

**MARYLAND STATE LOTTERY COMMISSION
JANUARY MINUTES**

DATE: January 16, 2003
TIME: 10:00 a.m.
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Jerry L. Lewis
Commissioner Osborne Payne
Commissioner Carl L. Hein, III

Buddy Roogow, Director
Andrea Johnson, Principal Counsel
Tchicaya Ellis, Ph.D., Director, Research, Planning & Evaluation
Gina Smith, Deputy Director and CFO, AFO
Jill Baer, Director, Creative Services
Sandra Johnson, Chief Information Officer, Information Technology
Joseph Jason, Deputy Director, Sales
Jimmy White, Director, Communications
Deborah Sharpless, Controller
Gary Smith, Instant Ticket Product Manager
Suzanne Meltzer, Executive Assistant
Marie Torosino, Executive Associate

**OTHERS
PRESENT:** Ray Shaffer, IGT OnLine Entertainment Systems
Richard Newell, IGT OnLine Entertainment Systems
David Blum, Eisner Communications

Chairman Lewis stated when the third Commissioner arrives, he would officially begin the meeting. He stated the meeting would begin with the reports that do not require action.

BERT SMITH AND COMPANY FINANCIAL REPORT

Ms. Deborah Sharpless, Lottery Controller, distributed the unaudited financial statement for December 2002 and the audited statements for September and October 2002. She stated revenues for the month of December were \$36 million. The Lottery is \$5.5 million away from satisfying its obligation to the Maryland Stadium Authority and that should be reached in the next few months. Chairman Lewis asked how does that compare to the previous year. Ms. Sharpless responded the Lottery met its obligation in March and should do the same this year. Chairman Lewis asked if there were any irregularities that the Commission should be aware of in any of the statements. Ms. Sharpless responded there was nothing unusual in the statements.

Chairman Lewis stated the Commission has had an opportunity to previously review the September and October audited reports and asked that the Commission review the unaudited report for December. If there are any questions, they can be raised at the next meeting.

EISNER COMMUNICATIONS

Mr. David Blum, Senior Vice President, stated last month he reported that they were going to be at Rash Field at the Inner Harbor filming scratch cam commercials featuring Chip Franklin, the host for the commercials. There were five commercials shot and the final editing is being done. Mr. Blum showed the videotape to the Commission.

At this point, Commissioner Payne arrived at the meeting.

Chairman Lewis asked if the characters in the scratch cam commercials are actors or just regular people off the street. Mr. Blum responded they are people that happened to be at the Inner Harbor. Mr. Roogow stated the Lottery does not recruit anyone. Ms. Baer stated they shot three or four times the number of people that were actually used. The people know that they may or may not be in the commercial.

Mr. Blum presented a print ad for Keno Doubler that has been running statewide in community outreach newspapers. Eisner's minority business partner, the Cammay Group, who was brought on board in the last two months, produced this ad. The Cammay Group is organizing, planning, buying, managing and creating the ads for the community outreach program. Mr. Blum stated the group has been doing a fine job and are a good addition to the team.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis accepted Eisner Communications report as information.

CALL TO ORDER

Chairman Lewis officially called the meeting of the Maryland Lottery Commission to order at 10:30 a.m.

APPROVAL OF MINUTES

Chairman Lewis stated the Commission received a copy of the Minutes for December and asked if there were any questions or concerns regarding the Minutes as submitted. Hearing none, Chairman Lewis called for a motion to approve the Minutes. Commissioner Hein made a motion to approve the Minutes and Commissioner Payne seconded the motion. Motion was approved by unanimous vote of the Commission.

DATE AND TIME OF NEXT MEETING

Chairman Lewis stated in reference to the next meeting, Commissioner Reeder, who is not present today, had expressed an interest that the Commission looks at an alternate date for the meeting. Chairman Lewis stated in light of the fact that there are pending questions that have to be resolved, he requested that this matter be tabled until a later time. Therefore, the next scheduled date for the Commission meeting is Thursday, February 20, 2003 at 10:00 a.m. at Lottery Headquarters. Ms. Andrea Johnson stated there would also be a hearing on the denial of a Lottery application at the reconsideration level at the February meeting and would take approximately 45 minutes. Chairman Lewis stated the hearing would occur at the end of the meeting.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated he wanted to introduce Richard Newell from IGT Online Entertainment Systems. Mr. Newell is the new Director of Business Services.

