDER

Mr. Hamid called the meeting to order and noted that a quorum was present. He welcomed new Board member John Paul (JP) Powell. Mr. Powell introduced himself and said that he is a restaurateur and a musician.

MINUTES OF LAST MEETING

On motion duly made by Ms. Lawrence and seconded by Mr. Price, the minutes from the regular meeting held on January 12, 2022, were approved as distributed.

DIRECTOR'S REPORT

Ms. Gee said that she has met with many of the Board members in their hometowns since her appointment as Acting Executive Director in January 2022. She welcomed JP Powell to the

DIRECTOR'S REPORT (Continued)

Board. Ms. Gee said that there are several special guests in attendance including employees from the Gaming Compliance department as well as guests from Hard Rock and Hard Rock (HR) Bristol.

Ms. Gee said that she believes that the first 90 days for any new leader are critical to set the tone for a new leader's leadership style. She said that it is an opportunity to assess the organization with a fresh, new perspective. She said that she felt it was important to spend time learning what new responsibilities are in her purview, figuring out what major decisions are on the horizon, asking senior leaders what processes they felt could be improved, engaging with internal and external stakeholders, and communicating the values she places on company culture with the broader agency.

Ms. Gee said that, in her first couple of weeks, she visited the Northern Virginia and Hampton Roads Customer Service Centers, sat down with field sales staff, joined every department meeting possible, attended events for which the Lottery was a sponsor and hosted the Governor for a sit-down with the Lottery's Leadership team.

Ms. Gee said that she participated in presentations to surprise two of the three winners for our annual Thank a Teacher Art Contest. In January 2022, we began accepting submissions for our Thank a Teacher Art Contest. We selected three designs: one each from an elementary school student, a middle school student and a high school student. Ms. Gee and Frank Wagner surprised three students (one in Petersburg, one in Stafford County and one in Yorktown) with a gift card and supplies for each winner's school from our partners at The Supply Room. Ms. Gee said that they let the winners know that their work will be featured on thousands of thank-you notes that we are encouraging Virginians to send leading up to Teacher Appreciation Week (May 2-6, 2022). Over 41,000 thank-you notes have already been sent with this year's campaign. She said that we are excited to have some new partners this year - IGT and NPI. Thanks to those partnerships, we will be randomly selecting four teachers to win a Virginia vacation, gift card and supplies for the teacher's school.

Ms. Gee said that the General Assembly passed House Resolution 25, drafted by Delegate Paul Krizek, on January 17, 2022. The resolution honors Kevin Hall for his time as the Lottery's Executive Director. The Commending Resolution outlined all that Mr. Hall accomplished during his four years at the Lottery. Ms. Gee, members of the Leadership team and a few colleagues surprised Mr. Hall at the Capital on January 17, 2022, when the House of Delegates voted on the resolution. Delegate Krizek gave a speech honoring Mr. Hall, and the resolution passed unanimously.

Ms. Gee said that she is keenly focused on the Lottery's immediate future. The first goal is finishing FY22 in a strong position to meet our Lottery profit expectations as outlined in the state

DIRECTOR'S REPORT (Continued)

budget. She said that we had a great first half of the fiscal year, but our third quarter was negatively affected by weather and larger economic impacts. Ms. Gee said that we have a plan to execute in our last couple months of the fiscal year.

Ms. Gee said that we are still onboarding sports betting operators and have many ongoing investigations for the other three casinos coming to Virginia. A lot of work has happened to get to this point, but there is still much to be done.

Ms. Gee said that there is some legislative interest in studying the potential for consolidating gaming oversight to one central agency. Currently, there are three gaming oversight entities: the Lottery Board, the Charitable Gaming Board and the Racing Commission. The Joint Legislative Audit and Review Commission (JLARC) was tasked with studying if and how a potential merger of those entities might work. Ms. Gee said that the study is in the very early stages, and she will keep the Board up to date as the study progresses. JLARC intends to publish its recommendations in the fall of 2022. Ultimately, any changes to regulatory oversight would have to go through the legislative process during the 2023 General Assembly.

Ms. Gee concluded her report by acknowledging that April 27, 2022, is Administrative Professionals Day. She thanked Jo Murphy for keeping us on track every day and for being an incredible Board liaison.

Mr. Hamid said that he thinks Ms. Gee is off to a great start, and he appreciates her hard work. He also said that the Board will support her in any way possible.

