

OVER \$16 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**

**JULY 21, 2009  
1:00 P.M.**

**Present at the meeting were the following:**

**Members of the Commission:**

Jaladah Aslam  
Otto Beatty III  
Paul M. Burens  
Ernie Cade  
Matthew Cox  
Allan C. Krulak  
Patrick McDonald  
Rudy M. Stralka

**Executive Staff of the Commission:**

Michael A. Dolan, Director  
Pamela A. DeGeeter, Chief Legal Counsel  
Dennis Berg, Deputy Director, Finance  
John Martin, Deputy Director, Sales  
Candace S. McGraw, Deputy Director, Charitable Gaming  
Gwen Penn, Deputy Director, Product Development  
Michael Petro, Deputy Director, Information Technology  
Traci Pinkney, Deputy Director, General Services  
Jeannie Roberts, Deputy Director, Communications  
Terri Tancredi, Deputy Director, Marketing  
Christine T. Jasica, Administrative Assistant, Legal

OHIO LOTTERY COMMISSION MINUTES

July 21, 2009

PAGE 2

**Also Present Were:**

Constance Miller, Deputy Director, Operations  
James Manley, Assistant Legal Counsel, Legal Department  
Debbie Warren, Administrative Assistant, Legal  
Traci Konesky, Administrative Assistant, Finance  
Marie Kilbane-Seckers, Public Information Officer, Communications  
Molly Fanta, Administrative Assistant, Communications  
Tracy Blevins, Hooven Dayton Corporation  
Harvey Scholnick, Marcus Thomas  
Joe Rice, Intralot  
Toula Argentis, Intralot  
Jay Lapine, Intralot  
Tom Garcia, Intralot  
Laurence Snyder, Attorney General  
Darick Cornelius, GTECH  
Scott Klein, Cleveland Browns  
Brian Sells, Cincinnati Bengals  
Uri Clinton, Multimedia Games  
Irv Berliner, Taft, Stettinius  
Kevin Krietemeyer, GTECH  
Sean McGraw, Intern, Communications  
Dave Habit, Intern, General Services  
Laura Bishoff, Dayton Daily News  
Glenn Gable, Freeway Lanes  
Mark Naymik, Cleveland Plain Dealer

**CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

The Ohio Lottery Commission (“OLC”) meeting of July 21, 2009, was called to order at 1:00 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairperson Krulak.

**ROLL CALL**

The following members of the Commission answered present to the Roll Call: Jaladah Aslam, Otto Beatty III, Paul M. Burens, Ernie Cade, Allan C. Krulak, Patrick McDonald and Rudy M. Stralka. Commissioner Cox arrived shortly following roll call.

**APPROVAL OF MINUTES**

Commissioner Stralka made a Motion that was seconded by Commissioner Aslam. The Motion was affirmatively voted upon by all Commissioners present.

**DIRECTOR'S REPORT, MICHAEL A. DOLAN, DIRECTOR**

- Director Dolan recognized Dave Hartzell and Rosalyn Noaks who are retiring after several years of excellent service to the Ohio Lottery. He praised both Dave and Rosalyn for their dedication and outstanding service
- The Director announced that the Lottery experienced a record year for FY 2009. He pointed out that Lottery sales are up even in an adverse economic climate due primarily to KENO. Director Dolan reported that the June 30<sup>th</sup>-July 1<sup>st</sup> conversion from GTECH to Intralot went very well. As of June 30<sup>th</sup>, 8,750 retailers were up, and within 24 to 48 hours, all retailers were up and selling.

Commissioner McDonald asked what the savings was after switching the systems. The Director responded that on the base system the cost over the 2009 system was \$20 million a year. He added that number should not to be confused with the RFP process where the low bid was \$3 million less than the second lowest.

**APPROVAL OF THREE (3) INSTANT GAME RULES IN PROPOSED FORM**

Gwen Penn brought before the Commission three (3) Instant Game Rules for approval in Proposed Form and two (2) Instant Games Rules in Proposed and Final Form. Ms. Penn presented the details of the games:

- Rule 3770:1-9-713, *Holiday Winnings* (\$10.00)
- Rule 3770:1-9-711, *Jingle Bell Doubler* (\$2.00)
- Rule 3770:1-9-712, *Holiday Lucky Times 10* (\$5.00)

**APPROVAL OF TWO (2) INSTANT GAMES IN PROPOSED AND FINAL FORM**

- Rule 3770:1-9-720, *Cleveland Browns*® (\$5.00)
- Rule 3770:1-9-721, *Cincinnati Bengals*® (\$5.00)

Chairperson Krulak pointed out that the first vote would be on *Jingle Bell Doubler*, *Holiday Lucky Times 10* and *Holiday Winnings*. He then called upon Ms. DeGeeter to clarify the vote of the game rules. Ms. DeGeeter clarified that the first three (3) rules are being submitted in Proposed Form. Information regarding the Bengals and the Browns games was presented to the

Commission at the June 16, 2009 meeting in anticipation of presenting them in Proposed and Final Form at today's Commission meeting. She added that the Lottery planned to launch the Browns and Bengals tickets in conjunction with the start of the NFL season. Ms. DeGeeter suggested that the Cleveland Browns and Cincinnati Bengals game rules be a separate vote.

