

CALIFORNIA STATE LOTTERY COMMISSION

Minutes – March 25, 2009

Sacramento, California

1. Call to Order

Chairperson John Mass called the public meeting of the California State Lottery Commission to order at 10:03 a.m. at the California State Lottery Headquarters, 600 North 10th Street, Sacramento, CA 95811.

2. Pledge of Allegiance

John Mass led the Pledge of Allegiance.

3. Roll Call

Mass asked Elisa Topete to call the roll.

Commission Members Present:

Commissioner C. C. Yin
Commissioner Cynthia Flores
Chairman John Mass

CSL Staff and presenters:

Joan Borucki, Director
Sylvia Cates, Chief Legal Counsel
Richard Woonacott, Deputy Director of Legislative Affairs & Outreach
Michael Brennan, Deputy Director of Sales/Marketing
Roberto Zavala, Chief of Internal Audits
Susan Kossack, Deputy Director of Marketing
Jim Hasegawa, Deputy Director of Business Planning
Terry Murphy, Deputy Director of Operations
Elisa Topete, Assistant to the Commission
Stephanie Greenlee, Recording Secretary

4. Consider Approval of the Agenda

Mass asked if any of the Commissioners wanted to make changes to the March 25, 2009 agenda as proposed. Joan Borucki, Director, postponed Item 9(g), Business Planning Consultant, until a later date. Flores moved to approve the amended agenda. Seconded by Yin. The motion passed unanimously (3-0).

5. Approval of Minutes

Mass asked if there were any additions or corrections to the January 28, 2009 minutes. Yin moved to approve the January 28, 2009 minutes. Seconded by Flores. The motion passed unanimously (3-0).

6. Commission Liaison Reports

Commissioner Flores:

As Education Liaison, Flores stated that in February, the first quarter and cumulative totals contributed to Education in Fiscal Year (FY) 2008/2009 were mailed to each of the Lottery's stakeholders. In the beginning of both February and March, updated memorandums were sent to each of the Lottery's stakeholders, including those in the education community, detailing information on: Problem Gambling Awareness Week, March 1-7; The new Make Me a Millionaire® Game Show; the new SuperLOTTO Plus® set; The new Lottery logo and branding; the most recent California MEGA Millions winner in San Diego; The most recent SuperLOTTO Plus winners who were 15 educators from Shasta; Information on the progress of the new Lottery campus; and overview information on Proposition 1C, which will be on the May 19 Special Election Ballot.

On February 9, Superintendent of Public Instruction Jack O'Connell and Director Joan Borucki honored the five California State Teachers of the Year at a gala event at the Sheraton Grand Hotel in Sacramento. The teachers were from the Anaheim, Corona-Norco, Escondido, Napa and Los Angeles Unified School Districts. Lottery staff attended the California Charter Schools Association Conference March 10-13 in Long Beach. Staff from over 506 charter schools attended the event and Lottery staff provided attendees with detailed information on how and where Lottery money is disbursed. The dates have been set for the Lottery's upcoming Education Outreach with the Los Angeles Dodgers. Education Recognition night, including a SuperLOTTO Plus coupon give-away with Superintendent of Public Instruction Jack O'Connell, is in the works for June 9, and two other evening games have been scheduled for July 16 and August 20. Dates for the Lottery Education Recognition with the San Francisco Giants are also in the works.

Commissioner Yin:

Yin thanked Commissioner Flores and the Internal Audit Committee members for preparing the Audit Committee Report. Yin provided an update on open audits that included: Fleet Management, which began in July 2008 and finished in December 2008. The Lottery received the draft report on February 11, and responded to the findings on February 26, 2009. The audit disclosed findings of non-compliance. The Lottery agreed with the findings and will implement corrective actions. The Lottery is awaiting final release of the audit report; GTECH contract work began in July 2008 and is estimated for completion in March 2009. The target date for the draft report is April 2009; work began on the Review of Second Quarter Transfer of Lottery Funds to Education in March 2009 and is estimated for completion in April 2009. The target date for the report is May 2009.

Recently completed audits include: Visa CAL-Card work began in April 2008 and completed in December 2008. The Lottery received the final report in February 2009. The audit disclosed three findings of non-compliance. The Lottery agreed with the

findings and will implement corrective actions; Review of First Quarter Transfer of Lottery Funds to Education work began in November 2008 and completed in February 2009. The Lottery received the final report on March 2009 and no findings were noted.

