

**MARYLAND STATE LOTTERY COMMISSION  
MARCH MINUTES**

DATE: March 26, 2008  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Stanley S. Fine  
Vice Chairman Matthew Thomas  
Commissioner E. Randolph Marriner  
Commissioner Bruce Reeder  
Commissioner George Wagner

Buddy Roogow, Director  
Gina Smith, Assistant Director/CFO  
James Butler, Acting Principal Counsel  
John Gallagher, Chief Information Officer, Information Technology  
Tracey Cohen, Director, Product Development, Creative Services and  
Communications  
Jill Baer, Director, Creative Services  
Carole Everett, Director, Communications  
Alvin Ringgold, Director, Sales  
Paul Dorsey, Director, Policy and Development  
Robert Howells, Director, Procurement  
Paula Kreuzburg, Director, Recruitment  
Michael Eaton, Internal Auditor  
Marie Torosino, Executive Associate

**OTHERS**

PRESENT: Jerry Woods, Scientific Games Online Entertainment Systems  
Jody Zafrir, Trahan, Burden and Charles  
Jeff Millman, Gray, Kirk/VanSant  
Lori Denton, Pollard Banknote  
Darren Barnes, Maryland Lottery Agents Association

## **CALL TO ORDER**

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

## **APPROVAL OF MINUTES**

Chairman Fine stated the February Minutes were sent to the Commission members for review and a copy is contained in their folders with redline changes. Chairman Fine said he would entertain a motion to approve the Minutes. Vice Chairman Thomas made a motion that the Minutes as modified be approved and it was seconded by Commissioner Marriner. The February Commission Minutes as modified were approved by unanimous vote of the Commission, with Commissioner Wagner recusing himself from the vote since he was not present at the February Meeting.

## **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Mr. Jerry Woods stated Scientific Games (SGI) is focusing on the Player Activated Terminals (PATs). The software has been received and they are beginning quality assurance testing. The target implementation date of the pilot program is mid-May. Chairman Fine asked when the Commission could see a demonstration of a fully functional PAT. Mr. Gallagher responded a PAT will be available for demonstration at the April meeting.

## **TRAHAN, BURDEN & CHARLES**

Ms. Jody Zafrir stated “local flavor” media is running in Baltimore, Salisbury and Hagerstown. This ad features the Director, Steve Rouse and Tim Watts.

Ms. Zafrir stated on March 24, 2008, the commercial for the Dubble Bubble Doubler scratch-off game began airing. There is Dubble Bubble Doubler signage inside Oriole Park at Camden Yards behind home plate, an A-frame on Eutaw Street, signage at the Club Level, at Pastimes Café and the box office windows. A Dubble Bubble Doubler contest is running in conjunction with MASN. People can sign up on the MASN website for a chance to win \$100 worth of lottery Dubble Bubble Doubler scratch-off tickets for every double the Orioles hit. Also, there is a second chance contest running in conjunction with the Orioles. Prizes include a trip to Fenway Park, a Dream Day at Oriole Park and Dream seats behind home plate.

Ms. Zafrir stated the Lottery booth will be located on Eutaw Street. Lottery tickets will be sold at the Club Level stores and the Eutaw Street store.

Ms. Zafrir stated on-line and instant versions of Multi-Match would be featured during April 2008. In addition to point-of-sale and billboards, advertising includes television and radio.

Ms. Zafirir stated TBC successfully negotiated the renewal of the Maryland Public Television (MPT) contract for airing of lottery drawings.

### **GRAY KIRK/VANSANT**

Mr. Jeff Millman stated the “local flavor” campaign gives the Lottery an opportunity to create a format that can hold brand messages to help sell specific games. The Director, Steve Rouse and Tim Watts talked “on the road” asking people to imagine what it would be like to hold a big winning check. Two spots have been completed and the third one is in production. He showed the two completed spots to the Commission.

Mr. Millman showed the Dubble Bubble Doubler commercial to the Commission. He stated special effects were used to create the oversize bubble. The commercial builds on the idea that you can turn bubbles into cash. He stated Anita Marks from ESPN radio was also featured in a Dubble Bubble Doubler commercial and showed the commercial to the Commission.

### **POLLARD BANKNOTE**

Ms. Lori Denton distributed to the Commission a sample Dubble Bubble Doubler scratch-off ticket. She stated for the past two weeks this game has held the highest record for \$2 scratch-off sales.

Ms. Denton distributed a sample \$10 Jewel of Nile scratch-off ticket to the Commission. This ticket has three themes featuring different jewels. Egyptian themes are very popular among lottery players. Sales are 30% ahead of the average \$10 scratch-off ticket. This ticket has been out for four weeks.

