

**MARYLAND STATE LOTTERY COMMISSION
SEPTEMBER MINUTES**

DATE: September 15, 2004
TIME: 9:00 a.m.
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank C. Bonaventure
Commissioner Osborne Payne
Commissioner Bruce Reeder
Commissioner George Wagner

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

OTHERS

PRESENT: Sean Athey, 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 9:10 a.m.

APPROVAL OF MINUTES

Chairman Bonaventure asked if there were any changes or corrections to the August Minutes. Commissioner Reeder made a motion to approve the August Minutes and Commissioner Wagner seconded the motion. The Minutes were approved by unanimous vote of the Commission. Chairman Bonaventure abstained from the vote since he was not present for the entire meeting.

EISNER COMMUNICATIONS

Mr. David Blum stated point-of-sale is very important in driving Lottery sales. A two-sided dangler will be used at agent locations to highlight the four holiday scratch-off tickets. He presented to the Commission the board with the mock-up of the point-of-sale materials. He stated the point-of-sale for the Lucky 7's Jackpot Double Play game was being developed. He showed the Commission a mock-up of the point of sale piece. He also showed the Commission the point-of-sale piece that will be used at retailer locations for the group of scratch-off tickets called the "Hit Family."

A new radio spot featuring a scratch-off winner was played for the Commission.

SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS

Ms. Sean Athey stated testing continues on the software enhancement that would allow agents to cash promotional coupons at their locations rather than having the winner come to the Lottery.

COMMISSION BUSINESS

Chairman Bonaventure stated he and Gina Smith met last week to discuss a new accounting method for the Lottery Agency. They are working toward instituting this method for fiscal year 2006, which begins July 1, 2005. Chairman Bonaventure requested that a work group be established to meet once a month that would work on this process throughout next year. This work group includes Chairman Bonaventure, Vice Chairman Marriner, Ms. Gina Smith and Ms. Deb Sharpless.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated sales are approximately \$22 million ahead of last year. This increase is spread across all the Lottery games except for Bonus Match 5. He stated that Lottery revenues are approximately \$5 million ahead of last year. The Lottery experienced high payouts in the Pick 3 and Pick 4 games that diminished revenues but improved sales in the long run.

Mr. Roogow stated a Mega Millions meeting was held in Atlanta, Georgia on September 13, 2004 where the Directors discussed various issues related to Mega Millions. He stated Dr. Ellis and Ms. Nash also attended this meeting. Dr. Ellis and the outside consultant that the Mega Millions group contracted with presented their research findings. One finding was the need to advertise the jackpot earlier at \$25 million rather than waiting until the jackpot reaches \$50 million or more. The Mega Millions group is also looking at adding an additional state, possibly California. Mr. Roogow stated three Directors from the Power Ball group were also at the Mega Millions meeting to present a proposal for a joint television game show. The Mega Millions group rejected this proposal.

Mr. Roogow stated regarding the slots issue, not much may occur until the next legislative session. The Lottery is in contact with the Governor's Office and the Department of Budget and Management to provide any support requested.

Mr. Roogow stated the NASPL Conference in Quebec, Canada is the first week of October and there will be Lottery staff attending.

Mr. Roogow stated the Lottery submitted its budget for fiscal 2006 with the 12% cuts. The Maryland Lottery has one of the lowest administrative costs in the world. Commissioner Wagner asked where were the budget cuts taken. Ms. Smith responded most of the cuts came from advertising. Ms. Smith stated at the end of this month, a fully funded budget request would be submitted.

REPORTS

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

Dr. Tchicaya Ellis stated the results of the Mega Millions Multi-State Research would be presented to the Directors at the Mega Millions meeting in Atlanta, Georgia on September 13, 2004. A summary would be available for the Commission by next month's meeting.

Dr. Ellis stated she is not prepared as of yet to discuss with the Commission the MBE waiver request from Oberthur Gaming Technologies. The documentation has been reviewed and she would be meeting with Lottery personnel to discuss the recommendation. She will keep the Commission updated on this matter.

Legal Division – Andrea Johnson, Principal Counsel

Ms. Andrea Johnson stated there are no revocations to present to the Commission this month. However, there was one emergency lottery license suspension letter sent on September 8, 2004, to Hobbits Liquors. The suspension is for 30 days after which the Director would make a determination whether to revoke this agent's lottery license.

Ms. Johnson stated she recently attended the NASPL Legal Subcommittee meeting in Cleveland, Ohio. There were approximately 20 attorneys in attendance. The topics discussed included illegal Internet gaming sites and ADA issues. A presentation was given by a Department of Justice representative regarding Homeland Security.

