

**MARYLAND STATE LOTTERY COMMISSION
APRIL MINUTES**

DATE: April 23, 2008
TIME: 9:00 a.m.
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Stanley S. Fine
Vice Chairman Matthew Thomas
Commissioner E. Randolph Marriner
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
Michael Hofferbert, Strategic Products Planning
Joe Brittan, Public Affairs Specialist
Marie Torosino, Executive Associate

OTHERS PRESENT: John Hadley, Scientific Games Online Entertainment Systems
Jeff Hale, Scientific Games Online Entertainment
Jody Zafrir, Trahan, Burden and Charles
David Blum, Gray, Kirk/VanSant
Lori Denton, Pollard Banknote

CALL TO ORDER

There being a quorum present, Chairman Fine called the meeting of the Maryland Lottery Commission to order at 9:00 a.m. Commissioners present were Stanley Fine, Matthew Thomas, E. Randolph Marriner and George Wagner. Commissioner Bruce Reeder was absent.

APPROVAL OF MINUTES

Chairman Fine stated the March 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 Wagner. The March Commission Minutes as modified were approved by unanimous vote of the Commission.

SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS

Mr. John Hadley, Regional Director for Operations, stated Scientific Games continues to test the Player Activated Terminals (PATs) that will be placed in operation in mid-May. A demonstration has been set up today for the Commissioners.

Commissioner Wagner asked if criteria have been developed for placement of the PATs. Mr. Roogow responded the initial distribution of PATs will be to a few select locations for testing to see what happens in busy locations and whether it drives sales. After initial testing, 60 locations will have PATs installed. Commissioner Wagner asked how long would the testing last. Mr. Roogow responded testing would be through mid-summer, approximately 90 days. The Lottery would then have an idea of the impact.

Chairman Fine requested a list of lottery agents that will be receiving PATs. Ms. Smith will supply a copy to the Commission. Chairman Fine asked how many PATs will be installed per week. Ms. Smith responded 10 PATs would be installed per week. One PAT will be tested for the first few days, and then the Lottery would begin installing additional PATs. Chairman Fine asked if the PATs will be installed statewide. Ms. Smith responded PATs would be installed in Baltimore and the outlying areas.

Commissioner Wagner stated with the smoking ban in effect, a few businesses have created outside deck areas and he asked how a business could have a monitor installed on an outside deck. Mr. Roogow responded the Lottery would authorize what monitors are needed at lottery locations. If businesses want more monitors than what is authorized by the Lottery, it would be their responsibility to obtain them. Commissioner Wagner asked if a PAT can be installed on an outside deck area. Mr. Hadley responded it is important that the PAT be located in a secure area. Commissioner Wagner asked who the retailer should contact. Mr. Roogow responded the retailer should contact their Lottery Sales Representative.

TRAHAN, BURDEN & CHARLES

Ms. Jody Zafirir stated statewide television advertising for the Ultimate Payday scratch-off ticket began April 21, 2008 and will run for six weeks. Also, the scratch-off will be supported by radio (WBAL and WIYY) and outdoor billboards across the State.

Ms. Zafirir stated the 15-second advertising spot for the Let It Ride/Cash Out scratch-off will air on WBAL and Comcast in Baltimore and DC through May 11, 2008.

Ms. Zafirir stated Mega Millions jackpot advertising will begin on radio and television next week.

GRAY KIRK/VANSANT

Mr. David Blum showed to the Commissioners the outdoor billboard artwork for the Ultimate Payday instant ticket. There is also a television and radio spot to support this instant ticket. He stated there is a 15-second television spot to support the Let It Ride/Cash Out scratch-off game. He showed the television ads for both scratch-off games to the Commission.

Chairman Fine asked how the Ultimate Payday \$1 million top tier prize is paid. Mr. Hofferbert responded the winner will receive the \$1 million top tier prize as a cash payment.

POLLARD BANKNOTE

Ms. Lori Denton stated instant game sales continue to do well. The Dubble Bubble Doubler scratch-off was launched six weeks ago and has broken sales records every week for a \$2.00 scratch-off. She distributed to the Commissioners sample tickets for the Ultimate Payday scratch-off. The game has three different color pulses and the activation rate was very high yesterday. Ms. Denton gave an explanation on how to play the Ultimate Payday scratch-off game.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated that the Performance Incentive bill did not move forward. A bill passed the Legislature that requires the Lottery to conduct a study of the effects of charitable games and other types of games on the Lottery. This study is due to the Budget Committees by December 15, 2008. The Lottery has begun that process to determine the work effort needed and will take advantage of its research consultant to help with the data gathering.

Mr. Roogow stated sales and revenues continue to perform well. Sales are \$87 million ahead compared to last year. Sales of scratch-off games continue to perform well and are \$75 million ahead of last year. Mr. Roogow stated revenue is \$39 million ahead of last year.

Mr. Roogow stated Mega Millions sales continue to do well. Maryland is performing in the top tier of Mega Millions states in terms of per capita sales.

