

**MARYLAND STATE LOTTERY COMMISSION  
SEPTEMBER MINUTES**

**DATE:** September 24, 2003  
**TIME:** 10:00 a.m.  
**PLACE:** Maryland Lottery Headquarters

**PRESENT:** Chairman Frank C. Bonaventure  
Commissioner Osborne Payne  
Commissioner E. Randolph Marriner

Buddy Roogow, Director  
Gina Smith, Assistant Director and CFO  
Sandra Johnson, Chief Information Officer, Information Technology  
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  
James Butler, Assistant Attorney General  
Deborah Sharpless, Controller, AFO  
Suzanne Meltzer, Executive Assistant  
Marie Torosino, Executive Associate

**OTHERS  
PRESENT:** Ray Shaffer, IGT Online Entertainment Systems  
David Blum, Eisner Communications

## **CALL TO ORDER**

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

## **APPROVAL OF MINUTES**

Chairman Bonaventure asked if there were any changes or corrections to the Minutes for August. Hearing none, Commissioner Payne made a motion that the Minutes be approved and Commissioner Marriner seconded the motion. The Minutes were approved by unanimous vote of the Commission.

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

Chairman Bonaventure stated the next Commission meeting has been scheduled for Wednesday, October 29, 2003 at 9:00 a.m. at Lottery Headquarters and will be followed at 11:00 a.m. with the Chance Market revocation hearing. This meeting was originally scheduled for October 22, 2003.

## **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated Hurricane Isabel had a tremendous impact on Lottery sales. Sales were reduced by \$4 million between Thursday and Sunday. At one point, approximately 1,500 agents were down, which is about half the agent network. Many agents have not come back up as yet. The Lottery's biggest agent, Riverboat in Colonial Beach was completely wiped out. This agent sells Maryland and Virginia Lottery tickets and has off-track betting. The owner hopes to reopen in a year. The Lottery provided information to the Governor's Office that the Lottery lost \$4 million in sales, lost a big agent and lost some terminals. He hopes to have a better assessment of the effects of the Hurricane by the next meeting.

It was stated that in some places the water came in the front of the business, went out back and took everything with it, including scratch-off tickets, ticket stock and terminals. Many agents keep good Lottery scratch-off records, but now those records are gone. Scratch-off tickets that are still sealed are not activated tickets, and therefore, are worthless. Any open books of tickets would have been affected by the weather. Commissioner Marriner asked how does an agent activate a book of instant tickets. Mr. Jason gave an explanation as to how the agent activates instant books. It is very doubtful that any agent would cash an instant ticket that was affected by the water. By the next meeting an approximate dollar impact should be available.

Mr. Roogow stated the NASPL Conference was held in New Orleans, Louisiana last week. He met with both lottery and slots vendors. He also met with the head of Scientific Games.

Scientific Games is buying out the lottery side of IGT. IGT is a huge corporation that sells VLT and lottery machines. They handle seven U.S. lottery systems and 12 foreign lottery systems. Approval by the FCC is also needed to finalize the sale. The sale should be approved in 60 days. IGT will continue to be the Lottery's vendor. Chairman Bonaventure asked if Scientific Games is a competitor of Oberthur Gaming Technologies, the Lottery current vendor. The response was yes. Scientific Games' main business is instant tickets. The next NASPL Conference is in October 2004 and will be in Quebec, Canada. The Lottery won some advertising awards and Ms. Baer will report on these awards. Mr. Roogow stated that Suzanne Meltzer from the Lottery and David Bloom from Eisner were nominated for the NASPL Powers Award. Unfortunately, they were not chosen.

The Maryland Million Race is October 11, 2003 at Laurel racetrack. A Gala will also be held on October 10, 2003, at the Baltimore Country Club in Roland Park. The Lottery has entered into a sponsorship with them and received tickets for the race and gala. If any Commissioner wishes to attend, please let him know.

