

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**

**MAY 19, 2009
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

Otto Beatty III
Paul M. Burens
Allan C. Krulak
~~Patrick McDonald~~
Rudy M. Stralka

Executive Staff of the Commission:

Michael A. Dolan, Director
John Martin, 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
Traci Pinkney, Deputy Director, General Services
Christine T. Jasica, Administrative Assistant, Legal

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Also Present Were:

James Manley, Assistant Legal Counsel, Legal Department
Debbie Warren, Administrative Assistant, Legal
Maureen Hall, Administrative Assistant, Marketing
Traci Konesky, Administrative Assistant, Finance
Ron Fornaro, Instant Gaming System Manager, Product Development
Dan Price, On-Line Product Manager, Product Development
Marie Kilbane Seckers, Communications
Laurence Snyder, Assistant Attorney General
Kevin Lally, Senior Audit Manager, State Auditor's Office
Mark Hamlin, State Auditor's Office
Mark Graf, Stern Advertising
Kevin Peters, Information Technology Manager
Tracy Blevins, Hooven Dayton Corporation
Harvey Scholnick, Marcus Thomas
Tom Garcia, Intralot
Paul Ostendorf, Intralot
Joe Rice, Intralot
Darick Cornelious, GTECH
Thomas Coyne, Northern Ohio SFS
David Coury, Ohio Coin Machine Association
Philip Craig, Ohio Licensed Beverage Association
~~Bessie Vrettos, NOHEC~~
Michael Ambrose, NOHEC
Two Additional Representatives from NOHEC
Bridgette Johnson, Intern

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("OLC") meeting of May 19, 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: Otto Beatty III, Paul M. Burens, Allan C. Krulak, Patrick McDonald and Rudy M. Stralka.

APPROVAL OF MINUTES

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

DIRECTOR'S REPORT, MICHAEL A. DOLAN, DIRECTOR

- Director Dolan explained that after a slow start, the fiscal year has turned around and the Lottery is in a good position and doing well.
- He reported that representatives of the OLC will be in Columbus on June 1, 2009 before the Controlling Board regarding the Intralot contract, continuation of the GTECH vending contract and the Sunshine Display contract. Regarding the request to extend the current vending contract with GTECH, it was anticipated in the RFP that the OLC would continue GTECH's contract for six months to assure that maximum convenience was given to the retailers as the OLC converted to the new system.
- The Director added that the conversion is progressing well and the OLC has almost completed the acceptance testing phase. He does not anticipate any difficulties with the conversion.
- Director Dolan introduced two members of the Auditors of State office who will now be working with the OLC: Kevin Lally and Mark Hamlin.

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

Ron Fornaro brought before the Commission two (2) Instant Game Rules for approval in Proposed Form. Mr. Fornaro presented the details of the game:

- 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 Proposed Form. Commissioner Stralka made a Motion that was seconded by Commissioner McDonald. 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 attended a JCARR meeting on April 20, 2009 regarding amendments to rules. JCARR jurisdiction for these proposed amended rules ended on April 30, 2009. The rules which were presented in proposed form in February are now being brought before the Commission for final approval. There were seven (7) rules. Four (4) of the rules pertain to licensing, sale of games and compensation to be paid to retailers. The other three (3) rules are the *Pick 3*, *Pick 4* and the *Rolling Cash 5™* game rules.

- Rule 3770-2-02, *Grounds For Refusal Of A License*
- Rule 3770-3-01, *Grounds For Suspension Or Revocation Of A License*
- Rule 3770-4-03, *Sale Of Lottery Games*
- Rule 3770-4-09, *Compensation and Reimbursement of Expenses To Be Paid Licensed Lottery Sales Agents*
- Rule 3770:1-7-20, *Pick 3*
- Rule 3770:1-7-25, *Pick 4*
- Rule 3770:1-9-23, *Rolling Cash 5™*

Chairperson Krulak commented that these rules were first introduced to the Commissioners on February 23, 2009 and then inquired whether or not the rules should be voted on separately or jointly. Ms. DeGeeter replied that the Commissioners could vote on all seven (7) rules as a group. 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.

LEGAL COUNSEL REPORT, PAMELA DEGEETER, CHIEF LEGAL COUNSEL

Ms. DeGeeter reported one revision to the Legal Department's report. The revision is located under the section entitled, Joint Committee on Agency Rule Review relating to the no change rules. She attended a May 11, 2009 JCARR meeting regarding the no change

rules. There were no questions raised regarding these rules. The Legal Counsel report as submitted indicates that the rules would be back before the Commissioners at the June 16, 2009 Commission Meeting. This is incorrect. The no change rules are not required to be brought back before the Commission. The no change rules were presented in February in proposed and final form. JCARR jurisdiction ends on May 25, 2009. The rules will not have a new effective date because they are no change rules. Otherwise, the Legal Counsel Report stands as written.

COMMUNICATIONS REPORT, MARIE KILBANE-SECKERS

The Communications Report stands as written.

