

**MARYLAND STATE LOTTERY COMMISSION  
JANUARY MINUTES**

DATE: January 25, 2007  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank Bonaventure  
Vice Chairman E. Randolph Marriner  
Commissioner Bruce Reeder  
Commissioner George Wagner

Buddy Roogow, Director  
Gina Smith, Assistant Director, CFO  
Andrea Johnson, Principal Counsel  
John Gallagher, Chief Information Officer, Information Technology  
Tracey Cohen, Director, Product Development and Advertising  
Jimmy White, Director, Communications  
Jill Baer, Director, Creative Services  
Robert Howells, Director of Procurement  
Paul Dorsey, Director of Policy and Development  
Michael Eaton, Internal Auditor  
Marie Torosino, Executive Associate

**OTHERS**

PRESENT: Sean Athey, Scientific Games Online Entertainment Systems  
Jody Zafrir, Trahan, Burden & Charles  
Darren Barnes, Maryland Lottery Agents Coalition

## **CALL TO ORDER**

There being a quorum present, Chairman Bonaventure called the meeting of the Maryland Lottery Commission to order at 9:02 a.m.

## **APPROVAL OF MINUTES**

Chairman Bonaventure requested a motion to approve the December Minutes. Vice Chairman Marriner made a motion to approve the December Minutes and Commissioner Reeder seconded the motion. The December Minutes were approved by unanimous vote of the Commission.

## **COMMISSION BUSINESS**

The appointment of the Chairman of the Lottery Commission takes place annually in January. Vice Chairman Marriner made a motion to nominate Frank Bonaventure as Chairman of the Lottery Commission. Commissioner Reeder seconded the motion. The motioned was passed by unanimous vote of the Commission with Chairman Bonaventure recusing himself from the vote.

The appointment of the Vice Chairman of the Lottery Commission takes place annually in January. Chairman Bonaventure made a motion to nominate Randy Marriner as Vice Chairman of the Lottery Commission. He stated in the event of the Chairman's absence, the Vice Chairman will serve as the Chairman until the following January. Commissioner Wagner seconded the motion. The motion was passed by unanimous vote of the Commission with Vice Chairman Marriner recusing himself from the vote.

Chairman Bonaventure stated that at last month's meeting he requested clarification of a change to COMAR Section 14.01.05.02.C. Prize Payment, "The winner shall have the actual original ticket in order to make a claim." Ms. Johnson stated Ms. Williams would be coming into the meeting to respond.

## **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Ms. Sean Athey wished the Commissioners a Happy New Year. She stated sales are picking up. Scientific Games is working on installation of the Racetrax game at agent locations. There are currently 868 agents selling Racetrax and they are working toward the goal of 1,000 plus agents by end of January 2007.

Commissioner Reeder asked if there are Racetrax agents in Prince George's and Montgomery Counties. Ms. Athey responded there are a significant number of Racetrax agents in those areas as well as all other Maryland counties. The Lottery's Sales Division supplies Scientific Games with a list of agents with the greatest sales potential.

At this point, Mr. Roogow introduced Mr. John Gallagher the new IT CIO. He previously worked at the Department of Human Resources as a Deputy.

Mr. Roogow stated this is Mr. Jimmy White's last meeting and the Lottery will be sorry to see him go. He has been with the Lottery for nine years.

Mr. Roogow introduced Ms. Jody Zafrir from Trahan, Burden and Charles. She stated she is the Account Director at the ad agency and has been with them for more than 20 years.

Mr. Roogow also introduced Mr. Darren Barnes from the Maryland Lottery Agents Coalition.

### **TRAHAN, BURDEN & CHARLES**

Ms. Jody Zafrir, Account Director, stated Trahan, Burden and Charles has been working on the Countdown to Millions promotion. An ad ran this week in Community newspapers across the State with names and pictures of winners. She showed the ad to Commission.

Ms. Zafrir stated Trahan, Burden and Charles is working on Pick 3 Let It Snow promotion. She showed the Commission an example of the sign that will appear on transit buses in the Baltimore and DC regions as well as a point-of-sale poster for the agent locations. A television spot was filmed at a Highlandtown grocery store. The promotion ends on March 4, 2007. Another spot was filmed in Fells Point for the \$25 Million Frenzy scratch-off that will re-launch on February 12, 2007. This promotion will be supported by point-of-sale, television and radio.

### **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated total sales are approximately \$8 million behind last year. Several months ago sales were approximately \$11 million behind. Mega Million sales are running approximately \$23 million behind last year.

Mr. Roogow stated on February 8, 2007, he will be going to Atlanta, Georgia for a meeting with representatives from Mega Millions and Powerball states to discuss the potential of a multi-state raffle game similar to what individual states have done and other possible ventures.

