

**MARYLAND STATE LOTTERY COMMISSION  
AUGUST MINUTES**

DATE: August 23, 2006  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

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

Buddy Roogow, Director  
Andrea Johnson, Principal Counsel  
Sandra Johnson, Chief Information Officer, Information Technology  
Tracey Cohen, Director, Product Development and Advertising  
Jill Baer, Director, Creative Services  
Carole Everett, Assistant Director, Communications-Public Affairs  
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

## **CALL TO ORDER**

There being a quorum present, Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 9:00 a.m.

## **APPROVAL OF MINUTES**

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

## **COMMISSION BUSINESS**

Chairman Bonaventure stated copies of proposed Agency legislative proposals were received by the Commission. He stated he and Commissioner Reeder also had discussed the proposed Commission legislative proposals. However, the other Commissioners have not had the opportunity to review these proposals. The legislative proposals are due in Annapolis by September 5, 2006. Chairman Bonaventure suggested the Commission meet on Friday, September 1, 2006 to discuss the Agency and Commission legislative proposals. It was agreed by the Commission to meet on Friday, September 1, 2006 at 9:00 a.m. at Lottery Headquarters, either in person or by phone, to review the proposed Agency and Commission legislative proposals. A notice would also be published in the Sunpapers.

## **REPORTS**

### *Product Development and Advertising – Tracey Cohen, Director*

Ms. Tracey Cohen stated she had nine new games to present to the Commission this month.

Game #618 *Blackout Bingo* is a \$2.00 ticket with a prize payout of 64.46% and a print run of 7.9 million tickets. If 85% of the tickets are sold, the profit would be \$3,317,048. If 100% of the tickets are sold, the profit would be \$3,929,322.

Game #619 *Doubling Star Crossword* is a \$3.00 ticket with a prize payout of 67.00% and a print run of 7.9 million tickets. If 85% of the tickets are sold, the profit would be \$4,549,533. If 100% of the tickets are sold, the profit would be \$5,379,305.

Game #620 *Jingle Bell Bucks* is a \$1.00 ticket with a prize payout of 58.02% and a print run of 2.8 million tickets. If 85% of the tickets are sold, the profit would be \$575,721. If 100% of the tickets are sold, the profit would be \$715,262.

Game #621 *Cashing Through the Snow* is a \$1.00 ticket with a prize payout of 58.00% and a print run of 2.8 million tickets. If 85% of the tickets are sold, the profit would be \$645,804. If 100% of the tickets are sold, the profit would be \$786,682.

Game #622 *Holiday Cheer* is a \$2.00 ticket with a prize payout of 63.98% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$764,090. If 100% of the tickets are sold, the profit would be \$936,872.

Game #623 *Home for the Holidays* is a \$5.00 ticket with a prize payout of 72.00% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$1,500,575. If 100% of the tickets are sold, the profit would be \$1,803,325.

Game #624 *Deal or No Deal* is a \$3.00 ticket with a prize payout of 67.00% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$490,558. If 100% of the tickets are sold, the profit would be \$701,099.

Ms. Cohen stated Mr. Dorsey is working with MDI on the licensing agreement for the Deal or No Deal scratch-off this game. The television game show starts the beginning of October and the Lottery would like to begin the process of finalizing the working papers as well as the printing of the scratch-off tickets. The contract is not available to be approved as yet. The Lottery would like to present the contract to the Board of Public Works in the beginning of October. The licensing agreement should be available at the next Commission meeting. A question was asked as to what risks are involved if the Lottery does not obtain approval for this licensing agreement. Mr. Roogow responded the new contract is based on revenue received on the sale of scratch-off tickets. The risk would be for to Pollard Banknote, not the Lottery. Commissioner Wagner asked what is the cost of the licensing fee. Mr. Dorsey responded the licensing fee is approximately \$150,000.