Mr. Roogow stated the Lottery's revenue goal for this fiscal year is \$518 million. To date for this year, the Lottery has done \$432 million in revenue. If the Lottery continues at this pace, it will meet its target. Also, the Legislature has designated that up to \$13 million over the Lottery's target revenue goal would go to a special program in the Department of Health and Mental Hygiene.

Mr. Roogow stated the Legislature did not cut funds from the Lottery's budget. However, language was left in that requires the Lottery to notify the Budget Committees in advance before the implementation of any new monitor games.

Mr. Roogow stated the Maryland Association of Counties Conference is in Ocean City, Maryland from August 13 to 16, 2008. Also, the 2008 NASPL Conference is in Philadelphia, Pennsylvania from September 24 to 26, 2008. If any of the Commissioners are interested in attending these conferences, please contact Ms. Torosino. The Commissioners were provided with the brochures for both conferences.

REPORTS

Legal Division – James Butler, Acting Principal Counsel

Mr. James Butler stated the Standstill and Tolling Agreement regarding the Multiplier Patents between Scientific Games and the Lottery is moving forward.

Mr. Butler stated Legal received a ruling of no probable cause from the Maryland Human Relations Commission concerning the charge of discrimination. The Complainant has 15 days to file an appeal.

Mr. Butler stated litigation between Carrollton Bank, the Lottery and other individuals continues. He will keep the Commission updated on the progress.

Mr. Butler stated there is one new assignment of prize payments pending. The Assignment Company wishes to assign previously assigned lottery prize payments to its subsidiary. The assignment company will be charged the fee for the transaction.

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

Ms. Gina Smith stated the year-end closeout process is approaching. Lottery accounting staff will attend year-end close out training. Stout, Causey and Horning (SCH) will begin converting financial statements into GAAP in June. The Commission will continue to receive unaudited financial statements provided that close-out runs smoothly. SCH will issue the audited financial statements when GAAP is completed.

Ms. Smith stated a Sales Rep position has been filled, and the Lottery is in the process of conducting interviews for Advertising Manager. The Lottery is waiting for approval from the Department of Budget and Management to fill other vacancies. Vice Chairman Thomas asked how many positions are currently vacant. Ms. Smith responded currently there are five vacant positions.

Chairman Fine stated the Overall Network Information indicates 129 Hold'em locations as of February 29, 2008 and only 114 Hold'em locations as of March 31, 2008, and asked why there is a loss of 15 locations. Mr. Roogow stated the Lottery is working with SGI on additional software to increase prize levels and is permitting some agents to turn off the Hold'em game until the software is completed.

Sales – Alvin Ringgold, Director

Mr. Alvin Ringgold stated the Sales group is working to prepare for the launch of the Player Activated Terminals (PATs). He stated Darren Barnes from the House of Liquors was at last month's Commission meeting regarding an issue with the Dubble Bubble Doubler scratch-off and the instant ticket dispensers. After the meeting, Mr. Barnes spoke with Lottery staff and the issue was resolved.

Vice Chairman Thomas asked if other retailers had the same problem with the ticket in the dispenser. Mr. Ringgold responded the Sales Reps were notified to inform the retailers not to flex the Dubble Bubble Doubler scratch-off ticket books before placing them in the instant ticket dispenser. The problem has diminished.

Information Technology – John Gallagher, Chief Information Officer

Mr. John Gallagher stated IT has been involved in the testing of the PATs. All functionality will be tested before the launch in mid-May. The Lottery Commission will see a demonstration of the PAT at SGI after the meeting.

Mr. Gallagher stated the Lottery is waiting for completion of the communications circuit testing before implementation of the Cole System Order Pad pilot.

Communications – Carole Everett, Director

Ms. Carole Everett stated Communications will be involved at numerous upcoming events including the Maritime Festival in Annapolis, the Kenny Chesney Concert at M & T Bank Stadium, the Townsontown Festival, Cruisin' in Ocean City, the Preakness at Pimlico, and Wine in the Woods in Columbia. Chairman Fine asked Ms. Everett to e-mail to the Commissioners a full event schedule for the year.

Ms. Everett stated three \$250,000 second tier prize Mega Millions winners came to the Lottery to claim their prize. They were from Prince Georges County, Baltimore, and Berlin, Maryland.

Each month a Lottery Division will be highlighted and a person from that Division will talk about what they do. The Communications Division is being highlighted this month. Ms. Everett introduced Mr. Joe Brittan, Public Affairs Specialist. Mr. Brittan gave a brief summary of his duties and responsibilities in the Communications Public Affairs Division. Some of his responsibilities include agent events, Keno parties and on site at minor league baseball games Hagerstown. He also writes press releases. Mr. Roogow stated Mr. Brittan does a terrific job.

Creative Services – Jill Baer, Director

Ms. Jill Baer stated Ms. Zafrir and Mr. Blum previously presented to the Commission some of the things they have been working on. She stated the Mega Millions jackpot advertising will begin to air. She stated she is also working on Merriweather and Preakness sponsorships.