The final report is on the Lottery's Internal Audits. Per Lottery Act section 8880.64, the Lottery is required to engage an independent firm to conduct a biennial security evaluation of all aspects of security in the operation of the Lottery. Internal Audits is scheduled to award the security audit contract in March 2009. The audit is expected to last several months.

Chairman Mass:

As Procurement Liaison, Mass was briefed by staff and requested approval on the following items: To award an Interagency Agreement with Department of Justice to conduct criminal history checks of employees, retailers, and contractors. The contract term will be July 1, 2009 through June 30, 2010. The total cost for the initial contract term is \$240,000; To award a purchase order to Bear Data Systems Inc. for the renewal of Cisco maintenance contracts required for the Cisco LAN (Local Area Network) equipment including network application routers, switches, and firewalls. Renewal would be from May 1, 2009 through April 30, 2010 for the amount of \$224,330.48; To award a contract with Infiniti Consulting Group, Inc., who will provide consultant services to implement Project Management for the Lottery, department-wide. The contract term is April 1, 2009 through December 31, 2009 for a total amount of \$128,000.

As Marketing Liaison, Mass was updated on The Make Me a Millionaire Program including: Highlights of the new TV Advertising promoting the Make Me a Millionaire Scratchers and show; Scratchers® sales trends and advertising support; Updates on the new TV show's viewership and ratings and; A DVD presentation of highlights of the Make Me a Millionaire show including the first multi-millionaire winner. Michael Brennan, Deputy Director of Sales/Marketing, will provide additional information under the Director's Report.

7. Director's Report

Joan Borucki, Director, introduced Marilyn Wright who is Assistant Deputy Director of Legislative Affairs and Outreach.

a. Financial Statements for 2nd Quarter 2008-09

The California Lottery Act (under section 8880.22) requires the Lottery to prepare quarterly financial reports in compliance with generally accepted accounting principles. The financial reports were distributed to the Governor, Attorney General, State Controller, State Treasurer, and the California State Legislature. The Lottery requested the State Controller's Office to transfer in excess of \$249 million to the Lottery Education Fund on February 26, 2009.

b. Legislative and Outreach Updates

Richard Woonacott, Deputy Director of Legislative Affairs and Outreach, stated that the Retailer of the Month will be in Valencia with Jug and Jigger Liquor on April 8. The PTA Conference begins April 30 and will run through May 3. Woonacott and Wright will be attending the National Association of State and Provincial Lotteries, Lottery Leaders Training May 11-14. In February and March, Woonacott and Borucki provided new member Lottery orientation briefings for approximately ten Assembly Members and Senators.

On February 23, Woonacott and Deputy Director of Operations, Terry Murphy, participated in a conference call with the Assembly Speaker's staff regarding the new Lottery campus, with questions centering around the new campus' adherence to statewide green-building standards. A formal request will be forthcoming from the Speaker's Office for the Lottery to testify at an upcoming hearing regarding State Agencies and adherence to their green-building standards.

Lottery staff continues to schedule meetings with various members and staff to provide general information on the Lottery, the construction of the new Lottery campus, as well as to educate members and their staff on Lottery Modernization.

Staff has identified six bills that may potentially have an impact. Assembly Bill (AB) 176, introduced by Assembly Member Silva, is a measure that makes technical and non-controversial changes to various code sections, including 8880.3 of the Government Code relative to Lottery winners. Assembly Member Berryhill introduced AB 449, which prohibits the use of State funding on advertising. AB 662 from Assembly Member Hagman, would prohibit the Lottery from expending any money on constructing a new campus and would require only renovation of the existing structure. The bill has been referred to the Assembly G.O. Committee and no hearing is pending on this bill at this time. AB 1164 makes technical and non-controversial changes to 8880.321 of the Government Code relative to prize payments.

House Resolution 9, which deals with Problem Gambling Awareness Week, passed out of the Assembly and does not require any further action. Senate Bill 831 is the MEGA Millions fix and staff does not expect any difficulties with the bill. The law enforcement proposal however, may encounter difficulties, as the bill creates a new felony and there may be a fiscal impact to the State due to increased correctional costs. Typically, any bill that is identified to meet both of these standards is a candidate for suspense. In the Federal Legislative arena, the effort to change the Unlawful Internet Gambling Enforcement Act of 2006 could commence as early as next month and would be coming from Congressman Barney Frank.