Game #625 *Jack Frost* is a \$5.00 ticket with a prize payout of 72.00% and a print run of 3.1 million tickets. If 85% of the tickets are sold, the profit would be \$2,301,709. If 100% of the tickets are sold, the profit would be \$2,734,806.

Game #626 *Holiday Magic* is a \$10.00 ticket with a prize payout of 74.96% and a print run of 1.2 million tickets. If 85% of the tickets are sold, the profit would be \$1,366,627. If 100% of the tickets are sold, the profit would be \$1,645,739.

Chairman Bonaventure made a motion to approve Game #618 *Blackout Bingo*, Game #619 *Doubling Star Crossword*, Game #620 *Jingle Bell Bucks*, Game #621 *Cashing Through the Snow*, Game #622 *Holiday Cheer*, Game #623 *Home for the Holidays*, Game #624 *Deal or No Deal*, Game #625 *Jack Frost*, and Game #626 *Holiday Magic*. Commissioner Payne seconded the motion. Game #618 *Blackout Bingo*, Game #619 *Doubling Star Crossword*, Game #620 *Jingle Bell Bucks*, Game #621 *Cashing Through the Snow*, Game #622 *Holiday Cheer*, Game #623 *Home for the Holidays*, Game #624 *Deal or No Deal*, Game #625 *Jack Frost*, and Game #626 *Holiday Magic* were approved by unanimous vote of the Commission.

## **EISNER COMMUNICATIONS**

Mr. David Blum stated Eisner is working on television commercials to support the scratch-off product. A number of radio stations throughout the State would be having their on air personalities promote specific scratch-off tickets on air. Mr. Blum played the sample radio commercial for the Commission.

Mr. Blum also showed the Commission the four new scratch-off television spots that would air starting on August 28, 2006.

## **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Ms. Sean Athey stated Scientific Games in the process of preparing for the launch of the Racetrax game. It will debut at the State Fair this weekend then would be installed at various agent locations. Mr. Roogow stated he would speak further on the Racetrax game when he gives his Director's Report.

Ms. Athey stated Scientific Games is clearing up some issues post conversion.

Ms. Athey stated the Tel-Sell Unit has started making calls to Lottery agents. She stated there are ten operators who call 100 to 120 retailers each day. All Lottery retailers are contacted at least once a week. Commissioner Wagner asked if retailers use Tel-Sell to order supplies. Ms. Athey responded Tel-Sell deals only with instant tickets and the retailer must call the hotline or go through the on-screen system to order supplies.

Commissioner Wagner stated he was approached by someone about the darkness of some of the Keno monitor screens and asked if the Lottery is addressing that issue. Ms. Athey responded they are following up this issue regarding the darkness of the monitor screens. Mr. Roogow asked Scientific Games to check the monitor at Snyder's of Willow Grove in Linthicum and let him know the outcome. Ms. Johnson stated this issue should be wrapped taken care of with the enhancements. Ms. Athey stated older monitors are being replaced due to the images being burned into the screens.

## **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated Ms. Gina Smith is on vacation this week and he would be presenting his report as well as the reports for AFO and Sales.

Mr. Roogow stated AFO is working on the fiscal year end closing. There are no financial statements to present.

Mr. Roogow stated that Mr. Steve Meehan, Deputy Director of Sales has resigned from the Lottery. Mr. Roogow stated he has asked Ms. Smith to take on the duties of managing the Sales Division for the time being.

Mr. Roogow stated for the first time in many years Lottery sales are running behind compared to last year. The primary reason is that Mega Millions has not had a substantial jackpot since March or April 2006. Last week the winner of the \$49 million Mega Millions jackpot came in. They are from Prince Georges County and they wanted no publicity. The Lottery was able to get publicity prior to the winner coming in the DC market with the help of Mr. White and Ms. Everett.