Ms. DeGeeter requested a Motion to approve the three (3) Instant Game Rules in Proposed Form. Commissioner McDonald made a Motion that was seconded Commissioner Stralka. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

Ms. DeGeeter also stated that although an earlier Controlling Board date had been anticipated, the Lottery is scheduled for the July 27, 2009 Controlling Board meeting to present the Cleveland Browns and Cincinnati Bengals game rules. Approval of the two rules by the Commission is requested today, but the rules would not be filed until such time as Controlling Board approval is obtained. In the event that Controlling Board approval is not obtained on these rules, they will not be filed.

Chairperson Krulak requested a Motion to approve the Cleveland Browns and the Cincinnati Bengals Instant Game Rules in Proposed and Final Form. Commissioner Aslam made a Motion that was seconded by Commissioner Beatty. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

#### **APPROVAL OF RULES IN FINAL FORM**

Ms. DeGeeter brought before the Commission three (3) Instant Game Rules for approval in Final Form. The rules were approved in Proposed Form at the June 16, 2009 Commission Meeting. The game rules are:

- Rule 3770:1-9-706, *Wet & Wild's 7's* (\$2.00)
- Rule 3770:1-9-707, *Ohio Lottery's Tax Free Anniversary* (\$5.00)
- Rule 3770:1-9-708, *9's In A Line* (\$1.00)

Chairperson Krulak requested a Motion to approve the three (3) Instant Game Rules in Final Form. Commissioner Stralka made a Motion that was seconded by Commissioner Aslam. With no further discussion or public comment, 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, JEANNIE ROBERTS, DEPUTY DIRECTOR**

The Communications Report stands as written.

**FINANCE REPORT, DENNIS BERG, DEPUTY DIRECTOR**

- Mr. Berg focused on the financial highlights for 2009. He noted that the figures quoted today are still considered unaudited and subject to minor accounting adjustments before finalization for a comprehensive annual financial report.
- Mr. Berg reported that June marked the last month of fiscal year 2009. The Lottery experienced record ticket sales of \$2.42 billion, with a total sales increase nearly \$91.1 million from the prior year. Included in the total sales figure was record *Pick 4* games sales of \$206.1 million.
- The Lottery transferred \$702.3 million to the Lottery Profits Education Fund (LPEF) for the year. This was \$30.1 million higher than transfers made to the LPEF last fiscal year and this was also the fourth best profit transfer in the Lottery's 35 year history and the highest transfer sent to the LPEF since in FY 1998.

Chairperson Krulak asked Mr. Berg how he anticipated the Lottery will do with KENO for next Fiscal Year. Mr. Berg responded that the Lottery is confident that KENO is going to perform well. In addition, new initiatives such as player activated devices should help expedite the transactions.

Commissioner Beatty inquired what the forecast was from last year. Mr. Berg responded that the original forecast was \$292 million.

Commissioner Cox asked if the upward KENO sales trend had continued through last month. Mr. Berg stated that the trend had been moving up, but typically during the summer months will trend back down.

Commissioner Beatty inquired if Mr. Berg could present data about the expense associated with the particular games and what type of statistics the Lottery keeps regarding the expense, not the prize payout analysis, but the cost of the getting a particular game to the public. Also, Commissioner Beatty wanted to know, in regard to instant tickets, if the \$10.00 ticket costs the same as a \$1.00 ticket, and does the size of the ticket affect costs.

Mr. Berg explained that there are expense calculations available in the Finance office, but it is difficult to isolate the cost by game. The Lottery's operating budget is well over \$100 million. KENO was a little more because it was newer and some of the expenses associated with that product may be isolated. The Lottery can break down the cost of advertising campaigns. Mr. Berg went on to say that it does cost more to print a bigger ticket. A \$1.00 ticket is less expensive to print than a \$5.00 or \$10.00 ticket because of the size of the ticket is smaller. Though the net costs generally even out when a \$5 ticket is divided by its price, the cost comes back down to the price of five \$1.00 tickets.

Commissioner Aslam asked if the \$200 million projection for KENO was based on 1900 vendors. Mr. Berg replied that it was based on the estimate of 2,000 retailers.

