

**MARYLAND STATE LOTTERY COMMISSION  
JULY MINUTES**

**DATE:** July 23, 2003  
**TIME:** 10:00 a.m.  
**PLACE:** Maryland Lottery Headquarters

**PRESENT:** Chairman Frank C. Bonaventure  
Commissioner Osborne Payne  
Commissioner Carl Hein, III  
Commissioner Bruce Reeder

Buddy Roogow, Director  
Andrea Johnson, Principal Counsel  
Tchicaya Ellis, Ph.D., Director, Research and Planning  
Joseph Jason, Deputy Director, Sales  
Jill Baer, Director, Creative Services  
Tracey Cohen, Director, Product Development  
Jimmy White, Director, Communications  
Deborah Sharpless, Controller, AFO  
Zach Way, Director, IT Systems & Programming  
Paul Dorsey, Director of Policy and Development  
Gary Smith, Instant Product Manager  
Suzanne Meltzer, Executive Assistant  
Marie Torosino, Executive Associate

**OTHERS**

**PRESENT:** Jerry Woods, IGT OnLine Entertainment Systems  
Chris Barrick, Eisner Communications  
Dorothy Page-Proctor, Bert Smith and Associates

## **CALL TO ORDER**

Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 10:05 a.m.

## **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated the fiscal year has been completed. Mr. Roogow stated the Lottery set a sales record of \$1.322 billion and a revenue record of \$444.4 million. The Bureau of Revenue Estimates sets the Lottery revenue goals. Because the Lottery has done so well, there is an assumption it will have an increase in sales. The Lottery worked hard to generate what it was requested to generate. The Lottery also set a record for Agent Commissions of \$87 million and prizes paid to players of \$738 million.

Mr. Roogow stated in order to increase sales for the next fiscal year, the Lottery will need to implement new games. The Instant Win Game should begin in February 2004. Secondly, the Lottery needs to improve or increase the current games. The Lottery intends to begin Sunday mid-day drawings in October 2003. Many states have recently implemented Sunday mid-day drawings, including Pennsylvania. The Sunday mid-day drawings will begin as a promotion and then become permanent if successful. This could bring in \$20 million in sales and \$8 million in revenue.

Mr. Roogow stated Keno has shown substantial growth. The Lottery's Sales Division is working on finding new agents for Keno in order to get more terminal locations in areas not now served. He stated instants have shown some growth and sales are up \$2 million over last year. Maryland is a fairly small state compared to Pennsylvania, which does close to 50 percent more in business and has more than 100 percent more people. Virginia has more people than Maryland and does fewer sales. There are few states that have a higher per cap than Maryland.

Mr. Roogow stated that a press conference was held at the Governor's Office with Bernadette Gietka, the Mega Millions Winner. There is the possibility that she will be appearing on the Tonight Show. Last week she appeared on WQSR's Rouse and Company radio show. Ms. Gietka is a good winner and good ambassador for the Lottery. Eisner is working on some advertising spots featuring Ms. Gietka.

Mr. Roogow stated the Lottery will be sponsoring another Bay Bridge toll free evening on the Friday before Labor Day. This has been quite successful and there has been no negative publicity. Traffic is being somewhat motivated to use non-prime hours to cross the bridge.

Mr. Roogow stated the Maryland House of Delegates would be holding hearings on slots on August 19, 2003. The Lottery will attend and the Director will testify, if requested. Pennsylvania seems to be moving toward approving their slots bill. This places more pressure on Maryland to pass some type of slots bill. The Commission may possibly have

more members and more responsibilities and work imposed upon them if the slots bill is passed.

Mr. Roogow introduced a new Lottery employee, Mr. Paul Dorsey. Mr. Dorsey is the Lottery's Director of Policy and Development. He previously worked at a law firm and will be giving advice in terms of future policies and slots research.

Mr. Roogow stated the Maryland Association of Counties Summer Conference is August 13 to 16, 2003 in Ocean City, Maryland. The Director, Chairman Bonaventure and Commissioner Reeder will be attending this conference. He stated the NASPL Conference would be held in New Orleans, Louisiana from September 13 through 18, 2003.