FINANCIAL REPORT

Ms. Courtney provided preliminary results through the end of March 2022. Total sales were \$2,820.9 million, \$458.8 million (19.4%) more than last year and \$1.6 million (0.1%) less than expected. The growth is due primarily to the success of iLottery. Scratcher sales were \$1,023.8 million, \$70.8 million (7.4%) more than last year and \$51.2 million (4.8%) less than expected. Powerball is having a good year, and this is the first year with three drawings per week. Sales were \$102.4 million, \$20.8 million (25.5%) more than last year and \$8.4 million (8.9%) more than expected.

Instants (iLottery) sales were \$925.1 million, \$415.3 million (81.5%) more than last year and \$74.8 million (8.8%) more than expected. The profitability of the Instants (iLottery) category is important, but it is not the same as the other categories.

Ms. Courtney reviewed FY22 sales versus the forecast and versus prior years. Ms. Courtney reviewed expense rates versus the prior year and versus the forecast. Prize expense was 70.6%, which was 3.5% more than last year (67.1%) and 0.1% less than expected (70.7%). Retailer

FINANCIAL REPORT (Continued)

compensation was 5.7%, which was 0.1% more than last year (5.6%) and as expected. Operating expenses were 4.2%, which was 0.3% less than last year (4.5%) and 0.4% less than expected (4.6%).

Ms. Courtney said year-to-date profits are \$604.3 million compared to \$569.4 million last year. She said that, while we are on track to meet our profit turnover, sales are not growing at the pace that they were in the first half of the fiscal year.

Ms. Courtney said that, at the end of March, profits are \$20 million ahead of what we anticipated. We expect that the \$20 million surplus will help offset the sales softening we are experiencing in April and that we expect in May and June. She said that we anticipate hitting our profit goal by the end of the fiscal year.

Ms. Courtney provided an update on the budget process. The amount that the Board recommended for our transfer to the Lottery Proceeds Fund, \$843,361,811, includes the residual profits from FY21. That transfer amount was included in the governor's introduced budget, but it is not final. The transfer amounts expected for FY23 and FY24 are \$764,671,715 for each year.

Mrs. Martin asked if the current supply-chain issues have affected the Lottery. Ms. Courtney said that the entire industry has experienced issues with obtaining paper supplies for scratch-ticket printing. She said that we have strong relationships with our vendor partners, and they have worked hard to minimize any disruption. Ms. Courtney said that, so far, we have not had any out-of-stock issues due to lack of supplies.

BOARD ISSUES

Audit Committee Report

Ms. Collins said that the Audit Committee met at 9 a.m. on April 27, 2022. Ms. Collins, Ms. Lawrence, Mrs. Martin, Ms. Gee, Ms. Smith and Ms. Whitney attended the meeting. Mr. Battle participated by phone.

The Audit Committee Charter was reviewed by the committee. Changes were made to reflect agency organizational changes.

The Internal Audit Charter was reviewed by the committee. Changes were made to reflect agency organizational changes.

Mr. Battle shared information on the Lottery's Cyber Security Program.

The committee will hold its next scheduled meeting on July 20, 2022.

BOARD ISSUES (Continued)

Proposed Changes to Self-Exclusion Program Regulations

Mr. Fontaine provided an update on the proposed changes to the Self-Exclusion Program Regulations. These were not included with the changes to the casino regulations the Board approved at the January 12, 2022, meeting. These regulations, Chapter 60 (Self-Exclusion Program), currently do not include any reference to casinos. He said that the proposed changes are simply adding references to casinos. The proposed changes also include a requirement for additional identification credentials when individuals submit a request to be placed on the self-exclusion list. Lastly, Mr. Fontaine said that several definitions were edited and revised for clarity.

On motion duly made by Ms. Lawrence and seconded by Mr. Price, the Board approved the proposed changes to the Lottery's Self-Exclusion Program Regulations set out at 11VAC5-60.

Gaming Compliance Update

Ms. Smith provided an update on sports betting. Since the January 12, 2022, Board meeting, HR Bristol, LLC went live on March 31, 2022. Digital Gaming Corporation VA, LLC is expected to launch on May 18, 2022. VHL, VA LLC was supposed to go live on April 27, 2022, but they were delayed due to an issue with Google Play Store.

