

OVER \$15.5 BILLION FOR EDUCATION.



**MINUTES OF THE MEETING OF
THE OHIO LOTTERY COMMISSION**

**HELD AT:
THE FRANK J. LAUSCHE BUILDING
FOURTH FLOOR CONFERENCE ROOM
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**JANUARY 26, 2009
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

Ernie Cade
Matthew Cox
Allan Krulak
Patrick McDonald
Rudy Stralka

Executive Staff of the Commission:

Kenneth Adams, Interim Deputy Director, Sales
Dennis Berg, Deputy Director, Finance
Candace S. McGraw, Deputy Director, Charitable Gaming
Constance Miller, Deputy Director, Operations
Gwen Penn, Deputy Director, Product Development
Michael Petro, Deputy Director, Information Technology
Traci L. Pinkney, Deputy Director, General Services
Terri Tancredi, Deputy Director, Marketing
Christine T. Jasica, Administrative Assistant, Legal

Also Present Were:

Traci Konesky, Administrative Assistant, Finance
Ron Fornaro, Instant Gaming System Manager, Product Development

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Dan Price, On-Line Product Manager, Product Development
Marie Kilbane-Seckers, Public Information Officer, Communications
James Manley, Assistant Legal Counsel, Legal Department
Debbie Warren, Administrative Assistant, Legal Department
Terry Pryatel, Administrative Assistant, Charitable Gaming
Ron Mickey Mottl, Office of the Attorney General
Valerie Harry, Office of Auditor of State
Darick Cornelious, GTECH Corporation
Martin E. Morrow, GTECH Corporation
Tatiana Khaled, GTECH Corporation
Jim Nash, Marcus Thomas
Elissa Gibson, Marcus Thomas
Tracy Blevins, Hooven Dayton Corporation

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission (“the OLC”) meeting of January 26, 2009, was called to order at 1:00 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairperson Allan Krulak.

ROLL CALL

The following members of the Commission answered present to the Roll Call: Ernie Cade, Matthew Cox, Allan Krulak, Patrick McDonald and Rudy Stralka.

ANNUAL ELECTION OF OFFICERS

Current Chairperson Allan Krulak requested nominations for Chairperson of the OLC. Commissioner Cade made a Motion to nominate Allan Krulak that was seconded by Commissioner Stralka. The Motion was affirmatively voted upon by all Commissioners present. Chairperson Krulak thanked the Commission for again giving him the honor to serve as Chairperson. Chairperson Krulak opened nominations for Vice-Chairperson of the OLC. Commissioner Cade nominated Patrick McDonald that was seconded by Commissioner Cox. The Motion was affirmatively voted upon by all Commissioners present. Commissioner McDonald thanked the Commission for re-electing him as Vice Chairperson.

INTRODUCTIONS

Chairperson Krulak recognized first time attendees James Manley and Debbie Warren from the office of Legal Counsel and Terri Pryatel of the office of Charitable Gaming.

APPROVAL OF MINUTES

Commissioner Stralka made a Motion for approval of the December, 2008 minutes. The Motion was seconded by Commissioner Cade. The Motion was affirmatively voted upon by all Commissioners present.

DIRECTOR'S REPORT

- Director Dolan shared details of his meeting with the 15 *Mega Millions*® winners, describing them as “typical” lottery players, middle income, hard workers with children and grandchildren.
- The Director voiced his concern regarding stories claiming that KENO is not performing up to expectations. Director Dolan pointed out to the Commission that the standards used for KENO were based on an analysis done in Michigan in prior years when the economy was performing much better than it is today. However, even with the current state of the economy, total Ohio Lottery sales are up 2½ to 3 points due to KENO.
- Director Dolan indicated that 2009 will be the year of sales. He stated that the Ohio Lottery will focus on improved training for Lottery retailers and a concentration on a new trade channel. Efforts to increase KENO sales will begin with more promotions and KENO coupons in an effort to educate the public about KENO. The Director passed out KENO coupon packets to the Commissioners urging them to distribute the coupons to help inform the public about KENO.