Commissioner Reeder stated the annual report shows that Pick 4 is up \$2 million in sales but down \$15 million in revenue for fiscal 2003. Mr. Roogow responded this is because of the high payouts. Fiscal year 2002 prize expenses were \$86.6 million and fiscal year 2003 prize expenses were \$104 million. This past week in Pick 4, the Lottery paid out more than it took in because of the numbers drawn. Pick 3 revenue is far higher this year. Pick 4 has been growing slowly over the years, while Pick 3 has been decreasing.

## **REPORTS**

### *Research and Planning – Tchicaya Ellis Ph.D., Director*

Dr. Tchicaya Ellis distributed her report to the Commission. She stated the first round of the Keno focus groups was completed. They are looking at the sales impact in the DC metro areas. She will be presenting the results to the Agency next week.

Dr. Ellis stated MBE waiver requests were received from IGT and Interlott for unmet goals in fiscal year 2003. She hopes to present these to the Commission next month. She is still looking to determine whether the Lottery has all information needed to make the determination.

### *Legal Division – Andrea Johnson, Principal Counsel*

Ms. Andrea Johnson distributed her report to the Commission. She stated there were no revocations to present to the Commission this month.

Ms. Johnson stated as a result of a denial of an application for a lottery terminal at the reconsideration level, two requests were received for hearings before the Commission. She asked if the Commission would consider scheduling them for the August meeting. They would take a total of 45 minutes to an hour and asked if the Commission preferred to do the hearings before or after the Commission meeting. It was agreed to do the hearings starting at 9:00 a.m. prior to the Commission meeting at 10:00 a.m. Ms. Johnson stated she would forward the information to the Commission. Chairman Bonaventure asked if legal counsel would represent the two requests. Ms. Johnson responded no. Chairman Bonaventure

asked if legal counsel could represent them. Ms. Johnson responded they are advised that legal counsel can represent them.

Ms. Johnson stated she is assisting the Lottery in drafting an amendment to the on-line contract to clarify the manner in which the Lottery assesses liquidated damages. A draft copy would be provided to the Commission in the near future.

Ms. Johnson stated attached to her report is a copy of the Unlawful Internet Gambling Funding Prohibition Act, HR 2143. This federal legislation has passed the House and is currently being reviewed by the Senate. This legislation is intended to prevent the use of certain bank instruments (e.g., credit cards) for unlawful Internet gambling. It is similar to legislation introduced last year that was unsuccessful.

Ms. Johnson stated her office is assisting the Worcester County States Attorney's Office regarding an illegal coupon-dispensing machine. This machine dispenses pull-tab discount coupons that give the person a chance to win a cash prize. The court issued its Opinion and Order that the dispensing machine itself was unlawful. A copy of the Order was attached to her report.

Ms. Johnson stated that when the states of New York and Ohio entered into the Mega Millions game, lawsuits were filed against them for entering into this multi-state game. Ohio had previously received a favorable decision. Last week, New York received a favorable decision. A question was asked if Maryland was ever challenged when it joined the multi-state game. Ms. Johnson responded no, Maryland was not challenged.

#### *Administration, Finance and Operation – Deborah Sharpless, Controller*

In Ms. Gina Smith's absence, Ms. Deborah Sharpless presented the AFO Division's report to the Commission. She distributed to the Commission the Division report, the unaudited financial statement for June 2003 as well as a comparative revenue analysis report, Unclaimed Prize Fund analysis and a special-purpose statement for 12 months ending June 30, 2003.

Ms. Sharpless stated the Lottery is on schedule with the year-end close out of the fiscal year 2003 budget and there have been no problems.

Ms. Sharpless stated since the June 13, 2003 legislative audit status report that was provided to the Commission, additional progress has been made. An updated status report will be prepared in the near future and will be provided to the Commission when it is available.

Ms. Sharpless distributed to the Commission various financial reports and asked the Commission to review these reports to see if there is any additional information they might want. The Chairman stated the Commission would review the reports and let her know if any additional information is needed.