Mr. Roogow stated Pick 3 sales are down, Pick 4 sales are ahead, and Keno sales are down. The Lottery is going to be running a few more promotions this year. Mr. Roogow stated monitor game sales are ahead by approximately \$17 million because of the Racetrax game. There is an eight to nine percent cannibalization of Keno as a result of the Racetrax game.

Mr. Roogow stated revenues are down more than sales because the Lottery has had huge hits in last few weeks. The number 9999 hit two weeks ago and the Lottery paid \$6.5 million more than it took in. In another example, a gentleman came to the Lottery with

winning Pick 4 tickets from the same drawing. He played the number 5359 straight 50 times and won \$250,000. Mr. Roogow stated he asked the winner why he played that particular number and the winner said he saw it on a license plate. On that number the Lottery would have normally made money.

Mr. Roogow stated another reason revenues are down is due to the Lottery agents now earning an extra one-half percent on sales which is approximately \$8 million in revenue. The retailers deserve the extra earnings money, but it does have an impact on revenue collections.

Mr. Roogow stated the Countdown to Millions game was a big success and over 325,000 tickets were sold. The drawing was delayed to January 1, 2007 because of the time change for the Ravens playoff game on New Year's Eve. Sales were heavy the last week of the game after the advertising kicked in. Winners were from all over the State and they had to accept publication of their name as part of the game requirements. The Lottery hopes to run another raffle game in the future.

Mr. Roogow stated the \$25 Million Frenzy scratch-off game is being relaunched. The ticket was pulled from retailers last summer because sales were slow. New advertising will begin on February 12, 2007.

Mr. Roogow stated the Lottery is in discussion with the Orioles for a promotion package. Ms. Cohen will discuss this with her report.

Mr. Roogow stated the Lottery had an excellent year at the Ravens Walk at the stadium and looks forward to next year.

Mr. Roogow stated on January 29, 2007 the Lottery drawings would begin on WBAL-TV Channel 11. WBAL has been doing an excellent job advertising that fact. If the Commissioners would like to see the set and how the drawings are run on Channel 11, he would be happy to arrange a time.

Mr. Roogow stated on January 24, 2007 the Lottery had a budget hearing before the House Appropriations Transportation and Environment Subcommittee. The Chairman is Tawanna P. Gaines and Vice Chairman is Murray D. Levy. Mr. Roogow reviewed lottery sales with the Committee and what the Lottery is going to do to meet its goal.

Commissioner Wagner asked how many Countdown to Millions tickets were supposed to be sold. Mr. Roogow responded the goal was to sell 420,000 tickets and the Lottery sold 325,000. Commissioner Wagner stated that is 22% less. Mr. Roogow responded in the last week approximately 25% of the tickets were sold. The problem was that there was no advertising until the last week of sales because the Lottery did not have an advertising agency. Players told us that once they saw the advertising, they started purchasing tickets.

## **REPORTS**

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

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

Ms. Johnson stated an assignment hearing is scheduled for January 29, 2007. She is working with the Court to streamline the process. The Lottery would like to schedule the hearing dates based upon the Lottery's four annual payment dates. This would eliminate the financial companies from continually seeking waivers of time requests from the Lottery. Ms. Johnson stated she has designated some assignment cases to each Assistant Attorney General at the Lottery to handle because the workload is building and each case is time consuming.

Mr. Johnson stated her office continues to work on the Eisner Communications contract default matter.

Ms. Johnson stated a lawsuit has been filed against the Lottery and a Lottery employee. The complaint alleges that a State vehicle hit a car occupied by four people and that as a result the four people sustained injuries. The Lottery employee stated there was no collision or contact and no damage to the vehicles. The Lottery intends to defend against this complaint and the matter continues to be reviewed by the Lottery.

Ms. Johnson stated she and Counsel for the Comptroller's Office are reviewing suggested assignment law language to draft an amendment to reflect the proposed changes from both agencies.

Ms. Johnson stated charges were filed by the Maryland Human Relations Commission and the case was recently dismissed because the complainant failed to cooperate.

Ms. Johnson stated the Legal Division continues to work on general contract matters, review of marketing materials, game rules and tax issues

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

Ms. Gina Smith stated the 1099's should be completed and mailed by the end of the day and the W2Gs are also being sent out. Chairman Bonaventure asked what is the required mailing date. Ms. Smith responded January 31, 2007 is the required mailing date. Tapes would be sent to IRS by mid-February. The Lottery will be meeting its deadlines.

Ms. Smith stated the Accounting Division is working with Stout Causey and Horning and Scientific Games to finalize the SAS-70. Beginning in FY2007, Scientific Games will be responsible for procuring a vendor to perform the SAS-70.

Ms. Smith stated Human Resources is working to fill position vacancies. The Sales representative, IT CIO and Support Services positions were filled. The Lottery is currently

recruiting for the webmaster position in Communications and a position in the Customer Resource Center.