Mr. Roogow asked Ms. Smith to speak to the Commission about the Mandel Commission. Ms. Smith stated she received an e-mail two weeks ago from the Department of Budget and Management stating that the Mandel Commission is looking at efficiency in state government. Two meetings were to be held. The first is a meeting with the subcommittee and the second is a meeting with the full committee. The Lottery was asked to answer a series of questions, for example, what are the benefits of being an independent agency and how can the agency become more efficient. The Lottery will appear before the full Committee for a 15 to 20 minute presentation on October 7, 2003. Chairman Bonaventure stated that the Agency should contact the Commission if there is any assistance they can provide.

Sales are \$5.5 million less than last year's sales. Revenues are \$5.4 million less than last year's revenues. This is due to the recent weather conditions related to the hurricane.

## **REPORTS**

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

Dr. Tchicaya Ellis distributed her report to the Commission. She stated they are still tracking the Keno Doubler Promotion sales and it showed an increase of 2.4% compared to the prior weeks. They continue to look at the effect of DC Keno sales in the bordering area. Overall losses in Keno sales in the DC border locations are 12%, down from 14% four weeks prior. Sales will continue to be monitored in the areas around DC.

A preliminary draft presentation of the Study of Gaming in Maryland has been provided to Director and will be presented to the Commission next month.

The September Tracking Study is in the field tracking advertising related to the Price is Right scratch-off ticket and awareness of the recent Summer Blockbuster promotion.

On September 29 and 30 and October 1, 2003, scratch-off focus groups will be held. This round incorporates a new recruitment process based on play patterns.

Dr. Ellis stated the MBE program is reviewing waiver requests that were received. After additional information is received and reviewed, a recommendation will be submitted to the Director and Commission.

*Legal Division – James Butler, Assistant Attorney General*

In Ms. Andrea Johnson absence, Mr. James Butler presented the Legal Division's report. He distributed the report to the Commission. He stated there were no proposed revocations to present to the Commission this month.

Mr. Butler stated an appeal hearing for Chance Market was previously scheduled for the October Commission Meeting. The attorney representing the Lottery retailer will be notified that the meeting date has been changed to October 29, 2003.

Mr. Butler stated that revisions to Chapters 2, 3 and 4 of the Code of Maryland Regulations (COMAR) have begun. Copies of the proposed changes will be forwarded to the Commission for their review, comment and approval. The Lottery intends to complete the revisions by the end of December.

Mr. Butler stated the Mega Millions' contract revisions continue to be reviewed. Legal Counsel hopes to finalize the changes when they meet in San Francisco on October 16, 2003. Ms. Andrea Johnson will be attending this meeting. Mr. Roogow stated while in New Orleans, the Mega Millions group met, with the exception of New York. The Mega Millions group recommended that Texas be admitted assuming that they accept all terms and conditions.

Mr. Butler stated the legal office continues to assist other Divisions with requests. They are working on MBE issues and requests for waivers, assisting Product Development with rules relating to the Pick 3 promotion, assisting with the contract for the procurement of replacement parts for ITVMs, working on public affairs contracts and sponsorship agreements. Legal is also continuing to work with the Lottery in drafting regulations for the Agent Plus Program.

Mr. Butler stated last year the Lottery filed trademark applications for protection of "Keno on the Run" and "Karry-out Keno". The applications have been preliminarily approved, but suspended due to an application for the plain mark "Keno" being filed prior to the Lottery's applications. They have been checking the status of the Keno application and it was recently approved for publication. The time period to for file an opposition to this approval has not yet begun.

Chairman Bonaventure asked Mr. Butler to give the Commission a summary of the issues leading up to the revocation of the lottery license of Chance Market. Mr. Butler gave the Commission a brief summary of those facts.

