

**MARYLAND STATE LOTTERY COMMISSION
JUNE MINUTES**

DATE: June 23, 2004
TIME: 9:00 a.m.
PLACE: Maryland Lottery Headquarters

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

Buddy Roogow, Director
Andrea Johnson, Principal Counsel
Sandra Johnson, Chief Information Officer, Information Technology
Tchicaya Ellis, Ph.D., Director, Research and Planning
Jill Baer, Director, Creative Services
Tracey Cohen, Director, Product Development
Jimmy White, Director, Communications
Pat Regalbuto, Manager, Corporate Sales
Paul Dorsey, Director of Policy and Development
Shirley Basse, Internal Auditor
Suzanne Meltzer, Executive Assistant
Marie Torosino, Executive Associate

OTHERS

PRESENT: John Williams, Scientific Games Online Entertainment Systems
David Blum, Eisner Communications

CALL TO ORDER

Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 9:05 a.m.

APPROVAL OF MINUTES

Chairman Bonaventure requested that the approval of the May 2004 Minutes be tabled until the July meeting.

COMMISSION BUSINESS

Chairman Bonaventure stated the Legislative night at Oriole Park at Camden Yards went well. He and Commissioners Reeder and Payne were in attendance. This event gave the Commissioners the opportunity meet and talk one on one with Senators and Delegates that attended. It was a great evening.

Chairman Bonaventure stated the Commission Audit Committee has not yet come to a conclusion regarding the ticket policy. They will have a report by the July Commission meeting.

EISNER COMMUNICATIONS

Mr. David Blum, Senior Vice President stated Eisner has ended the fiscal year with the completion of a number of projects. Mr. Blum stated he had some television commercials to present to the Commission. The first commercial is a continuation of the dancing scratch-off campaign featuring rodeo clowns, a German band and Turkish dancers. Each commercial can be tagged to support any scratch-off ticket as needed.

Mr. Blum stated he also has the rough cut for the Scratch Squad Scratch Cam campaign to show the Commission. It is somewhat different than the previous Scratch Cam commercials that were done. Chip Franklin is still featured as the host.

Mr. Blum stated Eisner is working on a television commercial for Lotto. Eisner also worked on the point-of-sale material for the Pick 3 Summer Bonus Match-up promotion.

Mr. Blum then showed the Commission the dancing scratch-off commercial as well as the rough cut of the Scratch Squad Scratch Cam commercial.

SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS

Mr. John Williams stated Break the Bank scratch-off ticket launched and it went well. The InWin game would wind down by next week. Chairman Bonaventure asked what were the costs to the Lottery for the InWin game. Mr. Williams responded Scientific Games had their individual costs. The Lottery did not pay Scientific Games anything for InWin as part of the agreement. The game was not as successful as they thought it would be. It was stated that Ms. Gina Smith would be the person who would be able to give further detail on the cost to the Lottery. The response to this request was deferred to next month's meeting.

REPORTS

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

Dr. Tchicaya Ellis stated last month the Commission requested further study of the Pharaoh's Gold scratch-off ticket. She distributed a chart summary showing sales comparisons and gave a brief explanation. She stated the top chart shows sales trend maintained since the launch of the ticket. There is usually a typical burst of sales and then a decline. The only ticket that did not show that trend was Pharaoh's Gold. The bottom chart shows another ticket, Polar Bucks that also was not the typical burst and decline in sales. The common variable as to why they did so well was the time of year that the tickets were launched, which was November. People who do not typically buy scratch-offs during this time of the year are buying them as gifts. She believes that is why sales maintained at this level. Chairman Bonaventure asked her to define the statement "the ticket is doing well." If the ticket sells between 95 and 100 percent, it is doing well.

Dr. Ellis stated that not all tickets sell out. Director Roogow stated that 99% of the time tickets sell 95-100% although some are shredded. Commissioner Wagner asked if the expense of ITVM's justify their existence. Director Roogow stated that sales increase and that ITVM's are used where they are theft issues.

DIRECTOR'S REPORT

Mr. Roogow stated sales are approximately \$60 million ahead of last year and revenue is approximately \$10 million ahead of last year. The goal for this fiscal year is \$440 million in revenue and the Lottery should exceed that amount.

