

**MARYLAND STATE LOTTERY COMMISSION
NOVEMBER MINUTES**

DATE: November 26, 2008

TIME: 9:00 a.m.

PLACE: Maryland Lottery Headquarters

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

Buddy Roogow, Director
Robert Fontaine, Principal Counsel
Gina Smith, Assistant Director/CFO
John Gallagher, Chief Information Officer, Information Technology
Tracey Cohen, Deputy Director, Creative Services and
Communications
Paul Dorsey, Director, Policy and Development
Robert Howells, Director, Procurement
Michael Eaton, Internal Auditor
Marie Torosino, Executive Associate

OTHERS

PRESENT: Steve Smith, Scientific Games Online Entertainment Systems
Jody Zafrir, Trahan, Burden and Charles
Jeff Millman, Gray, Kirk/VanSant
Lori Denton, Pollard Banknote

CALL TO ORDER

Chairman Fine called the meeting of the Maryland Lottery Commission to order at 9:04 a.m. He stated as a result of the Slots Referendum being approved and certified on November 24, 2008, an official quorum of the Lottery Commission requires that five members be present. At today's meeting, there are four members present; therefore, this cannot be considered an official meeting. Commissioners present were Stanley Fine, Matthew Thomas, Bruce Reeder and George Wagner. Chairman Fine stated this meeting will continue and another meeting will be scheduled for December 5, 2008.

APPROVAL OF MINUTES

Chairman Fine stated the approval of the October Minutes will be tabled until the December 5, 2008 meeting.

SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS

Mr. Steve Smith stated installation of the Player Activated Terminals (PATs) continue. There are 39 PATs installed at agent locations. Sales last week were approximately \$1,300 per terminal. There have been no further problems related to the PATs software. Mr. Roogow stated in January 2009, a report will be presented on the impact of PATs on existing terminals. Chairman Fine asked if PATs are installed in locations that lottery terminals otherwise might not be feasible. Ms. Smith responded not at this time, but it is being reviewed.

TRAHAN, BURDEN & CHARLES (TBC) **GRAY, KIRK/VANSANT (GKV)**

Ms. Jody Zafrir of TBC stated that the Lottery is running a holiday subscription promotion for the Mega Millions and Multi-Match games. Mr. Millman of GKV stated that on the front page of this Sunday's Sun, a post-it ad will advertise the promotion. He showed the Commission the sample ad. Ms. Zafrir stated the majority of advertising for this promotion will be on websites such as Comcast, WBAL, WJZ and a host of other websites. Mr. Millman showed banners of various messages that will appear on the websites. Ms. Zafrir stated players can obtain subscription applications on-line for mailing to the Lottery. She will track the promotion through December 10, 2008. Chairman Fine requested that the Commission be given an analysis of the subscription promotion at the January 2009 meeting.

Ms. Zafrir stated from December 10 through 24, 2008, holiday scratch-offs will be advertised on television and radio. The Commission was shown samples of the point-of-

sale and the digital outdoor boards for the holiday scratch-offs. Mr. Millman stated two television ads are also being developed.

Ms. Zafirir showed the Commission the creative for the Pick 3 promotion 25% More Pay on Boxed Play. Mr. Millman showed the Commission the television commercial for the promotion that will air from December 5, 2008 through December 24, 2008.

Commissioner Reeder asked if there was any way to determine the age groups of those purchasing lottery subscriptions. Ms. Cohen responded she will see what data is available.

POLLARD BANKNOTE

Ms. Lori Denton stated the \$5.00 holiday scratch-off game recently launched and sales are 11% ahead of the average \$5.00 scratch-off game. The first Set for Life scratch-off game was closed with the final drawing for the prize of \$1,000 week for 20 years. The winner chose the cash option of approximately \$700,000.

Chairman Fine asked what is the procedure for the purchase of annuities. Ms. Smith briefly explained the process. Chairman Fine asked what happens if the company goes out of business. Ms. Smith responded she will look into this.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated on December 8, 2008, he would be presenting to the Ways and Means Committee an update on the Lottery and a summary of the VLT program.

Mr. Roogow stated Pick 3 sales are slightly ahead of last year by \$400,000. Pick 4 sales are \$3.7 million ahead of last year. Keno and Keno Bonus sales are behind which is probably the most obvious victim of the economy. Scratch-off sales are \$1.2 million ahead of last year. Mega Millions sales are behind and the current jackpot is \$111 million. Bonus Match 5 sales have shown some growth. Multi-Match sales are \$1.6 million ahead of last year. Racetrax sales are \$4 million ahead compared to last year.

Mr. Roogow stated Pick 3 and Pick 4 revenues are down a combined total of \$25 million. He reviewed and discussed with the Commission a Pick3/Pick4 high payout chart showing the triples and quads drawn over the past months.

Mr. Roogow stated the Mega Millions groups recently met while at the La Fleur's Conference in New York to discuss possible changes to the Mega Millions game. He will have further information to report to the Commission in the next few months.

REPORTS

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

Mr. Robert Fontaine stated he has no additional information to add to his report.

Chairman Fine noted that eight liens were filed against eight Lottery agents for approximately \$42,982.35. Ms. Smith gave an explanation that led to the liens being filed against these agents. She stated this is a significant increase from last month. Chairman Fine requested an aggregate picture at the December 17, 2008 Commission meeting.

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

Ms. Gina Smith stated she has no additional information to add to her report.

Chairman Fine noted that the number of Mega Millions subscriptions have decreased while the number of Multi-Match subscriptions has increased and asked what the reason was for this. Mr. Roogow responded the Lottery would look at this.

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

Mr. John Gallagher stated he has no further information to add to his report.

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

Mr. Michael Eaton stated included in his report is a copy of the Agent Collections Internal Audit report. He is currently planning the 2009 Audit Plan and Risk Assessment. Chairman Fine asked if a copy of the Legislative Audit has been shared with Mr. Eaton. Mr. Roogow responded the audit cannot be distributed to others until it is officially issued. Ms. Smith is currently preparing the responses to the Legislative Audit recommendations. Chairman Fine requested that a copy of the responses be shared with the Commission and Mr. Eaton when they are available.

Chairman Fine requested that he be sent a copy of the previous Legislative Audit report that was performed.

By the December 17, 2008 Commission Meeting the Chairman requested that the Audit Plan for 2009 be developed.

Creative Services and Communications – **Tracey Cohen, Deputy Director**

Ms. Cohen stated she has no further information to add to her report. The approval of the new instant tickets will be tabled until the December 5, 2008 meeting.

An analysis of the Pick 3 Boxed Play Doubler promotion and the Racetrax 6 for \$5.00 promotion will be provided to the Commission when the promotions are concluded.

Procurement – **Robert Howells, Director**

Mr. Robert Howells stated he has no further information to add to his report.

COMMISSION BUSINESS

The Commission discussed the VLT program.

DATE AND TIME OF NEXT MEETING

The next Commission Meeting is scheduled for Friday, December 5, 2008 at 9:00 a.m.

ADJOURNMENT

The meeting adjourned at 11:30 a.m.

Respectfully submitted,

Buddy Roogow