

COLORADO LOTTERY COMMISSION
Minutes of Meeting
October 14, 2009

Present (Denver Lottery Office)

Dick Reeve, Chair
Robin Wise, Vice Chair
Tracie Keesee, Commissioner (via phone)
Dana Franzen, Commissioner
Maurice Knaizer, Attorney General's Office
Jack Boehm, Lottery Director
Tom Kitts, Lottery Deputy Director
Tom Horvat, Lottery
Tom Cargal, Lottery
Todd Greco, Lottery
JE Lewellen, Lottery
Lee Burnett, Lottery
Kathy Wallace, Lottery
Kristen Shew, Lottery
Matt Robbins, Lottery
Erika Gonzalez, Lottery
Ken Fransk, Lottery
Dave Howell, Howell Research
Tony Lombard, Scientific Games, Inc.
Bill Clayton, Scientific Games, Inc.
Ainslie Fortune, Cactus Communication
Joe Conrad, Cactus Communication
Marie Burnett, Lottery

Present(Pueblo Lottery Office)

Betty Martinez, Commissioner (via phone)
Topper Wilson, Scientific Games, Inc.
Patrick Maroney, Lottery
Jack Chism, Lottery
Barb Aggson
Mari Boyd, Lottery
Deb Marroney, Lottery
Pablo Mora, Pueblo Chieftain
Terri Geier, Lottery

The Meeting (via video conference) was called to order by Chair Reeve at 9:20 a.m. on October 14, 2009 at the Denver Lottery Office.

Chair Reeve inquired if there were any comments, additions, or corrections to the Minutes of the Public Hearing and Meeting held on September 9, 2009. There were none. Commissioner Martinez made a motion to approve the Minutes of the Public Hearing and Meeting on September 9, 2009. The motion was seconded by Commissioner Franzen and passed unanimously.

Chair Reeve inquired if there were any comments or questions on the Statement of Lottery Revenues. There were none.

Chair Reeve stated there were no Decision Items, Prize Structures, for the October Commission meeting.

Chair Reeve called for the next agenda item, Director's Report presented by Director Jack Boehm.

Director Jack Boehm stated that he attended the NASPL meeting in Oklahoma City last week. He stated that the Commission reception was a well received event and he and Department of Revenue Executive Director Roxy Huber were able to attend. Director Boehm stated that the speakers were outstanding. Tobin Smith spoke on the economy and forecasted that full economic recovery for the country will not occur until 2015 to 2017.

Director Boehm stated that the second speaker, Jason Jennings, spoke on what makes an organization successful. He stated that the key is customer focus. Director Boehm stated that when he compares what Mr. Jennings spoke on to the Colorado Lottery, the Lottery is not customer focused. Director Boehm stated that employees have to learn to let go of what we had in the past to adopt an attitude of focusing on the customer. Director Boehm stated that is the direction he would like to move in over the next year. Director Boehm stated that companies Mr. Jennings spoke of put their new employees through a two week customer focus training.

Next Director Boehm informed the Commission that he was elected the Regional Director for NASPL. He will now sit on the Executive Committee for NASPL for the next four years.

Director Boehm stated that a MUSL meeting was held in conjunction with the NASPL meeting. He stated that the group has voted to cross sell Mega Millions and Powerball with a vote of 22 to 11. The focus is to begin cross selling in the first or second quarter next year, which would mean between March to June, 2010. This means Mega Millions states will sell Powerball and Powerball states will sell Mega Millions. Mega Millions draws are on Tuesdays and Fridays and Powerball draws are on Wednesdays and Saturdays. They are both large jackpot games and the format of the games are nearly identical in terms of prize structures and how you win.

Commissioner Franzen inquired if there is a long term goal that Powerball and Mega Millions will merge into one national game. Director Boehm stated at this point he does not know. He stated that one other item that was agreed to was to begin work on a national game. He stated that he sits on the development committee and there will be a meeting next week to begin designing the national game. This game would be designed for more winning opportunities and be set at a higher price point, possibly \$3.00 or \$5.00 per play. This game would be sold in all states interested. Director Boehm stated that there are several press releases from the Mega Millions states that are incorrect. Powerball will be issuing a press release that will detail the agreed upon conditions of cross selling. Director Boehm stated that cross selling has not been finalized.

Next Director Boehm gave an update on the back office system. He stated that it is nearly at full operation and there are a few following features that are

currently being worked on and tested. He stated that hopefully everything will be up and running by the beginning of November.

Director Boehm stated that we are working on increasing the retailer base and have brought in a retailer recruitment consultant to work with our sales force to train them how to recruit and what type of businesses to recruit. Director Boehm also stated that more online terminals have been ordered.

Director Boehm stated that an online gaming consultant request for proposal (RFP) is currently on the street. This consultant will assist the Lottery in replacing the online gaming system, which is currently the SGI system. This is a three year process.