**GENERAL SERVICES REPORT, TRACI PINKNEY, DEPUTY DIRECTOR**

Ms. Pinkney reported that the Lottery currently has 1,115 active KENO locations. That number has declined slightly due to bonding. As the bonds are received, vendors will be brought back on. There are 22 KENO locations waiting for equipment installation, and fifty-five vendors with pending bonds. These are new locations that have not sold previously. Seventy-three additional locations are pending application which totals 150 locations. Ms. Pinkney pointed out that during conversion, call center hours were extended and the call center team put forth good effort to assist the retailers and sales in any way necessary. She also extended thanks to Intralot for their support during the conversion.

Commissioner Beatty inquired if Ms. Pinkney knew the number one KENO location in the state. She offered to obtain that information, but the Commissioner declined.

Commissioner Cade asked what the timeline is for increasing the KENO vendors from the 1,300 to the projected 2,000. Ms. Pinkney responded that there isn't a set timeline. Commissioner Cade then asked Ms. Pinkney whether the biggest hurdle is bonding or recruitment. Ms. Pinkney responded that currently the biggest hurdle is bonding which is also affected by the economy. The underwriting companies are taking longer to complete the bonding process.

Chairperson Krulak asked for a list of the top 10 KENO locations.

Commissioner Aslam asked if the Lottery is still pursuing chains. Director Dolan explained that the Lottery is still pursuing chains. He went on to say that when the Lottery went into conversion, retailers had to be locked down and the Lottery is just taking the lockdown off. Marketing and signing up additional retailers can now begin again. The Director also pointed out that the player activated device will be a good aide in attracting new retailers and encouraging current retailers' customer participation.

Commissioner Cade inquired of the Director how best to resolve the economy's impact on vendors' inability to devote employees to support KENO players during the establishment's busy periods. Director Dolan answered that the number one incentive would be player activated devices.

#### **INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR**

The Information Technology Report stands as written.

#### **MARKETING SERVICES REPORT, TERRI TANCREDI, DEPUTY DIRECTOR**

Ms. Tancredi reported that the current creative is the *Extreme Cash* summer version. Last fall, there was a winter version. This gives the Lottery an opportunity to see what happens when a game that already exists is put into the spotlight. As far as the Browns and the Bengals games, the Lottery is going before the Controlling Board with those rules on Monday. If they are approved, one of the interesting features is the marketing opportunities with the second chance drawings. The prizes within these second chance drawings are in addition to the cash prizes and

are very exciting. There are things that the public might not be able to get otherwise, such as game worn jerseys, signed helmets, season tickets and hospitality suite tickets. The Lottery has a heavy fan base for both the Browns and the Bengals in Ohio.

Sales and Marketing are working together to put together recruitment plans and marketing plans to bring new retailers on board. Now that the Lottery has a history to go by, it should not be as difficult take a look back and analyze what produced successful results. In addition, the Lottery can use successful retailers to bring on other retailers.

**SALES MANAGEMENT REPORT, JOHN MARTIN, DEPUTY DIRECTOR, SALES**

Mr. Martin thanked the field sales force who gave everything they had to the call of duty for their outstanding contribution leading up to conversion.

**GWEN PENN, DEPUTY DIRECTOR, PRODUCT DEVELOPMENT**

The Product Development Report stands as written.

**ROUNDTABLE DISCUSSION**

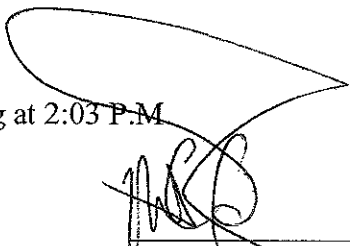
Chairperson Krulak asked the Director to take the floor and explain to the commissioners the upcoming changes the Lottery will be involved in.

Director Dolan reported that even though the budget was passed, two line items were not restored. The Lottery will be at Controlling Board requesting the restoration of the two line items not passed by the Senate. If the two items are not restored, the Lottery may have to make some staffing changes. The Director stated that as he understands it, the money is in the budget, but was not properly appropriated.

Next, Director Dolan detailed the Governor's Executive Directive and Statutory Amendment with respect to Video Lottery Terminals at seven horse racetracks throughout the state. Commissioner Cade questioned if there would be additional responsibilities for the Commission itself. Director Dolan indicated that the extent of Commission involvement is not defined at this time. The Director offered to meet with the Commissioners and take any concerns or questions they may have to his superiors in Columbus.

**ADJOURNMENT**

Chairperson Krulak adjourned the meeting at 2:03 P.M.



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Michael A. Dolan, Secretary

Approved:



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Allan C. Krulak, Chairperson