

**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, 2014
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
Allan Krulak
John Lewis
Patrick McDonald
William Morgan
Amy Sabath
Elizabeth Vaci
Sean Whalen

Executive Staff of the Commission:

Dennis Berg, Director
Connie Miller, Deputy Director of Operations
Greg Bowers, Deputy Director, Finance
Danielle Frizzi-Babb, Deputy Director, Communications
Sandy Lesko-Mounts, Deputy Director, Marketing Communications
Lawrence J. Miltner, Chief Legal Counsel
Gwendolyn Penn, Deputy Director, Product Development
Carla Tricarichi, Deputy Director, Government and Community Relations
Jennifer Wilson, Deputy Director, Internal Audit

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Also Present Were:

Ron Fornaro, Instant Gaming Systems Manager, Product Development

Mike Gonzalez, Office of Finance

Diane Nagorny, Office of Internal Audit

Roman Popadiuk, Office of Information Technology

Marie Kilbane Seckers, Office of Communications

Christine Jasica, Office of Legal Counsel

Tom Garcia, Intralot

Fran Cash, Scientific Games

Duane Miller, Hooven Dayton

Eric Sarmiento, Northfield Park Associates

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission (“OLC”) meeting of May 19, 2014, was called to order at 1:00 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Patrick McDonald, followed by the Pledge of Allegiance.

ROLL CALL

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

INTRODUCTION OF FIRST TIME ATTENDEES

Chairman McDonald recognized first time attendees Cindy Knowlton and Marek Pluto from Aruze Gaming

APPROVAL OF MINUTES OF APRIL 21, 2014

Chairman McDonald requested a Motion to approve the April 21, 2014 Minutes. Commissioner Morgan made a Motion that was seconded by Commissioner Krulak. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN’S COMMENTS

- Chairman McDonald reported that the Trotwood *Cash Explosion*® Roadshow was held on May 17, 2014 at his former high school, Trotwood-Madison High School.

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Danielle Frizzi-Babb narrated a slide show of the event, which was well attended and looked like everyone had lots of fun. Chairman McDonald thanked all OLC staff involved for the great experience.

- Chairman McDonald stated that Belterra Park in Cincinnati opened on May 1, 2014 without any glitches.
- Chairman McDonald announced the OLC will hold an all employee meeting on June 5, 2014 at Corporate College East in Warrensville Heights. All Commissioners are invited. Connie Miller explained that the event will acknowledge the Agency accomplishments, including the upcoming celebration of OLC's 40th anniversary, and recognize some of the Agency's themes and various milestones. In addition, there will be speakers from Columbus to explain the Governor's new program called LeanOhio. During the afternoon, the Director will provide an overview of the OLC's strategic plan and there will be breakout sessions for discussion. Intralot will also attend with some MPNGs for demonstration.
- Chairman McDonald congratulated Director Berg for completion of the Rite Aid half Marathon on May 18, 2014.
- Chairman McDonald acknowledged the resignation of Commissioner Julie Ault who resigned, effective immediately, for medical reasons.
- Chairman McDonald asked that everyone keep Traci Konesky in their thoughts as she battles health issues.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that sales on the traditional lottery side of the business performed well in April. Sales of \$237.5 million were up \$10.7 million or 6.9% higher compared to last April, making this the highest sales results for April in the OLC's 40 year history.
- *Keno* sales of \$27.5 million were \$4.6 million higher than last April for a 20.2% increase over last April and was the second highest monthly sales figure achieved for the game since its inception in August 2008.

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- Director Berg reported that instant ticket sales of \$127.7 million were \$7.8 million higher than last April for a 6.5% increase.
- VLT sales of \$47.3 million, of which \$15.8 million goes to the OLC, also was the second best month for VLT performance.
- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) of \$83.4 million exceeded last April’s transfer by \$9.9 million and the budgeted forecast by \$7.8 million. Mr. Bowers will provide further details on financial activity and transfers to education for the month in his report.
- This past Saturday we filmed our *Cash Explosion*® Road show at the Trotwood-Madison High School. Chairman McDonald was able to attend and I thank him for his participation. Our next road show is scheduled for later this summer at the Ohio State Fair.
- Director Berg stated that on April 29th a friends and family controlled live demonstration was conducted at Belterra Park in Cincinnati. On May 1, 2014 Belterra Park officially opened for business. All went well from a technical perspective. The facility is a first class facility and the Management of Belterra Park did a great job of integrating the horseracing side of the business which flows smoothly adjacent to the VLT operations side of the business.
- Director Berg reported that we continue to work with our *Mega Millions* state partners and the Multi-State Lottery Association to bring to fruition and market a premium \$5.00 national lottery game tied into the theme of the popular board game, *Monopoly*®. The draw game would also be tied into a national television show. The plan is for lotteries to be able to start selling tickets by October of this fall. Ohio has expressed preliminary interest, but we would likely not join the game until December or January.
- The ePlayslip mobile app was successfully launched on April 28, 2014. The ePlayslip functions exactly like a bet card, and allows a customer to create their wagers and save them on their mobile device. The customer just needs to select the draw game or *EZPLAY* game of their choice and follow the steps to select their

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numbers and the number of draws they want to play. Once the playslip has been created, a customer can save that playslip and take their mobile device to their local Lottery retailer. The retailer will scan the barcode and print out the tickets for purchase. In the first two weeks, we have had more than 1500 individuals download the application and it has been used more than 30,000 times.