*Administration, Finance and Operation – Gina Smith, CFO*

Ms. Gina Smith distributed to the Commission a copy of her report and a copy of the August 2003 unaudited financial statement. She then reviewed the financial statement for the Commission. She stated page one shows an assets, liabilities and net assets comparison of August 31, 2003 to August 31, 2002. Page 2 shows an assets, liabilities and net assets comparison of August 31, 2003 to July 31, 2003. The profit and loss statement pages were changed to be more reflective of what a private business would look like. The Commission would review this statement and let her know if there is any need for additional format changes. A question was raised if the Lottery should do GAAP on a monthly basis. The response was that it is very costly to do a monthly GAAP and the Lottery is not in a position staff-wise to do a full GAAP each month. GAAP is done on an annual basis. GAAP is due October 1, 2003 and after that, the new accounting firm of Stout Causey and Horning will issue the July and August audited statements.

The Lottery received a letter from the Department of Budget and Management regarding the elimination of four positions. The Lottery had four vacant positions. However, the Lottery was allowed to keep one position for the Internal Auditor and eliminate three vacancies. She will keep the Commission updated on the recruitment for the Internal Auditor position.

Ms. Smith stated she received a copy of the SAS 70 audit from IGT. It was reviewed and forwarded to the Legislative Auditors. There were no issues that needed attention. The Legislative Auditors should be finished their work at the Lottery the first week of October. They reviewed the first 15 recommendations in their report.

The FY2005 budget was submitted to the Department of Budget and Management in August. Budgets hearings will be held and the Commission will be informed when they are scheduled.

*Information Technology – Sandra Johnson, Chief Information Officer*

Ms. Sandra Johnson distributed her report to the Commission. She stated year to date, 858 requests for technical assistance or new systems were received in the IT Division and currently 27 requests are either being worked on or pending action.

Ms. Johnson stated IT continues to work with the Legislative Auditors in providing requested information. The Pricewaterhouse Coopers final audit report was received and is currently being reviewed.

Ms. Johnson stated IT is working with IGT on the one-millionth Keno drawing, the InWin game, a Pick 3 promotion and a Lotto promotion. IT is providing databases and processes to randomly select winners for the Pick 3 and Lotto promotions. She met with IGT regarding the Sunday mid-day Pick 3/Pick 4 drawings. Documentation has been submitted to IGT for system development.

Ms. Johnson stated she completed and submitted the Annual IT Plan to the Department of Budget and Management. The plan is a composite of activities of the Lottery and its plans for FY2005. For FY2005, funding is being requested for a new backup computer system and plans to develop an Agency Intranet and for an enhanced Keno winning numbers reporting capabilities on the website.

Ms. Johnson stated an unexplained systems failure occurred during the month that caused a 50-minute disruption during the late evening on a Sunday. It was referred to IGT corporate office for further study. She stated IT is working with the other Divisions on the plans for a hybrid ticket. IT successfully tested the new check writer/W2G system. A paper problem was identified and appropriate paper was ordered. This system will greatly improve the printing speed for checks in the Claims Division and make it easier to handle the volume of check printing expected with the Pick 3 promotion in October.

Ms. Johnson stated work continues on the redesign of the bond/annuity system. A new terminal program was installed and testing is ongoing for the IGM maintenance release. IT continues to work with Sales to provide laptop computers to all Sales reps.

Ms. Johnson stated she attended the NASPL National Standards meeting while at the conference in New Orleans. The four standards currently under development include Quality Assurance standards for testing systems hardware and software, UPC code usage, Request for Proposals and retail accounting. All member Lotteries, vendors and retailers will have an opportunity to review and comment on proposed standards prior to acceptance. Mr. Alan Yandow turned over the Chairmanship of the Steering Committee to Tom Shaheen. Other members of the Steering Committee include California, Georgia, IGT, OGT, Spielo, GTECH, New York, Kentucky, Louisiana, Montana, Washington State and Vermont. There is also a Retailer Council that includes 7-Eleven, Speedway, Circle K, Big Diamond, Safeway, Mac's, Kroger, Quick Trip, Albertsons, Cumberland Farms, Irving, Shucks, and Holiday Station. Some states have independent retailers on the Council. Marlow Liquors will represent Maryland.

