

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

FEBRUARY 10, 2014 1:00 P.M.

Present at the meeting were the following:

Members of the Commission:

James Brady John Lewis Patrick McDonald William Morgan Amy Sabath

Executive Staff of the Commission:

Dennis Berg, Director
Greg Bowers, Acting Deputy Director, Finance
Danielle Frizzi-Babb, Deputy Director, Communications
Steve Kmiotek, Interim Deputy Director, General Services
Sandy Lesko-Mounts, Deputy Director, Marketing Communications
Constance Miller, Deputy Director, Operations
Lawrence J. Miltner, Chief Legal Counsel
Gwendolyn Penn, Deputy Director, Product Development
Mike Petro, Deputy Director, Information Technology
Liz Popadiuk, Deputy Director, Human Resources
Carla Tricarichi, Deputy Director, Government and Community Relations
Patricia Vasil, Deputy Director, Sales
Traci Konesky, Assistant to the Director

OHIO LOTTERY COMMISSION MINUTES FEBRUARY 10, 2014 Page 2

Also Present Were:

Ron Fornaro, Instant Gaming System Manager, Product Development Karen Russo, Office of Government and Community Relations Mike Gonzalez, Office of Finance
Tom Bogus, Office of Communications
Sam Erby, Call Center
Tom Garcia, Intralot
Charlie Scannella, Scientific Games
Debbie Pirone, Marcus Thomas
Duane Miller, Hooven Dayton
Eric Sarmiento, Northfield Park Associates
Mike Galle, Hollywood Mahoning
Art Kiutte, GTECH Corporation
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("OLC") meeting of February 10, 2014, was called to order at 1:04 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Pat McDonald, followed by the Pledge of Allegiance.

ROLL CALL

The following members of the Commission answered present to the Roll Call: James Brady, John Lewis, Pat McDonald, William Morgan and Amy Sabath.

INTRODUCTION OF FIRST TIME ATTENDEES

Chairman McDonald recognized first time attendee Art Kiutte from GTECH Corporation.

APPROVAL OF MINUTES OF JANUARY 13, 2014

Chairman McDonald requested a Motion to approve the January 13, 2014 Minutes. Commissioner Lewis made a Motion that was seconded by Commissioner Sabath. The Motion was affirmatively voted upon by all Commissioners present.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that January marked the seventh month of the fiscal year. Sales on the traditional lottery side of the business were down \$2.8 million or 1.3% compared to last January. However, given the wave of winter storms and bitter cold temperatures, he is pleased with the OLC's sales results.
- The *Keno* game still is performing on an upward growth trend bringing in \$23.9 million for the month for nearly an 18% increase over last January.
- Director Berg reported that VLT sales also were the largest in the OLC's history as four (4) racinos were open for the entire month in January.
- As a result of the sales results from our traditional lottery games along with the revenues derived from the four VLT facilities, we were able to achieve a profit transfer of \$69.3 million. This was \$6.0 million above last January's transfer but was \$2.5 million under our original projections. Mr. Bowers will expand on the financial results in his report.
- The OLC's *EZPLAY*® countdown games are in in full swing now. These games play more like a reverse raffle format as the odds of winning the top prize improves as tickets are depleted from the pool of tickets available. These games are sold strictly through MP terminals. Mr. Petro will be showing more details during his report regarding the mobile phone app that can be used in conjunction with the game to determine the number of tickets remaining in each pool.
- Director Berg reported that the OLC's first ever \$30 instant ticket, 40th Anniversary Millions, went on sale January 16, 2014. Sales have been strong since its introduction into the market. Ms. Penn will provide more details in her report.

- Director Berg reported that the OLC is still working on the Lucky for Life game development which would be a collaboration of New York, Ohio, New Jersey and Michigan. Lucky for Life is currently only available in the six (6) New England states: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- The OLC is currently running its *Pick* 3 Red Ball Promotion which allows players to win an additional 20% if the red ball is selected for the drawing in which they won. The promotion runs from February 2, 2014 thru March 1, 2014.
- Director Berg reported that the OLC is currently running a *Keno* Promotion during the month of February on Friday evenings from 4 p.m. to 9 p.m. where every 50th ticket purchased in the state generates four free *Keno* tickets for the player. The tickets include a one spot, two spot, three spot and four spot ticket.
- Director Berg stated that he would like to open up the floor for discussion on whether or not the Commissioners would like to hold a Commission Meeting at the Miami Valley Gaming Racino facility in the upcoming months. He stated that the Belterra Park Gaming and Entertainment center will be opening by May 1, 2014. The two (2) remaining tracks, Penn National Racinos in Dayton and Youngstown, plan to open around September or October.
- On February 24, 2014, in conjunction with the Governor's State of the State Address in Medina, the OLC in collaboration with Intralot will be holding an open house tour for legislators and other invited guests, from 2:00 p.m. to 5:00 p.m., at the Intralot gaming facility in Strongsville. The tour will emphasize the important work Intralot performs for the OLC and highlight jobs and commerce in Ohio. Commissioners are welcome to attend the event.