Mr. Roogow stated he is waiting to review the legislation that is being developed by the new Administration on video lottery. There have been some articles in the newspaper. Mr. Roogow stated the Commission would be sent copies of the legislation as soon as the Lottery receives it.

Mr. Roogow stated he would be appearing before the Senate Finance Committee for a briefing on the Lottery. The briefing is scheduled for Wednesday, January 22, 2003 at 1:00 p.m. in the Miller Senate Office Building, third floor and the Commission is welcome to attend.

Mr. Roogow stated that the new budget being introduced is seeking to take \$10 million from the Lottery's unclaimed prize fund. There is a necessity for legislation to do this because the current legislation states the unclaimed prize fund goes back to the players in

prizes. He is confident and happy with the new team that is in place with the Administration. Mr. Roogow believes that they are going to be very pro lottery and obviously pro video lottery, which is high on their agenda. Delegate Rawlings has already introduced a bill to allow slot machines at the racetracks. The Administration will be introducing a more specific bill that states specifically that slots will be allowed at the four racetracks. He thinks the four racetracks will be Pimlico, Rosecroft, Laurel and the new track in Western Maryland. As far as he understands, they made it clear that they do not want slots in Ocean City, Ocean Downs or Timonium. He would make sure that the Commission receives copies of both bills when they are available.

Chairman Lewis asked whether the Lottery's structure is outlined in Delegate Rawlings' bill. Mr. Roogow responded he has not seen the bill, only the synopsis. The bill has not been filed yet, but it references that the Lottery Commission shall have the authority to determine which tracks will house the slots. It does say four tracks and 10,000 machines. Chairman Lewis stated that the Director referenced that there was some indication that there may be an alternate structure. Mr. Roogow responded the bill that the Administration is proposing could be different in that respect. Commission Hein asked where did the figure 18,000 machines come from as mentioned in the press the other day. Mr. Roogow responded the 18,000 machines came from the racing industry. Their group met and made a proposal to house 18,000 machines at five tracks, including Ocean Downs.

Chairman Lewis asked if the law should pass, when would they anticipate these machines coming on-line. Mr. Roogow responded Delegate Rawlings' bill states in the synopsis that it will go into effect on June 1. If the bill or some combination of the two bills were passed in the spring session, the first request for proposals would be for a central system to manage, coordinate and operate the entire system of slots at the various tracks. The second request for proposals would be for video lottery machines. What has been done in other states that have video lotteries is they have generally gotten four or five different vendors through this request for proposals to provide the machines, which would be leased most likely by the Lottery but managed, monitored and authorized through the Lottery. During this time period, the racetracks would be building the facilities necessary to house the machines and roads would probably have to be improved.

Chairman Lewis asked who initiates the corresponding changes that should be in the bill that relates to the law that currently governs the Commission. Ms. Andrea Johnson responded depending upon the legislation that passes, the Lottery may have to make changes to the Lottery Act. Mr. Roogow stated he would keep the Commission informed.

Mr. Roogow stated the hearing before the Joint Audit Committee went well and the response was positive from the Delegates and Senators present. Ms. Smith and her team and Ms. Sandy Johnson and her team have been working diligently to make sure that the recommendations that the Lottery has agreed to are being implemented. The Lottery expects the auditors to return in the summer to review the Lottery's progress. He will keep the Commission informed.

Mr. Roogow stated sales and revenues continue to run ahead of last year. Sales are \$22.5 million ahead and revenues are \$13.5 million ahead. The Lottery's budget target is set by the Board of Revenue Estimates and by the Legislature. The Lottery is running short of where it needs to be in order to reach that target. Two ways to help the Lottery reach its target would be if Mega Millions would roll taking it into the hundred of millions of dollars, and if the new game features that IGT is designing called Instant Win were to be implemented this fiscal year. Chairman Lewis asked what is the difference between the level from last year and this year. Mr. Roogow responded last year the Lottery made \$443 million. The budgeted target was \$425 million. This year the budgeted target was raised to \$454 million.

