

**MARYLAND STATE LOTTERY COMMISSION
OCTOBER MINUTES**

DATE: October 29, 2003
TIME: 9:00 a.m.
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank C. Bonaventure
Commissioner Osborne A. Payne
Commissioner E. Randolph Marriner
Commissioner Bruce L. Reeder

Buddy Roogow, Director
Gina Smith, Assistant Director and CFO
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
Zechariah Way, Director, IT Systems & Programming
Deborah Sharpless, Controller, AFO
Marie Torosino, Executive Associate

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

CALL TO ORDER

Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 9:25 a.m.

APPROVAL OF MINUTES

Chairman Bonaventure asked if there were any changes or corrections to the Minutes for September. Hearing none, Commissioner Marriner made a motion that the Minutes be approved and Chairman Bonaventure seconded the motion. The Minutes were approved by unanimous vote of the Commission. Commissioner Reeder excused himself from the vote because he was not present at the September meeting.

DATE AND TIME OF NEXT MEETING

Chairman Bonaventure stated the next Commission meeting is scheduled for Wednesday, November 19, 2003 at 9:00 a.m. at Lottery Headquarters.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated sales are up \$2 million ahead of last year. Revenues are up \$1.3 million over last year. Pick 3 sales are behind by \$4 million. The Pick 3 Bonus Match-up promotion began last week. When players purchases \$1 or more of Pick 3, they are eligible to receive an nth ticket raffle number. If the last two digits of the raffle ticket match the last two digits of that evening's Pick 3 drawing, the player wins \$250. Winners have to cash their ticket at either of the Lottery's Claim Centers. They are unable to cash at the agent location. Winners can also send in a claim form. If the coupon is not a winner, it is then eligible for the televised drawing at the end of November where the player can win \$25,000, \$50,000 or \$100,000 taxes paid.

Pick 4 sales have shown some increase over last year. Keno and Keno Bonus combined sales are ahead of last year's sales. Scratch-off sales are almost \$9 million ahead of last year. Unfortunately though, the Lottery lost \$5 million in sales due to the hurricane. Four agent locations are permanently closed and a few are temporarily closed. Virginia suffered much more due to the hurricane.

Mr. Roogow stated IGT-OES is being purchased by Scientific Games. The sale has been approved by the FTC and the purchase is expected to close next Tuesday. Lorne Weil, CEO and Amy Hill, Sales Representative, from Scientific Games visited the Lottery last week. It was a very productive meeting and they have some good ideas for new games. Scientific Games is interested in providing the Lottery with more aggressive services. The Director will be meeting with Scientific Games again on November 14, 2003.

Mr. Roogow stated next week he and Tracey Cohen are traveling to Hilton Head, South Carolina for the La Fleur's Conference. He will be speaking on Keno and retailer issues. The La Fleur's conferences tend to be very informative.

Mr. Roogow stated on November 10, 2003, a Mega Millions Directors' meeting will be held in New York City. The Directors are meeting to discuss Texas officially joining Mega Millions on December 3, 2003. There is debate among the Directors whether there is a need for a new matrix when Texas joins. Mr. Roogow stated he is heading up an Ad Hoc Committee to review this subject. There is a representative from each Mega Millions' state on the Committee. Lori Nash, the Maryland Lottery's representative has an in-depth computer knowledge in developing sample matrices.

Mr. Roogow stated Paul Dorsey, Carole Everett and he are working on the slots issue and the Director has met with Sheila Hixson, Chairman of the House Ways and Means Committee on this subject.

REPORTS

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

Dr. Tchicaya Ellis distributed her report to the Commission. She stated she recently sent to the Commissioners the information regarding the MBE waiver request from Interlott for the Replacement Parts for Instant Ticket Vending Machines Contract. This contract is being approved in the near future. The Commission's concurrence of this MBE waiver was tabled until the next meeting. She stated by then would have some information from the Governor's Office of Minority Affairs. The Commission asked if it was necessary for them to have any roll in this approval process. The response was that the Commission does not and it was requested by the previous Commission Chairman that they have a roll in this process.

Dr. Ellis showed the Commission her PowerPoint presentation of the Study of Gaming in Maryland—Participation, Behavior, and Attitudes Toward Gaming. She also distributed a copy of the report to the Commission. After the presentation, Chairman Bonaventure asked if this study would be released publicly. Mr. Roogow responded he is not sure but the release would have to be cleared through the Governor's Office.

Legal Division – James Butler, Assistant Attorney General

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

Mr. Butler stated Chance Market was scheduled to appear before the Commission today regarding the revocation of their Lottery license. After discussions between counsel for the retailer and the Lottery's counsel, an agreement to an amicable resolution was reached in

this matter. Mr. Butler requested the Commission's concurrence on the termination of this agent's Lottery license. A motion was made by Chairman Bonaventure and seconded by Commissioner Payne to terminate this agent's lottery license. The termination of the Lottery license was approved by unanimous vote of the Commission.

Mr. Butler stated no one from the Legal Division was able to attend the recent NASPL Attorneys Conference. However, the conference was very successful and information was distributed. The Legal Division will receive copies of this information shortly.