Ms. Smith provided a sports betting financial update through the month of March 2022. Ms. Smith said that, since the inception of the program, there have been almost \$4.578 billion in wagers made on the various platforms. The operators have given away approximately \$168 million in promotional play and paid over \$26.7 million in taxes. For the time period from January 2022 through March 2022, there have been \$1.35 billion in wagers made on the various platforms. The operators have given away approximately \$46 million in promotional play and paid almost \$6.4 million in taxes.

Ms. Smith shared details of the market share by operator: FanDuel - 39.91%, Draft Kings - 22.84% and BetMGM - 19.87%; the rest is divided among the remainder of the operators. Promotional play is mostly in line with the market-share percentages. Total tax paid is \$6,399,178. Of that amount, \$6,239,198 will go to the General Fund, and \$159,979 will go to the Problem Gambling and Treatment Support Fund.

Ms. Smith provided a breakdown of tax payments by operator: FanDuel - \$4,407,862, DraftKings - \$1,015,319 and BetMGM - \$843,996; the rest has been paid accordingly by the remainder of the operators.

Ms. Smith also provided a breakdown of total wagers by sport.

BOARD ISSUES (Continued)

Ms. Smith provided an update on the voluntary exclusion program. As of April 18, 2022, there are 250 individuals currently enrolled in the program. The majority selected the five-year exclusion.

Ms. Smith provided an update on casinos. The following casino-related permits have been issued as of April 21, 2022:

Service Permits:

Gaming and non-gaming	144
Vendors	104

Supplier Permits:

Key Manager (Principal)	15
Manufacturers	11

Ms. Smith said that she and her team are meeting monthly with Rivers Casino Portsmouth to discuss items such as licensing, floor plans and the overall construction progress. Periodic meetings are held with the Pamunkey Indian Tribe and Caesars to discuss overall progression. Both casinos have started the licensing process for vendors and certain employees and have submitted floor plans for review and approval.

Bristol Casino Presentation

Jon Lucas, Chief Operating Officer of Hard Rock International (Hard Rock), said that he and his team are excited to share information about their company and its history. Mr. Lucas said that his team understands that having a casino in Virginia is a privilege and not a right. He also said that one of the most important partnerships is with the regulators in the jurisdictions that they are in. He said that they would not be in their current status, which is hoping to open a casino in Bristol on July 8, 2022, if it was not for the cooperation and collaboration of Ms. Smith and her team.

Mr. Lucas said that Hard Rock has evolved into one of the most exciting, sophisticated and energetic lifestyle brands in the world. Hard Rock started in 1971 and now encompasses 241 branded Hard Rock venues in more than 68 countries and has \$6.5 billion in systemwide brand revenues. There are more than 190 Hard Rock Cafes and Rock Shops, 37 hotels and 13 casinos. He provided an overview of the brand and said, according to their independent research, there is 80% global brand awareness. He said that Hard Rock encompasses world-class service, gaming, food and beverage, hospitality, entertainment and retail. Its live entertainment includes 35,000 annual shows with more than 80,000 attendees. He said that they live by their four mottos: Love All - Serve All, Take Time To Be Kind, All Is One, and Save The Planet. He elaborated on Hard Rock's philanthropy efforts and said that they have provided \$4.4 million to charity from 2019-

BOARD ISSUES (Continued)

2021. He shared that Hard Rock is an award-winning company. In 2022, Hard Rock will launch a loyalty program that rewards gaming and non-gaming spend across more than 240 Hard Rock venues. The new program will deliver to over 30 million end users.

Mr. Lucas shared the names, titles, and years of experience of some of their key management team. He said each member has more than 20 years of experience.

Allie Evangelista, President of Hard Rock Bristol (HR Bristol), shared the names, titles and years of experience of the HR Bristol Executive Team.

Mr. Lucas said that Hard Rock has partnered with The United Company and PAR Ventures.

Martin Kent is the President and Chief Executive Officer of The United Company and Sr. Vice President of United Venture Capital, LLC. (United Venture Capital, LLC is a subsidiary of The United Company). Mr. Kent said that they looked for a partner to help accomplish their goals in Bristol. He said that they found that in Hard Rock. The two principal partners in Bristol are James W. McGlothlin, Chairman of The United Company and President of United Venture Capital, LLC and Clyde Stacy, President of PAR Ventures.