Mr. Roogow stated scratch-offs and Keno continue to do well. Pick 3 and Pick 4 are holding their own and Bonus Match 5 has done better since the promotion was run last fall. Chairman Lewis asked what is the status regarding the restructuring of Lotto. Mr. Shaffer responded they have not been actively pursuing that for the moment because they have been working on the Instant Win process. Mr. Roogow stated he would keep the Commission informed on this matter. Chairman Lewis stated that Lotto is such a traditional name with the Agency and it important to make sure the Lottery can salvage it. Mr. Roogow responded there is the Lotto style international game the Lottery is looking at for next year and he would update the Commission on that in the next couple of months.

Mr. Roogow stated the budget hearings for the Lottery have been scheduled. On February 26, 2003, the budget hearing is with the House Appropriations Subcommittee at 2:00 p.m. in the Lowe House Office Building. On February 27, 2003, the budget hearing is with the Senate Budget and Taxation Subcommittee at 1:00 p.m. in the Miller Senate Office Building.

Mr. Roogow stated the La Fleur's 8th Annual Lottery Symposium will be held at the Grand Hyatt in Washington, D.C. from April 13 through 16, 2003 and the Commission would be provided with the information when it becomes available.

Chairman Lewis stated he wanted to call the Commission's attention to the component of the Director's report that responds to the audit recommendations and asked that the Commission review the information and if there are any questions, they can be raised at a later time. The Commission previously received a copy of the official audit report.

Chairman Lewis asked if there were any other questions. Hearing none, he accepted the Director's report as information.

IGT ONLINE ENTERTAINMENT SYSTEMS

Mr. Ray Shaffer, Account Executive, stated he also wanted to formally introduce the new Director of Business Services for IGT. He has known Richard Newell for 20 years. Mr. Newell has a 24-year background in the business. He was a major executive with Dittler Brothers and Scientific Games, and had his own business for approximately 12 years

operating in Europe and other venues around the world. He most recently was a startup consultant for the South Carolina Lottery and also assisted in the Korean Lottery startup.

Mr. Richard Newell stated he appreciated the opportunity to be at the meeting. He stated that Mr. Shaffer had brought him up to date on the items that need to be done with regard to Maryland's contract and assured the Lottery that IGT would be moving forward on the Instant Win project and other projects.

Mr. Shaffer stated IGT is in the process of doing final sizing and working on the details for Instant Win. They can then put together a timeline to establish how long it will take to do the development and begin to determine where they are in meeting the goal of implementation for this fiscal year.

Mr. Shaffer stated the IGT Marketing Reps would be spending more time in the field working with the Lottery's Regional and Field Reps to support the retailer network. On the field service side, things seem to be under control. He stated that the equipment does have some miles on it, but through the efforts of the IGT field service organization, the Maryland Lottery equipment has the highest meantime failure of any of the terminals in their collective states. They are number one on the list in keeping the terminals up and running and that is good news for the retailers.

Mr. Shaffer stated IGT had a problem with a power failure in the area, which also identified a failure that it did not know it had in their GPS system and that created some down time. IGT got the system back up as quickly as it could. This did alert IGT to some things that they are taking seriously in an effort to make sure they are prepared so that there is no interruption in the future.

Ms. Andrea Johnson asked with regard to the name In Win and Instant Win, is IGT looking at protecting the name. Mr. Shaffer responded yes they are. Ms. Johnson asked if IGT is filing for the protection under the name of IGT or under the name of the Lottery. Mr. Shaffer responded IGT is in the process of investigating patents, trademarks and copyrights to make sure that what they have designed is not in violation of someone else's patent or document. They then would file in the IGT name. Ms. Johnson stated she understands IGT is going to protect its game, but what about the name of the game, which is different from the underlying game. Mr. Shaffer responded that is something they may want to discuss further.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis accepted IGT's report as information.

