

**MARYLAND STATE LOTTERY COMMISSION  
MAY MINUTES**

DATE: May 14, 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  
Commissioner Bruce Reeder

Buddy Roogow, Director  
Gina Smith, Assistant Director/CFO  
Robert Fontaine, Principal Counsel  
James Butler, Assistant Attorney General  
John Gallagher, Chief Information Officer, Information Technology  
Tracey Cohen, Director, Product Development, Creative Services and  
Communications  
Paul Dorsey, Director, Policy and Development  
Robert Howells, Director, Procurement  
Michael Eaton, Internal Auditor  
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 9:10 a.m. Commissioners present were Stanley Fine, E. Randolph Marriner and George Wagner. Commissioners Matthew Thomas and Bruce Reeder and were not yet present.

## **APPROVAL OF MINUTES**

Chairman Fine stated the April Minutes were sent to the Commission members for review and a copy is contained in their folders with redline changes. Commissioner Wagner made a motion that the Minutes as modified be approved and it was seconded by Commissioner Marriner. The April 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 Mr. Jerry Woods, Scientific Games (SGI) General Manager, has resigned. SGI is in the process of recruiting to fill the position.

Mr. Hadley stated the roll-out of the Player Activated Terminals (PATs) has been delayed due to software issues that did not show up in the lab testing. SGI is preparing a new software release. New roll-out date for PATs is June 26, 2008.

Commissioner Wagner asked what percentage of PATs will roll out on June 26, 2008. Mr. Hadley responded the same plan for roll-out of PATs still applies. Commissioner Wagner asked what is the criteria for placement of the PATs. Mr. Roogow responded initially the Lottery will select locations that do and do not sell large amounts of scratch-off tickets to test the machine from a sales standpoint to see what the impact will be before determining final placement. Commissioner Marriner asked if PATs are active anywhere else in the country. Mr. Hadley responded the machines are available in other areas.

## **TRAHAN, BURDEN & CHARLES GRAY, KIRK/VANSANT**

Ms. Jody Zafrir stated the current Mega Millions jackpot is \$196 million and the Lottery will begin statewide advertising on television, radio and outdoor boards. She stated beginning in May 2008 and running through Labor Day, the Lottery will utilize an advertising truck featuring lit, scrolling panels advertising the Mega Millions jackpot and scratch-off games. This truck will travel up and down the highway in Ocean City for ten hour days, with a concentration on the weekends. Mr. Blum showed the Commissioners the advertising for the mobile truck.

At this point of the meeting, Vice Chairman Thomas arrived.

Ms. Zafirir stated Lottery advertising at the Preakness will include radio, television and interactive advertising with WBAL radio and television. The Pimlico Special will run on May 16, 2008 and the Lottery is the sponsor of the 11<sup>th</sup> race. Sponsorship with the Jockey Club will include Lottery signage, program ads, PA announcements, and apparel worn by the crew during three races. The Lottery will also have a tent on site.

Mr. Blum showed to the Commissioners the television and print ads that will be broadcast at and around the racetrack.

Mr. Blum stated he is working with Mr. Gallagher on the graphics for the update of the Keno and Racetrax screens. He showed the Commissioners examples of the three screens.

### **POLLARD BANKNOTE**

Ms. Lori Denton stated sales of the Dubble Bubble Doubler scratch-off are doing quite well with over 60% of the game sold. She stated sales of the Super Crossword scratch-off are running 20% above a \$5.00 price point scratch-off.

Commissioner Marriner asked if research had been done as to why Dubble Bubble Doubler sales are doing so well. Ms. Cohen responded from talking to players, they like the bubble gum smell of the ticket and it's nostalgic. The Lottery will be reprinting this scratch-off ticket. Chairman Fine stated the Commission will need to approve another licensing agreement for the reprinting of the ticket.

At this point of the meeting, Commissioner Reeder arrived.

Chairman Fine stated he would like to introduce to those present Mr. Robert Fontaine, the Lottery's new Principal Counsel. He stated he had an opportunity to talk with Mr. Fontaine and looks forward to working with him. Mr. James Butler has been Acting Principal Counsel and has done a terrific job. Mr. Fontaine stated he looks forward to working with the Commission.