Commissioner Stralka asked which had the better sales trend, online or instant tickets. Director Dolan stated that the trend over the last ten to twelve years showed that online games have seen a negative slope, while instant tickets have seen an upward slope, with the exception of the states selling KENO. The Director added that according to GTECH, during the last year, nationwide sales of online tickets were down 1.4 billion from 22.9 billion during Fiscal Year 2007, while instant tickets were down 1 billion from 30.2 billion nationwide.

Commissioner McDonald inquired as to the status of the disgruntled lottery players objecting to the huge *Mega Millions*® prize award distribution. Director stated that the Ohio Lottery was not

involved in the lawsuit and that all the prize award funds have been distributed. Ms. DeGeeter added that the Ohio Lottery had received a subpoena duces tecum, however, the Ohio Lottery has not been named as a party to the lawsuit.

APPROVAL OF ONE (1) INSTANT GAME RULES IN PROPOSED FORM

Ron Fornaro brought before the Commission one (1) Instant Game Rule for approval in Proposed Form. Mr. Fornaro presented the details of the game:

1. Rule 3770:1-9-683, *Instant KENO* (\$2.00)

Chairperson Krulak requested a Motion to approve the one (1) Instant Game Rule in Proposed Form. Commissioner McDonald made a Motion that was seconded by Commissioner Cade. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF TWO (2) INSTANT GAME RULES IN FINAL FORM

Ms. DeGeeter brought before the Commission two (2) Instant Game Rules for approval in Final Form. The rules were approved in Proposed Form at the December 15, 2008 Commission Meeting. The game rules are:

1. Rule 3770:1-9-682, *Lots of 50's* (\$1.00)
2. Rule 3770:1-9-684, *Break the Bank* (\$2.00)

Chairperson Krulak requested a Motion to approve the two (2) Instant Game Rules in Final Form. Commissioner McDonald made a Motion that was seconded by Commissioner Stralka. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO ADOPT *FANTASTIC 5'S INSTANT TICKET PROMOTION*

Ms. DeGeeter explained the promotion involves entering two (2) non-winning *Fantastic 5's* instant tickets for a chance to win one of 55 flat screen televisions to be given away. The promotion is scheduled to run February 16 through March 21, 2009.

Commissioner Stralka sponsored this Resolution before the Commission and made a Motion for approval that was seconded by Commissioner Cade. The Motion was affirmatively voted upon

by the Commissioners present.

RESOLUTION TO ADOPT PRICE IS RIGHT® INSTANT TICKET PROMOTION

Ms. DeGeeter stated this promotion is in conjunction with the *Price is Right*® instant ticket which involves entering one (1) non-winning *Price is Right*® instant ticket for an opportunity to win trip to Las Vegas and a chance to participate on the non-broadcast *Price is Right*® show and a chance to take part in the big money wheel spin with a chance to win \$1 million. The promotion is scheduled to run from February 27 through July 26, 2009.

Chairperson McDonald sponsored this Resolution before the Commission and made a Motion for approval that was seconded by Commissioner Stralka. The Motion was affirmatively voted upon by the Commissioners present.

LEGAL COUNSEL REPORT, PAMELA DEGEETER, CHIEF LEGAL COUNSEL

The Legal Counsel Report stands as written.

COMMUNICATIONS REPORT, MARIE KILBANE-SEEKERS, PUBLIC INFORMATION OFFICER

The Communications Report stands as written.

FINANCE REPORT, DENNIS BERG, DEPUTY DIRECTOR

- Mr. Berg reported that December 2008 ticket sales of \$239.6 million were the highest sales recorded for the month of December in Ohio Lottery history. The Lottery benefited from the \$207 million *Mega Millions* jackpot that materialized in December and was won in Ohio. In addition, over \$8.8 million in KENO sales was realized in December.
- Net ticket sales for December were \$134.0 million, \$21.3 million higher than the previous month.
- Net ticket sales increased by \$17.2 million compared to ticket sales reported last December. On-line ticket sales increased by \$19.6 million, while instant games decreased by \$2.4 million.