REPORTS

Legal Division – Andrea Johnson, Principal Counsel

Ms. Andrea Johnson distributed her report to the Commission. She stated there was one

revocation to present to the Commission this morning. The revocation is for Bloomingdale Enterprises, LTD, T/A Bloomingdale Bar and Lounge located at 1330 Poplar Grove Street, Baltimore, Maryland 21216. The business is closed. This occurred several months ago and the Lottery was not allowed enter the business and retrieve the lottery equipment. The Lottery is attempting to locate the owner. A letter was sent revoking their Lottery license and they did not respond. She is requesting the Commission's concurrence of the Director's recommendation. Chairman Lewis asked if the equipment has been retrieved. Ms. Johnson responded no, not to her knowledge. Chairman Lewis asked how does the Lottery know if the equipment is still at the location and if the agent were to take equipment the or destroy the equipment, what would the course of action be against them. Ms. Johnson responded yes there would be a course of action. Even though COMAR regulations stated that the agent is responsible and they are to notify the Lottery before they go out of business, some of them do not notify the Lottery.

Chairman Lewis stated there is a request from the Lottery's Principal Counsel that the Commission upholds the decision of the Director to revoke the license of Bloomingdale Enterprises, LTD, T/A Bloomingdale Bar and Lounge. Chairman Lewis asked if there were any questions. Hearing none, he requested a motion to uphold the decision of the Director. Commission Payne made the motion and it was seconded by Commissioner Payne. Chairman Lewis requested a vote and the vote was unanimous to uphold the decision of the Director to revoke the license of Bloomingdale Enterprises LTD, T/A Bloomingdale Bar and Lounge.

Ms. Johnson stated that there is ongoing correspondence with Bally Gaming International, Inc. in regards to the name Cash Encounters. Bally has a gaming machine called Cash Encounters and the Lottery has an instant ticket called Cash Encounters. There is no dispute for the name as it pertains to what Bally's and Lottery does. However, when it comes to game shows and publicity, the Lottery wants to ensure that each side agrees to use the name for its intended purpose and not overlap. Therefore, the Lottery is getting Bally's concurrence and agreement that they would not bring action against the Lottery when the Lottery does the proposed TV game show referencing the name Cash Encounters.

Ms. Johnson stated that the new game called Instant Win would require a contract amendment. She is working with the Lottery staff in terms of identifying the issues and will be working with IGT to put together a contract amendment and that will be presented to the Commission at a later date.

Ms. Johnson stated two hearings before the Commission are coming up. The hearing next month is on the denial of a lottery license and the applicant has appeared before the Director for a reconsideration hearing. The Director, after hearing all the evidence presented, decided that there still is not sufficient grounds to grant a license. Under COMAR, the applicant can then appeal to the Commission. The next hearing is a Commission hearing for a revocation of a Lottery license. The agent, Party Time Beer and Wine, has requested an appeal of the decision to revoke their license and that is tentatively scheduled for the March Commission meeting.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis received the Legal Division's report as information.

Administration, Finance and Operation – Gina Smith, Deputy Director, CFO

Ms. Gina Smith distributed her report to the Commissioners. She stated currently the Customer Resource Center and Agent Administration Unit are busy processing the year-end information that must be mailed by January 31, 2003. Ms. Smith stated several months ago a mailing was sent to agents requiring them to set up a separate bank account. At the same time, the Lottery included a copy of the W-9 form, which is used to certify Federal ID numbers. AFO is doing follow up with agents that have not responded. This information is needed so that the IT group can process the 1099's at year-end.

Ms. Smith stated the point of sale and the instant ticket warehouse move took place on January 7, 2003. Office Movers did an overall good job. She stated she is still working with one of the vendors to finish the security system.

Ms. Smith stated they are preparing to go to Annapolis for the fiscal year 2004 budget. She has not heard if the Legislature is going to recommend further cuts. She stated that a couple of weeks ago the Department of Budget and Management took two vacant PINs from the Lottery.

Ms. Smith stated in the Director's Report she included the status of the audit findings that she has been working on and if the Commission has any questions, please feel free to ask. In the future, it will be the same format with updated responses. If no progress has been, she will indicate that also.

