

**MARYLAND STATE LOTTERY COMMISSION  
JUNE MINUTES**

DATE: June 28, 2006  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank 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: David Blum, Eisner Communications  
Sean Athey, Scientific Games Online Entertainment Systems  
Pete Samios, Maryland Lottery Agents Association

## **CALL TO ORDER**

There being a quorum present, Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 9:05 a.m.

## **APPROVAL OF MINUTES**

Chairman Bonaventure stated changes were made to the April Minutes and he sent the amended minutes to the Commissioners for their review. Vice Chairman Marriner made a motion to approve the amended April Minutes and Commissioner Reeder seconded the motion. The amended April Minutes were approved by unanimous vote of the Commission.

Chairman Bonaventure asked if there were any changes to the May Minutes. Hearing none, Commissioner Payne made a motion to approve the May Minutes and Commissioner Wagner seconded the motion. The May Minutes were approved by unanimous vote of the Commission, with Chairman Bonaventure and Vice Chairman Marriner abstaining from the vote.

## **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated Lottery sales are \$75 million ahead of last year. When the fiscal year ends on June 30, 2006, the Lottery should reach \$1.5 billion in sales. This would be a record 5% increase over last year. Lottery revenue is \$18 million ahead of last year. The original estimate of \$484 million was revised to \$491 million. The Lottery's goal is to reach \$500 million in revenue. The Lottery should reach this goal unless there are unusually high payouts. A press release would be issued.

Mr. Roogow updated the Commission on the status of the on-line conversion project. He stated the new on-line contract begins on July 6, 2006. There are approximately 150 retailer terminal installations to be completed. Out of 3,800 retailers, most will have satellite installations. Retailers that are unable to have the satellite hookup will have an alternative communication of DSL or wireless CDMA. Some of the reasons for the alternative communication are landlord issues or areas where satellite communications cannot be used. There was some installation time lost due to the recent heavy rains. With good weather, the 50 crews throughout the State should be able to make up for lost time. The target date for the download of software is July 6, 2006 or the following Sunday night into Monday. He stated he receives a day-to-day progress report from Scientific Games. Ms. Athey stated Scientific Games is working to reach the agents and answer any questions they may have.

Chairman Bonaventure stated that Mr. Pete Samios, President of the Maryland Lottery Agents Association was present at today's meeting. Mr. Samios asked when the current

system converts to the new system, does the Lottery expect any glitches. Ms. Athey responded there should not be any glitches. The AEGIS system is built to work with the new Extrema terminals. The current terminals run on the Master Link system. This new enhancement should make the agents lives much easier. Mr. Samios requested a one page synopsis of what to expect so that he can answer any agent questions. Ms. Athey responded she would provide Mr. Samios with a synopsis of the new enhancements. Mr. Samios stated he is being called by agents about the ticket already paid issue. Ms. Smith stated that the agents should contact the Lottery's Security Division. Mr. Samios stated that most agents understand what is going on with the conversion.

Mr. Roogow stated he, Mr. Dorsey and Ms. Johnson are currently working on legislation for the upcoming Legislative session. He would keep the Commission updated.

### **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Ms. Sean Athey stated Scientific Games is working hard to complete the on-line conversion process scheduled for July 2006.

### **EISNER COMMUNICATIONS**

Mr. David Blum stated a number of promotions are scheduled to begin in FY2007.

Mr. Blum stated the Home Run Derby promotion would run through the summer. During the World Series, the \$500,000 grand prize would awarded. To keep interest in the promotion, advertising would run in the Sunpapers and other publications showing who has won and the amount won. He showed the advertising board to the Commission.

Mr. Blum stated the Pick 3 Game 30<sup>th</sup> Anniversary promotion is scheduled to begin in August.

Mr. Blum showed the advertising board to the Commission for the Maryland Million scratch-off game and the second chance component of the \$1 million prize that would be awarded at the Maryland Million race in October 2006. Chairman Bonaventure asked if the issues were resolved. Mr. Dorsey responded Maryland Million would have a race day promotion and the Lottery would award the \$1 million prize at the race. The 12 randomly selected contestants would be present. The Lottery paid Maryland Million, Ltd. a \$25,000 licensing fee to use the name Maryland Million. Commissioner Wagner asked how do players enter the second chance promotion. The response was players send in non-winning Maryland Million scratch-off tickets for a chance to win.