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

Mr. Jimmy White stated a copy of his report is contained in the Commission's folders. He stated the Communications Division has participated in the State Fair in Timonium, the Maryland Association of Counties Convention in Ocean City, the Seafood Festival at Sandy Point State Park and the Irish Festival in Baltimore. Numerous winners have visited the Claims Center at the Lottery. The winner of the August 30, 2003 \$2 million Lotto jackpot came forward. The winners were from Bethesda and they chose the cash option of \$1.1 million that was split three ways between the father, son and daughter. Also, Bonus Match 5 winners from Baltimore and Gardenville claimed their prizes. In scratch-offs, a winner from Talbot County won \$15,000 playing Crossword, a winner from Frederick won \$20,000 playing Vegas, a winner from Arnold won \$30,000 playing Fun in the Sun and another winner won \$30,000 playing Blackout Bingo.

Mr. White stated that 12 press releases were issued. Eisner evaluated the news clips and determined that they were valued at \$6,400.28. The Promotional Partners Program provided \$2,827 worth of scratch-offs to radio stations to give away on the air. The estimated value received by the Lottery was \$24,915. Also provided with his report is a copy of the latest employee newsletter.

On the media side, Brian Johnson and Roslyn Nelson have been taping the Lottery Minute and the Director has been on WQSR talking about the Ravens Tailgate Patrol and the Mega Millions jackpot.

Communications will be involved in upcoming events in Salisbury at the Best of the Eastern Shore, the Classic Car Show in Rockville, and the Mid-Atlantic Food and Beverage Convention in Timonium.

Mr. White stated he has been busy working on the Pick 3 and Lotto promotions. The promotion will end with some type of grande finale drawing giving away a cash prize and a car. An animated drawing delivery system will be used. He is working with WJZ-TV to create the animation. In mid-October, he will show the Director what WJZ has put together.

Membership in the VIP Club continues to grow. Currently, there are approximately 20,000 members. Giveaways to VIP members include Merriweather concert tickets, Ravens tickets, and Orioles tickets.

*Creative Services – Jill Baer, Director*

Ms. Jill Baer stated a copy of her report is contained in the Commission's folders. She stated television media for the Price is Right scratch-off would air the week of August 29, 2003. Joint advertising was done with the Virginia Lottery for the Price is Right instant ticket. The Virginia Lottery produced the television creative. The Maryland and Virginia Lotteries shared the advertising cost in DC. Maryland is sharing the cost with the Virginia Lottery to air the radio commercial of the Price is Right in DC the week of September 29, 2003.

For Mega Millions, a statewide jackpot media plan was implemented for television. Television media is usually started when the jackpot is at \$70 million, but it was started earlier due to the impact on sales due to the hurricane. The goal is to buy 50 Gross Rating Points in each market share. Three weeks ago, a Spanish version of the commercial aired.

The Lottery's involvement in sponsorships with the Orioles on Comcast and O's TV is coming to an end. The Lottery is now getting involved in football sponsorships with WJZ-TV and ESPN.

The Mega Millions commercial aired on radio. The Mega Millions print ad ran jointly with the Virginia Lottery in the Washington Post. Also, in conjunction with the Virginia Lottery, the Maryland Lottery has Mega Millions outdoor signage at Redskins stadium.

The Lottery is also involved in radio sponsorships with Ravens on WQSR, with the Redskins on WJFK and with the Maryland Terrapins. The sponsorship with WJFK is joint venture with the Virginia Lottery.

The Lottery had advertising space in the September 1, 2003 Maryland issue of Sports Illustrated. The Lottery ran one of the Pick 3 ads, “play your numbers before they play you” in this issue. As an added value, the Lottery received a full-page ad in the Baltimore News Network for the month of October.