Chairman Lewis asked what percentage of the agents have not responded regarding the W-9 requesting their Federal ID number. Ms. Smith responded from the mass mailing that was done, there were approximately 1,000 agents that had not responded and they have to follow up on those 1,000. What they have tried to do is look at the ones where the IRS is saying the data the Lottery has does not match the data the IRS has and there were approximately 45 of those agents. A few weeks ago, letters were sent and responses have been received. At the end of the week, Ms. Smith will meet with Mr. Jason and ask for the Field Reps to call on those agents that have not responded.

Chairman Lewis asked what feedback was she receiving from the field in terms of responding to this request for a separate bank account. Ms. Smith responded regarding the separate bank account, she is still hearing that a lot of agents do not want to comply. However, a significant number of agents have responded stating that they already had a separate bank account. She would say there are more people that certified that they have a separate account as opposed to those submitting new bank account information. Chairman Lewis asked what is the timeframe for them to respond. Ms. Smith responded as a result of a second mailing, the deadline is January 31, 2003. We will regroup at the end of January to see who has not responded. We may mail a third notice asking them to comply by a

specific date. Chairman Lewis asked what is the ultimate consequence if they do not respond. Ms. Smith responded we have not discussed that as yet and she is not in favor of turning their machine off because she feels it hurts the State overall. These agents obviously are somewhat good agents because had they owed us money their terminal would be turned off. Chairman Lewis stated he agrees with that but he is concerned as to how the Lottery protects itself from the audit again. Mr. Roogow stated the Lottery would have to take action with the agents to force the issue. Chairman Lewis stated efforts have been made on the part of the Lottery to get the agents to comply and with that in the record, would that be sufficient to sustain the Lottery's efforts to respond to the audit. Mr. Roogow stated the fact that we have several thousand that have already complied is substantial progress already.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis received Administration, Finance and Operations' report as information.

Information Technology – Sandra Johnson, Chief Information Officer

Ms. Sandra Johnson distributed her report to the Commission. Ms. Johnson stated IT has started the year with a number of service requests from the Lottery staff. IT handled 1,200 service requests last year and already this year, IT has 62 requests that have either been serviced or are in the process of be serviced. IT continues to work with IGT on the multi-themed game called Instant Win and will continue to do that until it gets the detailed sizing and the Lottery can then begin to implement the detailed schedule of activities for game implementation.

Ms. Johnson stated this month IT worked with the Sales Division to finish modifications to a number of programs that would allow them to change their territory assignments. The project was completed and the new assignments are in place and it appears that it is going well.

Ms. Johnson stated there were two major communication outages. One outage was caused by a power failure on the part of BGE that disrupted communications on the agent network for approximately 30 minutes. She is attempting to get a written report from BGE on what actually caused the power outage, but they have been uncooperative. She is trying to make it clear to BGE that the Lottery is not blaming them for the outage, and that the Lottery would like to obtain a report for the file on what happened.

Ms. Johnson stated the second communication problem occurred when there was a T1 failure between the IGT Lanham office and the Baltimore computer room and this lasted almost all day. It required the Lottery to change some things in terms of how it enters the winning numbers and documenting everything that it did.

Ms. Johnson stated IT has been working closely with the Department of Budget and Management this month to get a new contract for a 900 telephone line which the Lottery uses. The Lottery makes approximately \$15,000 a year from the 900 number. She did

notice in a newsletter this week that Pennsylvania has decided to shut down the 900 number because people are going to the website more. The reason the Lottery had to get a new service number was because AT&T got out of the billing business for 900 service numbers.

Ms. Johnson stated IT also responded to two requests from Governor Ehrlich's Technology Transition Team. They asked a number of questions about what the Lottery's IT Division does and how it does it. The bottom line was they wanted to know how IT would be impacted if cuts were made to the IT budget. The first request was how would IT be impacted if its budget were cut 5 percent, 10 percent or 15 percent. The second request was how would IT be affected if they cut the its budget by \$1 million. Ms. Johnson stated she understands that even though the Lottery has large contracts, such as Verizon and IGT, the actual budget for the IT Division is only approximately \$2.8 million. It was hard to give them that information without cutting nearly everything that IT had except for salaries.

Ms. Johnson stated IT is also working on an Agency training database. There is a joint committee represented by a number of the people in the Agency that are developing a training database and it should be completed shortly.