Ms. Smith stated the Sales Division has been busy promoting the Countdown to Millions game. Sales reps have been present in Malls and at high volume agent locations conducting Lottery promotions. Sales reps are making sure that all Let It Snow point-of-sale materials are in posted at agent locations.

Ms. Smith stated Mr. Jeff Sinacori, a top retailer in New York will be coming to the Lottery to give a motivational speech to the Sales Division. The purpose of the presentation is to teach Sales Reps how to sell Lottery. Scientific Games is contracting to bring him in. The Lottery will do training in phases, first with the Sales Reps and then provide presentations to Lottery retailers.

Chairman Bonaventure asked if the Lottery runs promotions to reward its top sales reps. Mr. Roogow responded that it does award a plaque for Sales rep of the month and quarter, but by law, the Lottery cannot give any monetary awards. Mr. Roogow stated at one time there was an incentive program for all State employees, but it was eliminated. Mr. Roogow suggested that the Lottery look at what other state Lotteries are doing. Chairman Bonaventure agreed and asked that the Commission be informed as to what incentive programs other state lotteries are doing for their employees.

Ms. Smith stated Sales continues to make recommendations for new Racetrax locations. Scientific Games installs the locations and the Lottery Sales reps train the retailers.

#### *Information Technology – John Gallagher, Chief Information Officer*

Chairman Bonaventure stated on behalf of the Commission, he wanted to welcome Mr. John Gallagher to the Lottery.

Mr. Gallagher stated he is reviewing any outstanding conversion issues. He stated he is also reviewing the Lottery's Disaster Recovery Plan and Data Security Plan.

Mr. Gallagher stated he is evaluating the retailer hotline services calls that have been received by Scientific Games. The calls are decreasing.

Commissioner Reeder asked if a final payment to Verizon has been determined. Mr. Gallagher responded it has not been determined as yet.

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

Chairman Bonaventure stated on behalf of the Commission, they have enjoyed working with Mr. White and he will be missed. Mr. Jimmy White thanked the Commission and stated that Monday is his last day. Chairman Bonaventure stated Mr. White and the Communications Division has done a great job.

Mr. White stated the VIP Club currently has 33,415 members and five promotions were run last month.

Mr. White stated Promotional Partners supplied its radio partners with \$3,925 worth of scratch-offs and received a promotional value of \$82,466 in on-air mentions. Chairman Bonaventure asked if promotional tickets are counted as sold in the sales reports. Ms. Smith responded they are counted in the sold category.

Mr. White stated approximately 20 to 30 promotions were held throughout the State promoting the Countdown to Millions game.

Mr. Barnes stated now that the Lottery drawings have been switched to WBAL-TV, the Western Maryland area cannot pick up this station. He asked what if the Lottery would be looking at this issue. Mr. Roogow responded the Lottery is looking at options for broadcasting the winning numbers in the Western Maryland area as well the Washington market. The Lottery would resolve this issue.

#### *Creative Services – Jill Baer, Director*

Ms. Jill Baer stated the Pick 3 Let It Snow Promotion begins on February 5, 2007 with advertising on television, radio and signage on buses in the Baltimore and suburban DC areas.

Ms. Baer stated for the relaunch of the \$25 Million Frenzy scratch-off, the Lottery plans to shoot a commercial with the Director and Steve Rouse. Television advertising would run for two to three weeks. Advertising would also include radio, billboards in Baltimore and signage in metro stations in the DC area.

Ms. Baer stated a generic spot was shot to be used for the promotion of lottery products.

Ms. Baer stated she is working on a package for advertising on the day of the Super Bowl.

Commissioner Reeder asked if Maryland is still jointly advertising the Mega Millions with Virginia. Ms. Baer responded yes.

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

Ms. Tracey Cohen stated the Lottery's relationship with Trahan, Burden and Charles is going well and they are coming up with some creative ideas.

Ms. Cohen presented five new games to the Commission this month.

Game #627 *Instant Pick 3* 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 \$451,679. If 100% of

the tickets are sold, the profit would be \$593,594. She also showed the Commission the point-of-sale artwork for this scratch-off ticket.

Game #637 *7<sup>th</sup> Inning Stretch* is a \$1.00 ticket with a prize payout of 59.92% and a print run of 2.6 million tickets. If 85% of the tickets are sold, the profit would be \$32,682. If 100% of the tickets are sold, the profit would be \$153,598. A copy of artwork for this ticket was shown to the Commission. Ms. Cohen stated the Lottery is working with the Orioles on a promotional package associated with the ticket. Once the contract is signed and she has the final price, she will inform the Commission. A large advertising expense was estimated on this ticket.