Mr. Blum showed the Commission the advertising board with the sample Mr. Boh Slots scratch-off game. He also showed the print ad that would appear. Vice Chairman Marriner asked who owns the rights to the name Mr. Boh. The response was that the name is owned by Pabst Blue Ribbon. The Lottery paid a \$20,000 licensing fee to use the name.

Mr. Blum showed the Commission two examples of outdoor boards that would be seen around the State advertising the Lottery.

Chairman Bonaventure stated he attended the taping of the Ancient Treasures Game show and complimented the Lottery staff on a great job. Mr. Roogow stated in the ratings, the game show came in second at 3.7 behind the Orioles who had a rating of 4.0.

Mr. Samios commented the Lottery may receive some negative feedback on the name Mr. Boh being used on the scratch-off game and its association to beer.

## **REPORTS**

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

Ms. Andrea Johnson stated there were two revocations to present to the Commission. She stated J & J Beverages, Inc., T/A U.S. One Liquors and Wine Cellar is located at 8167 Washington Boulevard, Jessup, Maryland 20794. The agent defaulted on weekly settlements, currently owes the Lottery \$4,514.92, and a lien has been filed. The business is currently opened but the terminal is not in operation. A revocation letter was sent by certified mail to the business on May 16, 2006 and the Lottery received the signed certified card. Under Maryland law, the owner has ten days to request a hearing and none was requested. The Lottery Director is seeking the Commission's concurrence of the revocation of U.S. One Liquors and Wine Cellar. Chairman Bonaventure asked what the lien was filed against. Ms. Johnson responded the lien was filed against the assets of the business. Chairman Bonaventure made a motion to accept the revocation of the lottery license of U.S. One Liquors & Wine Cellar. Commissioner Wagner seconded the motion. The lottery license of U.S. One Liquors & Wine Cellar was revoked by unanimous vote of the Commission.

Ms. Johnson stated Thom-Jack, Inc., T/A Northway Discount Liquors is located 6628 Harford Road, Baltimore, Maryland 21214. The agent defaulted on weekly settlements, currently owes the Lottery \$3,815.83, and a lien has been filed. The business is closed and the terminal is not in operation. A revocation letter was sent by certified mail on May 16, 2006 to the business and was returned by the Post Office on May 31, 2006 marked "Return to Sender, Not Deliverable as Addressed, Unable to Forward". A copy of the revocation letter was also sent through regular mail to the owner's home address and was not returned by the Post Office to the Lottery. Under Maryland law, the owner has ten days to request a hearing and none was requested. The Lottery Director is seeking the Commission's concurrence of the revocation of Northway Discount Liquors. Commissioner Wagner made a motion to accept the revocation of the lottery license of Northway Discount Liquors. Commissioner Payne seconded the motion. The lottery license of Northway Discount Liquors was revoked by unanimous vote of the Commission.

Ms. Johnson stated since the assignment legislation went into effect, nine proposed assignment cases were filed in Baltimore City Circuit Court. The Office of the Attorney General is working with the attorney for the finance companies to establish a workable process.

Ms. Johnson stated the California Court ruled against the group challenging California's participation in the Mega Millions game. Also, there was a conflict concerning the claiming period. California has a 180 day claiming period whereas Maryland has a 182 day claiming period and some states have a one year claiming period. The California Court asked California to address that issue. California can continue to participate in the Mega Millions game. A copy of the court's decision was included with her report.

Ms. Johnson stated an outside consultant completed the review of the proposed merger of GTECH and Lottomatica. A preliminary review was presented to Lottery legal counsel by conference call and a final summary was presented in Chicago. There were no unusual problems identified.

Ms. Johnson stated her office continues to be involved with the on-line conversion project.

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

Ms. Gina Smith distributed to the Commission the unaudited statements for the month of May 2006.

Ms. Smith stated her Division has been involved in the on-line conversion process insuring that all data is converted correctly, and testing and reviewing all accounting reports.

Ms. Smith stated she is working on the new Pick and Pack system. This new system of packing books of scratch-off tickets for delivery to agents should be more efficient. Books will be delivered by UPS to the lottery agents. The warehouse is being set up to handle Pick and Pack. Tel-Sell will also be starting.

Ms. Smith stated the Claims Center in Lanham has relocated to a new location. The old Claims Center would temporarily close and the new location would reopen after July 5, 2006. A notification would be posted on the Lottery's website and on the door of the old location.