Mr. Butler stated that the Legal Division continues to provide assistance to the various Lottery Divisions. He stated that the revisions to the Code of Maryland Regulations are continuing. Copies of the proposed changes will be forwarded when available to the Commission for review, comment and approval.

A question was raised as to the Federal Legislation regarding Internet gambling. The response was that it has been stalled again and has not gone through Congress as yet.

Administration, Finance and Operation – Gina Smith, CFO

Ms. Gina Smith distributed a copy of her report to the Commission. She stated the audited financial statement for June 2003 and the year-end GAAP financial statement were previously mailed to the Commission. Ms. Deborah Sharpless distributed a copy of the unaudited financial statement for September 2003. By the next Commission meeting, the Commissioners should receive the July, August and September audited financial statements. Ms. Sharpless stated there was nothing unusual to report in the unaudited statement.

Ms. Smith stated she and Michael Cover met with the Budget Analyst from the Department of Budget and Management to discuss the Lottery's FY2005 budget request. The Lottery requested the same budget amount as FY2004 plus an unfunded request. The Lottery will meet with Department of Budget and Management personnel on November 7, 2003 to discuss the budget request. In the past, Matt Klein has been the Lottery's Legislative Budget Analyst. The Lottery's new Budget Analyst is Stacy A. Porter. Ms. Smith stated she is still monitoring the FY2004 budget. She stated she would provide copies of the FY2005 budget request to the Commission.

Ms. Smith stated the Lottery received approval for the position of Internal Auditor and are starting the recruitment process. The hiring date is estimated to be sometime in November or December.

Ms. Smith stated the Legislative Auditors have completed their follow up review. She distributed a draft copy of the report to the Commission. The Legislative Auditors reviewed most, but not all, of the findings in the prior report. Ms. Smith then gave an explanation of the report. Overall, the Lottery did a great job in correcting the audit findings.

Information Technology – Zechariah Way, Director, IT Systems & Programming

In Ms. Sandra Johnson's absence, Mr. Zechariah Way presented the IT Division's report to the Commission, which was contained in their folder. He stated the check writer/W2G system was implemented on October 10, 2003. He showed the Commission the current checks and forms as well as the old checks and forms. The new system was implemented in time for the current Pick 3 Promotion. With this new system, winners will not have to wait as long for their checks.

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 several events including the Ravens Radio Tailgate Patrol, the Irish Festival in Baltimore, the Taste of Bethesda Food and Music Festival, the Cruisin' Endless Summer Car Show in Ocean City, the Maryland Million Horse Race in Laurel and other various events throughout the State.

The Mega Millions jackpot grew to \$150 million. The Lottery was hoping for a first tier winner in Maryland. However, the September 29, 2003 jackpot was won by an Army Staff Sergeant from Georgia.

Mr. White stated 16 press releases were produced. Eisner evaluated the news clips and determined that they were valued at \$1,799.78.

Mr. White stated on the media side he was on Eastern Shore radio stations, Gail Pelovitz was on Western Maryland radio stations, Brian Johnson was on Washington area radio stations and the Director was on WQSR. The subjects discussed were the Bonus Pick 3 Promotion and the Mega Millions jackpot.

The Promotional Partners Program provided scratch-off tickets for 43 promotions to a number of radio stations. The Lottery distributed \$6,966 worth of scratch-offs tickets to these radio stations and received \$68,545 in promotional value. The Price is Right scratch-off tickets were distributed to support the advertising effort.

Mr. White stated the VIP Club continues to grow. From July to September, the membership has increased due to people checking the website for jackpot amounts and winning numbers and then deciding to join the club. The number of non-e-mail members has decreased due to the clean up of the database of incorrect mailing addresses.

Mr. White stated the Communication Events list is included with his report. The Division is not scheduled to do much more than Ravens events for the remainder of the year. The Lottery will not be involved in a New Year's event this year as in the past. Mr. White provided copies of the 2004 Lottery calendar to the Commission.

Creative Services – Jill Baer, Director

Ms. Jill Baer distributed a copy of her report to the Commission. She stated on the media side, the Price is Right commercial ran through the week of October 13, 2003 and is now off the air. The Virginia Lottery produced the television creative, and the Virginia and Maryland Lotteries shared the advertising costs in DC.

Ms. Baer stated to support the Pick 3 Match-up promotion, a two-week television commercial began on October 20, 2003 on WJZ-TV. The Lottery is also running more radio commercials statewide this month, including commercials to support the Pick 3 Match-up promotion. The Lottery has had some success with novelty themed scratch-off radio commercials. The Lottery is working with the Baltimore Arena on signage for the inside and outside of the arena. She stated the Lottery continues to negotiate with O's TV to move forward with their proposal for two promotional ideas.

Ms. Baer stated a new round of Scratch Cam, hosted by Chip Franklin, will be shot at the Arundel Mills Mall on November 15, 2003 and will be tagged with Holiday scratch tickets. She will forward the information to the Commission if they are interested in attending.

Ms. Baer stated production has begun on three new Mega Millions commercials. She will forward the location information to the Commission if they are interested.

