

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**

**JUNE 16, 2009
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

Jon Allison
Jaladah Aslam
Paul M. Burens
Matthew Cox
Allan C. Krulak
Rudy M. Stralka

Executive Staff of the Commission:

Michael A. Dolan, Director
Pamela A. DeGeeter, Chief Legal Counsel
John Martin, Deputy Director, Sales
Dennis Berg, Deputy Director, Finance
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
Terri Tancredi, Deputy Director, Marketing
Christine T. Jasica, Administrative Assistant, Legal

OHIO LOTTERY COMMISSION MINUTES

June 16, 2009

PAGE 2

Also Present Were:

James Manley, Assistant Legal Counsel, Legal Department
Debbie Warren, Administrative Assistant, Legal
Traci Konesky, Administrative Assistant, Finance
Ron Fornaro, Instant Gaming System Manager, Product Development
Dan Price, On-Line Product Manager, Product Development
Marie Kilbane-Seckers, Public Information Officer, Communications
Mark Graf, Stern Advertising
Tracy Blevins, Hooven Dayton Corporation
Harvey Scholnick, Marcus Thomas
Joe Rice, Intralot
Jim Brown, GTECH
Kevin Krietemeyer, GTECH
Larissa Kopystynsky, Intern, Finance
Amanda Means, Intern, Finance
Sean McGraw, Intern, Communications
Ashley Jasica, Intern, Marketing
Katie Berry, Intern, Marketing
Lauren Moon, Intern, Marketing
Max Petro, Intern, Security
Stephanie Marburger, Intern, Sales

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("OLC") meeting of June 16, 2009, was called to order at 1:08 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: Jon Allison, Jaladah Aslam, Paul M. Burens, Matthew Cox, Allan C. Krulak, Rudy M. Stralka

APPROVAL OF MINUTES

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

DIRECTOR'S REPORT, MICHAEL A. DOLAN, DIRECTOR

- Director Dolan recognized Lynne Renfro and Paul Zimmerman, who after several years of excellent service to the Ohio Lottery are retiring. He praised both Lynne and Paul for their dedication and outstanding service
- Director Dolan announced that the year started off slow for the Lottery, but things have turned around and the Lottery is in a very good position now. The Director explained that although the Lottery spent funds to expand KENO, \$30 million was cleared in net profit with KENO in the last year. Due to the economy, the projected \$73 million goal was not achieved.
- The Director indicated that the Lottery can reuse equipment from the previous vendor. After conversion, the Lottery has the capability of retrofitting the equipment and redeploying the equipment back to the field. He pointed out that to the Lottery's benefit, \$12 million in new equipment was negotiated with the new vendor which made retrofitting the old equipment unnecessary. The Director summarized that the Lottery is ahead \$30 million, not including the \$12 million in new equipment, and has reusable equipment, if needed. He stated that after conversion, the Lottery will be communicating with several states who have expressed an interest in purchasing this equipment.
- Director Dolan reported that the Lottery's software was locked down on Thursday June 19, 2009 in preparation for an anticipated successful conversion on July 1st.

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

Ron Fornaro brought before the Commission three (3) Instant Game Rules for approval in Proposed Form. Mr. Fornaro presented the details of the game:

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

Commissioner Aslam inquired if the name "Tax Free" had an impact when a prize was greater than the \$600 amount. Mr. Fornaro responded that it did. He explained that this game's prize structure was set up so that taxes for prize awards of \$5,500 and higher, withholding taxes

OHIO LOTTERY COMMISSION MINUTES

June 16, 2009

PAGE 4

will be paid for player. Taxes for this game are built into the prize structure. Ron brought to the attention of the Commissioners that the *Ohio Lottery Tax Free Anniversary* game was designed on special holographic paper with the Ohio Lottery logo and the 35th anniversary logos displayed on the ticket.

Chairperson Krulak requested a Motion to approve the three (3) Instant Game Rules in proposed form. Commissioner Stralka made a Motion that was seconded by Commissioner Allison. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

Also, Mr. Fornaro introduced details of two (2) games that will be presented to the Commissioners in proposed and final form for approval at the July Commission Meeting. The games are in conjunction with the Cleveland Browns and the Cincinnati Bengals football teams. Mr. Fornaro presented the preliminary artwork and stated that the Lottery is about 99% complete with the teams on design approval.

Director Dolan added that these games will provide broad marketing opportunities for the Lottery. The fulfillment will all be done by the teams, not by Lottery personnel, and the prize structures are generous to attract players. The Director explained that the games are late getting to the Commission because the NFL did not decide until mid-May, but both teams are anxious to begin this year. As the teams desire to enter into direct agreement with the Lottery, the Lottery will be obtaining authority from Controlling Board to enter agreement with each team.