- Director Berg reported that two weeks ago, Lottery staff attended the International Game Technology IGT Public Gaming Roundtable conference. Agenda items included: MegaHits and PowerBucks, which both are IGT progressive jackpot gaming products, Product Development initiatives, Responsible Gaming, Video Lottery Gaming Systems and Interactive and Online Gaming. Additionally, there was a panel discussion featuring “Interactive and Casino Gaming Industry experts.” The second day was a MegaHits meeting organized by the Multi-State Lottery Association. The agenda included presentations on Wide Area Progressive VLT games from three vendors: IGT, Aristocrat and Bally.
- During the month of May we are rewarding players on *Mega Millions* Draw nights, Tuesday and Fridays, from 7:30 pm to drawing time. When the jackpots are under \$100 million, which is considered a low jackpot in today’s environment, players can receive one free *Mega Millions* ticket with the purchase of two. We hope to stimulate interest when the jackpots are small and sales volume tends to lag.
- Director Berg recognized Pat Cruz and Loretta Washington, both retiring as of June 1, 2014. Ms. Cruz, a site inspector in Charitable Gaming, began her tenure with the OLC in 1985 and Ms. Washington, a Supervisor in Licensing and Bonding, started working at the Lottery in 1981. He thanked both women for their service.

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

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

- Rule 3770:1-9-206, *Triple Cash* (\$1.00);
- Rule 3770:1-9-207, *Win It All!* (\$5.00); and

- Rule 3770:1-9-208, *\$500,000 Cashword* (\$10.00).

Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Proposed Form. Commissioner Brady made a Motion that was seconded by Commissioner Sabath. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

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

Mr. Miltner brought before the Commission three (3) Instant Game Rules for approval in Final Form. The rules are as follows:

- Rule 3770:1-9-202, *Wild Pixies* (\$2.00);
- Rule 3770:1-9-203, *15X the Win* (\$3.00); and
- Rule 3770:1-9-204, *Bring on the Bens* (\$5.00).

Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Final Form. Commissioner Krulak made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

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

Mr. Miltner brought before the Commission one (1) amended Administrative Rule for approval in Proposed Form. The rule is as follows:

- Rule 3770-4-05, *Sales representatives*.

Chairman McDonald then requested a Motion to approve one (1) amended Administrative Rule in Proposed Form. Commissioner Morgan made a Motion that was seconded by Commissioner Krulak. 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 amendments to one (1) No Change Administrative Rule for approval in Proposed and Final Form. The rule is as follows:

- Rule 3770-4-04, *Sales by director*.

Chairman McDonald then requested a Motion to approve one (1) No Change Administrative Rule in Proposed Form. Commissioner Lewis made a Motion that was seconded by Commissioner Sabath. 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 reported that all of the Commissioners' Financial Disclosure Statements have been filed, as well as the Director's and all Deputy Directors. He thanked everyone for their patience.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Connie Miller brought before the Commission a Resolution to approve eight-eight (88) Video Lottery Game Themes. The eighty-eight (88) Game Themes are as follows: thirty-three (33) game themes submitted by Ainsworth; three (3) game themes submitted by Aristocrat; thirty (30) game themes submitted by Aruze; fourteen (14) game themes submitted by Bally Technologies; two (2) game themes submitted by MGAM; two (2) game themes submitted by Shufflemaster; three (3) game themes submitted by Spiello; and one (1) game theme submitted by WMS.

Chairman McDonald then requested a Motion to approve the Resolution for eighty-eight (88) Video Lottery Game Themes submitted. 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.

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

- Ms. Tricarichi provided a follow up to the testimony provided by Director Berg to the House Policy and Legislative Oversight Committee on March 25, 2014. Last week, all three items were voted out without any complications. The bill will now go before the full House, then to the Senate.
- Ms. Tricarichi commented that due to a long hiatus, there are no developments on federal legislation to report.
- On the problem gambling front, Ms. Tricarichi emphasized to the Commission that she and Karen Russo are monitoring training for problem gambling counselors. Last month they attended training conducted by Rory Reed, Ph.D, LCSW from UCLA. Dr. Reed explained the difficulty separating just problem gambling when treating an individual who may have other issues.
- This morning Ms. Tricarichi attended a NASPL session on gaming developers and one of the sessions she attended focused on problem gambling. She stated that a number of attendees believe Ohio is way out in front in their problem gambling efforts, especially with the “I Lost a Bet” campaign.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers reported that the OLC had a positive sales variance against April of last year as well as a positive variance against the sales forecast, which was beat by \$8.6 million. Online sales grew \$2.9 million over last year, or 2.7% as *Keno* paved the way in that category. Instant ticket sales were \$7.8 million, or 6.5% greater than sales reported last April, once again fueled by the \$30 ticket.
- Operating expenses for the month were within budget, and prizes won were within the expected payouts of each game.
- As a result of all this financial activity, the OLC was able to generate \$83.4 million in profits for the month of April, of which \$15.3 million was generated from the four VLT facilities.