Mr. Roogow stated last week a woman from the Frederick area called and said she had the winning Mega Millions jackpot ticket. She came to Lottery headquarters with her attorney. She claimed she purchased the ticket at a 7-11 in the Frederick area. The ticket did have the correct winning numbers for that drawing; however, it did not pass other validation requirements. The SGI watermark was not on the back of the ticket, there was a different print type and it was not printed on the thermal paper stock. It was a fraudulent ticket and this was explained to the woman. She denied anything other than that she purchased it from a clerk at the 7-11 store. The Lottery kept the fraudulent ticket.

Mr. Roogow stated Mega Millions sales account for \$5 million of the \$8 million the Lottery is behind in sales. One of the reasons for the sluggish sales is the excessive heat in July and August. Equally impacting sales was the price of gas. Last year when gas prices spiked there was a sluggish period of sales. The conversion may also have had a small impact on sales. The only area currently growing is the instant tickets. Keno Bonus sales are up slightly. Lottery revenue is ahead by approximately \$1 million as compared to last year at this time.

Mr. Roogow stated the Racetrax game begins this Friday at the State Fair. If everything runs smoothly, the Lottery would expand it to retailer locations at approximately 10 retailers per week. The Lottery would carefully monitor the game to measure any cannibalization of Keno. The Lottery hopes to have Racetrax installed at approximately 300 locations by Thanksgiving and then to approximately 1,000 locations by sometime in the winter. The Lottery wants to ensure that Lottery retailers are sufficiently trained to run the game.

Commissioner Wagner asked how does the Lottery determine what retailers receive the Racetrax game. Mr. Roogow responded volume is most important in the beginning, but if a retailer requests the game and the Lottery believes it is a reasonable location, then it would be installed.

Mr. Roogow asked the Commission if they had an opportunity to visit Scientific Games new location in Montgomery Park. The Commission responded they have toured the facility and have also visited the Lottery's warehouse facility.

Mr. Roogow stated the Maryland Million race is Saturday, October 14, 2006. The Maryland Million \$5 scratch-off ticket with a \$50,000 top prize available at retailer locations and this ticket has a second chance component. The Lottery is trying to do its part to promote the horse racing industry. In conjunction with the second chance

component, six contestants will be chosen at the State Fair on September 2, 2006 and then six more contestants will be chosen on October 2, 2006. These 12 contestants would have a chance to win the \$1 million prize that would be given away on October 14, 2006 at the Maryland Million in Laurel. Gabrielle Abiera will host the two to three minute contest with the 12 finalists. Non-winning Maryland Million scratch-off tickets can also be used for entry to Laurel racetrack on October 14, 2006 and a chance to win other prizes. Mr. Dorsey stated the Lottery has been invited to attend their Board meeting at Laurel tomorrow to go over the item the Lottery is doing relative to the Maryland Million race.

Mr. Roogow noted some concern had been previously raised concerning the Mr. Boh Slots scratch-off ticket and its possible name association with alcohol. To date, no issues have been raised.

Mr. Roogow stated Channel 7 "Seven on Your Side" will probably air a story tonight concerning the use of credit cards at Lottery retailer locations. Apparently a stolen credit/debit card was used at a 7-11 to purchase a number of items including scratch-off tickets. The Lottery's on-line terminals do not allow the use of credit/debit cards. The Lottery is investigating this and would also remind the retailers that the use of credit/debit cards to purchase lottery tickets is prohibited.

Chairman Bonaventure asked what is the Lottery's policy on criminal referral relating to someone presenting a fraudulent ticket. Ms. Johnson stated it is the Agency's decision to refer the case to the State Attorney.

Mr. Roogow stated penalties in the amount of \$158,313 have been issued thus far to Scientific Games relative to the on-line conversion. These penalties are for the loss of revenue during system downtime. The Lottery is calculating some other losses that have also occurred. The money from the penalties goes towards reducing the vendor fees they charge.

## **REPORTS (continued)**

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

Ms. Andrea Johnson stated there were no revocations to present to the Commission this month.

