

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

APRIL 16, 2012 1:00 P.M.

Present at the meeting were the following:

Members of the Commission:

James Brady Allan Krulak Patrick McDonald William Morgan Amy Sabath Elizabeth Vaci Michael Verich

Executive Staff of the Commission:

Dennis Berg, Director
Carol Brown, Deputy Director, Internal Audit
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
Gwen Penn, Deputy Director, Product Development
Michael Petro, Deputy Director, Information Technology
Carla Tricarichi, Deputy Director, Government and Community Relations
Patricia Vasil, Deputy Director, Sales
Traci Konesky, Assistant to the Director

Also Present Were:

Ron Fornaro, Instant Gaming System Manager, Product Development Jim Manley, Assistant Legal Counsel Greg Bowers, Senior Budget Officer, Finance Mark Paras, Office of Sales Management Patrick O'Such, Full Tilt Coaching, LLC Brian Mooney, Assistant Attorney General Charlie Scannella, Scientific Games Ed Trees, Scientific Games Tom Garcia, Intralot Amy Byers, Intralot Duane Miller, Hooven Dayton Jim Nash, Marcus Thomas Steve Tugend, Bally Ian Weir, IGT Morris Hawk, WMS Joe Billhimer, MTR Gaming, Scioto Downs Troy Buswell, MTR Gaming, Scioto Downs

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("the OLC") meeting of April 16, 2012, was called to order at 1:35 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Patrick McDonald, followed by the Pledge of Allegiance.

INTRODUCTION OF FIRST TIME ATTENDEES

Chairman McDonald recognized first time attendees Amy Byers from Intralot and Ed Trees from Scientific Games.

ROLL CALL

The following members of the Commission answered present to the Roll Call: James Brady, Allan Krulak, Patrick McDonald, William Morgan, Amy Sabath, Elizabeth Vaci and Michael Verich.

Chairman McDonald stated that Commissioner Mingo would not be in attendance at this Commission Meeting because he had another engagement to attend.

Chairman McDonald thanked Troy Buswell and Joe Billhimer for the Scioto Downs presentation prior to the Commission Meeting.

APPROVAL OF MINUTES OF MARCH 19, 2012

Commissioner Morgan made a Motion for approval of the March 19, 2012 minutes that was seconded by Commissioner Krulak. The Motion was affirmatively voted upon by all Commissioners present.

<u>DIRECTOR'S REPORT AND OFFICE OF FINANCE REPORT, DENNIS BERG, DIRECTOR</u>

- Director Berg reported that the OLC continues to move forward to bring VLTs to Ohio's seven (7) racetracks, and Ms. Miller will be bringing to the Commission for approval Resolutions for several game themes from five (5) VLT manufacturers.
- The Commission will also be asked to approve two (2) amended VLT Rules that deal with the receipt of VLT applicant information. Mr. Miltner will be providing more details in his report.
- House Bill 386, the Gaming II Legislation, currently resides in the Senate which has held three (3) hearings on that bill to date. The OLC anticipates that multiple amendments will be introduced that would have an impact on the OLC. Ms. Tricarichi will provide more details in her report.
- Director Berg reported that the OLC is getting ready to add the former Kicker spiel game on to its in-state Classic Lotto® game, starting April 29, 2012.
- The OLC's Keno-to-Go purchasing option commenced on April 9, 2012 and we are pleased with the first week's sales performance which resulted in over \$500,000 in sales.

Chairman McDonald asked for more details regarding *Keno-to-Go*. Director Berg responded that players can go into any OLC retailer and purchase tickets for the *Keno* game. A player can purchase up to twenty (20) drawings, however, they must start with the next available drawing. At that point, a player can watch a simulated drawing on the OLC's website, pull up the list of the winning numbers or use a ticket checker at retailer locations. Drawings are held every four (4) minutes so a player can purchase up to eighty (80) minutes of drawings.

