

**MARYLAND STATE LOTTERY COMMISSION  
NOVEMBER MINUTES**

DATE: November 23, 2005  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank C. Bonaventure  
Vice Chairman E. Randolph Marriner  
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  
Steve Meehan, Deputy Director, Sales  
Tracey Cohen, Director, Product Development and Advertising  
Jill Baer, Director, Creative Services  
Jimmy White, Director, Communications  
Robert Howells, Director of Procurement  
Paul Dorsey, Director of Policy and Development  
Michael Eaton, Internal Auditor  
Marie Torosino, Executive Associate

OTHERS  
PRESENT:

Jill Kaufman, Eisner Communications  
Sean Athey, Scientific Games Online Entertainment Systems

## **CALL TO ORDER**

Vice Chairman Marriner stated there was a quorum present and he called the meeting of the Maryland Lottery Commission to order at 9:00 a.m.

## **APPROVAL OF MINUTES**

Vice Chairman Marriner made a motion to approve the July Minutes and the October Minutes (with changes). Commissioner Wagner seconded the motion. The July and October Minutes (with changes) were approved by unanimous vote of the Commission.

## **EISNER COMMUNICATIONS**

Ms. Jill Kaufman, Senior Account Supervisor was presenting the Eisner report in Mr. David Blum's absence. She stated a radio commercial was developed to spotlight the Keno Doubler Tripler Sprinkler promotion. She played the 30 and 60 second commercials called "Hiding in the Chips". She also played the television commercial "34<sup>th</sup> Street Hampden Lights" that would be used again this year to support the holiday scratch-off tickets. Ms. Baer stated this commercial has aired for the past several years and is updated each year with the holiday scratch-offs.

Mr. Roogow asked Ms. Kaufman to give the Commission a brief background of her experience. Ms. Kaufman stated she worked in production in Los Angeles and New York. She was welcomed by the Commission.

## **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Ms. Sean Athey wished the Commission a Happy Thanksgiving. She stated the Multi-Match game is scheduled for implementation on February 2, 2006. It is currently in the testing stage.

Ms. Athey stated Scientific Games efforts are being concentrated on the preparations for the on-line system conversion.

## **COMMISSION BUSINESS**

Chairman Bonaventure stated he wanted to thank everyone from the Lottery who participated in the strategic planning session last week. At that session, the Commission continued their discussion on ways it could be more involved as part of the Lottery. Chairman Bonaventure suggested that each Commissioner adopt a part of the Lottery

Agency to become more familiar with its operations. The following breakdown was suggested:

Commissioner Wagner – Sales  
Commissioner Reeder – Procurement  
Commissioner Payne – Data Processing  
Vice Chairman Marriner – Marketing/Creative Development  
Chairman Bonaventure – Accounting and Policy Development

Chairman Bonaventure stated the Commissioners were not previously informed of these assignments. He opened the floor for discussion. The Commissioners were in agreement with this proposal. Chairman Bonaventure made a motion to move forward with this proposal for each Commissioner to work with an individual Lottery area and Vice Chairman Marriner seconded the motion. The motion was approved by unanimous vote of the Commission.

### **DIRECTOR'S REPORT**

Mr. Roogow stated the \$315 million Mega Millions jackpot was won in California by a group of seven people. California is new to the Mega Millions mix and this would help them reach a higher level of sales. Maryland is much higher in per capita sales than California.

Mr. Roogow stated the Mega Millions game needs to be studied carefully in terms of sales compared to jackpot levels of two to three years ago. He feels this game has a limited life span and other types of games should be explored to supplement it. He stated the Mega Millions Directors would meet at the La Fleur's Conference in two weeks to look at what they can do in the future if the game loses steam.

Mr. Roogow stated Pick 3 sales are down slightly and the Lottery is working to reverse that trend. Keno sales are running about where they were last year and Keno Bonus sales are up \$3 million. Scratch-offs sales are up \$8.5 million compared to last year. Some of that success is with the \$5 and \$10 tickets. Candy Cane Cash and Ancient Treasures scratch-off are each doing \$850,000 to \$900,000 in sales per week.

Mr. Roogow stated Mega Millions sales are \$15.7 million ahead of last year. This helped the Lottery reach \$30 million in total sales to date. Revenues are \$13 million ahead of last year.

Mr. Roogow stated on November 30, 2005 at 1:00 p.m., he has been invited to give an annual briefing to the House Ways and Means Committee. The Commission is invited to attend.