Ms. Sharpless stated the unaudited financial statement for June 2003 has nothing unusual to report.

Commissioner Reeder stated he notes that the beginning Unclaimed Prize Fund balance was \$5,764,297 in July 2002 and the ending Unclaimed Prize Fund balance was \$856,393 in June 2003. During the year, the Unclaimed Prize Fund brought in \$15,083,374 with reductions of \$19,991,278. Mr. Roogow stated the Lottery makes every effort to spend the Unclaimed Prize Fund by having promotions. Currently, the Lottery is using the Unclaimed Prize Fund for Keno Doubler and the Summer Blockbuster Promotion. The Lottery experienced a tremendous increase in sales in Bonus Match 5 because of the use of Unclaimed Prize Funds.

Chairman Bonaventure asked the Lottery to evaluate whether or not the Agency should contract with an independent internal auditor or hire another employee and who would this person report to. He asked that the Lottery report to the Commission next month as to what this would entail.

#### *Information Technology – Zach Way, Director of IT Systems and Programming*

In Ms. Sandra Johnson's absence, Mr. Zach Way distributed and presented the IT Division's report to the Commission. He stated that IT continues to work on the Lottery promotions. IT is working with IGT on the In Win game and it is 55 percent completed. IT continues to work on the radio communications link at the Riverboat, the Lottery retailer located in Colonial Beach. The radio communications continues to operate without any problems.

#### *Communications – Jimmy White, Director*

Mr. Jimmy White stated a copy of his report is contained in the Commission's folders. He stated Communications was involved in events all over the State, including Six Flags America in Prince George's County, the Maryland Municipal League Convention in Ocean City as well as numerous golf tournaments, baseball games, festivals, amusements parks, a 4<sup>th</sup> of July parade and concerts.

Mr. White stated 11 press releases were issued which resulted in 40 stories in the newspapers. A number of articles involved the Lottery's Cash Encounters game show. Eisner evaluated the news clips and they were valued at approximately \$48,000. A question was raised as to how Eisner determines the dollar value. The response was it is determined based upon what it would cost the Lottery if the space purchased.

Mr. White stated his report contains information on the Promotional Partners Program. In addition to providing scratch-off tickets to the promotional partners, Mega Millions coupons were also provided. The ticket values, value received and ratios are detailed in the report.

Mr. White stated the VIP Club currently has 19,369 members. Two contests were held last

month. Also included with his report is a copy of the recent Lottery employee newsletter as well as the list of Communications events.

*Creative Services – Jill Baer, Director*

Ms. Baer stated a copy of her report is contained in the Commission's folders. She stated the Crabs TV commercial aired through the week of July 14, 2003 and it was tagged with three scratch-off tickets. It will air a second time for two weeks in August 2003.

Ms. Baer stated the Summer Blockbuster Promotion commercial ran on the radio for three weeks beginning July 7, 2003. It will air again in August 2003 through the end of the summer.

Ms. Baer stated the Stars and Stripes scratch-off ticket radio commercial is scheduled to air for one week starting June 30, 2003. She stated there are a number of proposals under review. The Lottery is negotiating with the Orioles to do a package with them next year that will involve a scratch-off ticket with the Orioles' logo. The Lottery is working jointly with the Virginia Lottery on a Redskins package for advertising in their stadium and on the radio. The Lottery is working with the Baltimore Ravens regarding signage at their stadium. She is also working with WQSR for the upcoming season's Maryland Lottery Tailgate Patrol promotion and working on a Ravens TV package with WJZ.

Ms. Baer stated the Lottery Director taped the first of four Comcast Headline News interviews for this fiscal year. The first segment will air the week of August 4, 2003.

*Sales – Joseph Jason, Deputy Director*

Mr. Joseph Jason stated a copy of his report is contained in the Commission's folders. He stated his report contains the instant ticket launch schedule for July 2003 as well as the instant games that have final activation dates in July 2003. Also attached to his report is a copy of the Important Notice that was sent to the Lottery retailers informing them of the July 2003 final activation dates.