Ms. Johnson stated a hearing is scheduled for September 11, 2006 before Baltimore City Circuit Court concerning three assignments petitions. Also, a motion to allow a foreign business trust to receive lottery payments was filed by Peachtree. Additional notices of assignment have been received. Ms. Johnson is working with Ms. Smith on these assignments. She will keep the Commission updated.

Ms. Johnson stated a decision was issued in the case of F.A.C.E. Trading, Inc. versus States Attorney of Worcester County. F.A.C.E. Trading engages in the business of marketing and

distributing ad tabs from dispensing machines. These coupons entitle someone to receive discounts on consumer products and win cash prizes. A Lottery location in Ocean City had such a machine and the retailer was directed by the Worcester County States Attorney's Office to remove the machine. F.A.C.E. Trading file a suit in Circuit Court for Worcester County seeking a ruling. After two years, the Court of Appeals found that this was an illegal gaming operation for cash prizes. A copy of the court's decision was included with her report.

Ms. Johnson stated there are two matters before the Maryland Human Relations Commission. The Lottery has denied that it discriminated in any manner against the complainants. She will keep the Commission updated.

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

Ms. Sandy Johnson stated IT is working to get back to a sense of normalcy after the conversion. There are still items to clear up to make the system run better.

Ms. Johnson stated this time was spent this month in reviewing and reconciling the reports produced by the GMS Reporting System. There were some issues with the reports not balancing. Some of these problems have been resolved.

Ms. Johnson stated a number of Lottery retailers had alternate communications of CDMA's when conversion occurred in July. Many of those agents have been moved to VSAT's or DSL communications. She stated the Lottery formally terminated its \$4.5 million contract with Verizon.

Ms. Johnson stated testing is being conducted to launch the Racetrax game on August 25, 2006 at the Sate Fair.

Ms. Johnson stated the Conversion Committee and IT staff are working with Scientific Games on a list of open items. According to the contract, Scientific Games has a 90 day performance period to fix any outstanding items.

Ms. Johnson stated the Lottery has requested a game raffle from Scientific Games. This type of game has been done in Pennsylvania and Ohio. It would require a terminal program and software change. The Lottery would like to launch the game by November 2006. There was additional discussion regarding how the raffle promotion would work as well as the prize structure. Ms. Johnson stated additional information would be available at next month's meeting.

Ms. Johnson stated recruitment continues for the four vacancies in the IT Division.

Ms. Johnson stated IT is currently supporting two promotions, the Pick 3 30<sup>th</sup> Anniversary promotion and the Keno Doubler promotion. She stated another promotion is planned for September called Poodles that utilizes brand imaging and Let Yourself Play logo. This

promotion is similar to the Bovine brand image campaign. This new promotion would begin on September 25, 2006 and run through October 2006. It requires software modifications and a new terminal program.

*Communications* – **Carole Everett, Assistant Director-Public Relations**

In Mr. Jimmy White's absence, Ms. Carole Everett presented the Communications Division Report. She stated Communications Division has been busy promoting the Lottery throughout the State. She stated the Lottery won the award for their booth set up at the Maryland Association of Counties Conference in Ocean City. Chairman Bonaventure stated the Lottery did a wonderful job.

Ms. Everett stated the Communications staff would be set up on Ravens walk with 98 Rock radio station. The Director would be doing the Tail Gate Program again this year. This year for the first time the Lottery would be selling lottery tickets on Ravens Walk.

Ms. Everett stated the Director and Mr. White have been on a number of radio stations talking about the Lottery's fiscal year end numbers.

Ms. Everett stated it has been a great month for winners. The \$49 million Mega Millions jackpot winner came in. There was pre-publicity about the unclaimed jackpot prior to the winner coming forward.

Ms. Everett stated 23 news clippings were evaluated by Eisner and valued at \$17,143.05. She stated the Promotional Partners Program supplied its promotional partners with \$5,125 worth of scratch-off tickets and received a promotional value of \$109,132 in on-air mentions.

Ms. Everett stated numerous contacts were made with VIP Club members giving away tickets to concerts and also informational updates. There are currently 31,611 VIP Club members.