APPROVAL OF SEVEN (7) INSTANT GAME RULES IN PROPOSED FORM

Mr. Fornaro brought before the Commission seven (7) Instant Game Rules for approval in Proposed Form. Mr. Fornaro presented the details of the game:

- Rule 3770:1-9-191, *Lucky Seven* (\$1.00);
- Rule 3770:1-9-192, Red Hot and Blue 7s (\$2.00);
- Rule 3770:1-9-193, Triple Black 777 (\$5.00);
- Rule 3770:1-9-194, *Bingo and Diamonds* (\$2.00);
- Rule 3770:1-9-937, EZPLAY® In Between (\$1.00);
- Rule 3770:1-9-943, EZPLAY® Match 5 Doubler (\$10.00); and
- Rule 3770:1-9-944, EZPLAY® *Going Pro* (\$5.00).

Chairman McDonald then requested a Motion to approve the seven (7) Instant Game Rules in Proposed Form. Commissioner Morgan made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED FORM – RESCISSION

Mr. Miltner brought before the Commission the approval of one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, rescission, in Proposed Form. The Administrative Rule is as follows:

• Rule 3770-4-01, Scope of regulations: director to provide management instructions.

Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, rescission, in Proposed Form. Commissioner Brady made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the

Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED AND FINAL FORM – NO CHANGE

Mr. Miltner brought before the Commission the approval of one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. The Administrative Rule is as follows:

• Rule 3770:1-9-55, Game number fifty-five.

Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. Commissioner Sabath made a Motion that was seconded by Commissioner Brady. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE OF LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

Mr. Miltner stated that he distributed the upcoming 2014 Ethics Training schedule for live sessions. Training is also available via webinar and the e-learning module. He stated that Financial Disclosure forms are due to the Ethics Commission by April 15, 2014.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Ms. Miller brought before the Commission a Resolution to approve sixty-three (63) Video Lottery Game Themes. The sixty-three (63) Game Themes are as follows: seven (7) game themes submitted by Aristocrat; eleven (11) game themes submitted by Bally Technologies; eighteen (18) game themes submitted by IGT; eight (8) game themes submitted by Konami; three (3) game themes submitted by Multi-Media; four (4) game themes submitted by Shufflemaster; and twelve (12) game themes submitted by Williams.

Chairman McDonald then requested a Motion to approve the Resolution for sixty-three (63) Video Lottery Game Themes submitted. Commissioner Brady made a Motion that was seconded by Commissioner Morgan. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

- Ms. Miller reported that Miami Valley Gaming and Racing was scheduled to commence their live racing on Friday, February 7, 2014. However, there was an external power problem that resulted in them being unable to race so racing began on Saturday, February 8, 2014.
- The next regularly schedule Audit Committee Meeting is March 18, 2014 prior to the Commission Meeting at 11:00 a.m.

OFFICE OF GOVERNMENT AND COMMUNITY RELATIONS REPORT, CARLA TRICARICHI, DEPUTY DIRECTOR

• Ms. Tricarichi invited the Commissioners to attend the Ohio for Responsible Gambling ("ORG") sponsored Problem Gambling Conference March 4th and 5th in Columbus. Commissioner Lewis will be giving the opening remarks.

- Ms. Tricarichi reported for the month of December 2013, the Problem Gambling
 - that it was a problem gambling hotline so the calls are much more targeted.

Hotline received 800 phone calls. The greeting for the hotline was changed to state

• Ms. Tricarichi stated that in regards to internet gaming, Sheldon Adelson the CEO of the Sands group, is supporting the introduction of legislation to prohibit all internet gaming until the FBI is able to do a report on issues related to it like money laundering, fraud, terrorism and cyber crimes. This is an extreme position to take and there are a lot of people in the gaming community who oppose that position. The National Association of State and Provincial Lotteries believes that it should be a state by state process but it should not be prohibited.

OFFICE OF FINANCE REPORT, GREG BOWERS, ACTING DEPUTY DIRECTOR

- Mr. Bowers reported that total sales were under forecast for the month, partially due to the inclement weather in January and partially due to the multi-state jackpot games. On a positive note, instant ticket sales exceeded the same week last fiscal year two (2) out of the last three (3) weeks.
- Prize expense for the OLC's daily Pick games were a little higher than the game
 design payout. Operating expenses were a little high for the month, perhaps due to
 the timing of vendor payments.
- VLT net revenue, after operating expenses, performed better than expected. As a result, the OLC still generated \$69.3 million for transfer to the LPEF, and although less than budget, profits made this month were a record for the month of January. Year-to-date transfers to the LPEF are still over the OLC's profit commitment through January by \$30.7 million, and \$34.3 million more than last year through January.