Ms. Denton distributed a sample \$5 Big Money Bingo scratch-off ticket to the Commission. She stated this ticket is doing very well. Big Money Bingo sales are 15% ahead of the average \$5 scratch-off tickets.

Commissioner Wagner asked how successful were the commercials aimed at the younger audience. Ms. Cohen responded research awareness studies are currently taking place. She will have additional information at a later date.

Chairman Fine acknowledged the presence of Mr. Darren Barnes of the Maryland Lottery Agents Association. Mr. Barnes stated he has three locations in Carroll County. He stated he has seen a big increase in lottery sales at his locations. He stated he had attended the Jeff Sinacori presentation last year and as a result has expanded the number of ticket dispensers and doubled his counter space. He asked if the ticket paper stock for the Dubble Bubble Doubler scratch-off ticket was changed because he is having difficulties with the tickets in the ticket dispensers. Ms. Denton stated two retailers have called about the Dubble Bubble Doubler scratch-off ticket and problems with the dispensers. She stated ticket needs to be

inserted in dispenser a certain way. Ms. Cohen asked that Mr. Barnes meet with her and Ms. Denton after the meeting.

## **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated sales are ahead of last year by \$84.4 million and revenues are ahead of last year by \$35.5 million. The current BRE estimate is \$518 million. Pick 3 sales are down \$12.8 million as compared to last year. Pick 4 sales are down \$3.1 million as compared to last year. Keno sales are down \$9.9 million as compared to last year. Instant ticket sales are ahead \$68 million as compared to last year. Mega Millions sales are \$21 million ahead as compared to last year. Multi-Match sales are holding steady and Race Trax sales are growing. Expansion of Maryland Hold'em is delayed until further software is developed.

Mr. Roogow stated even through there are low sales for Pick 3 and Pick 4, the games are ahead in revenue. Pick 3 revenue is \$.5 million ahead of last year and Pick 4 revenue is \$16 million ahead of last year. The rate of return is 46.3% for Pick 3 and 47.8% for Pick 4. Major plans for promotions to help restart Pick 3, Pick 4 and Keno will be developed.

Mr. Roogow stated the legislation passed the Senate regarding the illegal gaming machines in Maryland. There is a hearing scheduled for March 27, 2008. Mr. Roogow stated he will continue to keep the Commission informed. He stated the Performance Incentive bill was not voted on by House Ways and Means and most likely will not go through.

Mr. Roogow stated the Lottery's budget was approved. However, the House put language in the budget that requires the Lottery to go to the Budget Committees before the implementation of any new monitor games. It now goes to Conference Committee and the Lottery has requested that the language be deleted.

Mr. Roogow stated opening day for the Orioles baseball season is March 31, 2008. The Lottery will have a booth set up at Oriole Park.

Mr. Roogow stated he will be giving a speech at the La Fleur's Symposium on April 1, 2008 on the impact of slots legislation.

Mr. Roogow stated included in the Commissioners' folders were copies of articles from the recent Lottery Insights magazine where the Maryland Lottery was profiled.

Mr. Roogow introduced Mr. Alvin Ringgold the new Director of the Sales Division. Mr. Ringgold has worked in the Division for several years and prior to that he worked with an outside vendor for many years.

Mr. Alvin Ringgold stated he has been with the Lottery for three years. He has also worked on the vendor side for 29 years. He stated it is a pleasure to take over the Sales unit. He will be working on the improvement of sales and agent training.

Mr. Roogow stated Ms. Paula Kreuzburg has been hired as the Director of Recruitment. She previously worked with the Restaurant Association of Maryland. She will be working to get the Lottery in traditional and non-traditional locations.

Ms. Paula Kreuzburg stated she was with the Restaurant Association for 11 years. She started at the Lottery approximately three weeks ago. She has met with the Regional Managers and the Sales reps. She will be working on recruiting big box stores, hospitals, and non-traditional locations throughout the State. She stated an agreement has been reached with the Greene Turtle Restaurant for terminal placement in their four restaurants. Chairman Fine stated if the Commission can offer any assistance with their contacts, to please let them know.

Commissioner Reeder asked how many lottery retailers are there this year as compared to last year. Ms. Smith responded of July 1, 2007 there were 3,767 lottery retailers. As of end of February 2008, there were 3,847 lottery retailers. Commissioner Reeder asked if the Lottery was looking at any particular area of the State for additional lottery retailers. Mr. Ringgold responded that the Lottery is always looking throughout the State for additional lottery retailers especially in the Montgomery County area.