## **REPORTS**

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

Ms. Andrea Johnson stated she had one revocation to present to the Commission today. She stated Hansen's Grocery is located at 3400 Chestnut Avenue, Baltimore, Maryland 21211. This agent failed to make timely and proper settlements of ticket sales revenue on 15 occasions. The outstanding amount due it \$4,763.06 and in March 2005 a lien was filed in Circuit Court for Baltimore City. On October 12, 2005, a revocation letter was sent to the owner and he had ten days to respond in order to request an appeal hearing. The certified letter was returned by the Post Office marked "Return to Sender". However, a copy of the letter sent by regular mail to the home address was not returned by Post Office. The agent did not respond to the letter. Ms. Johnson stated based upon the facts presented, the Director is requesting the Commission to uphold the revocation of the lottery license of Hansen's Grocery. Commission Wagner made a motion to accept the revocation of the lottery license of Hansen's Grocery. Commissioner Payne seconded the motion. The lottery license of Hansen's Grocery was revoked by unanimous vote of the Commission.

Ms. Johnson stated she continues to work with the Lottery on the revisions to Chapter 3 of COMAR. This chapter addresses the games offered by the Lottery.

Ms. Johnson stated an interpretation of a provision in the Mega Millions agreement is being disputed by on of the Mega Millions states. There are provisions that address the required percentages needed in voting to pass certain issues. The Texas Lottery maintains if they are unsuccessful in voting on certain issues, there is still veto power pursuant to a final provision that requires all states to sign all the amendments. She will keep the Commission updated on this issue.

Ms. Johnson stated Commissioner Reeder had previously asked about Indian gaming. Ms. Johnson stated she is part of a Committee on Indian Gaming. Indian tribes are building casinos on Indian land. They are covered by the federal Indian Gaming Regulation Act provision. She stated tribal gaming is not a present factor in Maryland, as there are no recognized Indian tribes in Maryland. Maryland is okay now but in a year or two Indian groups could come into Maryland and compete She will keep the Commission advised with any new information.

### *Administration, Finance and Operations – Gina Smith, Assistant Director/CFO*

Ms. Gina Smith introduced Mr. Michael Eaton the new Internal Auditor who started yesterday. He previously worked for KPMG and has extensive experience with Sarbanes-Oxley. Mr. Eaton stated he also worked for the State as a Legislature Auditor. The Commission welcomed Mr. Eaton to the Lottery.

Ms. Smith stated current Lotto subscribers would be receiving letters and applications for the new Multi-Match Game. The last drawing for the current Lotto game is January 25, 2006. Subscribers would be issued refunds on any remaining drawings and sent a check for any winnings. A question was asked if the length of a subscription is for one year. Ms. Smith responded there are various lengths of time available. Subscriptions can be purchased for 10, 26, or 52 weeks.

Ms. Smith stated AFO is working closely with IT and Scientific Games on the on-line conversion process.

Ms. Smith stated a senior accountant has been hired and she started a few weeks ago. This position takes the place of the Assistant Controller's position that was vacated in November 2004. She states she is starting recruitment for the Cost Accountant position. Letters were sent to 20 qualified candidates. She will keep the Commission updated.

Ms. Smith distributed to the Commission the Unaudited Special Purpose Financial Statement for October 2005.

#### *Information Technology – Sandy Johnson, Chief Information Officer*

Ms. Sandy Johnson stated several meetings on the conversion process have been taking place. She stated Scientific Games staff from Alpharetta, Georgia have also attended these meetings. Ms. Johnson stated that Scientific Games is looking at office space at Montgomery Park and in Lanham for the primary and back-up sites.

Ms. Johnson stated two new programmers started work this month at the Lottery. Both employees come from the private sector and have skills in programming language that the Lottery plans to migrate to in the future.

Ms. Johnson stated there was a communications problem on the Eastern Shore this month. AT&T lost the contract to Verizon and during the billing transfer, AT & T initiated changes to the circuits. During the outages, Eastern Shore agents were unable to process any transactions. Two of the dates of the outages fell on Mega Millions drawing days. The agents were only able to sell scratch-offs. Commissioner Wagner asked how long did this problem last. Ms. Johnson responded line outages occurred on three different dates. The outages lasted approximately one hour on two of the days with the longest time period occurring on Friday, November 4, 2006, lasting from 4:39 p.m. to 11:19 p.m. Verizon has assured the Lottery that the problem has been resolved.

Ms. Johnson stated distribution of the Integra terminals continue. There are 340 terminals in place and in three more weeks, a total of 500 would be in place.