Sales – Joseph Jason, Deputy Director

Mr. Joseph Jason, who was present at beginning of the meeting, had to leave before presenting his report. Ms. Tracey Cohen filled in for Mr. Jason and stated a copy of Mr. Jason's report is contained in the Commission's folders. Ms. Cohen stated during the first week of the Pick 3 Bonus Match-up promotion, 223 lottery retailers were visited by Lottery personnel to talk to players about the promotion. Mr. Jason's report also contains information regarding the number of instant games in the field and in the warehouse and the instant ticket launch schedule for October as well as the instant tickets that have a final activation date in October.

Product Development – Tracey Cohen, Director

Ms. Tracey Cohen stated a copy of her report is contained in the Commission's folders. She stated the new \$10 instant ticket *Money, Money, Money* launched this week. It has a top prize of \$100,000. Also the Holiday instant tickets are beginning to launch.

Ms. Cohen stated work continues on the Lotto promotion and more details will be provided at next month's meeting. The InWin game is moving forward. They are also working on a promotion for the one-millionth Keno drawing.

Ms. Cohen stated there are four color copy instant tickets to present to the Commission today.

Game #448 *Let It Roll* is a \$1.00 ticket with a top prize of \$1,000. The financials were approved on August 27, 2003 and the launch date is February 2004.

Game #452 *Wild 7's Doubler* is a \$2.00 ticket with a top prize of \$777. The financials were approved on September 24, 2003 and the launch date is February 2004.

Game #451 *14 Karat Cash* is a \$2.00 ticket with a top prize of \$14,000. The financials were approved on August 27, 2003 and the launch date is December 2003.

Game #450 *Cash Flurries* is a \$1.00 ticket with a top prize of \$1,000. The financials were approved on August 27, 2003 and the launch date is November 2003.

Commissioner Payne made a motion to approve Games #448 *Let It Roll*, #452 *Wild 7's Doubler*, #451 *14 Karat Cash*, and #450 *Cash Flurries* as presented. Commissioner Marriner seconded the motion. The instant tickets were approved by unanimous vote of the Commission.

In the future for informational purposes, the Commission would be provided with color copies of the instant tickets that were previously financially approved. Any questions can then be raised at the meetings.

EISNER COMMUNICATIONS

Mr. David Blum, Executive Vice President, stated he had some radio spots to present to the Commission this month. The commercials he played for the Commission were: (1) the commercial to support the Halloween scratch-off ticket *Trick or Treat Tripler*; (2) 30-second commercial spots played during the sports sponsorships the Lottery is involved with; and (3) the commercial to support the Pick 3 Bonus Match-up promotion.

IGT ONLINE ENTERTAINMENT SYSTEMS

Mr. Ray Shaffer, Account Executive, stated the IGT group would continue to provide the same high level of support that the Lottery expects after the sale of IGT to Scientific Games is completed.

Mr. Shaffer stated new game initiatives are on target. The one millionth Keno drawing development testing is on target. The IGT Marketing team was out in field with Lottery personnel assisting with the Pick 3 promotion to help players better understand the promotion.

Mr. Shaffer stated at last month's meeting he had informed the Commission that Mr. Jerry Woods had resigned. Mr. Tim Tobin, the new Operations Manager was then introduced to the Commission. Mr. Tobin has been with IGT since 1980 and over last five years he has

been involved in lottery start-ups in Canada and all over the world. He looks forward to working with Maryland Lottery.

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 game financials were presented to the Commission for their review and approval.

Game #458 *7/11/21* is a \$1.00 ticket with a prize payout of 59.43%. If 95% of the tickets are sold, the profit would be \$532,732. If 100% of the tickets were sold, the profit would be \$560,770.

Game #459 *Ruby Red 7's* is a \$2.00 ticket with a prize payout of 63.43%. If 95% of the tickets are sold, the profit would be \$908,895. If 100% of the tickets were sold, the profit would be \$956,732.

Game #462 *Hit the Jackpot* is a \$5.00 ticket with a prize payout of 73.17%. If 95% of the tickets are sold, the profit would be \$1,319,092. If 100% of the tickets were sold, the profit would be \$1,388,518.

Game #463 *5 Times the Money* is a \$5.00 ticket with a prize payout of 72.90%. If 95% of the tickets are sold, the profit would be \$1,345,512 of the tickets were sold, the profit would be \$1,416,328.

Game #456 *Treasure Island* is a \$2.00 ticket with a prize payout of 63.48%. If 95% of the tickets are sold, the profit would be \$906,938. If 100% of the tickets were sold, the profit would be \$954,672.

Game #457 *Tic Tac Toe* is a \$1.00 ticket with a prize payout of 58.50%. If 95% of the tickets are sold, the profit would be \$550,933. If 100% of the tickets were sold, the profit would be \$579,929.

The above tickets have been reviewed and approved for legal sufficiency by the Lottery Legal Division.

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, a motion was made to adjourn the meeting and Commissioner Marriner seconded the motion. The meeting adjourned at 11:30 a.m.

Respectfully submitted,

Buddy Roogow