Ms. Smith stated her Division is preparing for FY2006 close-out. She stated she is also preparing the FY2008 budget that is due in August 2006.

*Information Technology – Sandy Johnson, Chief Information Officer*

Ms. Sandy Johnson gave the Commission an update of the on-line conversion project. She stated Lottery employees have attended training on the Games Management System.

Ms. Johnson stated testing of the software continues. Scientific Games has moved into their facility at Montgomery Park. Chairman Bonaventure asked if all the Scientific Games staff would be housed at Montgomery Park or if some will remain at Western Avenue. Ms. Johnson responded all the staff from Scientific Games would be located at Montgomery Park. Mr. Roogow stated Scientific Games has pulled staff from all over country to assist in Maryland's on-line conversion.

Ms. Johnson stated last year the Lottery submitted a request for a Storage Area Network. The cost was \$269,000. The request has been approved by the Department of Budget and Management.

Ms. Johnson stated there are three vacancies in the IT Division and she is currently recruiting to fill those positions.

Ms. Johnson stated IT participated in the Ancient Treasures promotion that recently ended. IT was involved in the random drawings for the \$1,000 Watch and Win promotion.

Ms. Johnson stated work continues to support the assignment legislation.

Ms. Johnson stated work is underway to support the agent commission increase that goes into effect in July 2006. Commissions increase from 5% to 5.5% on sales. Commissions remain at 3% on cashing.

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

Mr. Jimmy White stated this has been a good month for publicity for winner awareness. He stated the Director has been on numerous radio stations promoting the Ancient Treasures Game Show.

Mr. White stated that Ms. Mary Peach-Peterson of Kingsville, Maryland claimed the \$20 Million Mania scratch-off top prize of \$1 million. She was interviewed by television, radio and newspapers. There was also a Red Hot and Blue 7's scratch-off winner from the Eastern Shore claiming the top prize of \$77,000. The Lottery had a booth at Wine in the Woods in Columbia. A Post and Win contest was held and if the person's picture was posted on the Lottery's website, they could call in and win a prize pack.

Mr. White stated Communications is handling the Home Run Derby drawing contestants throughout season. There would be a drawing at end of the season awarding the \$500,000 prize.

Mr. White stated work continues on the second chance contest associated with the Maryland Million scratch-off ticket. Twelve contestants would be randomly selected with one contestant winning \$1 million and the other contestants winning smaller prizes. This

will take place on October 14, 2006 at Laurel Racetrack. The Lottery would also have a booth there.

Mr. White stated preparations are being made for the Pick 3 Game 30<sup>th</sup> Anniversary promotion.

Mr. White stated the Zoomerang event went well. The Lottery had a booth set up and conducted the evening drawings from the Zoo. The Communications staff did great job.

*Creative Services – Jill Baer, Director*

Ms. Jill Baer wanted to express her thanks to everyone for their time and effort spent on working on the Ancient Treasures Game Show. It was very successful. The show was taped on June 3, 2006 and aired on June 24, 2006. Vice Chairman Marriner asked if there was a copy of the game show available for viewing. Ms. Baer responded a copy of the game show would be sent to each Commissioner.

Ms. Baer stated she is working with the Horse Breeders Association for footage and still photos to develop a spot for the Maryland Million scratch-off.

Ms. Baer stated work has begun on the generic scratch-off campaign to film four spots. A mid-July shoot is planned.

Ms. Baer stated she is meeting with the Redskins this afternoon to negotiate a sports sponsorship package. She stated she is developing elements for the Ravens sponsorship package. Ravens radio moved from WQSR to WIYY radio station.

Ms. Baer stated she is working on the Pick 3 Game 30<sup>th</sup> Anniversary promotion.

*Product Development and Advertising – Tracey Cohen, Director*

Ms. Tracey Cohen stated she there are no new games to present to the Commission this month.

Ms. Cohen stated the promotion celebrating the 30<sup>th</sup> Anniversary of the Pick 3 game would run in August. This promotion is somewhat similar to the bonus match up promotion that ran in the past. At the end of the promotion, a \$100,000 prize would be awarded.

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

Game #488 *Hit \$500* was 99.45% sold. Sales were \$10,105,439.77 with a net profit of \$1,574,241.81.

Game #518 *Pharaoh's Gold* was 99.79% sold. Sales were \$12,460,678.74 with a net profit of \$2,025,987.19.