Discussion by Commissioners.

c. Marketing Update

Michael Brennan, Deputy Director of Sales and Marketing, provided the Commission with an update on what staff has done since the beginning of the year in Marketing. In

the beginning of the year, staff began the advertising for Make Me a Millionaire. The Lottery also brought a themed Scratchers called "The Year of the Ox." The San Francisco 2009 Chinese New Year Festival and Parade was held February 7-8 and the Lottery sponsored a float in the parade highlighting "The Year of the Ox" and the Make Me a Millionaire Scratchers. The March Retailer of the Month, D & G, had a booth at the festival. Staff also participated in the Riverside County Fair and National Date Festival in February. The next scheduled promotional events are the Sacramento Jazz Jubilee, May 22-25 and the carnival in San Francisco, May 23-24.

Make Me a Millionaire TV Show continues to gain popularity. After just eight weeks, the show's ratings are comparable to The Big Spin and the latest survey indicates the Make Me a Millionaire show is attracting its own audience. The show had its first winner of the "Millionaire" segment, Josefina Sineriz, who won \$2.8 million. A Make Me a Millionaire retailer promotion began March 15 and will run through April 25. Retailers will receive points for placement of current Make Me a Millionaire collateral Point of Sale (POS), new logo permanent POS, and full Scratcher dispensing units and additional facings of Make Me a Millionaire. The District Sales Representatives (DSR) will score the retailers and enter the score sheets at their district office, into the appropriate prize level draw categories. The retailers can win between \$100 and \$750 with the drawing taking place on May 8.

In April, the Lottery will have Scratchers tickets \$1 "Diamond Dazzler" and \$3 "Tripling Crossword." Most importantly, the \$2 "In the Line of Duty" Scratchers is being distributed in conjunction with the California Peace Officers Memorial Fund (CPOMF). They will be receiving a licensing fee from the Lottery, generated through the proceeds of ticket sales. Supplemental funding to education will not be impacted by this. CPOMF provides survivor benefits for public safety officers who have died in the line of duty, as well as scholarships for dependency of officers killed in the line of duty. There will be a statewide news release next week, as well as other promotional events with the Memorial Fund and the Peace Officer Groups.

In May, staff will be putting out "Hot Chili Doubler," "Ten Times the Money," "\$25,000 Poker," and most importantly, a \$5 Scratchers ticket. It will be the Lottery's second \$5 ticket of the fiscal year and players have been waiting many months for it. In June, the Lottery will introduce new graphics for the Make Me a Millionaire Scratchers, which will tie into the graphics that are on the television show. A \$1 game will be coming out that will have a 56 percent payout, which is the beginning of the Lottery's higher prize payouts, as opposed to 52½ percent for a normal \$1 ticket. Staff is putting out the first Fantasy 5 crossover Scratchers ticket with one of the prizes being a free Fantasy 5 play coupon. There will also be the very popular \$3 "Sizzling Red 7's Bingo."

Brennan stated that advertising helped not only Make Me a Millionaire Scratchers, which as gone up to the highest point of \$1.7 million a week, but all Scratchers including Fantasy 5. Brennan showed an example of the new Retailer Sales Representative's (RSR) van that displays the new Lottery Logo design. The RSR is a specific classification that will service the CVS pharmacies down south. Brennan also displayed

an example of the new logo for “California Replay” which is the Lottery’s second-chance program for all Scratchers that will launch May 22. It will give players an added value for their non-winning tickets, while contributing to the recycling of Lottery tickets. Players have an opportunity to register their non-winning tickets online for the chance to win additional prizes and drawings. The drawings will be scheduled once per quarter. Brennan presented a video of the new Make Me a Millionaire Show that will be used promotionally. The video will be shown at the La Fleur’s conference in Washington D.C. to other lottery states with the possibility of them joining the California Lottery in this venture.

Discussion by Commissioners.

d. Audit Committee Update

Roberto Zavala, Chief of Internal Audits, reported that since the last meeting, the following tasks were completed: A letter from the California Lottery Commissioner, and Audit Committee Chair, C.C. Yin, to the State Controller’s Office Audit Chief Jeff Brownfield, regarding unresolved items between the audit offices of the State Contoller’s Office and the California Lottery. The purpose of the letter was to set in motion action items that will improve the partnership between the two offices. Staff also developed a draft Audit Committee Charter and calendar that will be discussed today at the Audit Committee’s first meeting.

Discussion by Commissioners.

8. Consent Calendar

There were no items on the Consent Calendar.