Commissioner Aslam asked for clarification on how prize winners would claim awards, through the Lottery or directly from the teams? Mr. Fornaro explained that game structure would follow other second chance drawings. The Director clarified that cash awards are redeemed just as a regular prize. But, any non-cash prize or second chance drawing winner would not be fulfilled by the Lottery.

Commissioner Burens asked if this was only for the football season. Mr. Fornaro responded that the start date is August 14, coinciding with the first pre-season game and the last drawing would be held on December 22nd.

Commissioner Allison inquired who would be responsible for risk liability. Director Dolan replied that MDI would be liable through bond and insurance.

APPROVAL OF 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 May 16, 2009 Commission Meeting. The game rules are:

- Rule 3770:1-9-701, *Cool 1's* (\$1.00)
- Rule 3770:1-9-702, *IGT Slots* (\$2.00)

Chairperson Krulak requested a Motion to approve the two (2) Instant Game Rules in Final Form. Commissioner Allison 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. Ms. DeGeeter reiterated that the Lottery would be filing for authorization with the Controlling Board on the Browns and Bengals games for a hearing on July 13th.

COMMUNICATIONS REPORT, MARIE KILBANE-SECKERS, PUBLIC INFORMATION OFFICER

Ms. Kilbane-Seckers reported the \$227 million jackpot winner, 1 of 3 sold in Ohio on May 1st, has been claimed. It was claimed in trust on May 29th. The ticket was sold in Chillicothe. The Lottery has had four winning jackpot tickets since May of last year.

FINANCE REPORT, DENNIS BERG, DEPUTY DIRECTOR

- Mr. Berg reported that the month of May represented the 11th month of the FY.
- Sales for the month of May which totaled \$206.7 million broke an all-time sales record for the month of May in the Lottery's history.
- May 2009 sales surpassed sales last year by \$5.3 million. This increase was primarily as a result of including KENO sales into this year's sales figures.
- Instant ticket sales continue to perform very well. As of last week, the Lottery has seen instant ticket sales increase 9 out of the last 10 weeks compared to the same weeks last year.
- Financial activity allowed the OLC to transfer \$59.1 million to the LPEF, totaling Fiscal Year transfers to date of \$642.2 million, \$5.5 million higher than transfers made to the LPEF last May, and total transfers of \$27.1 million ahead of last year at the same time period.
- Mr. Berg followed up with a slide presentation regarding the OLC's sales results by game.

Chairperson Krulak inquired what Mr. Berg's estimation would be for KENO a year from now, and whether he thought it would improve from this past year due to greater marketing. Mr. Berg responded that the Lottery is projecting an improvement in sales for several reasons. The Lottery is on lockdown mode right now because of the conversion, so no new retailers are being added. Also, the Lottery believes that the MP units will help facilitate transactions.

GENERAL SERVICES REPORT, TRACI PINKNEY, DEPUTY DIRECTOR

Ms. Pinkney reported that currently there are 8,876 retailer locations actively selling. 493 retailer locations are currently awaiting activation. Of the 493 retailers, 133 are KENO locations and 360 are standard retailers.

INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

Mr. Petro reported that last month the Lottery distributed Blackberrys with cellular phone capabilities to all sales representatives. The Blackberry devices will enable all retailers to contact their representatives quickly during conversion.

MARKETING SERVICES REPORT, TERRI TANCREDI, DEPUTY DIRECTOR

Ms. Tancredi reported one correction to the Marketing Services Report. There was an extra zero inadvertently added to the top prize for Ruby Red 7's. The correct figure should be \$100,000. She also reported that there may be changes observed in the Lottery's static billboards across the state. Presently, there were 34 static billboards. This number is being reduced to 27. Ms. Tancredi offered that the billboards have about a 12-year life cycle and some of the boards that were coming up on that time period won't be replaced. She also reported that digital outdoor signs have become more cost effective and more affordable so the Lottery will be adding 24 digital boards to the existing three which will total 54 boards across the state.

SALES MANAGEMENT REPORT, PAM DEGEETER, CHIEF LEGAL COUNSEL

The Sales Management Report stands as written.

GWEN PENN, DEPUTY DIRECTOR, PRODUCT DEVELOPMENT

The Product Development Report stands as written.

ROUNDTABLE DISCUSSION

Due to a conflict with his schedule, Commission Stralka made a request to the Commission that the July Commission Meeting be changed. The Lottery will poll the Commissioners to select the most accommodating meeting date. A straw poll indicated that Tuesday, July 21, 2009 may be a suitable date.


ADJOURNMENT

Chairperson Krulak adjourned the meeting at 2:00 P.M.



Michael A. Dolan, Secretary

Approved:



Allan C. Krulak, Chairperson