Ms. Everett stated this Friday is Maryland Lottery Day at the State Fair. There would be live drawings of the Pick 3, Pick 4 and Bonus Match 5 games that evening. The Racetrax Game would also be launched.

Ms. Everett stated the first six contestants for the Maryland Million second chance promotion would be chosen on September 2, 2006 at the State Fair. To date, 20,000 entries have been received.

Ms. Everett stated to date 110 Fans of the Game have been chosen in the Home Run Derby promotion and \$115,500 in prizes have been given away.

*Creative Services – Jill Baer, Director*

Ms. Jill Baer stated the generic scratch-off commercials would air on August 28, 2006 and run for three weeks. Also, new scratch-offs would be supported with radio commercials, station promotions and DJ endorsements during the same time period.

Ms. Baer stated advertising continues on the Pick 3 30<sup>th</sup> Anniversary promotion until the end of the month. Also, the Lottery is utilizing community print to highlight retailers who sold winning \$30,000 tickets. The grand prize drawing of \$300,000 would be televised on August 31, 2006.

Ms. Baer stated advertising of the Maryland Million scratch-off would air for three weeks in August to support the ticket and Maryland horse racing. She stated she is negotiating with a race day broadcast partner to develop promotion in the weeks leading to the race. Ms. Baer stated the grand prize of \$500,000 for the Home Run Derby promotion would be announced during the third game of the World Series.

Ms. Baer stated she is in the process of developing creative elements for the Ravens sponsorship package, including Smart Vision features, LED signs and the Tailgate Patrol. It would be ready for the home opener on September 17, 2006.

Ms. Baer stated the Lottery has partnered with Redskins Radio in conjunction with the Virginia Lottery to sponsor the Drive of the Game contest to promote Mega Millions.

*Internal Audit – Michael Eaton, Internal Auditor*

Mr. Michael Eaton stated he is currently working on documenting agency processes and internal controls. He stated he is also observing the drawings associated with the Pick 3 30<sup>th</sup> Anniversary, \$25 Million Frenzy and Mega Millions Home Run Derby promotions to ensure they are performed in accordance with procedures.

*Procurement – Robert Howells, Director*

Mr. Robert Howells stated proposals have been received in response to the Televised Drawings RFP and it is in the evaluation phase. All the offerors have been requested to come in the first week of September for oral presentations. By the September meeting, he may have a recommendation to present to the Commission.

Mr. Howells stated a preliminary meeting was held regarding the Advertising RFP. He sent a draft copy of the RFP to Vice Chairman Marriner. After the Televised Drawings RFP is completed, meetings would be scheduled to review the Advertising RFP draft.

*Policy and Development – Paul Dorsey, Director*

Mr. Paul Dorsey stated a packet of Agency legislative proposals is contained in the Commissioners folders. The legislation deals with procurement, personnel, prize winners and agent fees. Mr. Dorsey gave a brief overview of the proposed legislation.

Mr. Reeder stated on his way to Ocean City last week he saw a billboard in Maryland advertising slots. Mr. Roogow stated the billboard advertising was most likely for slots at Harrington's Midway facility in Delaware.

Mr. Reeder asked what is the status of slots in Pennsylvania. Mr. Dorsey responded they are going through the approval process, and hope to have the first facility operating by January 2007, at either Penn National or Harrah's Chester.

**DATE AND TIME OF NEXT MEETING**

Chairman Bonaventure reminded the Commissioners of the special meeting being held on Friday, September 1, 2006 at 9:00 a.m. to discuss the Agency and Commission legislative proposals.

The next regular Commission Meeting is scheduled for Wednesday, September 27, 2006 at 9:00 a.m. at Lottery Headquarters.

**ADJOURNMENT**

There being no further business, Chairman Bonaventure made a motion to adjourn the meeting and the motion was seconded by Commissioner Wagner. The meeting was adjourned at 10:45 a.m.

Respectfully submitted,



Buddy Roogow