Mr. Roogow stated Pick 3 sales continue to decline and are \$7 million behind last year. However, Pick 4 sales continue to increase and are \$5 million ahead of last year. The Mega Millions jackpot rolled to \$177 million and the Lottery expects large sales for rest of the week. The Lottery set a sales record in Keno, Keno Bonus, scratch-offs and Mega Millions. Pick 3 revenue is \$11 million behind compared to last year. Pick 4 revenue is \$11 million ahead compared to last year. Mega Millions revenue is \$6 million ahead of

last year. The fiscal year ends on June 30, 2004. The Lottery should end the fiscal year with sales of approximately \$1.390 billion.

Mr. Roogow stated that John Williams of Scientific Games would be leaving the Lottery project late in July for personal reasons. He has done an excellent job for the Lottery. Mr. Williams stated he is grateful that he had an opportunity to work with the Lottery and the Commission. He stated it was nice to be part of an aggressive Lottery that is not afraid to take a chance and try new things. The Commission wished him good luck in his future endeavors.

Mr. Roogow stated the Lottery is currently discussing with the Baltimore Ravens a promotion similar to the promotion that was recently done with the Baltimore Orioles using the Golden Ticket scratch-off. There are still a number of issues to overcome. The only problem would be in Montgomery and Prince George's counties where the Lottery would not be able to sell tickets associated with the Baltimore Ravens. The Lottery would have to develop a scratch-off for Montgomery and Prince Georges area. The Lottery has had some discussion with the Washington Redskins and the Virginia Lottery may also work with the Lottery. Mr. Roogow hopes the Lottery would be able to produce equal sets of cards for both markets. He will keep the Commission updated.

REPORTS (continued)

Legal Division – Andrea Johnson, Principal Counsel

Ms. Andrea Johnson stated there was one Lottery license revocation to present to the Commission regarding New Kin, Inc., T/A Edgewood Shell located at 1709 Edgewood Road in Edgewood, Maryland. A copy of a letter dated May 10, 2004, sent to the agent by the Director advising the agent of the Lottery's intent to recommend the revocation of the lottery license was previously provided to the Commission. The revocation is based upon the agent's failure to make timely and proper settlements of ticket sale revenues. The certified letter was returned by the Post Office marked "Moved, Left No Address." Ms. Johnson stated she is presenting the revocation for the Commission's approval. After discussion, Commission Wagner made a motion to accept the Director's recommendation to revoke the Lottery license of Edgewood Shell and it was seconded by Commissioner Payne. The Lottery license of Edgewood Shell was revoked by unanimous vote of the Commission.

Ms. Johnson stated regarding the Maryland Human Relations Commission matter, a pre-hearing settlement conference has been scheduled for July 30, 2004. The Lottery is working to obtain current data and statistics on the retailer network relating to retailer accessibility, both statewide and by zip codes. Several agents offer some type of curbside service. The Lottery is concentrating on the areas maintained in the complaint. A question was asked if after this is settled would there be some process in place to insure an agent location is handicapped accessible before approval. The response was the Lottery would

develop a procedure to insure a location is handicapped accessible. Ms. Johnson will keep the Commission updated on this matter.

Ms. Johnson stated the CEO of Maryland Mega Pool contacted the Lottery and stated he had established a business to sell subscriptions for Mega Millions and had over 40 people signed up. She stated the CEO was advised that this was illegal and to cease and desist. She stated that she is looking into this to determine the extent of the operation and will keep the Commission advised.

Ms. Johnson stated a new lottery scam has surfaced where letters are being mailed to Maryland residents stating they have won a prize and that person should go to the Maryland Lottery to obtain the prize. The Office of the Attorney General is working on a consumer advisory to be issued to the public.

Information Technology – Sandra Johnson, Chief Information Officer

Ms. Sandra Johnson stated testing is being conducted for the Keno Doubler, Pick 3 Summer Bonus Match-up and the Lotto promotions. These promotions overlap and it will be necessary to test them separately as well as test them together to insure no problems occur.

Ms. Johnson stated IT is finalizing the requirement for the Bonus Raffle software enhancement to support cashing of raffle tickets at agent locations. Current plans are for implementation of the software in October 2004.

Ms. Johnson stated IT is finalizing the agreement with Towson State University for work on the Lottery's web enhancements for Keno. Ms. Johnson stated Unisys provided on site database training to IT staff and additional training will be provided at a later time on the latest programming tools. Ms. Johnson stated a hardware maintenance contract was signed for the Dell equipment that is no longer covered under an extended warranty.