- As a result of the world record breaking \$640 million Mega Millions® jackpot on Friday, March 30, 2012, the OLC realized several record breaking milestones in March. March's total sales of \$290.8 million was \$42.4 million above sales of March 2011 and was the highest sales amount recorded for a single month in the OLC's history.
- During the week ending March 31, 2012, total sales of \$86.5 million also broke a record for total sales in a single week. Combined *Mega Millions*® and *Megaplier* sales for that week alone reached \$35.5 million. To put it into perspective, sales of \$86.5 million is equivalent to collecting \$8.00 from every person in the State of Ohio
- Director Berg reported that Pick 4 sales of \$19.4 million was the highest recorded sales figure in any single month. Also, Keno sales of \$19.8 million was the highest recorded sales figure in any single month.
- March's instant ticket sales of \$140.9 million was the highest sales figure recorded in the month of March.
- In addition to the record breaking Mega Millions® jackpot, the OLC also benefited from very
 mild spring weather conditions which resulted in some spring fever behavior as Ohioans
 were out and about and visiting OLC retailers.
- The OLC's transfer for March to the Lottery Profits Education Fund ("LPEF") of \$65.1 million was \$4.9 over original transfer estimates and \$2.0 million above transfers made last March.
- Fiscal Year to Date transfers through March of \$564.2 million is \$13.2 million more than transfers to the LPEF compared through the same time period last year.

• Director Berg stated that the benefits resulting from the record breaking *Mega Millions*® jackpot will be reflected in the April LPEF transfer. Timing differences are involved with the actual collection of funds. Cash collection from the sales results from the Friday, March 30, 2012 *Mega Millions*® drawing were not received until Wednesday, April 4, 2012. The OLC's monthly LPEF transfers are made slightly before the end of each month, thus causing some timing issues in respect to the financial results recorded for the calendar month and the actual profit transfer to the LPEF. The final *Mega Millions*® jackpot was \$656 million. The OLC is on pace to have a record breaking year for transfers to the LPEF.

Commissioner Verich asked if anyone has come forward to claim the \$656 million *Mega Millions*® jackpot. He stated that he knew there was some controversy in Maryland. Director Berg responded that the winning ticket from Maryland had been claimed. Chairman McDonald stated that he read that there were ten (10) \$250,000 winners in Ohio from the March 30, 2012 drawing, and he asked if that was a good percentage of winners compared to other states. Ms. Vasil responded that she will research how Ohio did statistically compared to other states.

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 games:

- Rule 3770:1-9-879, Precious Gems (\$1.00);
- Rule 3770:1-9-880, 10X the Money (\$2.00); and
- Rule 3770:1-9-881, Money in the Bank (\$10.00).

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

APPROVAL OF FIVE (5) INSTANT GAME RULES IN FINAL FORM

Mr. Miltner brought before the Commission five (5) Instant Game Rules for approval in Final Form. These rules were approved in Proposed Form at the March 19, 2012 Commission Meeting. The rules are:

- Rule 3770:1-9-870, 5X the Money (\$1.00);
- Rule 3770:1-9-872, *Monopoly*® (\$2.00);
- Rule 3770:1-9-873, Kings, Queens, Jacks (\$5.00);
- Rule 3770:1-9-919, EZPLAY® Buckeye 7's (\$1.00); and
- Rule 3770:1-9-918, EZPLAY® *Oh! My Stars* (\$2.00).

Chairman McDonald then requested a Motion to approve the five (5) Instant Game Rules in Final 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 AMENDMENTS TO TWO (2) VLT ADMINISTRATIVE RULES IN PROPOSED FORM

Mr. Miltner brought before the Commission amendments to two (2) VLT Administrative Rules for approval in Proposed Form. The VLT Administrative Rules are as follows:

- Rule 3770:2-2-01, Definition of certain terms used in division 3770:2
 of the Administrative Code; and
- Rule 3770:2-3-01, Video lottery licenses, application.

Mr. Miltner stated that the reason the Commission is being asked to approve the Amendments to these Rules is that currently in order to apply for a VLT license, one has to have a permit that is issued by the Racing Commission. However, with the changes of ownership of some of the racetracks, the new owners will have to apply for and then receive a permit from the Racing Commission before applying for a VLT license from the OLC. The amendments would allow a track that has applied for a racing permit to also apply, at the same time, for a lottery license in

order to speed up the process. No lottery license would be issued until final approval of a racing permit.

Commissioner Brady stated that he inquired a few months back as to what determines the amount of bonding required for a retailer, however, he does not recall who he posed the question to. Mr. Miltner responded that the application does require that each VLT agent provide a bond, and the OLC is in the process of reviewing the level of bonding required. Ms. Miller stated that she believes that Commissioner Brady posed the question when the OLC was discussing what was in H.B. 386, and the OLC was asking for additional bonding flexibility. She stated that she will follow up on that.