- Mr. Bowers reported that the OLC's total spend on Minority Businesses (MBE's) through the first half of the year were nearly 20% of all eligible expenditures, which is above the OLC's target of 15% as mandated by the State. The MBE program and the State as a whole, achieving its 15% target, are a high priority for the Governor. The OLC is proud to say it is doing its part.
- In addition, in the month of January the OLC successfully processed and mailed over 57,000 W-2G's to prize winners and over 6,700 1099's to retailers

OFFICE OF INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

- Mr. Petro reported that the Commission just approved VLT game themes from Shufflemaster, and currently they do not have any machines on the racino floors. They have been a licensed technology provider for a number of months however they have not submitted anything until this month. Shufflemaster selected BMM as their test lab. This is the first manufacturer to not use GLI as their test lab to certify their machines.
- Powerball® with the new Power Play feature went on sale January 19, 2014, and the new EZPLAY® Countdown games went on sale January 12, 2014.
- In regards to the *EZPLAY*® Countdown games, a mobile application was created.

 Mr. Petro demonstrated the new mobile application for the Commission.

OFFICE OF MARKETING COMMUNICATIONS REPORT, SANDY LESKO MOUNTS, DEPUTY DIRECTOR

- Ms. Lesko Mounts played two (2) radio spots and one (1) television spot for the OLC's first \$30 instant game, 40^{th} Anniversary Millions.
- Ms. Lesko Mounts reported that the ORG campaign, I Lost A Bet, has received
 national news coverage. She showed the microsite, ilostabet.org, to the Commission.
 Since January 7, 2014, there have been over close to 42,000 unique visitors to the
 website.
- Friends and loved ones can send an anonymous email that has the warning signs of a problem gambler. Sixty-seven (67) emails out of one hundred have been opened. 23% of those sixty-seven (67) people clicked through the website.

Commissioner Lewis inquired as to where people are being referred to for help. Ms. Lesko Mounts responded the Ohio Department of Mental Health and Addiction Services directly.

OFFICE OF COMMUNICATIONS REPORT, DANIELLE FRIZZI-BABB, DEPUTY DIRECTOR

- Ms. Frizzi-Babb showed a video of one (1) of the four (4) winners who won a trip to the Super Bowl in the OLC's Pro Football Hall of Fame instant game that was on sale last spring.
- Ms. Frizzi-Babb showed pictures from the OLC's Facebook page of the four (4) winners and their guests at the Super Bowl.

OFFICE OF SALES MANAGEMENT REPORT, PATRICIA VASIL, DEPUTY DIRECTOR

- Ms. Vasil reported that the *EZPLAY®* countdown games are selling at approximately 20% of the OLC's retailer base because they are sold out of the MP's only. Sales through February 8, 2014, were \$536,421. Since the launch on January 12, 2014, one hundred and four (104) new retailers have been added to the ninety-seven (97) groups throughout the State.
- Ms. Vasil reported that *Keno* sales remain strong. Over the last four (4) weeks, sales increase \$3.37 million. There is a *Keno* promotion during the month of February, and there will be more *Keno* promotions held in the upcoming months.
- Ms. Vasil stated that four (4) small chain locations have been identified for Jeff Sinacori from Scientific Games, to evaluate as part of the Salesmaker program. Several locations in each chain will be visited during the week of March 10, 2014 and then staff will meet with corporate representatives to go over a game plan to go into their stores and do a makeover.

OFFICE OF PRODUCT DEVELOPMENT REPORT, GWEN PENN, DEPUTY DIRECTOR

- Ms. Penn gave a recap of the sales of the OLC's first \$30 instant game: sales for the first three (3) days was \$1.4 million; sales for the second week were \$4.8; sales for the third week were \$5.021; and sales for the fourth week were \$5.5 million for a total of \$16,842,000.
- Ms. Penn reported that the first \$1 million winner in the 40th Anniversary Millions instant game has been claimed

OHIO LOTTERY COMMISSION MINUTES FEBRUARY 10, 2014 Page 12

ADJOURNMENT

Chairman McDonald stated that the next Commission Meeting will be held on Tuesday, March 18, 2014. Chairman McDonald adjourned the meeting at 2:09 P.M.

Secretary – Dennis Berg, Director

Approved:

Patrick McDonald, Chairman