Ms. Johnson stated IT continues to monitor Call Center Operations in Georgia. Some calls are taking longer than normal to dispatch. They try to get technicians out as quickly as possible to agent locations. IT will continue to monitor this.

Ms. Johnson stated 330 MGC units were currently installed in agent locations to replace the older Keno devices. An on site inventory was done to insure the units are displaying the correct state Lottery logo.

Ms. Johnson stated at the recent NASPL Spring Directors meeting, the Standards Committee made a presentation to the Directors concerning the best practices and technical standards that were completed thus far. Funding was approved to continue for another year.

Ms. Johnson stated IT completed work on various procurement requests, including a Spam Killer software product, new high volume network printer and renewal of the maintenance contracts with Unisys for the primary and back-up mainframe computers.

Ms. Johnson stated the IT Division assisted AFO in defining the design requirements for the surveillance capabilities of the vault that houses the drawings equipment at WJZ.

Communications - Jimmy White, Director of Communications

Mr. White stated the Communications Division has participated in many events this past month. The Division joined the Bowie Baysox, Delmarva Shorebirds and Frederick Keys at their baseball games to promote the Lottery. The Division also took part at the Crusin Car Show in Ocean City, Hometown Holidays in Rockville, various Merriweather concerts, Zoomerang at the Baltimore Zoo, and the FOP Annual Motorcycle Ride to benefit Concerns of Police Survivors in Upper Marlboro.

Mr. White stated the news articles were evaluated and valued at approximately \$9,000.

The Lotto winner of the \$9.3 million Lotto jackpot came forward and Communications is working with the media for stories on this winner from the Western Maryland area.

Mr. White stated the Promotional Partners Program provided scratch-off tickets to radio stations for 39 promotions. The Lottery distributed \$7,775 worth of scratch-off tickets and received a promotional value of \$193,585.

Mr. White stated next month the Communications Division will be participating in the Maryland Municipal League Conference in Ocean City, at a Six Flags event w/WMZQ radio station, at various Merriweather concerts, and at a Hagerstown Suns baseball game.

Mr. White stated he is working on finalizing the procedures for the Corvette giveaway at the State Fair and the grand prize giveaway at the September 10, 2004 Orioles bull pen party. These two giveaways are associated with the Golden Ticket scratch-off game.

Creative Services – Jill Baer, Director

Ms. Jill Baer stated a moderate level of advertising is running this month. The new Scratch Cam spot will run as soon as it is completed.

Ms. Baer stated the Lottery is working with three Infinity radio stations in Baltimore (WQSR, WLIF and WWMX) to promote the Vegas scratch-off game. Each station has created a promotion around the Vegas theme to highlight this scratch-off ticket and would be giving away a trip to Las Vegas.

Ms. Baer stated a Pick 3 radio commercial was recorded and would be presented at next month's meeting. She stated she is also working on the production of a Lotto commercial to re-introduce the game to the marketplace to support an upcoming Lotto promotion.

Product Development – Tracey Cohen, Director

Ms. Tracey Cohen stated Break the Bank scratch-off ticket is being distributed to the agent network and next month she would have information on the sales of the ticket.

Ms. Cohen stated the Pick 3 Summer Bonus Match-up promotion grand prize drawing will consist of cash prizes instead of the Cadillac Escalade, Harley Davidson motorcycle and home entertainment system as mentioned at last month's meeting. The promotion runs from June 28, 2004 through August 8, 2004 with the grand prize drawing on August 12, 2004.

Ms. Cohen presented the information on the instant tickets of which working papers have not yet been finalized. The following pending instant game financials were presented to the Commission for their review and approval.

Game #491 *Mahjong* is a \$3.00 instant ticket with a prize payout of 68.00%. If 95% of the tickets are sold, the profit would be \$1,094,970. If 100% of the tickets are sold, the profit would be \$1,152,600.

Game #500 *Hoola Moola Tripler* is a \$1.00 instant ticket with a prize payout of 58.99%. If 95% of the tickets are sold, the profit would be \$541,343. If 100% of the tickets are sold, the profit would be \$569,834.

Game #501 *Royal Flush* is a \$2.00 instant ticket with a prize payout of 63.93%. If 95% of the tickets are sold, the profit would be \$889,324. If 100% of the tickets are sold, the profit would be \$936,131.