Mr. Kent said that The United Company was formed over 50 years ago, and it has been in the Bristol community for over four decades. The company began as an energy company. It is now in its fifth decade and has expanded across state, national and even international lines as it has gradually reached into numerous other industries through acquisitions and timely investments. The United Company, The United Company Foundation and a separate private foundation created by Mr. McGlothlin and his wife have given more than \$455 million over the years to nonprofits and governmental agencies that provide educational needs, sustenance, improved health care and safety locally and regionally. Mr. Stacy is also philanthropic and has helped many programs reach their goals. In 2018, Mr. Stacy began working with Mr. McGlothlin to develop a resort and casino at the former Bristol Mall. After feasibility studies, an affiliation with Hard Rock International, a change in Virginia law and various designs and layouts, they are ready to proceed with the construction and completion of a first-class luxury resort and casino. Mr. Kent said that they are proud to be in the first city to ask for approval. The origins of this project remain economic development related and philanthropic.

Ilkim Hincer, Executive Vice President and Chief Legal Officer, said that Hard Rock is licensed in 13 jurisdictions around the world. Hard Rock has a long-standing history of having a culture of compliance and integrity.

Paul Pellizzari, Vice President of Global Social Responsibility, said that Hard Rock has received numerous corporate social responsibility awards. Hard Rock launched the first comprehensive gambling literacy and education program designed by a U.S. based gaming company, for North

BOARD ISSUES (Continued)

American and international markets, called Players Edge. Since 1994, \$22 million has been invested in support services. He said that the goal of the responsible gaming program is to sustain customers over the long term by working to mitigate harmful gambling. He provided the training schedule and how the implementation of Players Edge would work in Bristol. Mr. Pellizzari said that he had spoken with Dr. Carolyn Hawley, President of the Virginia Council on Problem Gambling. He said that they will invite her, her team and other local treatment experts to come to their facility to help educate their players and team members. Mr. Pellizzari said that another issue that plagues the hospitality, hotel and casino industry is human trafficking. He also provided an overview of their team-member training, active collaborations and performance data.

Stephanie Piimauna, Senior Vice President of Diversity, Equity and Inclusion, discussed three pillars that are critical to their program: people, culture and stakeholders. She described their various leadership-training programs. Ms. Piimauna discussed their Diversity, Equity and Inclusion goals for 2022 and beyond and explained their diversity talent attraction strategy. Ms. Piimauna said that local engagement is very important. As part of their mission statement to provide authentic experiences, Hard Rock believes it is important to embrace and showcase local history and lore. As part of the opening process, a local vendor fair is conducted. The vendors, who may represent food and beverage, retail or any other activities that could take place in the casino, are invited to meet key management and procurement teams. A selection of local arts and crafts, as well as locally owned and produced items, will be displayed and sold on the property with an ever-growing group of local vendors and products. She provided several examples, and she said that the items also could be offered in other Hard Rock facilities.

Joe Emanuele, Senior Vice President of Design and Development, provided an update on the project. He said that Hard Rock has a successful track record of new casino builds. He also shared the program and scope of the temporary facility and the permanent facility in Bristol. He displayed renderings that included Phase I and Phase II of the hotel and casino as well as the main entry. Highlights of the permanent program are 1,500 slots, a 2,000-seat entertainment venue, 55 gaming tables, over nine food and beverage venues, 300 hotel rooms and a Rock Shop. The total budget for this project is \$400 million. That amount includes both the temporary and the permanent facilities. He said that the objective is to open the temporary facility on July 8, 2022. The permanent facility would open within two years, as required, and has an estimated opening date of May 20, 2024.

Mrs. Martin asked if the residents in the area will be affected by the additional traffic surrounding the temporary and permanent structures. She also asked how HR Bristol will ensure that the traffic does not affect people that have lived in the area for years. Mr. Emanuele said that the former Bristol Mall, current site of the temporary and permanent casinos, had a fair amount of activity and was designed for a certain level of traffic. At its peak times, the mall's level of traffic was similar to what is anticipated at HR Bristol. HR Bristol received a traffic-study report

BOARD ISSUES (Continued)

performed by the commonwealth. They used the report to determine how they could mitigate traffic issues (i.e., acceleration lanes, additional entrance). They feel that they have mitigated any traffic issues, but they will continue to monitor the situation in case additional improvements need to be made.

Chief Gallop asked where they expect most of their customers will come from. He further asked if out-of-town customers will be needed to sustain the casino. Mr. Lucas said they expect most customers will come from within a two-hour radius. They also expect customers from Asheville, N.C. They will have marketing strategies in place in that regard.