Ms. Johnson stated IT continues to monitor the radio transmissions from the Riverboat agent location that she has been spoken about in the past. The Lottery is ready to move to the next phase, which will probably be to put one of the agent's five terminals on radio transmission. It has stood up well under snow and rain so she does not expect any problems. She stated she had been watching Delaware because they were supposed to go to all radio transmission when their new contract with IGT was implemented in March 2003. However, it is now her understanding that Delaware is not going to use radio. It had nothing to do with their knowledge with the technology. There were critical timing factors in terms of getting it in place and they decided to stay with the additional Telco.

Ms. Johnson stated IT is working with PriceWaterhouseCoopers on their annual audit for data processing at the Lottery. IT is also preparing for the year-end close out to get the 1099s ready for mailing to the agents.

Ms. Johnson stated last month she informed the Commission of a new NASPL Standards Committee. The Committee has been meeting via conference call every month. Currently, they are trying to establish work groups for that Committee and also identify sources for retailer involvement. Ms. Johnson stated the Committee is planning a face-to-face meeting sometime in March 2003.

Chairman Lewis asked if BGE were at fault for the outage, would they be liable for a calculated loss. Ms. Johnson responded there was an outage in the whole area, not just at Western Avenue. The Lottery wants to obtain information from BGE about the outage, not get any reimbursement from them. Chairman Lewis stated he asked that question relative to the recent audit observations. Ms. Johnson stated the penalties have already been calculated and given to the Director and the letter was sent to IGT.

Chairman Lewis asked about the cost of managing the 900 line per year. Ms. Johnson responded there is a cost but it is offset by the revenue that is generated. Mr. Roogow stated the Lottery pays the normal fee for having a phone line.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis received Information Technology's report as information.

Research, Planning and Evaluation – Tchicaya Ellis Ph.D., Director

Chairman Lewis asked of anyone ever brought up the idea of riverboats operating out of Baltimore and the Potomac areas. Mr. Roogow responded the idea has been raised by casino interests, not by Lottery agents. The Governor has made it clear that slots will only be at the identified four tracks. Delegate Rawlings' bill also mentions slots operating only at racetracks. Ms. Andrea Johnson stated a few years ago there was legislation introduced to bring riverboats into Maryland and that bill did not pass. Mr. Roogow stated if riverboats were allowed, they are usually casinos not just slots. The problem that it creates is that the restaurant and hotel industry would object because riverboat casinos traditionally give discounts on rooms, meals and drinks, and that could potentially damage the industries around it. Chairman Lewis stated as they look towards the possibility of slots in the State it would seem reasonable that the Commission should plan a visit of the neighboring states that have slots machines. Mr. Roogow stated he would be happy to arrange that. Chairman Lewis stated if the Commission is going to be managing this new venture, it needs to have as much knowledge about it as possible. Mr. Roogow stated he would look into this visit and report back to the Commission.

Dr. Tchicaya Ellis distributed her report to the Commission. Dr. Ellis stated Suzanne Meltzer, the Procurement Director, is working on an ITVM RFP and as mandated, a group consisting of the MBE Team, Contract Managers and the Senior Procurement Officer with advice of the Legal Division, met to set the MBE goal for the contract. Once a reasonable goal has been set, the recommendation will be forwarded go to the Director for his review.

Dr. Ellis stated she is seeking the Commission's concurrence with the Director's determination regarding the IGT MBE waiver request. Dr. Ellis stated they had to evaluate whether IGT made a good faith effort to find an alternative MBE to service the area of the contract that was previously being serviced by the MBE that had lost certification due to exceeding the \$750,000 personal net worth. There have been no other MBE companies that did the work that PAP, the minority vendor, did and IGT has continued to use PAP. Unfortunately, because they are no longer certified in the MBE program, those dollars cannot be counted toward MBE participation. IGT filed a waiver and it was reviewed by the Lottery. The waiver outlined the steps IGT took to find another company. This waiver was reviewed with the Director and it was believed that a good faith effort was made and the Lottery is recommending that IGT be granted a waiver.