## **REPORTS**

### *Legal Division – James Butler, Acting Principal Counsel*

Mr. James Butler stated the Lottery and SGI continue negotiations on the multiplier patents issue. Lottery and SGI Counsel are in settlement discussions.

Mr. Butler stated the Legal Division is handling two personnel matters. One matter is pending before the Maryland Human Relations Commission and the other matter is pending before the Workmen's Compensation Commission.

Mr. Butler stated concerning the litigation matter with Carrollton Bank, the Office of the Attorney General is drafting a proposed settlement agreement for the Lottery to present to Carrollton Bank to settle both the Breach of Contract and the Interpleader.

Mr. Butler stated Legal continues to work on assignment of lottery prize payments. One of the assignment requests recently received was for an annuitant who won the Cash for Life top prize. However, the Cash for Life prize payment cannot be assigned because the payments are only guaranteed for the winner's lifetime.

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

Ms. Gina Smith stated she is working with Ms. Kruezburg and the Sales Division on agent recruitment.

Ms. Smith stated she continues to work with IT and SGI on the Cole System pilot program.

Chairman Fine asked what does the Lottery gross in sales with the Multi-Match and Mega Millions subscription programs. Ms. Smith responded the Lottery does approximately \$4 million in gross sales per year.

Chairman Fine stated the Overall Network Information shows an increase of 80 agents and an increase of 70 terminals since July 1, 2007. He asked if goals been set to increase the number of agents for the next fiscal year. Ms. Smith responded she is currently working on the FY2009 Sales plan and will keep the Commission informed.

Chairman Fine requested an orientation meeting with personnel from Stout, Causing and Horning, the company that prepares the financial statements each month. The orientation could be held after an upcoming Commission meeting. Ms. Smith stated she would schedule this.

Chairman Fine stated the MBE report shows payments by Crestwood Associates research firm in the amount of \$191,666, but he has not seen the benefits of what they have done. Ms. Cohen responded a research update will be presented to the Commission at the June meeting.

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

Mr. John Gallagher stated the Lottery's mainframe and software upgrades were successful. IT continues to work with SGI on the Player Activated terminals (PATs). The Cole System Order Pad testing continues, and the communications circuit configuration has been installed. The redesign project for the Lottery's website has begun, and RFP specifications are being developed.

#### *Communications – Carole Everett, Director*

Ms. Carole Everett stated a Pharaoh's Gold scratch-off \$50,000 top tier winner came in. Also, the two Multi-Match winners who split the \$650,000 jackpot came in. One winner was from Baltimore and the other winner was from West Virginia.

Ms. Everett stated Lottery parties were held at agent locations in Waldorf, Baltimore and Glen Burnie. She stated March 29, 2008 is Oriole Fan Fest at Camden Yards and Orioles Opening Day is March 31, 2008. On both days, the Lottery will be on site with a booth holding various contests and the Dubble Bubble mascot Pud will be present. A Lottery booth will be on site for seven to nine Orioles home games.

Three \$250,000 Mega Millions second tier winners, six Bonus Match 5 winners, numerous top tier scratch-off winners, and Keno winners came to the Lottery this past month.

Ms. Everett stated 28 articles have appeared in various publications and the publicity value was \$80,202.48 and the media value was \$26,734.16. An article will appear in the

upcoming Sunday Sun featuring the Director. Last evening, the Director was on the Anita Marks show being interviewed about the Dubble Bubble Doubler scratch-off ticket.

Ms. Everett stated in February 2008, 602 new VIP Club members joined with a total to date of 19,848 VIP Club members.

Ms. Everett stated the lottery drawings at WBAL-TV Channel 11 are going well.

Ms. Everett stated an \$850,000 Multi-Match top tier winning ticket from October 6, 2007, the prizes from the Pick 3 Bonus Match-Up Grand Prize Drawing of November 19, 2007, and a Mega Millions \$250,000 second tier prize from February 15, 2008 still remain unclaimed.

Chairman Fine stated in the Maryland Lottery February Clips Report, it shows a media and publicity dollar value each month and asked where that information comes from. Ms. Everett responded there is a Clipping Service that submits copies of articles whenever the Lottery is mentioned. Trahen, Burden and Charles then assigns a dollar value if the Lottery were to purchase the advertising space. Chairman Fine asked that at the next meeting a further explanation be given regarding media and publicity values and how the dollar amounts are determined.

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

Ms. Jill Baer stated the Commission was previously shown the commercials and were updated by the advertising agencies. She had no further information to report.