Ms. Lawrence asked if they have hosted public forums and/or question-and-answer sessions in the community. Mr. Kent said that large public forums have not been held, but there have been several opportunities for residents to ask questions.

Chief Gallop said that he did not see any African Americans on their executive management team. He asked what they are doing to attract more African American managers and if they have a training program in place to increase that type of diversity. Ms. Piimauna said that the executive management team consists of 17 people, but only some of its members are present. Of note, she said that part of the team consists of three African Americans, two Asians, one Muslim, one Middle Easterner, one Seminole Tribe member and several women. Ms. Piimauna described several programs that are in place and dedicated to increasing the advancement of diversity.

John Eder, Executive Vice President and Chief Financial Officer, provided a financing overview. Mr. Eder said he is also the Executive Vice President and Chief Financial Officer of Seminole Gaming. Seminole Gaming won Deloitte's Best Managed Companies Award in 2021 and 2022. Hard Rock maintains an investment grade rating from two of the three credit rating agencies and has ample capital to develop the project. He explained the ratings from S&P Global Ratings, Moody's and Fitch Ratings in detail. Mr. Eder said that, between their investment grade ratings and financial commitment from The United Company and PAR Ventures, he believes they have a strong base to obtain the financing required for this project. The United Company and PAR Ventures will provide a total of \$130 million in cash, and the remainder will be financed most likely in a bond. Over the past 10 years, Hard Rock has financed over \$10 billion. Mr. Eder said that they expect this will be a smooth process. Once a project is financed, it will be refinanced at a lower rate somewhere between six and 24 months later.

Ms. Lawrence acknowledged that Hard Rock mentioned investment in the community, education, opportunities for growth, career pathing and creating foundational wealth in the community for those who are seeking careers within HR Bristol's organization. She said the community ("Rural Horseshoe") has an interest in seeing that the plan for education, upward mobility and social engagement is adhered to. She asked about education on financial

BOARD ISSUES (Continued)

responsibility and problem gambling at the junior and senior high school levels. She also asked for elaboration on the staffing and interactions that HR Bristol will have with community partners to ensure corporate responsibility.

Mr. Lucas said that The United Company has laid some groundwork on giving back to the community, and HR Bristol will build on that. In other communities, Hard Rock has talked to schools about career paths in the hospitality industry. He said that they have a responsibility to the Bristol community to educate students about career paths especially since the Bristol community has a smaller population base. Mr. Lucas said that they have had conversations with Emory & Henry College about potentially creating a curriculum. Talking to schools that have hospitality programs is a great resource for internships and ultimately direct placement upon graduation. As far as educating students on problem gambling and social responsibility, that is a Virginia Department of Education decision and not a Hard Rock decision.

Ms. Collins said that, in reference to diversity, there should be an opportunity for all in every community. She was encouraged to hear about the programs within Hard Rock to encourage people to bring their authentic selves to work. She said that it is also important to see diversity from the bottom to the top throughout the organization. Others may have trouble seeing themselves in a particular position if they do not see people who look like them at the table. Ms. Collins said that she would be interested in seeing the growth and development of diversity within Hard Rock. Ms. Piimauna acknowledged that it was a miss on their part that they did not highlight more of Hard Rock's diversity during their earlier presentation. She said they continue to make improvements, and that takes time and investment. Mr. Lucas said that they know they can do better.

Mr. Price asked if any Historically Black Colleges and Universities (HBCUs) have been invited to the facility or to any of the meetings. Ms. Piimauna said not at this time, but Hard Rock plans to do so. Mr. Price said that he knows that they are very interested. Mrs. Martin said there are many great HBCUs in Virginia, and she looks forward to seeing Hard Rock take advantage of these talent pools.

Ms. Lawrence asked how they view succession planning once the team gets the property up and running then moves on to another location. Mr. Lucas said that every project is different.

Hard Rock Bristol Casino Applications and Background Investigations

Ms. Smith introduced key management members of the Gaming Compliance team. She gave a brief description of each person's position and their years of experience. She said that the members of this team will be instrumental in ensuring that the remainder of this process is complete prior to HR Bristol getting authorization to go live. She assured the Board that her team is exceptionally qualified for the task at hand.