Chairman Lewis stated the Commission has a recommendation before it that the waiver requested by IGT be granted in reference to MBE compliance. Chairman Lewis asked if

there were any questions or concerns. Hearing none, Chairman Lewis requested a vote from the Commission to approve the waiver as recommended and the vote was unanimous.

Chairman Lewis asked would the MBE goal in IGT's contract have to change. Dr. Ellis responded no, their current goal is through the life of the contract. If IGT wishes to file another waiver for fiscal year 2003, they would have to perform the same good faith effort.

Chairman Lewis stated the only comment that the Commission would make is the MBE goal is something that they take seriously. As they look at the overall assessment of the MBE participation, they are going to continue to look at the level that the State has set and hopefully all of the contractual relationships with the Agency will be able to respond to that.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis accepted the Research, Planning and Evaluation Division's report as information.

Sales – Joseph Jason, Deputy Director

Mr. Joseph Jason stated a copy of his report is contained in the Commission's folders. He stated in October he presented the new reorganization chart for the Sales Department as approved by the Director. The reorganization was implemented effective January 13, 2003. Mr. Jason stated he wanted to thank Sandy Johnson and her IT staff, and Gina Smith and her AFO staff for their time and effort in helping Sales get the tools that were needed to make this change. Mr. Jason stated his report also contains an inventory of the instant games in the field and the warehouse, and also the instant ticket launch schedule for January. At next month's Commission meeting, he would provide the Commission with a breakdown showing geographically where each rep is working in various parts of the State, calling on both the independent and the corporate agents.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis received the Sales Division's report as information.

Communications – Jimmy White, Director

Mr. Jimmy White stated that his report is included in the Commission's folders. He stated 30 press releases were issued which resulted in nine articles that were placed and were worth \$2,300. The VIP Club is up seven percent. His report also contains a 12-month calendar year-end recap of what his Division has done with regards to the VIP Club giveaways. Communications held six Lottery parties last month. Regarding the December promotional partners, 6,400 tickets were distributed, which resulted in \$137,000 in promotional value to the Lottery from the radio stations that participated in the program.

Mr. White stated the Cash Encounters second chance promotion involves ten preliminary drawings and qualifying rounds. Four of the drawings have been completed and three of

the preliminary rounds have been broadcast on television. The fourth drawing is tomorrow night and will be held at the Coliseum Sports Bar in Cockeysville, Maryland. They have a radio partner tied in with this and expect a big turnout. Next week, they will be filming the fourth qualifying round with the contestants chosen and two contestants will go on to the show in May where a million dollars will be given away as the grand prize and up to \$600,000 in second tier prizes. To date, approximately 90,000 entries have been received. For tomorrow night's drawing, 41,000 entries have been received. Mr. White stated the drawings occur approximately every 2½ weeks. Sales are doing well for the Cash Encounters scratch-off ticket and he believes that the response is very good based on the entries that have been received.

Chairman Lewis asked Mr. White to explain why numerous events have been scheduled in Baltimore and not many in the rest of the State. Mr. White responded January, February, and March are usually lean months for events and it is generally difficult to find large-scale good events in the Montgomery and Prince George's areas but he has been looking for events in those areas. He has held back scheduling some other things until he is more certain of what the budget is going to be in case there are some cuts to the promotional budget.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis accepted Communications' report as information.

Creative Services – Jill Baer, Director

Ms. Jill Baer distributed a copy of her report. She stated scratch cam commercials would run one more week statewide. They can be seen on the Washington, Baltimore and Eastern Shore stations. Then they take a break and subsequent commercials will be seen throughout the fiscal year. The Chinese Restaurant campaign will run in early February. The Lottery has purchased some prime time programming during the Grammy's and the Academy Awards. In one of the three 30-second commercials in that series, the ending has been changed to focus on a new five dollar instant ticket called "Fortune Cookie" that will be launching. Relative to programming, there are a number of commercials that have been purchased throughout the day of Super Bowl coverage. Ms. Baer is making recommendations to the Director as to what commercials to run but the 60-second Chinese Restaurant commercial can be seen during the Super Bowl game. Cash Encounters game show is a joint effort between Creative Services and Communications. She will keep the Commission informed as more information about the production of the game show becomes available.

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis accepted Creative Services' report as information.