A new Pick 3 promotion is scheduled to begin in mid-October. All point-of-sale has been delivered to the Sales staff. The Lotto promotion is tentatively scheduled for January 2004 and they are working on finalizing the details of promotion.

The Lottery won three Batchy advertising awards at NASPL for Pick 3, Mega Millions television, and the Jimmy and Shelley scratch. The Commission offered their congratulations.

***Sales – Joseph Jason, Deputy Director***

Mr. Joseph Jason stated a copy of his report is contained in the Commission’s folders. He stated the Sales staff attended a training session on Monday. The new Sales reps have completed their training and received their new assignments. Point-of-sale for the upcoming Pick 3 promotion was distributed to the Sales staff.

The Sales reps have been out assessing the damage of the hurricane at agent locations. Sales will identify locations that were lost and evaluate which locations will be back in operation and in what time frame.

Mr. Jason stated his report also includes the list of instant games with final activation in September as well as instant games scheduled for launch in September.

***Product Development – Tracey Cohen, Director***

Ms. Tracey Cohen stated a copy of her report is contained in the Commission’s folders. She stated a Pick 3 Bonus Match up promotion would run from October 20, 2003 to November 23, 2003. When a player purchases \$1 or more of Pick 3, they are eligible to receive an nth (eight digit) ticket raffle number. If the last two digits of the raffle number match the last two digits of that evening’s Pick 3 drawing, then the player wins \$250. There will also be a grand prize drawing for all non-winning raffle numbers. She showed the Commission the point-of-sale for this promotion. She is hoping this promotion increases sales by 5.5%.

Ms. Cohen stated a Lotto Serial Number Promotion will run from January 5, 2004 to February 1, 2004 and drawings will be held twice a week. The Lottery will randomly select one winning serial number at each drawing. A player can be a lucky serial number winner

as long as they do not win the Lotto jackpot. Winners can win \$25,000 a drawing and be eligible to win a Hummer H2.

Ms. Cohen stated there are nine instant tickets to present to the Commission today.

Game #438 *Blackjack Tripler* is a \$2.00 ticket with a top prize of \$21,000, a ticket quantity of 2 million, and a launch date of December 2003.

Game #439 *10 Times the Money* is a \$2.00 ticket with a top prize of \$10,000, a ticket quantity of 2 million, and a launch date of September 2003.

Game #441 *Crossword* is a \$2.00 ticket with a top prize of \$15,000, a ticket quantity of 4 million, and a launch date of December 2003.

Game #442 *Money Money Money* is a \$10.00 ticket with a top prize of \$100,000, a ticket quantity of 2 million, and a launch date of November 2003.

Game #444 *Polar Bucks* is a \$5.00 ticket with a top prize of \$50,000, a ticket quantity of 2 million, and a launch date of October 2003.

Game #445 *Season's Greetings* is a \$3.00 ticket with a top prize of \$30,000, a ticket quantity of 2 million, and a launch date of October 2003.

Game #446 *Tic Tac Mistletoe* is a \$2.00 ticket with a top prize of \$10,000, a ticket quantity of 2 million, and a launch date of October 2003.

Game #447 *Jingle Bell Bucks* is a \$1.00 ticket with a top prize of \$500, a ticket quantity of 2 million, and a launch date of October 2003.

Game #449 *Winter Take All* is a \$2.00 ticket with a top prize of \$10,000, a ticket quantity of 2 million, and a launch date of November 2003.

Chairman Bonaventure made a motion to approve Games #438 *Blackjack Tripler*, #439 *10 Times the Money*, #441 *Crossword*, #442 *Money Money Money*, #444 *Polar Bucks*, #445 *Season's Greetings*, #446 *Tic Tac Mistletoe*, #447 *Jingle Bell Bucks*, and #449 *Winter Take All* as presented. Commissioner Payne seconded the motion. The instant tickets were approved by unanimous vote of the Commission.