BOARD ISSUES (Continued)

Ms. Smith said that the Board was recently provided with two executive summaries:

- (1) Executive Summary
Background Investigation Report
In the Matter of
HR Bristol, LLC
in its application for a Casino Gaming Facility Operator's License

- (2) Executive Summary
Background Investigation Report
In the Matter of
HR Bristol, LLC
in its application for a Contractor's Supplier Permit

Ms. Smith read the key points of the Executive Summary Background Investigation Report in the matter of HR Bristol, LLC in its application for a Casino Gaming Facility Operator's License.

Ms. Smith said that the Lottery's investigation has confirmed that the Applicant has the financial resources, business experience, and ability to execute its business plan, with no derogatory information regarding the Applicant's integrity or overall suitability. Based on the investigative scope, protocols, and standards that formed the scope of the Lottery's review, the Lottery has not found any disqualifying factors that would preclude Applicant HR Bristol, LLC from being issued a casino gaming facility operator's license based on the criteria listed in the Casino Gaming Law set forth in Chapter 41 of Title 58.1 (§ 58.1-4110 et seq.) of the Code of Virginia, and regulations adopted thereunder. The five qualifying entities are deemed suitable as well. The Lottery also concludes that each of the entity qualifiers and individual qualifiers have been found suitable in connection with the license application. Accordingly, the Lottery recommends that the Board: 1. Find that the Applicant meets the criteria for a Casino Gaming Facility Operator's License set out in § 58.1-4110.B. of the Casino Gaming Law; 2. Determine that the Board has not found any of the disqualifying elements set out in § 58.1-4110.C. of the Casino Gaming Law; and 3. Approve the issuance of a Casino Gaming Facility Operator's License to Applicant HR Bristol, LLC subject to the completion of any outstanding operational matters to the satisfaction of the Lottery's Deputy Executive Director for Gaming Compliance and receipt of \$15 million as required by § 58.1-4108.D. of the Casino Gaming Law. The Lottery further recommends that the Board: 4. Approve the issuance of Key Manager's Supplier Permits to the six individual qualifiers, James F. Allen, Brad Buchanan, John R. Eder, Jon Lucas, James W. McGlothlin, and Clyde E. Stacy; and 5. Delegate to the Deputy Executive Director for Gaming Compliance approval of any subsequent or renewal Supplier Permits for the Applicant's Key Managers.

Ms. Collins asked if there were any reported instances of noncompliance in the other 13 jurisdictions in which Hard Rock is currently operating. Ms. Smith responded no.

BOARD ISSUES (Continued)

Mr. Hamid said that he is satisfied that the process was very thorough from everything that he has read and heard. He thanked Hard Rock for the thorough presentation. Mr. Hamid said that he thinks this is a good thing for Virginia because it strikes a balance between regulation and economic development.

On motion duly made by Cynthia Lawrence and seconded by Vonda Collins, the Board finds that HR Bristol, LLC meets the criteria for a Casino Gaming Facility Operator's License as set out in § 58.1-4110.B. of the Code of Virginia; determines that the Board has not found any of the disqualifying elements set out in § 58.1- 4110.C. of the Code of Virginia; and approves the issuance of a Casino Gaming Facility Operator's License to Applicant HR Bristol, LLC subject to completion of any outstanding operational matters to the satisfaction of the Lottery's Deputy Executive Director of Gaming Compliance and receipt of \$15 million as required by § 58.1-4108.D. of the Code of Virginia.

On motion duly made by Cynthia Lawrence and seconded by Kimberley L. Martin, the Board approves the issuance of a Key Manager's Supplier Permit to the six individual qualifiers: James F. Allen, Brad Buchanan, John R. Eder, Jon Lucas, James W. McGlothlin, and Clyde E. Stacy; and delegates to the Deputy Executive Director of Gaming Compliance approval of any subsequent or renewal Supplier Permits for Key Managers of HR Bristol, LLC.

Ms. Smith read the key points of the Executive Summary Background Investigation Report in the matter of HR Bristol, LLC in its application for a Contractor's Supplier Permit.

Ms. Smith said that the Lottery's investigation has confirmed that Applicant HRB Manager has the financial resources, business experience, and ability to execute its business plan, with no derogatory information regarding its integrity or overall suitability. Based on the investigative scope, protocols, and standards that formed the scope of the Lottery's review, the Lottery has not found any disqualifying factors that would preclude Applicant HR Bristol Manager, LLC from being issued a Contractor's Supplier Permit based on the criteria listed in the Casino Gaming Law and the Board's regulations adopted thereunder at 11VAC5-90-70. Therefore, the Lottery recommends that the Board approve HR Bristol Manager, LLC as the holder of a Contractor's Supplier Permit. The Lottery further recommends that the Board delegate to the Deputy Executive Director for Gaming Compliance approval of any subsequent or renewal Supplier Permits for HR Bristol Manager, LLC.