FINANCE REPORT, DENNIS BERG, DEPUTY DIRECTOR

- Mr. Berg reported that the month of April represented the 10th month of the FY.
- Sales for the month of April were the second best sales figures recorded in the Lottery's history for the month of April, with sales of \$206.9 million which surpassed sales compared to last April by \$17.3 million. Mr. Berg attributes this primarily to KENO sales and higher Mega Millions sales due to the growing jackpot which hit \$227 million on the May 1st drawing, as well as strong performance on the instant ticket product line.
- As of last week the OLC has seen instant ticket sales increase 13 out of 14 weeks compared to the similar weeks last year.
- Financial activity allowed the OLC to transfer \$66.9 million to the LPEF, totally FY transfers to date of \$583 million, \$4.3 million higher than transfers made to the LPEF last April, and totals transfer of \$21.6 million ahead of last year at the same time.
- Mr. Berg followed up with a slide presentation regarding the OLC's sales results by game.

GENERAL SERVICES REPORT, TRACI PINKNEY, DEPUTY DIRECTOR

Ms. Pinkney reported that currently there are 416 retailers prepared to become active after the July 1 conversion date. Of the 416 retailers, 146 are KENO locations and 270 are standard retailers.

Commissioner Krulak inquired if the Lottery was on track for opening these retailers. Ms. Pinkney replied that the Lottery is looking to get as many of these retailers installed as possible so that they can become active on July 1.

INFORMATION TECHNOLOGY REPORT, KEVIN PETERS, INFORMATION TECHNOLOGY MANAGER

The Information Technology Report stands as written.

MARKETING SERVICES REPORT, MAUREEN HALL, ADMINISTRATIVE ASSISTANT

Ms. Hall presented the new KENO ads that will premier on July 1, 2009. She stated that there are six different dynamic themes. There will now be 18 completely separate ads in an effort to make an impact on retail locations and generate more excitement for the game.

SALES MANAGEMENT REPORT, JOHN MARTIN, DEPUTY DIRECTOR

The Sales Management Report stands as written.

Commissioner Stralka asked what the KENO sales increase of \$10.5 million was attributed to and if the Lottery was doing something affirmatively to increase sales. Mr. Martin responded that he believes the increase was due to a cumulative effect over time. Given the fact that KENO started in August of last year, each month the Lottery has continued to add retailers and agents to the list, and player acceptance has continued to grow. The Lottery has more exciting features planned for the second year of KENO.

Commissioner Stralka asked for clarification on whether the results were due to education of the agents and aggressive marketing.

Commissioner Beatty asked what the Lottery representatives in the field were doing differently in the beginning than they are doing now to increase the game.

Mr. Martin replied that the Lottery may be doing nothing differently, but that repetition is always key. Assuring that Lottery agents are positioning and marketing the product, and supporting it and servicing it at the point of sale. A lot of the growth in KENO is just bringing on more agents in that time frame.

Director Dolan added that he has had more people comment to him that they have become more familiar with how to play the game, and also are learning how to check their tickets.

GWEN PENN, DEPUTY DIRECTOR, PRODUCT DEVELOPMENT

The Product Development Report stands as written

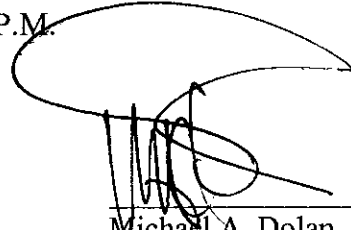
OHIO'S FAIR SHARE & BALANCED APPROACH PROPOSAL PRESENTATION

Ohio's Fair Share & Balanced Approach made a request to present information to the Commission at the Commission's public meeting. The request to make a presentation at the public meeting was approved by the Chairman.

Mr. Thomas Coyne introduced Mr. Phil Craig from the Ohio Licensed Beverage Association, Mr. David Coury of the Ohio Coin Machine Association and Mr. Mike Ambrose of the Northern Ohio Hospitality and Entertainment Coalition. The individuals proceeded to present their Ohio's Fair Share & Balanced Approach Proposal presentation regarding legislative proposals dealing with video lottery terminals. Commissioner Beatty asked what the process is and what is going to happen regarding whether the Commissioners would have to take a ~~position on this proposal~~ or not. Chairperson Krulak responded that he felt it was more informative. Mr. Coyne explained that legislators would have to pass a piece of legislation, the Governor would have to sign it or veto it. Chairperson Krulak offered that it is helpful to have the information to stay informed. Commissioner Beatty felt that until there was something for the Commission to act on, he was uncomfortable with the information and the presentation that was made, because he felt it was a presentation of advocacy and a request for assistance from the Commission before the Commission had even been empowered to act. Mr. Coyne clarified that the presentation was made because many of the proposals involve the Ohio Lottery and he wanted the Commission to have the information.


ADJOURNMENT

Chairperson Krulak adjourned the meeting at 1:55 P.M.

A handwritten signature in black ink, appearing to be 'M. Dolan', written over a horizontal line.

Michael A. Dolan, Secretary

Approved:

A handwritten signature in black ink, appearing to be 'Allan C. Krulak', written over a horizontal line.
Allan C. Krulak, Chairperson