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

Chairman Fine asked if the new scratch-off game *Let It Ride/Cash Out* is a two-part ticket for \$2.00 each or one ticket. Ms. Cohen responded it is one \$2.00 game ticket with different color pulses and scenes.

Chairman Fine asked why is “Printed in Canada” on the back of some of the scratch-off tickets. Ms. Denton responded the notation is required for Customs purposes for any scratch-off tickets printed at the plant in Canada. Besides printing scratch-off tickets at the Michigan plant, some tickets are printed at the plant in Canada.

Chairman Fine asked for an explanation on how to play scratch-off game #707 *Super Crossword*. Ms. Denton distributed sample tickets to the Commission and gave an explanation on how to play the game.

Ms. Cohen presented five new instant tickets to the Commission for approval. Samples of the tickets were also shown to the Commission. The five new instant games were Game #689 *Let It Ride/Cash Out*, Game #700 *Fast \$50*, Game #703 *Golden Ticket*, Game #704 *Wild Cherry Tripler*, and Game #707 *Super Crossword*. (See attached Exhibit #1.)

Chairman Fine asked if there was any further discussion. Hearing none, he requested a motion to approve Game #689 *Let It Ride/Cash Out*, Game #700 *Fast \$50*, Game #703 *Golden Ticket*, and Game #704 *Wild Cherry Tripler* as presented. Vice Chairman Thomas made a motion to approve the above named instant games and the motion was seconded by Commissioner Wagner. Game #689 *Let It Ride/Cash Out*, Game #700 *Fast \$50*, Game #703 *Golden Ticket*, and Game #704 *Wild Cherry Tripler* were approved by unanimous vote of the Commission.

Chairman Fine asked if there was any further discussion on Game #707 *Super Crossword*. Hearing none, he requested a motion to approve Game #707 *Super Crossword* as presented. Commissioner Marriner made a motion to approve the instant game and the motion was seconded by Vice Chairman Thomas. Game #707 *Super Crossword* was approved by unanimous vote of the Commission.

Chairman Fine stated the Commission was provided with information on the closed instant games. For the record the closed games were Game #596 *10 Times the Money*, Game #602 *Chasing the 8's*, Game #604 *Wild Cherries*, Game #613 *\$10,000 Jacks*, Game #614 *Tic Tac Turkey*, #616 *Wild Winnings*, Game #553 *5 Bushels of Crabs*, Game #638 *Joker's Wild*, Game #617 *Heads or Tails*, Game #612 *Bonus 21 or Better*, Game #611 *Lucky Slots*, Game #579 *Cool 7's*, and Game #499 *Hit \$5,000*. (See Exhibit #2)

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

Mr. Robert Howells stated the Mega Millionese Advertising Campaign License Agreement (#2008-15) will be presented to the Commission for approval at the April meeting. This is an advertising concept campaign with Carton Donofrio Partners. The concept was developed by Carton Donofrio for promoting low level Mega Millions jackpots. The Licensing Agreement is authorized for 10 years. This will have to be presented to the Board of Public Works.

#### ***Policy and Development – Paul Dorsey, Director***

Mr. Paul Dorsey gave the Commission an update on the legislative bills. He stated he provided the Commission with information on ITVM Sales and Revenue vs. Cost that they had previously requested.

#### ***Internal Audit – Michael Eaton, Internal Auditor***

Mr. Michael Eaton stated the Lottery Risk Assessment and Audit Plan for FY2008 was approved by Audit Committee and a copy was included with his report.

Mr. Eaton stated he is currently working on the Agent Plus Audit and continues to work on the Contract Management Audit.

Mr. Eaton stated the Legislative Audit Report follow-up review of the October 2005 audit findings was completed and a copy was included with his report. The Legislative Auditors are currently at Lottery conducting their audit.

### **COMMISSION BUSINESS**

Chairman Fine stated as previously discussed, the May Commission meeting was scheduled for Tuesday, May 13, 2008. After further discussion with the Commissioners, the date of meeting has been changed to Wednesday, May 14, 2008 at 9:00 a.m. There will be a regular meeting followed by a planning session regarding the Lottery's plans for sales and marketing for next fiscal year. This will be an open meeting.

### **DATE AND TIME OF NEXT MEETING**

The next Commission Meeting is scheduled for Wednesday, April 23, 2008 at 9:00 a.m.

### **ADJOURNMENT**

There being no further business to discuss, Chairman Fine adjourned the meeting at 10:47 a.m.

Respectfully submitted,

Buddy Roogow