Ms. Johnson stated work was completed on the website for Carry Out Keno. This is a fun way for players to view Keno drawings on the website.

Ms. Johnson stated IT is modifying its in-house program to support the activities for the Multi-Match game.

Ms. Johnson stated the IT Master Plan for 2007 was submitted to the to Department of Budget and Management.

*Communications – Jimmy White, Director*

Mr. Jimmy White stated Communications worked with various media groups on the coverage of the Mega Millions jackpot.

Mr. White stated the Promotional Partners Program supplied its promotional partners with \$6,300 worth of scratch-offs and received a promotional value of \$75,065 in on-air mentions.

Mr. White stated the Lottery has started its holiday tour of the malls. The Lottery would be at Reisterstown Road Plaza Mall today and at a later date would be present at the Annapolis, Laurel, Eastpoint and Francis Scott Key Malls.

Mr. White stated 90 people have qualified for the game show associated with the Ancient Treasures scratch-off ticket. He stated he is working on development of the games for the show. Some games have been selected and rules are being written. Mr. Roogow stated when the games are more structured, Mr. White should show them to the Commissioners.

Mr. White stated work continues on the Multi-Match conversion process. He would be meeting with a vendor this morning to look at several drawing machines that are available. He hopes to have the new drawing machine in the television studio by January 1, 2006.

Mr. White stated the Purple Passion scratch-off ticket continues to be promoted at the Ravens home games. Two drawings have been held for the trip to the All Star Bowl in Hawaii. Over 75,000 entries have been received and there is one drawing remaining on January 4, 2006 for the trip to Hawaii.

Mr. White stated recent news clippings were evaluated by Eisner and valued at \$2,229.88. He stated also included with his report is a recent copy of the Promotional Partners newsletter.

Mr. Roogow stated he would like to add one more item to his report regarding the status of the Lottery advertising with the University of Maryland. He stated he received a call this week from University President's Office and was told that the Athletic Committee rejected the Lottery's request and was sending this recommendation to the Executive Council. Mr. Roogow stated he called Mr. David Nevins, Chairman of the Board of Regents to inform him of this recommendation. The Board of Regents would be meeting in a few weeks and he thinks the Board will be supportive of the Lottery advertising request. Information is

being gathered as to what is happening in other states. Vice Chairman Marriner requested that the research on the other universities that support lottery advertising be sent to the Commission. It was stated that the information would be forwarded to him. A question was raised as to what was the reason for the rejections. Mr. Roogow responded the reason they gave was that it was gambling.

*Creative Services – Jill Baer, Director*

Ms. Jill Baer stated she is gathering the information for the response to the University of Maryland. She found that University of South Carolina, Florida State University, and the University of Virginia are associated with lottery advertising. Ms. Baer stated South Carolina sells tickets at some of their games. She will get this get information to Commission upon completion.

Ms. Baer stated some media the Commission may see is the television commercial for the Ancient Treasures scratch-off game featuring the Director and Mr. Steve Rouse. The Hampden Lights commercial is back and would be tagged with holiday scratch-offs. The Keno Sprinkler commercial would air on the radio. The Lottery is supporting the Mega Millions jackpot with television and radio at the \$200 million level. She stated the project is moving forward with the Virginia Lottery on the new Mega Millions jackpot spot. It should be available to air by mid-December.

Ms. Baer stated she is working on game development process for the Ancient Treasures scratch-off game.

Commissioner Wagner asked Ms. Cohen to explain how to play the Multi-Match Game and what is the starting jackpot. Ms. Cohen responded the jackpot starts at \$500,000. Ms. Cohen then briefly explained to Commission Wagner how to play the Multi-Match game. Mr. Roogow stated this game is similar to the game that has been running in Pennsylvania.

*Product Development and Advertising – Tracey Cohen, Director*

Ms. Tracey Cohen stated contained in the Commissioners' folders is the demographic information that was requested by the Commission at last week's strategic planning session. Also contained in the folders are the new instant games to be approved and instant games that were closed.

Ms. Cohen stated she had five new instant games to present to the Commission.

Game #531 *Cyber Slingo* is a \$5.00 ticket with a prize payout of 73.68% and a print run of 1.0 million tickets. If 85% of the tickets are sold, the profit would be \$371,618. If 100% of the tickets are sold, the profit would be \$417,618. Ms. Andrea Johnson stated the Lottery is working on the Cyber Slingo agreement. Mr. Roogow stated this game is not scheduled for release until March or April 2006.