Game #643 *Cash Garden Tripler* is a \$2.00 ticket with a prize payout of 63.95% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$827,202. If 100% of the tickets are sold, the profit would be \$1,000,092. Chairman Bonaventure asked if there is any advertising associated with this scratch-off ticket. Ms. Cohen responded there is no advertising expenditure associated with this ticket.

Game #645 *Blackjack Doubler* is a \$2.00 ticket with a prize payout of 64.00% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$815,605. If 100% of the tickets are sold, the profit would be \$986,448.

Game #651 *Ruby Red 7's* is a \$2.00 ticket with a prize payout of 64.00% and a print run of 2.1 million tickets. If 85% of the tickets are sold, the profit would be \$810,088. If 100% of the tickets are sold, the profit would be \$979,957.

Vice Chairman Marriner made a motion to approve Game #627 *Instant Pick 3*, Game #637 *7<sup>th</sup> Inning Stretch*, Game #643 *Cash Garden Tripler*, Game #645 *Blackjack Doubler*, and Game #651 *Ruby Red 7's*. Chairman Bonaventure seconded the motion. Game #627 *Instant Pick 3*, Game #637 *7<sup>th</sup> Inning Stretch*, Game #643 *Cash Garden Tripler*, Game #645 *Blackjack Doubler*, and Game #651 *Ruby Red 7's* 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 #514 *Poker Showdown* was 99.06% sold with a net profit of \$1,704,876.45.

Game #520 *Royal Riches* was 99.37% sold with a net profit of \$1,250,769.63.

Game #539 *Triple Money Bags* was 98.64% sold with a net profit of \$967,743.17.

Game #542 *Red Cherries Doubler* was 99.89% sold with a net profit of \$2,789,901.94.

Game #547 *5 Times the Money* was 99.93% sold with a net profit of \$2,865,688.83.

Game #556 *Tic Tac Wow Doubler* was 95.46% sold with a net profit of \$671,516.20.

*Internal Audit – Michael Eaton, Internal Auditor*

Mr. Michael Eaton stated his report contains the results of the Calendar Year 2006 Internal Audit Plan and the proposed Calendar Year 2007 Internal Audit Plan.

Mr. Eaton stated in the CY2006 Internal Audit Plan he completed the game system conversion review. The second chance drawing observations are on-going. He is in the process of obtaining responses to the Internal Controls over Finance Reporting Review.

Mr. Eaton stated for the CY2007 Internal Audit Plan he would be reviewing the processes in the Product Development and Creative Services, Communication, Sales and IT Divisions. Chairman Bonaventure requested that Mr. Eaton set up a time to meet with the Commission Audit Committee.

*Policy and Development – Paul Dorsey, Director*

Mr. Paul Dorsey stated included with his report is a copy of legislation on gaming issues that have arisen since the Legislative session began. Also included with his report for the Commission's review is a copy of Pennsylvania gaming revenue.

*Procurement – Robert Howells, Director*

Mr. Robert Howells stated items one through six in his report are updates on issues discussed at the December meeting.

Mr. Howells stated item seven is the renewal for Maintenance Services for the Instant Ticket Vending Machines Contract #2005-08 with GTECH. This renewal is option number two of two. The contract is scheduled to be presented to the Board of Public Works on February 14, 2007. He is requesting the Commission's approval for this second renewal option.

Chairman Bonaventure made a motion to approve renewal option number two for Maintenance Services for Instant Ticket Vending Machines Contract #2005-08 with GTECH Corporation and the motion was seconded by Commissioner Wagner. The motion passed by unanimous vote of the Commission.

Mr. Howells stated work has begun on the new long-term Advertising Agency Services RFP. It is anticipated to be issued in February 2007. Vice Chairman Marriner is part of the group developing the RFP. Mr. Howells stated the RFP will be broken down into four functional areas allowing offerors to submit proposals on any one or all four areas.

Ms. Johnson stated Ms. Williams is not feeling well and asked Ms. Johnson to respond to the Chairman's question regarding the wording in COMAR Section 14.01.05.02.C. Prize Payment, "The winner shall have the actual original ticket in order to make a claim." This language will require the actual ticket to be produced and not a certified copy of the ticket.

Mr. Roogow suggested that the Commission might want to hold a future Commission meeting at WBAL-TV studios. The Lottery would work with WBAL-TV to arrange this.

**DATE AND TIME OF NEXT MEETING**

The next Commission Meeting is scheduled for Wednesday, February 28, 2007 at 9:00 a.m. at Lottery Headquarters.

**ADJOURNMENT**

Chairman Bonaventure requested a motion to adjourn the meeting. Commissioner Reeder moved that the meeting be adjourned and it was seconded by Commissioner Wagner. The meeting adjourned at 10:15 a.m.

Respectfully submitted,

Buddy Roogow