Mr. Jason stated the Sales Division completed the delivery of the Summer Blockbuster Promotion point of sale to all agent locations. Reports from the field are positive concerning this promotion.

Mr. Jason stated that the Lottery retailers report that the Million Thanks promotion is being well received by players, particularly from senior citizens.

Mr. Jason stated regarding the 10's a Charm promotion, numerous Keno agents report they are getting a lot of Bonus Match 5 tickets into players hand who have not played before. Mr. Jason further stated that he is optimistic in the long run that this will produce the results expected.

*Product Development – Tracey Cohen, Director*

Ms. Tracey Cohen stated a copy of her report is contained in the Commission's folders. She stated there are three instant tickets to present to the Commission today and asked Mr. Gary Smith to present the tickets to the Commission.

Mr. Smith stated Game #428 *Double Moolah* is a \$1.00 ticket with a top prize of \$1,000. It has a payout of 58.97% with a launch date of September 2003.

Game #429 *Deuce Is Wild* is a \$1.00 ticket with a top prize of \$1,200. It has a payout of 59.09% with a launch date of October 2003.

Game #430 *Mega Bucks* is a \$5.00 ticket with a top prize of \$5,000. It has a payout of 72.00% with a launch date of August 2003.

Commissioner Payne made a motion to approve Games #428, #429 and #430. Commissioner Hein seconded the motion. The tickets were approved by unanimous vote of the Commission.

Ms. Johnson stated for the record, instant games #428, #429 and #430 have been reviewed and approved for legal sufficiency.

Ms. Cohen stated her Division is working with Creative Services and Eisner to plan an Orioles 50<sup>th</sup> anniversary "pouch game" ticket. She distributed a sample "pouch game" ticket to the Commission. The only problem is that the Orioles may be hindered by Major League Baseball to use the Orioles' logo on the ticket.

Ms. Cohen stated the Summer Blockbuster Promotion has begun and will run through September 2, 2003. She will have analysis available next month.

**EISNER COMMUNICATIONS**

In Mr. David Blum's absence, Mr. Chris Barrick presented Eisner's report. He stated there are no new commercials to present to the Commission this month. Eisner is working on the In Win game and point of sale for the Sunday mid-day drawings as well as Bonus Match 5 Tax Free.

Mr. Barrick stated Eisner has met their MBE goal for Fiscal Year 2003.

**IGT ONLINE ENTERTAINMENT SYSTEMS**

In Mr. Ray Shaffer's absence, Mr. Jerry Woods presented the report for IGT. He stated the software for the In Win Game is 65% complete. The Internal Control System conversion is

40% complete. IGT will need to change the software to accommodate the one millionth Keno drawing and it should be delivered sometime in mid-November and tested. IGT is assisting with the back office system changes for the drawing.

Mr. Wood stated the SAS 70 audit has been completed. IGT will review the draft report next week and then turn it over to the Lottery. IGT is reviewing options to assist the Lottery with the network expansion, both on the communications side and the terminal side. In addition, IGT is laying groundwork for a business plan that will be presented in the near future.

### **BERT SMITH AND COMPANY FINANCIAL REPORT**

Ms. Dorothy Page-Proctor distributed the audited financial report for May 2003. She stated there were no unusual items to report. Earlier in the meeting, the Commission was provided with the unaudited financial statement for July 2003. The June report will not be completed and issued until October so that it can be incorporated into the Maryland State Financial Statements.

### **APPROVAL OF MINUTES**

Chairman Bonaventure asked if there were any changes or corrections to the Minutes for June. Commissioner Reeder made a motion that the Minutes be approved and the Minutes were approved by the Commission.

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

Chairman Bonaventure stated the next Commission meeting has been scheduled at Lottery Headquarters for Wednesday, August 27, 2003 at 9:00 a.m. starting with the two hearings and then followed by the regular monthly meeting.

### **ADJOURNMENT**

There being no further business, Chairman Bonaventure adjourned the meeting at 11:20 a.m.

Respectfully submitted,

Buddy Roogow