Product Development – Gary Smith, Instant Ticket Product Manager

In Ms. Cohen's absence, Mr. Gary Smith presented the instant tickets to the Commission for their review and approval. Mr. Smith stated there were three instant tickets to present.

Mr. Smith stated the first ticket was *Fortune Cookie*, which is a licensed product. He wanted to defer to Ms. Suzanne Meltzer, Procurement Director, to present the licensing agreement for the Commission's approval for this ticket.

Ms. Suzanne Meltzer, Procurement Director, stated the Lottery plans to introduce an instant ticket game called *Fortune Cookie*. The name *Fortune Cookie* is a trademark name and therefore, the Lottery needs to enter a licensing agreement with Frost Productions. The agreement authorizes the Lottery to print up to five million tickets for a cost not to exceed \$17,230. However, the Lottery plans to print two million tickets at a cost of \$9,800. She is, therefore, requesting the Commission's approval of the contract. Chairman Lewis stated the Commission already received a copy of the contract for the approval of the licensing agreement for *Fortune Cookie* with Frost Productions. Chairman Lewis stated the recommendation is before the Commission and asked if there were any further questions. Chairman Lewis requested a motion to approve the license agreement. Commissioner Hein made a motion to approve the licensing agreement for *Fortune Cookie* with Frost Productions. Commissioner Payne seconded the motion. Chairman Lewis requested a vote and the licensing agreement was approved by unanimous vote of the Commission.

Game #392 *Fortune Cookie* is a \$5.00 ticket with a top prize of \$50,000, a ticket quantity of 2 million, and a payout of 73.88%. It has a launch date of late January 2003.

Game #406 *Cash Explosion* is a \$5.00 ticket with a top prize of \$50,000, ticket quantity of 2.5 million, and a payout of 73.87%. It has a launch date of late March 2003.

Game #407 *3 Times Lucky* is a \$3.00 ticket with a top prize of \$30,000, ticket quantity of 2 million, and a payout of 68.11%. It has a launch date of February 2003.

Chairman Lewis stated Games #392 *Fortune Cookie*, #406 *Cash Explosion*, and #407 *3 Times Lucky* are before the Commission for approval. Chairman Lewis asked the Principal Counsel if the instant tickets have been reviewed for legal sufficiency. Ms. Johnson responded Games #392, #406, and #407 been reviewed and approved for legal sufficiency.

Chairman Lewis stated Game #392 *Fortune Cookie* has been presented for approval and asked if there were any questions. Hearing none, Chairman Lewis requested a motion to approve Game #392 *Fortune Cookie*. Commissioner Payne made a motion to approve Game #392 *Fortune Cookie* and Commissioner Hein seconded the motion. Chairman Lewis stated it has been moved and seconded that Game #392 *Fortune Cookie* be approved and requested a vote. Game #392 *Fortune Cookie* was approved by unanimous vote of the Commission.

Chairman Lewis stated Game #406 *Cash Explosion* has been presented for approval and

asked if there were any questions or concerns. Hearing none, Chairman Lewis requested a motion to approve Game #406 *Cash Explosion*. Commissioner Hein made a motion to approve Game #406 *Cash Explosion* and Commissioner Payne seconded the motion. Chairman Lewis stated it has been moved and seconded that Game #406 *Cash Explosion* be approved as presented and requested a vote. Game #406 *Cash Explosion* was approved by unanimous vote of the Commission.

Chairman Lewis stated Game #407 *3 Times Lucky* has been presented for approval and asked if there were any questions or concerns. Hearing none, Chairman Lewis requested a motion to approve Game #407 *3 Times Lucky*. Commissioner Payne made a motion to approve Game #407 *3 Times Lucky* and Commissioner Hein seconded the motion. Chairman Lewis stated it has been moved and seconded that Game #407 *3 Times Lucky* be approved as presented and requested a vote. Game #407 *3 Times Lucky* was approved by unanimous vote of the Commission.

Chairman Lewis stated the games presented to the Commission have been approved as submitted

Chairman Lewis asked if there were any further questions. Hearing none, Chairman Lewis received Product Development Division's report as information.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:50 a.m.

Respectfully submitted,

Buddy Roogow