9. Action Items

a. **Revised Sales Projections and Amended Fiscal Year 2008/09 Budget**

Jim Hasegawa, Deputy Director of Business Planning, went over the proposed revisions to the Fiscal Year 2008-09 sales goal and the related adjustments to the Fiscal Year 2008-09 budget. The Lottery projects that it will not meet the \$3.2 billion in sales it projected for this fiscal year. Sales for this fiscal year are now projected to be \$2.89 billion, which is just a five percent decline relative to last year’s total of \$3.05 billion. The original sales goal did not anticipate the worst recession in a quarter century.

Since January, Scratchers sales are significantly higher. For example, sales of “Make Me a Millionaire” tickets are averaging 40 percent above the sales rate of the prior “Big Spin” tickets. The marketing activity against this product has lifted sales for the entire Scratchers product line by about \$2.5 million per week. As a result, Scratchers sales will be higher than the figures for the prior year. When looking at the trend lines, including the added \$5 game, Scratchers this fiscal year will close ahead of last year’s numbers. Staff is projecting sales of about

\$1.575 billion, which is nearly two percent ahead of last years Scratchers numbers.

Sales are down in the draw games due primarily to the recession and poor rollover luck in SuperLOTTO Plus and MEGA Millions. A series of lower level jackpots were won more frequently than statistically expected. The largest SuperLOTTO Plus jackpot to date was \$76 million back in February. Last year, this was \$93 million. For MEGA Millions, the largest jackpot so far this fiscal year has been \$212 million compared to last year's high jackpot of \$330 million. Similarly, there are fewer draws this year where we have seen a jackpot of at least \$100 million. Transactions, the actual purchases that players make, are down by about 20 percent for each jackpot level. Some recent strengths came in the month of March where sales have been the highest that the Lottery has seen in over a year for comparable jackpots and draw days. Based on that, staff is projecting that the sales estimate will be about \$865 million for the jackpot games which represents a 15 percent decline relative to last year's figures on these products.

Hot Spot will be coming in at about \$125 million, which is about a 9 percent decline. The Daily Games category as a whole is running well with sales being about the same as last year. Staff is projecting sales of about \$325 million. In summary, the Lottery is projecting \$2.89 billion in sales, which is a decline from the original budget goal of \$3.2 billion. The \$2.89 billion represents a 5 percent decline from last year. Hasegawa stated there were strong indicators that the strategies out of the Business Plan, like "Make Me a Millionaire" game show, are really reversing the decline in sales. With the total revenue, the Lottery will produce \$1.027 billion for profit and will make the ninth consecutive year that \$1 billion has been given to public education.

Discussion by Commissioners.

Borucki stated that staff monitors the projection of sales and provides her with weekly and monthly actuals. Staff will only bring revisions to the budget to the Commission when there is good information to be able to stand behind the projections. The budget this year was projected at approximately \$3.2 billion in sales. The Lottery now expects that to be \$2.85 billion however, \$40 million has been added from the expected sales of the \$5 Scratchers, which was not anticipated in the original sales projections; bringing the projected sales to \$2.89 billion. The Lottery also expects to gain \$40 million in additional revenue because of investments, bringing the total revenue for the year up to \$2.93 billion. The additional \$40 million would be distributed to areas that would make the best impact on increasing sales such as the marketing budget.

The original budget that was adopted last June, assumed all marketing expenditures in the first two quarters of the year because staff wanted

to support the rebranding effort and the new TV show. That budget however, was going to leave the Lottery in the dark without any marketing budget for the second half of the year. With the influx of the \$40 million and being able to put the majority of the administrative money into the marketing advertising program, the Lottery will have a significant increase of marketing and advertising.

Mass asked if anyone from the audience had any questions on Action Item 9(a). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(a). Seconded by Flores. The motion passed unanimously (3-0).

b. Scratchers® Game Profiles for Games 597, 598, 599, 601, 602, 603, 604, and Alternate Profiles for Future Games

Susan Kossack, Deputy Director of Marketing, presented the recommended Scratchers games to be launched in July and August, 2009 and also the approval of alternate prize structures for future games. In light of the possible payout changes, staff has proactively developed two sets of profiles for the Commissioners review. We are presenting for each game the typical profiles with standardized payouts and game profiles with the higher prize payouts, in anticipation of possible passage of the ballot measure. These actions would allow the Lottery to quickly and efficiently optimize the benefits of the possible change. The higher prize payouts will provide players with increased winning experiences in a really positive step in the direction of the new and improved Lottery.