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- Year to date sales through April were \$2.28 billion, or \$38.7 million more than year to date through April last fiscal year. Positive gains were achieved with *Rolling Cash 5*, *Classic Lotto*, *Mega Millions*, *EZPLAY*, and *Keno*.
- Instant ticket sales still trail cumulative sales last year through April, but as noted the last couple of months we continue to see positive gains recently as a result of the \$30 ticket and have narrowed the instant ticket deficit to 2.2% compared to last year through April. Since the end of April, it is worth noting we picked up another \$4.6 million in instant ticket sales and are now down 1.8 % compared to last year.
- A note of caution, however, and as mentioned last month, last year at this time the OLC had a \$600 million *PowerBall* jackpot won on May 18, 2013. Last week alone we lost \$20 million compared to the same week last year in our Multi-State jackpot games and our year to date surplus is now reduced to roughly \$20 million through this latest week ending date.
- Transfers to the LPEF year to date through April now equal \$742.7 million, above our commitment through April by \$52 million, or 7%, and \$77.8 million, or 10% over last year through April.
- Mr. Bowers stated that the Finance Department is getting ready for their busy season as they start to prepare for next year's Sales Forecast, as well as the compilation of the next biennial budget for FY 16-17 and the preparation of the current year's CAFR.

OFFICE OF INFORMATION TECHNOLOGY REPORT, ON BEHALF OF MIKE PETRO, DEPUTY DIRECTOR, ROMAN POPADIUK

Mr. Popadiuk stated that the Office of Information Technology Report stands as written.

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

According to Ms. Lesko Mounts stated that there was a lot of media currently running.

- Ms. Lesko Mounts reported that there is a big promotion coming in June which the OLC did last year, called Rock'n 777s Promotion. This new promotion will run

during the entire month of June. Players who purchase an *EZPLAY* Rock'n 777s ticket will receive a trailing ticket with a promotional code. Entry will originate via a link on our Facebook page. The Ultimate Music Destination is a joint effort with Live Nation in which players can win a trip to see one of his/her favorite bands at select hot spots across the country. Second level prizes include a concert series package, portable sound systems and gift cards via Ticketmaster and Live Nation.

- Chairman McDonald asked about the turn out for the Ultimate Tailgate Party. Ms. Lesko-Mounts replied that it went very well. The event featured 100 NFL Pro Football Hall of Famers. The weekend long fan fest, held at the IX Center, was open to the public and very well attended.

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

Ms. Frizzi-Babb announced that the Communications Report stands as written.

OFFICE OF SALES MANAGEMENT REPORT, ON BEHALF OF PATRICIA VASIL, DEPUTY DIRECTOR, AND OFFICE OF PRODUCT DEVELOPMENT, DEPUTY DIRECTOR GWEN PENN

- Ms. Penn reported that the *Cash Explosion*® Road Show, held in Trotwood on May 17, 2014 was very well attended. Some people even camped out the night before. Attendance by mid-afternoon was estimated to be around 3,000 people. According to an employee with the Food Bank, the event collected over three tons of canned goods. Chairman McDonald was happy to be back in his hometown, and people were excited to greet him and took photos with him.
- Cleveland/Northeast Bar Expo was held on Monday, April 14, 2014 at Windows on the River. This is the second year this event has been held in Cleveland, and attendance showed a slight increase from last year. The Lottery had a booth that had an MP (in demo mode), a 40" monitor showing taped *Keno* draws, and some *Keno* merchandise. There were 7 locations that were interested and provided their

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information to be contacted by an LSR in their District. Of those, two would be considered solid leads and should move forward with the application process.

- Cincinnati/Southeast Bar Expo was held Monday, May 12, 2014 at the Horseshoe Casino. This was the first year the event has been held in Cincinnati and attendance was higher than in the Cleveland event. The Lottery once again had a booth that had an MP (in demo mode), a 40" monitor showing taped *Keno* draws, and some *Keno* merchandise. There were 13 locations that were interested and provided their information to be contacted by an LSR in their District. Of those 8 would be considered solid leads and should move forward with the application process. All information has been forwarded to the Regions for follow up and if one leads turns into an Agent the total cost of \$2,430 for booths at all three Expos (including the Columbus Hollywood Casino back in October) would be recovered.

ADJOURNMENT

Chairman McDonald stated that the next Commission Meeting will be held on Monday, June 16, 2014. Chairman McDonald adjourned the meeting at 1:54 P.M.

Secretary – Dennis Berg, Director

Approved:

Patrick McDonald, Chairman