Game #546 *Bovine Bucks Doubler* was 74.33% sold. Sales were \$2,118,000.00 with a net profit of \$462,945.02. This game was pulled early because the top prize was claimed.

Commissioner Reeder asked for an update of the Home Run Derby promotion. Ms. Cohen responded it is doing well and the Lottery has shown an increase in sales. Mr. White stated there are approximately 5,000 entries per drawing. He stated all entries not chosen as fan of the game will be in the final drawing. Commissioner Reeder asked if the winners have been from all around the State. Ms. Cohen responded winners have been located throughout the State.

#### **Sales – Stephen Meehan, Deputy Director**

Mr. Stephen Meehan stated the Sales force is working to support the retailers through the on-line transition. The Sales force is being trained so they in turn are able to respond to all types of agent questions. Mr. Meehan stated on Thursday he is meeting with the all the Sales reps for final instructions and to discuss any issues concerning the on-line conversion.

Mr. Meehan stated Scientific Games has developed an Operator Tips information sheet for use by lottery retailers. The Commission requested that they be forwarded a copy.

#### **Procurement – Robert Howells, Director**

Mr. Robert Howells stated the Instant Ticket Games and Related Services Contract with Pollard Banknote was approved on June 7, 2006 by the Board of Public Works. Three representatives from Pollard were present at the Board meeting.

Mr. Howells stated the RFP for Televised Drawings of the Lottery's On-line Games and Related Services (#2006-10) was issued on June 20, 2006. A Preproposal Conference will be held on June 29, 2006 and the proposals are due on August 2, 2006.

Mr. Howells distributed to the Commission a tentative schedule for the Advertising Agency Services RFP. He stated work would begin to prepare the RFP and he would be in contact with Vice Chairman Marriner.

Mr. Howells stated the annual Contract with UNISYS for Hardware and Software Maintenance (#2006-20) is being prepared. The Lottery is waiting for the signed Contract from UNISYS and it is expected to be received today. This is a standard project that is done every year. The cost of the one year Contract is \$78,204. This is a sole source contract and is effective June 30, 2006 to June 29, 2007. A question was asked if there is anything different between this contract and the previous contract. Mr. Howells responded

the only difference from the previous year is that UNISYS raised a question about the liability language in the Contract. The Lottery's Legal Division worked this out with them and the issue has been addressed. If anything else arises, he would inform the Commission.

Vice Chairman Marriner made a motion to approve the Addendum to the Hardware and Software Maintenance Agreement for the Unisys LXE6500 Computer (#2006-20). Commissioner Wagner seconded the motion. The Addendum to the Hardware and Software Maintenance Agreement for the Unisys LXE6500 Computer (#2006-20) was approved by unanimous vote of the Commission.

*Policy and Development – Paul Dorsey, Director*

Mr. Paul Dorsey stated that at the recent Gaming Technology Conference that he and the Director attended they were able to view the newest gaming technology that is available.

Commissioner Wagner asked isn't there language in the current budget regarding VLT's, etc. Mr. Roogow responded the language stated that the Lottery cannot spend funds to pursue Class II or Class III machines. The technology is out there to provide new excitement to players.

Commissioner Wagner asked what is the status of slots in Pennsylvania. Mr. Dorsey responded distributorships have not yet been approved. Once that is resolved, then gaming licenses could be issued in 90 days. He stated it may be the end of this year or the first quarter of next year before they are in operation.

Commissioner Reeder asked where the Pennsylvania slots facilities would be located. Mr. Dorsey responded race tracks would be granted temporary licenses. The other eight facilities would not be chosen until the distributorship issue is resolved.

*Internal Audit – Michael Eaton, Internal Auditor*

Mr. Michael Eaton stated he has been involved this month with the on-line conversion in testing the Games Management System financial reporting functions. He has also been involved with the testing of the Internal Control System report. He is reviewing the second chance drawing promotions also.

**ADDITIONAL COMMENTS**

Mr. White invited the Commission to stop by the Communications studio today to see the demonstration of the new lottery terminal.

Commissioner Reeder stated this is the last Commission meeting for FY2006. He wanted to thank the Lottery staff and employees of Eisner and Scientific Games for an excellent year in sales and revenue.

**DATE AND TIME OF NEXT MEETING**

The next Commission Meeting is scheduled for Wednesday, July 26, 2006 at 9:00 a.m. at Lottery Headquarters.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Buddy Roogow