Kossack first presented the game profiles without the ballot measure approvals; the standard games. Game 597 is an animal themed \$1 game with a Match 3 playstyle. The game has a \$500 top prize with overall odds of winning at 1 in 4.89. Game 598 is a \$2 game with a Key Number Match playstyle with a specific variant. If a player finds a specified symbol, they automatically win double the prize shown. The top prize is \$10,000 with overall odds of winning at 1 in 4.21.

Game 599 is a \$3 game featuring graphics with a patriotic red, white, and blue theme. The game includes a Key Number Match playstyle and two variants. The top prize is \$47,777 and overall odds of winning are 1 in 4.33. Game 601 is a \$5 game with a Key Number Match playstyle and a number of specific variants to maintain player interest and excitement. In addition to winning with 2X, 5X, 10X, and 20X multipliers, this game will also include two "Fast Spots," a Lottery first. The top prize is \$100,000 and overall odds of winning are 1 in 3.59.

The industry trend of launching games across price points with a common graphic approach and similar key benefits are known as "family games." These games incent players to purchase more than one game in order to purchase the entire "family" or group of games. Staff is recommending the "Hit" series of

games with \$1 and \$2 price points as the introductory approach to the “family games” concept. Game 602 is a \$1 game called “Hit \$50” and will feature a Key Symbol Match playstyle and a top prize of \$50, with a high concentration of \$50 wins. Odds for this win will be better than 1 in 500 and will include over \$2 million in \$50 prizes alone. Overall odds of winning are 1 in 5.31.

Game 603 is a \$2 game called “Hit 200.” With a Key Symbol Match playstyle and a top prize of \$200, this game also includes a high concentration of \$200 wins. Odds for this prize will be better than 1 in 700 and over \$5.2 million in \$200 prizes alone. The overall odds of winning are 1 in 4.55. Game 604 is a \$3 crossword game. In addition to the traditional way to play, if a player completely reveals one word with a special red line through the word, they win a different prize. The top prize for this game is \$20,000 and overall odds of winning are 1 in 3.23.

The approval of these game profiles presented would provide staff with the ability to implement higher payout prize structures into the Lottery’s game portfolio as soon as the ballot measure passes. Because of the ticket production lead times, staff needs to have these profiles available to implement higher prize payouts seamlessly. Staff will inform the Commission when these prize structures are assigned to specific games. Once legislation passes, staff will develop additional prize structures with higher payouts to support and maintain the Lottery’s new direction. In summary, Games 597, 598, 599, 601, 602, 603, and 604 are the same price points with improved overall odds.

Discussion by Commissioners.

Mass asked if anyone from the audience had any questions on Action Item 9(b). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(b). Seconded by Flores. The motion passed unanimously (3-0).

- c. Amendment to Extend the Term of the General Market Advertising Contract
Kossack stated that the Lottery had services with the General Market Advertising Contract with BBDO West (BBDO) until the end of the fiscal year. The extension would be through the term of April 30, 2010 and would require no additional funding. The Lottery has an existing expenditure authority of \$150 million. The initial term was from May 2004 through April 2008, with an extension of up to two years. The Commission approved a 14-month extension from May 2008 through June 2009 and now staff is bringing forward the remaining ten-month extension.

BBDO continues to provide a very good level of service to the Lottery. The media purchases are typically made three months in advance and they obtain very competitive rates. BBDO’s bids come in significantly below average so the Lottery has savings that they are generally allowed to reinvest. There are

existing 30-day cancellation clauses on all of the Lottery's major contracts, but staff is asking for an inclusion of a nine-month emergency extended service option to be added to the terms of this contract so there is maximum flexibility either way.

Discussion by Commissioners. Mass would like a follow up on the next meeting of how staff with the help of BBDO, is working on the Lottery's image.

Mass asked if anyone from the audience had any questions on Action Item 9(c). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(c). Seconded by Yin. The motion passed unanimously (3-0).

d. Amendment to Extend the Term and Add Funds to the Hispanic Market Advertising Contract

Kossack brought forth the recommendation to approve a two-year extension term and \$12 million additional funding to the Casanova Pendrill (Casanova) contract for Spanish-language advertising. In 2005, Casanova was awarded a four-year contract with up to two one-year extension options, for a total expenditure authority of \$28 million. The contract has been amended once in the four-year term for a revision to the contract's insurance filing requirement. No term extensions have been requested, nor has any additional funding been requested for the life of the contract to date, which expires May 31, 2009.