Director Boehm stated that the strategic plan has been updated and he will give the Commission a presentation at an upcoming meeting.

Next Director Boehm informed the Commission that the Lottery is developing a legislative educational piece. Director Boehm attended the Legislative BBQ at the State Fair, and several legislatures inquired about information on the Lottery. This piece will go out in January. This informational piece will be reviewed with the Commission prior to sending out.

Director Boehm stated that the Colorado Lottery has been approached by five states to join a regional game. The states are New Mexico, Arizona, Oklahoma, Montana and Idaho. The first meeting will be held in two weeks to discuss starting a possible regional game. One concept the states are looking at is our new Match Play game, however, Director Boehm stated he prefers not to use Match Play as it is a uniquely designed game for Colorado.

Commissioner Franzen stated the he feels the Lottery may be overwhelming the players. With Powerball, Mega Millions, a regional game, a national game, Match Play and our current state games, when is it enough or bordering on too much?

Director Boehm stated that some research has been conducted on this subject and it indicated that players would like to see new games more often. The Lottery is looking for the best new games to maximize revenue. Director Boehm stated that Match Play and the Raffle game are scheduled to launch in May, 2010.

Commissioner Franzen requested that an updated count of retailer locations be added to the monthly report.

Chair Reeve inquired if the Mega Millions and Powerball tickets will be able to be printed out of the same terminal and what type of burden would be put on the retailer. Director Boehm stated that a new screen would be added to the current terminal and retailer training will be conducted.

Vice Chair Wise stated that Director Boehm indicated 300 new retailers would be added. Vice Chair inquired what the timeframe for that would be. Sales Manager Tom Horvat stated that the goal is to be at 3200 retailers by the end of

June 2010. Director Boehm stated that once the courier delivery system is in place the sales reps will be available to spend more time on recruiting and marketing. This will take training of the sales staff which is one reason to bring in the recruitment consultant.

Chair Reeve inquired if there were any additional questions for Director Boehm. There were none.

Chair Reeve next called for the 2009 Image Survey conducted by Howell Research Group, presented by Mr. David Howell. Mr. Howell stated that this is the 16th survey and the survey has been conducted every year since 1991 with the exception of 2005 and 2007. He stated that the primary objective of the survey is to assess the awareness and image of the Lottery as an organization and its contributions to the state of Colorado. Mr. Howell reviewed how the survey was conducted, the criteria of the participants and the results of the survey.

Commissioner Wise inquired if they asked the survey participants if they care what the proceeds go to. Mr. Howell stated they did not ask the question. Mr. Howell stated they inquire about awareness and if they support where the proceeds go.

Commissioner Wise inquired how the research group deals with younger people who do not have land lines in order to get their participation. Kathy Wallace, On-Line Product Manager, stated that the Lottery has a tracking study which is done on a monthly basis with another consultant as a validation with our image study. Ms. Wallace stated that last year a query over the internet was done. Ms. Wallace also stated that beginning this year we are polling cellular users only in the tracking study. Information is only used if the participant completes the survey. This information will be compared to the image study. Ms. Wallace stated that at this time it too early to document results as the data is very limited right now.

Chair Reeve inquired if there are similar image studies done around the country in order to establish a frame of reference. Chair Reeve stated that he is not happy with only 66% believing we are doing a good job ensuring an honest lottery. Chair Reeve feels it should be 95%.

Kristen Shew, Communications Manager, stated that in answering consumer email, there is a perception that if they are not winning, then no one is winning and something must be wrong with the organization. Ms. Shew stated that she takes the opportunity to redeem the Lottery to the player. Chair Reeve stated that the Lottery needs to do more to correct the perception.

Mr. Howell stated that in the past no other states have done this type of comprehensive image study research. Tom Cargal, Marketing Manager, stated that he will research if other states are currently conducting this type of research.

Commissioner Wise stated that this information is valuable and the Lottery should pick priorities to focus on and resolve those issues. The Lottery needs to use the results of the survey to improve the image.

Chair Reeve inquired if there were any additional questions or comments from the Commission. There were none.

Chair Reeve inquired if there were any comments or questions on the written reports included in the Commission Packets. There were none.

Chair Reeve inquired if there were any additional Commission Issues or Public Comment. There were none.

Patrick Maroney, Security Director, introduced Jack Chism, Supervisory Investigator in the Denver office. Mr. Chism joined the Lottery on October 13, 2009. Chair Reeve welcomed Mr. Chism.

Chair Reeve reminded the Commission that the November Commission meeting will be held on Wednesday, November 18, 2009 at 8:00 a.m.

Chair Reeve closed the Meeting at 10:20 a.m. Commissioner Franzen motioned to adjourn the meeting.

Marie Burnett
Secretary