### **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated that Intralot is the apparent winner of the Ohio Lottery's on-line contract and Scientific Games is the apparent winner of the Pennsylvania Lottery's on-line contract.

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.

Mr. Roogow stated total sales are \$92 million ahead of last year at this time. Revenues are \$35 million ahead of last year at this time.

Mr. Roogow stated each month a vacancy and personnel report will be contained in Ms. Smith's Division report for the Commission's review.

## **REPORTS**

### *Legal Division – Robert Fontaine, Principal Counsel*

Mr. Robert Fontaine stated Mr. Butler will be presenting the Legal Division's report this month.

Mr. James Butler stated there is one revocation to present to the Commission this month. He stated Pav, LLC, T/A Canton Station is located at 1028 South Conkling Street, Baltimore, Maryland 21224. This agent defaulted on weekly settlements and owed the Lottery \$16,702.28. The agent's bonding company paid the Lottery \$16,000, and the agent currently owes the Lottery \$702.28. The Lottery sent a certified letter of license revocation to the owner on April 14, 2008, and it was signed for by the owner on April 16, 2008. The owner had ten days to file an appeal and the agent did not respond. The Lottery Director is recommending to the Commission that the lottery license of Pav, LLC, T/A Canton Station be revoked.

After discussion by the Commission, Chairman Fine requested a motion to approve the Director's recommendation to revoke the lottery license of Pav, LLC, T/A Canton Station. Commissioner Wagner made a motion to approve the revocation of the lottery license and Vice Chairman Thomas seconded the motion. The lottery license of Pav, LLC, T/A Canton Station was revoked by unanimous vote of the Commission.

Mr. Butler stated a law clerk will be participating in the OAG's Summer Law Clerk Program. Mr. John Gontrum is a first year law student and will be starting on May 19, 2008.

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

Ms. Gina Smith stated Agent Recruitment is working on making contacts with businesses that appear to be interested in becoming lottery agents. The Sales Division is working on their FY2009 Sales Plan. A brief overview will be presented to the Commission.

Ms. Smith stated preparations are being made for FY2008 close-out and she is currently working on the FY2010 budget.

Chairman Fine stated Ms. Smith's report shows that Agent Recruitment interviewed for two Lottery III Sales reps. Ms. Smith responded the Lottery did not gain any new positions. These interviews involved Sales reps in existing positions and two people were selected. Sales territories will be reorganized to provide coverage for those two territories.

*Information Technology – John Gallagher, Chief Information Officer*

Mr. John Gallagher stated the deployment of PATs has been delayed. IT continues to work on testing the PATs software. He stated the first session of the Cole Systems training will begin in June 2008. He stated the Lottery is testing the new screens for the Racetrax monitors.

*Product Development, Creative Services and Communications – Tracey Cohen, Director*

Ms. Tracey Cohen asked if there were any questions regarding her report. Chairman Fine stated the Merry Millions scratch-off game shows that 48.3% of the tickets have been sold and that three \$1 million prizes still remain. Ms. Cohen responded this scratch-off was launched for the holiday season. It will be pulled from the field then re-released for the next holiday season.

Commissioner Reeder asked where the mobile advertising vehicle will be. Ms. Cohen responded it will be in the Ocean City area. Commissioner Reeder asked if it would be used in any other parts of the State. Ms. Cohen responded the Lottery is testing this during the summer in Ocean City only.

Ms. Cohen presented eight new instant tickets to the Commission for approval. Samples of the tickets were also shown to the Commission. The eight new instant games were Game #714 *Poker Royale*, Game #715 *Green & Gold*, Game #716 *Golden Gobbler*, Game #719 *Break The Bank*, Game #720 *Single Double Triple Play Bingo*, Game #729 *Deuces Are Wild*, Game #730 *9's in a Line*, and Game #740 *Dubble Bubble Doubler* (Reprint).