Chairman McDonald then requested a Motion to approve the amendments to two (2) VLT Administrative Rules in Proposed Form. Commissioner Morgan made a Motion that was seconded by Commissioner Vaci. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

- Mr. Miltner reported that over the next few months the Commission will be asked to approve VLT Rules that are either new or amended. Three (3) VLT Rules were put into To Be Refiled Status. The OLC is developing fine schedules and the process for renewal applications as part of the Rules that are in To Be Refiled Status. Those Rules will be brought back to the Commission in the near future.
- The OLC is also trying to coordinate with the Racing Commission on their Rules so that efforts are not duplicated and the process is more streamlined.
- Mr. Miltner stated that the OLC does not know what the General Assembly is going to do
 with respect to H.B. 386. There will be amendments to the bill, and the OLC will have to
 consider how any amendments will impact Lottery rules.

RESOLUTION TO APPROVE VIDEO GAME LOTTERY THEMES SUBMITTED BY ARISTOCRAT TECHNOLOGIES

Ms. Miller stated that the Commission should have received a package about ten (10) days ago containing game theme overviews from five (5) manufacturers that are being brought to the Commission for approval today. Prior to the game theme overviews being sent out to the Commission, they were internally reviewed by a review committee.

Ms. Miller brought before the Commission a Resolution to approve sixty-eight (68) Video Game Lottery Themes submitted by Aristocrat Technologies.

Chairman McDonald then requested a Motion to approve the Resolution for Video Game Lottery Themes submitted by Aristocrat Technologies. Commissioner Brady made a Motion that was seconded by Commissioner Vaci. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO GAME LOTTERY THEMES SUBMITTED BY BALLY TECHNOLOGIES, INC.

Ms. Miller brought before the Commission a Resolution to approve one hundred and eighteen (118) Video Game Lottery Themes submitted by Bally Technologies, Inc.

Chairman McDonald then requested a Motion to approve the Resolution for one hundred and eighteen (118) Video Game Lottery Themes submitted by Bally Technologies, Inc. Commissioner Sabath made a Motion that was seconded by Commissioner Verich. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO GAME LOTTERY THEMES SUBMITTED BY KONAMI GAMING

Ms. Miller reported that at the March 2012 Commission Meeting, the Commission approved a Resolution for sixty-eight (68) Video Game Lottery Themes submitted by Konami Gaming. The Game Theme Team had to deny three (3) of their themes, and they have submitted replacements which would bring their total themes up to seventy-one (71).

Ms. Miller brought before the Commission a Resolution to approve three (3) Video Game Lottery Themes submitted by Konami Gaming.

Chairman McDonald then requested a Motion to approve the Resolution for three (3) Video Game Lottery Themes submitted by Konami Gaming. Commissioner Krulak made a Motion that was seconded by Commissioner Morgan. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO GAME LOTTERY THEMES SUBMITTED BY SPIELO INTERNATIONAL

Ms. Miller brought before the Commission a Resolution to approve eleven (11) Video Game Lottery Themes submitted by Spielo International.

Chairman McDonald then requested a Motion to approve the Resolution for eleven (11) Video Game Lottery Themes submitted by Spielo International. Commissioner Vaci made a Motion that was seconded by Commissioner Sabath. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO GAME LOTTERY THEMES SUBMITTED BY

WMS

Ms. Miller reported that at the March 2012 Commission Meeting, the Commission approved a

Resolution for one hundred and forty-six (146) Video Game Lottery Themes submitted by

The Game Theme Team had to deny two (2) of their themes due to incorrect prize

tables, and they have submitted them again with the corrections.

Chairman McDonald inquired as to why it was discovered that the prize tables were incorrect

after the Commission approved the two (2) themes. Ms. Miller responded that the two (2)

themes were not approved at the March 2012 Commission Meeting. The themes were pulled

prior to being presented to the Commission.

Chairman McDonald asked if other manufacturers will have to bring back themes like Konami

and WMS did. Ms. Miller responded that the Game Theme Team denied one (1) Bally game.