On motion duly made by Cynthia Lawrence and seconded by Scott Price, the Board finds that HR Bristol, LLC meets the criteria for a Contractor's Supplier Permit set out in § 58.1- 4114.A of the Code of Virginia and in the Lottery's regulations at 11VAC5-90-70; determines that the Board has not found any of the disqualifying elements set out in § 58.1- 4114.D of the Code

BOARD ISSUES (Continued)

of Virginia or in the Lottery's regulations at 11VAC5-90-70F; issues a Contractor's Supplier Permit to Applicant HR Bristol Manager, LLC; and delegates to the Deputy Executive Director of Gaming Compliance approval of any subsequent or renewal Supplier Permits for HR Bristol Manager, LLC.

Waiver Request of Regulation Concerning Physical Specifications for Value Chips and Pai Gow Dice

Mr. Fontaine said that the regulations contain physical aspects of gaming equipment. He said that, had we heard about this issue during the comment period in December 2021, we would have corrected it at that time. HR Bristol, LLC is requesting the Board to waive the Lottery's regulation concerning the physical specifications of value chips and pai gow dice, which would specifically authorize Hard Rock Bristol, LLC to use value chips with a 39mm diameter instead of a 1 9/16-inch diameter otherwise required for value chips under 11VAC5-90-170C.14.a; and beveled pai gow dice instead of the perfect cubes otherwise required for pai gow dice under 11VAC5-90-170L.2.a.

On motion duly made by Ms. Collins and seconded by Mrs. Martin, pursuant to 11VAC5-30, the Board approved HR Bristol, LLC's request to waive the Lottery's regulations concerning the physical specifications of value chips and pai gow dice, specifically authorizing Hard Rock Bristol, LLC to use value chips with a 39mm diameter, instead of a 1 9/16-inch diameter otherwise required for value chips under 11VAC5-90-170C.14.a; and beveled pai gow dice, instead of the perfect cubes otherwise required for pai gow dice under 11VAC5-90-170L.2.a.

OTHER BUSINESS

The next Lottery Board meeting is scheduled to take place on July 20, 2022.

BOARD MEMBERS' OPEN DISCUSSION

Ms. Lawrence thanked the Lottery's Gaming Compliance team for its hard work. She also thanked the Hard Rock and HR Bristol representatives for the incredible amount of work put into their presentation.

CLOSED MEETING

Mr. Price made the following motion, which was seconded by Ms. Lawrence.

In accordance with the provisions of Section 2.2-3712 of the Code of Virginia, I move that the Board convene a closed meeting for the purpose of discussion, consideration or review of:

CLOSED MEETING (Continued)

Pursuant to subdivision A 17 of Section 2.2-3711, matters relating to specific lottery game design, prize structure and odds of winning; and matters related to proprietary lottery game information excluded from disclosure under subdivision 11 of Section 2.2-3705.7.

RECONVENED MEETING

Following its closed meeting, the Board reconvened in open session. Mr. Powell read the following certification for the closed meeting:

WHEREAS, the Virginia Lottery Board has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law and the motion by which the closed meeting was convened;

NOW, THEREFORE, BE IT RESOLVED that the Virginia Lottery Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the Board.

By roll call, all members in the room voted in the affirmative that the certification was accurate as read.

On motion duly made by Mr. Price and seconded by Ms. Lawrence, the Board approved, as presented in the closed meeting, the prize structures for Scratcher Games 2176 through 2179, 2183 through 2185 and 2187 through 2191, as presented, including the 0.5% prize-structure variance.

On motion duly made by Mr. Price and seconded by Mr. Powell, the Board approved Virginia's New Year's Millionaire Raffle as presented in the closed meeting.

On motion duly made by Mr. Price and seconded by Mrs. Martin, the Board approved, as presented in the closed meeting, the prize structures for Instant Games 3229, 3231 through 3234, 3716 and 3729, as presented, including up to 10% of gross gaming revenues from iLottery games to be allocated for online lottery promotional activity.

ADJOURNMENT

There being no further business to come before the Board, the chairman declared the meeting adjourned.

Kelly T. Gee, Secretary

Ferhan Hamid, Chairman