Product Development and Advertising – Tracey Cohen, Director

Ms. Tracey Cohen stated the Lottery is developing an instant ticket featuring the Maryland Zoo called Tic Tac Wild. They had asked for the Lottery's support to help raise awareness of the Zoo. The Maryland Zoo name is featured on the ticket. The cost to the Lottery for the use of the Maryland Zoo name is \$10,000. The ticket will launch at Zoomerang on June 13, 2008. She showed the Commission a sample of the ticket. The Zoo will not receive revenues from the sales of the ticket.

Ms. Cohen introduced Mr. Michael Hofferbert, the Lottery's Strategic Products Planner. He has 20 plus years at Lottery. He has been preparing the summaries for the instant tickets financials each month.

Ms. Cohen presented nine new instant tickets to the Commission for approval. Samples of the tickets were also shown to the Commission. The nine new instant games were Game #705 *Dream for the Gold*, Game #706 *Lucky 8's*, Game #709 *Tic Tac Wild*, Game #710 *Cash Blast*, Game #711 *High Roller*, Game #712 *Blackjack Blowout*, Game #713 *Tailgate Tripler*, Game #718 *Diamond Mine*, and Game #698 *Set for Life*. (See attached Exhibit #1.)

Chairman Fine asked if there were any further questions. Hearing none, he requested a motion to approve the above named games as presented. Commissioner Marriner made a motion to approve the above named instant games and the motion was seconded by Commissioner Wagner. Game #705 *Dream for the Gold*, Game #706 *Lucky 8's*, Game #709 *Tic Tac Wild*, Game #710 *Cash Blast*, Game #711 *High Roller*, Game #712 *Blackjack*

Blowout, Game #713 Tailgate Tripler, Game #718 Diamond Mine, and Game #698 Set for Life were approved by unanimous vote of the Commission.

Procurement – Robert Howells, Director

Mr. Robert Howells stated his request for approval for the ITVM Maintenance Contract (#2008-21) with GTECH is being deferred until the May Commission meeting. The Contract has been prepared and the Lottery is meeting with GTECH this week to finalize some price issues. The Contract is tentatively scheduled for presentation to the Board of Public Works on June 11, 2008.

Mr. Howells stated the Mega Millionese Advertising Campaign License Agreement (#2008-15) with Carton Donofrio was discussed at the March Commission meeting. This campaign concept was developed by Carton Donofrio for promoting low level Mega Millions jackpot. Mr. Howells requested the Commission's approval of the Contract. He stated the Contract is tentatively scheduled for presentation to the Board of Public works on June 11, 2008.

After discussion, Chairman Fine stated that the Commission would like additional time to review this Contract and will defer the matter until the May meeting.

Policy and Development – Paul Dorsey, Director

Mr. Paul Dorsey stated he previously sent to the Commission information on five bills that were passed by the Legislature. He then discussed two of the bills.

Mr. Dorsey stated Senate Bill 959 – Slot Machines – Definition, would phase out slot machines in all counties statewide by July 1, 2009. Only qualified organizations will be permitted to keep the machines. Mr. Roogow stated this does not include the gray machines that are legalized on the Eastern Shore. Mr. Dorsey stated this Bill also requires the Lottery to perform a gaming related study that is due by December 15, 2008.

Mr. Dorsey stated Senate Bill 755 – Election Law – Slot Machine Gaming Referendum – Campaign Finance Reports by Corporations, requires that a person or corporation spending more than \$10,000 on campaign material to promote the success or defeat of the slot machine gaming referendum must file a report within seven days of when the money was spent.

Commissioner Marriner asked if there was any update on the slots referendum. Mr. Dorsey responded some articles have appeared in the newspapers, but he has no additional information at this time.

Agent Recruitment – Paula Kreuzburg, Director

Ms. Paul Kreuzburg stated she is working with the Greene Turtle Corporation to install lottery and PATs in their locations. She expects to receive lottery applications for seven of their locations, with the possibility of four additional locations.

Ms. Kreuzburg stated she has a meeting with Vice Chairman Thomas regarding the Gaylord Hotel and Convention Center grand opening.

Ms. Kreuzburg stated she is working with Mr. Dorsey concerning the Montgomery County Liquor Control Board and installing the lottery in liquor stores in Montgomery County.

Internal Audit – Michael Eaton, Internal Auditor

Mr. Michael Eaton stated he continues to work on the Contract Management Audit and the Agent Plus Program Audit. He also continues to follow-up with management on the status of prior Internal Audit observations.

DATE AND TIME OF NEXT MEETING

The next Commission Meeting is scheduled for Wednesday, May 14, 2008 at 9:00 a.m.

ADJOURNMENT

There being no further business to discuss, Chairman Fine requested a motion to adjourn. Vice Chairman Thomas motioned that the meeting be adjourned and it was seconded by Commissioner Marriner. The Commission voted in favor and the meeting was adjourned at 10:25 a.m.

Respectfully submitted,



Buddy Roogow