Chairman Bonaventure asked if Hobbits Liquors was going to contest the suspension of their lottery license. Ms. Johnson responded Hobbits must submit a written notice by to appeal this action. Their legal counsel wishes to schedule a meeting with the Lottery. The terminal has been shut down.

Ms. Johnson stated provided with her report was a copy of the tentative settlement agreement from the Maryland Commission on Human Relations. One of the changes in Lottery procedures would involve applications from locations that are not accessible to persons in wheelchairs. The Lottery would request applicants to submit a plan as to how their locations would become accessible before the Lottery would proceed with granting a lottery license.

Ms. Johnson requested the Commission's concurrence with the settlement agreement. Chairman Bonaventure asked if the Lottery Agency concurs with this agreement. The response was that the Lottery Agency concurs. Chairman Bonaventure made motion to accept the settlement agreement and Commissioner Wagner seconded the motion. The settlement agreement was accepted by unanimous vote of the Commission.

Administration, Finance and Operations – Gina Smith, CFO

Ms. Gina Smith stated the unaudited financial statement for August is not available today and the statement would be mailed to the Commission. Ms. Smith stated she is finishing the GAAP statement that is due to the State by October 1, 2004.

She stated the Procurement Division is continuing to work on the solicitation for the plasma screen televisions associated with Golden Ticket scratch-off game.

Ms. Smith stated that the Customer Resource Center is coordinating the return of the baseball card collections to the Lottery players. The players were given the option of coming to the Lottery to pick up their collection or having the collection mailed to them. The Lottery will hold an open house next week for those players who opted to come in and pick up their baseball card collections.

Information Technology – **Sandra Johnson, Chief Information Officer**

Ms. Sandra Johnson stated IT completed its support of the Lotto serial number promotion that ended on September 4, 2004. IT would begin testing the new Bonus software at the end of September.

Ms. Johnson stated IT continues to work with Scientific Games and other Lottery Divisions on the pilot plans for a monitor game. IT is involved in setting up the game's communication network. However, there are limited resources available at Western Avenue for the data lines. The phone company's lines in the area are maxed out, which would result in a major communication cost for the Lottery. A question was asked as to what the cost would be. Ms. Johnson responded she thinks it would be in the thousands of dollars.

Ms. Johnson stated IT continues to work on the Keno website enhancement. Functional requirements have been identified and documented. The programming work should begin at the end of September.

Ms. Johnson stated work on the requirement lists for the on-line RFP have begun. A consultant will develop the on-line RFP. Chairman Bonaventure asked when would the on-line RFP be available for the Commission to review. Ms. Meltzer responded bids are due on October 15, 2004 for the consultant RFP. Then the goal is to issue the on-line RFP by early 2005. Chairman Bonaventure requested a summary outline of the on-line RFP be forwarded to the Commission when it becomes available.

Ms. Johnson stated in follow-up to the major communications outage that occurred on August 4, 2004 due to a severe thunderstorm, a meeting was held with Scientific Games and Verizon to review this outage. Possible solutions would be documented to determine what changes are feasible and acceptable.

Ms. Johnson stated she and Mr. Zach Way recently attended the NASPL IT Subcommittee meeting in Cleveland, Ohio. She worked on the agenda with the planning team and there were speakers from the U.S. Secret Service, Scientific Games and Verizon that participated in the meeting.

Ms. Johnson stated 621 request for technical assistance were received and 27 requests are either being worked or pending action.

Communications - **Jimmy White, Director**

Mr. Jimmy White stated as the summer winds down, Communications took part in many events such as the State Fair and the Maryland Association of Counties conference. On September 10, 2004, the bullpen party was held associated with the Golden Ticket scratch-off game to award various cash prizes. The Lottery would be participating at the WQSR Ravens tailgate patrol throughout football season.

Mr. White stated there were ten articles that were printed in the newspapers and they were valued at \$1,576.76. He stated the Lottery's Promotional Partners Program distributed \$2,400 in scratch-off tickets to radio stations and received a promotion value of \$33,765. He stated the VIP Club conducted contests and awarded tickets to the State Fair and Merriweather concerts.

Mr. White stated on September 26, 2004, the Bonus Match 5 drawing time on Sunday only would move to 7:30 p.m. from its normal 7:57 p.m. drawing time. This is due to a change in the CBS network programming.

Mr. White stated his report also contains a list of the upcoming Lottery events as well as a copy of the employee newsletter.