Ms. Miller brought before the Commission a Resolution to approve two (2) Video Game Lottery

Themes submitted by WMS.

Chairman McDonald then requested a Motion to approve the Resolution for Video Game Lottery

Themes submitted by WMS. Commissioner Morgan made a Motion that was seconded by

Commissioner Brady. With no further discussion, the Motion was affirmatively voted upon by

the Commissioners present.

Chairman McDonald thanked Ms. Miller for all her hard work and dedication with the VLT

project. Commissioner Verich thanked Ms. Miller for her time when he went to see the Cash

Explosion® Show, and he stated that he highly recommends that the Commissioners attend a

taping of the show.

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

- Ms. Tricarichi reported that the Gaming II Legislation, H.B. 386, is currently in the Senate. There have been three (3) noncontroversial hearings held on H.B. 386 to date. Ms. Tricarichi stated that the OLC is aware of two (2) amendments that will affect the OLC.
- The Department of Taxation has submitted an amendment related to the withholding of state tax. The amendment proposes that when any prize award on any one (1) play exceeds \$3,000, the facility will issue a W2G as well as withhold 4%.
- The Department of Job and Family Services and the Attorney General are also submitting an additional proposal which has to do with the intercept program. The OLC's Information Technology group has put together a program to facilitate an electronic intercept program for the racetracks for outstanding child support and state debt. The racetracks will have limited access to a database so that they can instantly know if any prize winnings need to be deducted for child support or state debt.

Chairman McDonald asked if the OLC weighed in on the percentage of withholding of state tax and if so what was the percentage. Ms. Tricarichi responded that the OLC did weigh in and the prize award amount of \$3,000 and the withholding of 4% was a compromise between the OLC and the Department of Taxation. Chairman McDonald asked if it was similar to what other states were doing. Ms. Tricarichi responded that the OLC did research and other states were all across the board on what they do, and that the 4% is more of a middle ground.

Chairman McDonald asked if an individual wins from out-of-state, do they have to pay Ohio state tax. Ms. Tricarichi responded that it was her understanding that out-of-state winners are supposed to file a tax return. This is a proposed amendment and there may some more changes before it actually gets into the bill in its final form. She stated that there may be some other amendments to H.B. 386, including one to clean up promotional credit language.

- Ms. Tricarichi reported that in respect to Internet Gaming, Congress has been on spring break for a couple of weeks. The absence of federal legislation seems to be a benefit for the State Lotteries. She stated that any legislation that is introduced this late will probably not pass this year, particularly because it is an election year.
- Ms. Tricarichi stated that she attached to her report a letter from the National Governors Association, which is a bipartisan group of Governors. They wrote a letter asking congressional leaders to support the States Right's position advocated by the state lotteries. Subsequent to that letter the Governor of Utah who wrote a strongly worded letter opposing internet gaming because Utah expressed its desire to control all gaming or lack thereof in their state.
- Also attached to her report is the cover of the National Association of Convenient Stores'
 ("NACS") trade magazine. The NACS is worried about the lack of foot traffic internet
 gaming may cause them to suffer. However, there has not been a lot of concern from
 convenient stores that are OLC retailers at this point in time.
- Ms. Tricarichi reported that with March being problem gambling awareness month, and the OLC running its award winning media campaign from last year, the number of helpline calls tripled for the month of March. She stated that the OLC is continuing to work on a cobranding program in conjunction with ODADAS, the Casino Control Commission and the Racing Commission. The program is going to be called "Ohio for Responsible Gambling."
- The OLC participated in problem gambling training for counselors in Toledo and Cleveland. There were approximately fifty (50) participants in Toledo and seventy (70) participants in Cleveland.

Chairman McDonald inquired if the counselors who go through this problem gambling training receive credit for their recertification. Ms. Tricarichi responded that yes they do receive credit, however there are separate certifications for alcohol training, drug training and problem gambling training. Counselors are also certified in other areas so they are not exclusively problem gambling counselors.