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- On-line sales for December totaled \$105.6 million; \$20.3 million higher than last month. On-line prize expense was \$54.4 million, or 51.5% of on-line sales. Instant ticket prize expense equaled \$87.3 million, or 65.1% of instant ticket sales.
- The Lottery transferred \$67.0 million to the Lottery Profits Education Fund for the month of December, which was \$1.2 million higher than budgeted transfer, excluding KENO. Total cumulative transfers to the LPEF through December are \$341.8 million, \$1.0 million higher than budgeted transfers, excluding KENO, and \$0.3 million higher compared to year-to-date transfers last fiscal year.
- Mr. Berg followed up with a slide presentation regarding the OLC's sales results by game.

Commissioner Cade questioned whether the LPEF flat line includes KENO results. Mr. Berg affirmatively responded adding that without KENO the LPEF transfers would be approximately \$40 million lower.

Commissioner McDonald asked if the 2008 New Year's Eve Raffle was profitable for the Ohio Lottery, despite not selling out. Mr. Berg explained that there were potentially 500,000 \$20.00 tickets for sale with the prize pool constituting half of that total. Mr. Berg reported that the Ohio Lottery did make a profit.

Commissioner Cox requested an update on the Retail Incentive Program. Director Dolan stated that 100% of the Ohio Lottery sales reps have signed up for the program and that the Retail Incentive Program will be monitored on a quarterly basis.

GENERAL SERVICES REPORT, TRACI PINKNEY, DEPUTY DIRECTOR

- Ms. Pinkney provided an update on the current number of monitor retailers actively selling which is 1,095. Another 165 are waiting for monitor installation or pending approval for a bond.
- The Consumables ITB was awarded to Hooven-Dayton.

Commissioner Stralka asked if the original KENO projection was 2,000 KENO installations. Director Dolan explained that the Ohio Lottery should have 1,200 KENO installations as soon as the bonding process has been completed. He added that part of the reason for the slowdown has been the economy and the 5 o'clock work rule requiring sales reps to have State vehicle in their

driveway by 5:00 PM. The Director is hopeful that the Ohio Lottery will start the next fiscal year with as close to 2,000 KENO installations as possible.

INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

The Information Technology Report stands as written.

MARKETING SERVICES REPORT, TERRI TANCREDI, DEPUTY DIRECTOR

- Ms. Tancredi announced that KENO coupons will be used in an effort to increase sales. KENO parties are also being planned at several retailer locations.
- The Commissioners viewed the KENO road trip television ad. Ms. Tancredi mentioned the Ohio Lottery's intent to market the individuals used in this ad.
- The storyboard for *Extreme Cash* was presented to the Commissioners depicting near misses involving different sports and revealing the tag line "You can walk away with a million dollars with just a few scratches."

SALES MANAGEMENT REPORT, GWEN PENN, DEPUTY DIRECTOR, PRODUCT DEVELOPMENT

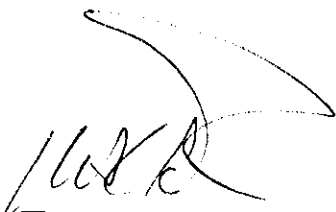
The Sales Management Report stands as written.

PRODUCT DEVELOPMENT REPORT, GWEN PENN, DEPUTY DIRECTOR

The Product Development Report stands as written.

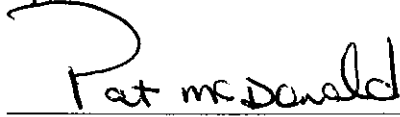
ADJOURNMENT

Chairperson Krulak adjourned the meeting at 2:08 P.M.



Michael A. Dolan, Secretary

Approved:



Allan C. Krulak, Chairperson
Vice Chairman