Mr. Howells stated at this time he is requesting the Commission's approval of the License Agreement for Dubble Bubble II (#2008-28). It is similar to the first Dubble Bubble License Agreement with the same prizes and ticket quantities.

After discussion by the Commission, Commissioner Marriner made a motion to approve the License Agreement and it was seconded by Commissioner Wagner. The Dubble Bubble II License Agreement (#2008-28) was approved by unanimous vote of the Commission.

Chairman Fine asked if there were any further questions regarding the instant tickets presented. Hearing none, he requested a motion to approve Game #714 *Poker Royale*, Game #715 *Green & Gold*, Game #716 *Golden Gobbler*, Game #719 *Break The Bank*, Game #720 *Single Double Triple Play Bingo*, Game #729 *Deuces Are Wild*, Game #730 *9's in a Line*,

and Game #740 *Dubble Bubble Doubler* (Reprint). Vice Chairman Thomas made a motion to approve the above named instant games and the motion was seconded by Commissioner Reeder. Game #714 *Poker Royale*, Game #715 *Green & Gold*, Game #716 *Golden Gobbler*, Game #719 *Break The Bank*, Game #720 *Single Double Triple Play Bingo*, Game #729 *Deuces Are Wild*, Game #730 *9's in a Line*, and Game #740 *Dubble Bubble Doubler* (Reprint) were approved by unanimous vote of the Commission.

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

Mr. Robert Howells stated last month he had informed the Commissioners that his request for approval of the Instant Ticket Vending Machines Maintenance Agreement Contract was being deferred until the May Commission Meeting. He stated at this time the request for contract approval was being withdrawn.

Commissioner Marriner asked for the status of the Mega Millionese agreement. Mr. Roogow responded at this time the proposal has been deferred.

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

Mr. Paul Dorsey stated the Governor signed Senate Bill 959 – Slot Machines – Definition. This bill concerns the faux slot machines and will go into effect on July 1, 2008.

Mr. Dorsey stated he and Ms. Kreuzburg have been talking with the Montgomery County Liquor Control Board concerning installing lottery terminals at their locations.

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

Mr. Michael Eaton stated he continues to work on the Contract Management Audit and Agent Plus Program Audit. He stated there is one item remaining in the Internal Audit follow up report.

**COMMISSION BUSINESS**

Chairman Fine discussed with the Lottery the audited March Special Purpose Financial Statements concerning the Administrative Expenses.

It was stated that matters that needed discussion by the Commission with Legal Counsel concerning the Scientific Games Contract, ITVM Maintenance Contract with GTECH, Pending Settlements (Eisner and Multiplier) and Mega Millionese warranted a closed session of the Commission. Commissioner Marriner made a motion to go to a closed session for the purposes provided. It was seconded by Commissioner Wagner and the motion

carried by unanimous vote of Commission. See attached **Statement for Closed Meeting**, pursuant to State Government Article §10-508(a).

After discussion of the above subjects, Chairman Fine brought the meeting back to an open session at which time the Commission took a short recess.

After the recess, Chairman Fine continued the open session of the Commission Meeting. He stated in the Commissioner's folder there was a draft letter for their review to the Governor and the Comptroller regarding providing monthly information concerning Lottery sales and revenue. He stated the Commission will begin sending the information this month.

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

The next Commission Meeting is scheduled for Wednesday, June 25, 2008 at 9:00 a.m.

### **STRATEGY SESSION**

Members of the Lottery staff, Scientific Games, Pollard Banknote, and Crestwood Associates gave a presentation to the Commission. The agenda included Maryland Lottery Overview, Industry Overview, Research Overview, Getting the Message Out: Marketing and Advertising, Moving Forward and Closing Remarks.

### **ADJOURNMENT**

There being no further business to discuss, Chairman Fine requested a motion to adjourn. Commissioner Reeder motioned that the meeting be adjourned and it was seconded by Vice Chairman Thomas. The motion carried by unanimous vote of the Commission. The meeting adjourned at 1:00 p.m.

Respectfully submitted,

Buddy Roogow