Game #502 *Luck of the Dice* is a \$2.00 instant ticket with a prize payout of 63.82%. If 95% of the tickets are sold, the profit would be \$893,630. If 100% of the tickets are sold, the profit would be \$940,663.

Game #503 *Candy Cash Doubler* is a \$1.00 instant ticket with a prize payout of 59.41%. If 95% of the tickets are sold, the profit would be \$533,123. If 100% of the tickets are sold, the profit would be \$561,182.

Game #504 *Holly Jolly Tripler* is a \$2.00 instant ticket with a prize payout of 63.98%. If 95% of the tickets are sold, the profit would be \$887,367. If 100% of the tickets are sold, the profit would be \$934,071.

Game #505 *Frosty the Doughman* is a \$3.00 instant ticket with a prize payout of 67.77%. If 95% of the tickets are sold, the profit would be \$1,108,473. If 100% of the tickets are sold, the profit would be \$1,168,814.

Game #506 *Happy Holidays* is a \$5.00 instant ticket with a prize payout of 73.22%. If 95% of the tickets are sold, the profit would be \$1,314,199. If 100% of the tickets are sold, the profit would be \$1,383,368.

Vice Chairman Marriner made a motion to approve the above instant games and Commissioner Wagner seconded the motion. The above instant games were approved by unanimous vote of the Commission.

Sales – Pat Regalbuto, Manager, Corporate Accounts

In Mr. Joseph Jason's absence, Ms. Pat Regalbuto presented the report. She stated a Loss Prevention seminar was held last month involving corporate accounts and their loss prevention units. The Sales Division is in the process of sending surveys to the attendees for their comments. They are considering holding this type of seminar on an annual or semi-annual basis.

Ms. Regalbuto stated field personnel made 74 contacts at potential agent locations, which resulted in 53 applications being received. There were 42 new installs of terminals during the month of April. A question was asked what is an average amount of applications received each month. The answer was 53 applications.

Ms. Regalbuto stated field personnel have been posting the point-of-sale for the Keno Doubler promotion that began June 14, 2004, and runs through August 8, 2004. Field personnel also received the point-of-sale for the Pick 3 Summer Bonus Match-up promotion that is scheduled to begin June 28, 2004 and run through August 8, 2004.

Procurement Division – Suzanne Meltzer, Director

Ms. Suzanne Meltzer stated last month she distributed copies of two contracts to the Commission and stated she would be requesting their approval at the June meeting. The contracts are for hardware and software maintenance for the Unisys LXE6500 computer and the LX5200 computer. The contract for the LXE6500 is for a one-year term at a cost not to exceed \$67,776.00. The contract for the LX5200 is for a one-year term at a cost not to exceed \$32,952.00. Chairman Bonaventure made a motion to approve both contracts and Commissioner Wagner seconded it. The contracts for hardware and software maintenance for the LXE6500 and LX5200 computers were approved by unanimous vote of the Commission.

Ms. Meltzer stated she is currently working on the Consulting RFP to help the Lottery write, evaluate and implement a new on-line system. This RFP is similar to the Consulting RFP for VLTs. She will be providing a copy of the RFP to the Commission in July.

Ms. Meltzer stated a notice was recently received from the Department of Budget and Management stating they would not approve RFPs containing less than a 25% MBE goal without input from the Office of Minority Affairs. She stated the RFP for Consulting Services Related to a Lottery On-line Gaming Computer System contains a goal of less than 25%. They have contacted the Office of Minority Affairs and will keep the Commission updated.

OTHER COMMENTS

Mr. Roogow stated the Lottery plans to re-introduce legislation next year regarding an employee incentive program for the sales representatives. Three years ago the Lottery introduced this legislation but it did not pass.

Mr. Roogow stated Joe Jason, Deputy Director of Sales will retire effective next Tuesday. Mr. Jason has been with the Lottery for 31 years. A retirement dinner is being held on July 10, 2004.

DATE AND TIME OF NEXT MEETING

The next Commission meeting is scheduled for Wednesday, July 28, 2004 at 9:00 a.m. at Lottery Headquarters.

ADJOURNMENT

There being no further business, Chairman Bonaventure motioned that the meeting be adjourned. The meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Buddy Roogow