Game #536 *Crossword Tripler* is a \$3.00 ticket with a prize payout of 67.00% and a print run of 4.0 million tickets. If 85% of the tickets are sold, the profit would be \$2,244,612. If 100% of the tickets are sold, the profit would be \$2,699,652.

Game #581 *Sea Treasures* is a \$5.00 ticket with a prize payout of 72.00% and a print run of 3.0 million tickets. If 85% of the tickets are sold, the profit would be \$2,232,627. If 100% of the tickets are sold, the profit would be \$2,685,552.

Game #582 *Instant Keno* is a \$3.00 ticket with a prize payout of 67.00% and a print run of 4.0 million tickets. If 85% of the tickets are sold, the profit would be \$2,244,612. If 100% of the tickets are sold, the profit would be \$2,699,652.

Game #586 *Money Storm* is a \$1.00 ticket with a prize payout of 58.60% and a print run of 3.0 million tickets. If 85% of the tickets are sold, the profit would be \$656,058. If 100% of the tickets are sold, the profit would be \$808,752.

Vice Chairman Marriner made a motion to approve Game #531 *Cyber Slingo*, Game #536 *Crossword Tripler*, Game #581 *Sea Treasures*, #582 *Instant Keno*, and Game #586 *Money Storm*. Commissioner Reeder seconded the motion. Game #531 *Cyber Slingo*, Game #536 *Crossword Tripler*, Game #581 *Sea Treasures*, Game #582 *Instant Keno*, and Game #586 *Money Storm* were approved by unanimous vote of the Commission.

Ms. Cohen presented to the Commission the final analysis of six instant games that were closed.

Game #460 *Lucky 7's* was 99.83% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$1,721,598.30.

Game #467 *Super Doubler Doubler* was 93.40% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$878,075.87.

Game #471 *Double Down* was 94.12% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$858,199.32.

Game #484 *Super Match 3* was 92.96% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$526,503.87.

Game #493 *Jacks in the Box* was 96.57% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$601,795.00.

Game #503 *Candy Cash Doubler* was 97.06% sold. With the subtraction of the adjustment for the administrative allocation, the profit was \$451,914.10.

*Sales – Stephen Meehan, Deputy Director*

Mr. Stephen Meehan stated Sales is monitoring the activation of the Ancient Treasures tickets and monitoring the district manager activation contest associated with the Ancient Treasures scratch-off game.

Mr. Meehan states Sales is monitoring the installation of the Integra terminals as well as monitoring the installation of the Instant Ticket Vending Machines in Food Lion locations.

Mr. Meehan stated Sales is preparing for the conversion to the new on-line system. They would be involved with retailer training and fine tuning of the distribution system. He would keep the Commission informed

*Procurement – Robert Howells, Director*

Mr. Robert Howells stated at the last Commission meeting, he distributed a tentative schedule for RFP for the printing of instant tickets and related services. He stated the RFP is on target for the release the first week of January. The group is working on the technical specifications. They are looking at the concept for a multiple award situation where there is one primary vendor and possibly a number of other instant ticket printers in the mix on a secondary basis. This would give the Lottery flexibility with any specialty tickets it requests. Vice Chairman Marriner asked how do you determine which is which. Ms. Cohen stated one issue they are looking at is one primary award and have others on some type of task order basis. Mr. Howells stated multiple award contracts have not been done by the Lottery. However, other state agencies have done multiple award contracts. This is an issue that would be discussed before sending the RFP to the Department of Budget and Management for their approval.

Mr. Howells stated yesterday the Commission was sent a copy of the changes being made to Chapter 3 of the COMAR regulations. Revisions to Chapters 2 and 4 were completed a few years ago. The bracketed wording is being deleted and the underlined wording is being added. Vice Chairman Marriner requested that approval of Chapter 3 be deferred until next month's meeting so that the Commission has time to review them.

**DATE AND TIME OF NEXT MEETING**

The next Commission meeting is scheduled for Wednesday, December 21, 2005 at 9:00 a.m. at Lottery Headquarters.

## **ADJOURNMENT**

Vice Chairman stated on behalf of the Chairman and the Commission, he would like to extend best wishes to Lottery family for the Thanksgiving holiday. There being no further business, Commissioner Wagner motioned that the meeting be adjourned and Vice Chairman Marriner seconded it. The meeting adjourned at 10:15 a.m.

Respectfully submitted,

Buddy Roogow