OFFICE OF INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

- Mr. Petro reported that the next software release, which will include the addition of *Kicker* to
 Classic Lotto®, is scheduled to be installed on April 29, 2012. It is currently being tested by
 the OLC's Quality Assurance group.
- Mr. Petro reported the OLC will be receiving the second wave of certifications for the Central Monitoring System ("CMS") from GLI.
- Mr. Petro stated that the OLC has been working on the modification of its bank cashing system. Currently, if a player wins less than \$600, it can be paid immediately at any retailer location. In Ohio, if the prize is between \$600 and \$5,000, a player can go to any participating bank location and receive their prize winnings. PNC Bank participates in the OLC Bank Cashing program. That process entails having the bank call the OLC Call Center to give them the ticket information, the Call Center validates the ticket by entering the information into the system and then the Call Center lets the bank know that they can pay the player. This process is very paper and phone call intensive. The OLC approached Intralot approximately a year and a half ago regarding putting together a mechanism where the bank branches can go to a website to enter the ticket information and get authorization to pay the prize amount through that system. The OLC has been rolling out this process over the course of the last few months. The first 50% of the PNC Bank branches are up and running, and the hope is to have all of them running by the end of April 2012. There are a few US Bank Branches that participate in the Bank Cashing program.

Chairman McDonald inquired as to what the duration of the OLC's contract with PNC Bank was. Mr. Bowers responded that it is a two (2) year contract. Chairman McDonald stated that PNC Bank could potentially not be awarded the contract after the OLC went through all of the work to enhance the bank cashing process. Mr. Petro responded that what the OLC would do then is train the new branches on the process.

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

- Ms. Lesko Mounts reported that the OLC has finalized the campaign for the launch of the return of the *Kicker* with *Classic Lotto*®, and it is ready to air beginning April 23, 2012.
- Ms. Lesko Mounts showed a television spot that already started airing. It is a spot that can be
 used to promote multiple OLC \$2.00 Instant Games. She also showed a spot for the return of
 the *Kicker* with *Classic Lotto*®.

Chairman McDonald stated that he liked both of the spots that Ms. Lesko Mounts showed.

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

- Ms. Frizzi-Babb stated that there has been a lot of interaction with players on the OLC's Facebook page, especially with the \$656 million record Mega Millions® jackpot. Currently there are over 4,000 "Likes," and in the upcoming months the OLC will be doing different promotions with its Facebook page. One of the biggest benefits with the OLC's Facebook page is that retailer pictures can be posted.
- Ms. Frizzi-Babb showed some photos from the OLC's Facebook page of the Mega Millions®
 "Balls" visiting different retailer locations on the day of the \$656 million jackpot. There was
 a lot of media coverage across the State in regards to the record Mega Millions® jackpot.

OFFICE OF SALES MANAGEMENT, PATRICIA VASIL, DEPUTY DIRECTOR

• Ms. Vasil stated that ten (10) years ago when the OLC introduced *Mega Millions*®, she thought that that was the most exciting day at the OLC. She was Sales Director at the time, and she drove out to Woodlawn Market in Canton, who was the first retailer to sell a *Mega Millions*® ticket. However, she stated that it was even more exciting to be out in the field with the record \$656 million *Mega Millions*® jackpot.

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• Ms. Vasil showed some pictures that showed the excitement from a retailer level with

regards to the \$656 million Mega Millions® jackpot.

• Ms. Vasil reported that with regards to Keno sales, this past week, sales were \$4.8 million

which was the eleventh straight week of over \$4 million in weekly sales. Keno-to-Go was

approximately 12% of those sales.

Director Berg stated that last week was a record sales week.

OFFICE OF PRODUCT DEVELOPMENT REPORT, GWEN PENN, DEPUTY

DIRECTOR

• Ms. Penn reported that the OLC has two (2) upcoming promotions for the months of June

and August. For the month of June, there will be a Keno promotion on Friday nights from

the hours of 4:00 pm and 7:00 pm. The promotion will be buy \$10.00 or more on a Keno

single ticket and receive a free four (4) spot Keno with Booster. In the month of August, a

similar promotion will be offered but only on Thursdays. The promotion will be buy \$10.00

or more on a Keno single ticket and receive a free three (3) spot Keno with Booster.

ADJOURNMENT

Chairman McDonald reminded the Commission that the May Meeting has been moved to May

14, 2012. Commissioner Krulak made a Motion to adjourn the April 16, 2012 Commission

Meeting. Chairman McDonald adjourned the meeting at 2:30 P.M.

Secretary – Dennik Berg, Director

Patrick McDonald, Chairman

Approved