***Procurement – Suzanne Meltzer, Director***

Ms. Suzanne Meltzer stated she recently sent to the Commission a draft copy of the Contract for Replacement Parts for Instant Ticket Vending Machines with Interlott Technologies, Inc. for their review. The Lottery owns 391 ITVMs and the contract that previously provided for replacement parts for these ITVMs expired. This contract authorizes the Lottery to obtain replacement parts when needed. This is a sole source contract as no other company can supply the necessary replacement parts to these ITVMs.

The contract is for a two-year term with options to renew for three additional one-year periods. The not to exceed cost is \$155,390.40 for the two-year term. Ms. Meltzer stated she would be sending the Contract to the Department of Budget and Management next week and it will go before the Board of Public Works for approval, possibly in November. If the Commission has any questions, please feel free to contact her.

### **IGT ONLINE ENTERTAINMENT SYSTEMS**

Mr. Ray Shaffer, Account Executive, stated he was pleased with the performance of the IGT team during the Hurricane. The data centers were both up and running. IGT staff was in the field Wednesday to remove any equipment that was designated in a high-risk area for flooding and to lessen the loss of equipment, IGT staff removed as much as possible. Most of the equipment was removed from the retail agent Riverboat in Colonial Beach. However, two terminals and the radio equipment were lost.

Mr. Shaffer stated he recently accepted the resignation of Jerry Woods. Mr. Woods has 24 years experience in the industry and has accepted an offer to work at United Tote.

Mr. Shaffer stated IGT is working with the Lottery on the InWin game and the one-millionth Keno drawing. In regards to the system failure, IGT technical staff is looking into this and it has been referred to Clifton for investigation to see what may have caused the problem.

### **EISNER COMMUNICATIONS**

Mr. David Blum, Vice President, stated as a result of the flooding from the Hurricane, their building sustained water damage with some flooding in the basement. All their records were protected on the first floor and there was no direct impact. They were closed on Friday because they were without electricity.

Eisner is worked on the point-of-sale material for Pick 3 promotion. A tremendous amount of information is on the point-of-sale to explain the promotion. The Lottery's legal staff reviewed the point-of-sale for accuracy.

Mr. Blum presented to the Commission point-of-sale including a hanging sign, a poster and a change mat for the Pick 3 promotion. It is ready to go into the marketplace. Eisner has also developed holiday envelopes for scratch-off tickets.

### **REPORTS (continued)**

#### ***Product Development – Tracey Cohen, Director***

Ms. Cohen continued presenting information on the instant tickets whose working papers

have not yet been finalized. The following pending instant games were presented to the Commission for their review and approval.

Game #452 *Wild 7's Doubler* is a \$2.00 ticket with a prize payout of 64.00%. If 95% of the tickets are sold, the profit would be \$886,584. If 100% of the tickets were sold, the profit would be \$933,247.

Game #453 *Find the 9's* is a \$1.00 ticket with a prize payout of 58.92%. If 95% of the tickets were sold, the profit would be \$678,411. If 100% of the game were sold, the profit would be \$714,117.

Game #454 *Friday Night Poker* is a \$5.00 ticket with a prize payout of 72.92%. If 95% of the tickets were sold, the profit would be \$1,343,555. If 100% of the tickets were sold, the profit would be \$1,414,268.

Game #455 *Bonus 7 or 11* is a \$1.00 ticket with a prize payout of 58.83%. If 95% of the tickets were sold, the profit would be \$544,474. If 100% of the tickets were sold, the profit would be \$573,131.

Chairman Bonaventure made a motion to approve the above pending instants tickets thus far presented. Commissioner Marriner seconded the motion. The above instant tickets were approved by unanimous vote of the Commission.

### **ADJOURNMENT**

There being no further business, Chairman Bonaventure adjourned the meeting at 11:50 p.m.

Respectfully submitted,

Buddy Roogow