Spanish-language advertising is an integral part of the California Lottery's overall communication plan and Casanova plays a key role in the marketing efforts of Lottery products. Services provided under the contract include creating and producing Spanish-language advertising for consumers, Spanish-language media, and Spanish-language transition services for all collateral point-of-sale items for the Lottery. Casanova has continued to provide a consistently good level of service above what is expected and continues to provide competitive pricing and low mark-up rates for Spanish-language advertising services.

The extension would also allow staff adequate time necessary to prepare the next advertising contract procurement for the general market; expected to become effective in February 2010. The amendment to Casanova also includes an extension of the nine-month emergency extended services option. With the approval of the remaining two years and the addition of \$12 million, the next expiration date to this contract would be May 31, 2011, with a total expenditure authority of \$40 million.

Discussion by Commissioners.

Mass asked if anyone from the audience had any questions on Action Item 9(d). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(d). Seconded by Flores. The motion passed unanimously (3-0).

e. Purchase of Replacement Vehicles

Terry Murphy, Deputy Director of Operations, stated that the Lottery is seeking approval to purchase 60 replacement vehicles. Currently, the Lottery has a fleet of 246 vehicles, used primarily by the Sales Division out in the districts around the state, as well as the Security/Law Enforcement Division. Managing the fleet of 246 vehicles includes regular replacement of vehicles that have met certain criteria, including mileage (90,000 miles), and age (seven years). Every vehicle is evaluated on a case-by-case basis. All the vehicles in need of replacement have met the criteria and the request for 60 is slightly elevated because of some deferred purchases that were not made last year. There are 218 "essential vehicles" that are assigned to a specific employee to do their job on a day-to-day basis. The additional 30 vehicles are called "pooled vehicles" and might be housed at Lottery Headquarters for occasional trips by Lottery staff. Staff has determined that the Department of General Services Contract will provide the Lottery with the best pricing on all the vehicles. If approved, the vehicles would be ordered next month and would arrive sometime in the fall, possibly September.

Discussion by Commissioners.

Mass asked if anyone from the audience had any questions on Action Item 9(e). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(e). Seconded by Flores. The motion passed unanimously (3-0).

f. Lottery Security Audit Contract

Zavala stated that according to the California Lottery Act (Act), the Commission is required to hire an independent firm to conduct an evaluation of all aspects of security at the Lottery, including personnel security, security of drawings, and computer security, just to name a few. The independent firm prepares a public report containing the overall evaluation of the Lottery, and presents it to the Commission, the Governor, the State Controller, the Treasurer, the Attorney General and the Legislature. The portion of the report containing specific recommendations is exempt from public disclosure and is presented only to the Commission, the Attorney General, the State Controller, and the Governor. Similar audits of security are conducted every two years.

The Act does not require that the independent firm follow generally accepted audit standards; therefore, past Security Audits have been limited to studies or evaluations and have cost \$139,000. While this may have been a satisfactory approach when the Lottery was first started, a comprehensive audit is now needed. A comprehensive statement of work was developed by Internal Audits

and was used as a basis for a Request for Information (RFI), soliciting 11 firms. Staff received four responses from that solicitation. A team composed of representatives from the Lottery's Information Technology Services Division, the Security/Law Enforcement Division and Internal Audits, interviewed the four firms. It was concluded that KPMG has the resources, the expertise, and is best-suited to perform the comprehensive audit that the Lottery seeks. The audit is expected to cost \$336,000 initially, however in subsequent years this will be scaled back tremendously.

Mass asked if anyone from the audience had any questions on Action Item 9(f). No one came forward so he proceeded to the motion of approval.

Yin made the motion to approve Action Item 9(f). Seconded by Flores. The motion passed unanimously (3-0).

- g. Business Planning Consultant
Item pulled from the agenda.

10. Commissioner General Discussion

Chairman Mass congratulated Commissioners Flores and Yin for their work on the Audit Committee.

11. Scheduling Next Meetings

The next Commission meetings for 2009 are tentatively scheduled for May 27, June 30, August 19, October 21, and December 3 at the Lottery Headquarters in Sacramento. The times for the meetings will be determined.

12. Public Discussion

Mass asked if anyone from the public had anything to discuss. No one had signed up prior to the meeting and no one came forward, so he proceeded to the next item on the agenda.

13. Closed Session

The Commission convened to a closed session at 11:40 a.m. to confer and receive advice from legal counsel regarding pending litigation (including adjudicatory proceedings, potential litigation exposure or initiation): *Hawara v. California State Lottery*; *McVeigh v. California State Lottery*; *Lane v. California State Lottery*; *Wheeler v. California State Lottery*

14. Adjournment

Meeting adjourned at 12:01 p.m.