Creative Services – Jill Baer, Director

Ms. Jill Baer stated scratch-off scratch advertising would run in September featuring Scratch Squad and Dancing Scratch tagged with various scratch-off games. Lottery advertising would also air on WJFK radio during the Redskins games, on Ravens Radio and on WBAL radio during Terps games.

Ms. Baer stated that the bullpen party associated with the Golden Ticket scratch-off event on September 10, 2004 went well. Comcast taped the event and she is working with them to edit the tape into five game segments to be aired during the Orioles 50th Anniversary Special on September 24, 2004 at 7:00 p.m. It would be rebroadcast on September 25 and 30, 2004. She would have the tape available at next month's Commission meeting.

Ms. Baer stated Mega Millions jackpot information would be airing on radio. She stated another round of Scratch Squad is planned. The sequence will be filmed at the Baltimore Marathon on October 16, 2004. Ms. Baer stated she would be looking at the new Mega Millions signage at Ravens Stadium. She stated preliminary work has also begun for a new game show.

Product Development – Tracey Cohen, Director

Ms. Tracey Cohen stated Lottery staff members visited the Pennsylvania Lottery yesterday to learn more about their scratch games and player-activated terminals.

Ms. Cohen stated that the Lottery's Golden Ticket scratch-off game has been nominated for a NASPL award at the upcoming conference.

Ms. Cohen stated she has information to present to the Commission 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 #511 *Emerald Green 7's* is a \$2.00 instant ticket with a prize payout of 63.97%. If 95% of the tickets are sold, the profit would be \$887,759. If 100% of the tickets are sold, the profit would be \$934,483.

Game #512 *Jackpot Gold* is a \$10.00 instant ticket with a prize payout of 75.93%. If 95% of the tickets are sold, the profit would be \$2,098,230. If 100% of the tickets are sold, the profit would be \$2,208,663.

Game #515 *Go Maryland* is a \$1.00 instant ticket with a prize payout of 58.53%. If 95% of the tickets are sold, the profit would be \$687,952. If 100% of the tickets are sold, the profit would be \$724,160.

Chairman Bonaventure 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 – Stephen Meehan, Deputy Director

Mr. Stephen Meehan stated Sales would be focusing on tracking the license application process to collect data to assess trends and study causes as to why applications are and are not completed. Where feasible, applicants would receive assistance from the District Manager to walk them through the application process.

Mr. Meehan stated a new internal monthly sales report format was issued throughout the Sales Division to assess, by district, licensing activities, ITVM placements, retailer visits, promotions run and sales quota performances.

Mr. Meehan stated Sales is working on new Fall initiatives that include Keno agent recruitment to add 100 locations statewide, a point-of-sale “make over” initiative and an initiative to increase Independent Agent promotions.

Mr. Meehan stated that the corporate sales group reports there were five new agent installations, 33 changes of ownership and 39 applications for ITVMs.

Mr. Meehan stated that the Regional Managers report that agents are interested in seeing a \$20 instant ticket on the market. He stated a review of sales by territory is underway. Requests were also made to mitigate interruption of agents during height of holiday season.

Chairman Bonaventure asked that Mr. Meehan present to the Commission at the next meeting Sales’ plan to increase Lottery sales.

Procurement Division – Suzanne Meltzer, Director

Ms. Suzanne Meltzer stated she is presenting to the Commission for their approval the Double Play[®] Games contract with Pollard Banknote Limited. This Contract will allow the Lottery to purchase additional double play games. The Contract is for a four-year term at a not to exceed cost of \$1,091,475. A question was asked if the cost per ticket is the same as the original contract. The response was that the price is the same per thousand as the last contract. Pollard owns the patent and therefore, the Lottery's current vendor, OGT, cannot produce this ticket. The contract will be presented to the Board of Public Works on September 22, 2004 for their approval. Chairman Bonaventure made a motion to approve the Double Play[®] Games Contract and it was second by Commissioner Wagner. The Contract was approved by unanimous vote of the Commission.

Ms. Meltzer stated that a Request for Proposals would not be issued for a SAS 70 Audit. The Lottery would be purchasing these services through a State contract.

DATE AND TIME OF NEXT MEETING

The next Commission meeting is scheduled for Wednesday, October 20, 2004 at 9:00 a.m. at Lottery Headquarters.

ADJOURNMENT

There being no further business, Chairman Bonaventure asked for a motion that the meeting be adjourned. Commissioner Wagner made a motion that the meeting be adjourned and Commissioner Reeder seconded it. The meeting was adjourned at 10:25 a.m.

Respectfully submitted,

Buddy Roogow