

### 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

#### OCTOBER 21, 2013 2:15 P.M.

#### Present at the meeting were the following:

#### **Members of the Commission:**

Julia A. Ault James Brady Allan C. Krulak John Lewis Patrick McDonald William Morgan Amy Sabath Elizabeth Vaci Sean Whalen

#### **Executive Staff of the Commission:**

Dennis Berg, Director
Greg Bowers, Acting Deputy Director, Finance
Danielle Frizzi-Babb, Deputy Director, Communications
Carol Brown, Deputy Director, Internal Audit
Steve Kmiotek, Interim Deputy Director, General Services
Sandy Lesko-Mounts, Deputy Director, Marketing Communications
Constance S. Miller, Deputy Director, Operations
Lawrence J. Miltner, Chief Legal Counsel
Gwen Penn, Deputy Director, Product Development
Mike Petro, Deputy Director, Information Technology
Patricia Vasil, Deputy Director, Sales
Traci Konesky, Assistant to the Director

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#### Also Present Were:

Ron Fornaro, Instant Gaming System Manager, Product Development Karen Russo, Office of Government and Community Relations Mike Gonzalez, Office of Finance Chuck LoPresti, Office of Legal Counsel Aaron Schmidt, Office of Legal Counsel Tom Bogus, Office of Communications Marie Kilbane Seckers, Office of Communications Johnny Jones, Office of Internal Audit Tom Garcia, Intralot Fran Cash, Scientific Games Duane Miller, Hooven Dayton John Oberle, Penn National/Ice Mille Ameet Patel, Penn National Gaming Gary DeWitt, Penn National Gaming Mike Galle, Penn National Gaming Robert Wood, IGT Doug McMillan, Casino Control Commission

#### CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("OLC") meeting of October 21, 2013, was called to order at 2:14 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Pat McDonald, followed by the Pledge of Allegiance.

#### INTRODUCTION OF NEW COMMISSIONER

Chairman McDonald welcomed newly appointed Commissioner Julie Ault to the Commission.

### ROLL CALL

The following members of the Commission answered present to the Roll Call: Julie Ault, James Brady, Allan Krulak, John Lewis, Pat McDonald, William Morgan, Elizabeth Vaci and Sean Whalen. Commissioner Sabath arrived after roll call at 2:20 p.m.

#### INTRODUCTION OF FIRST TIME ATTENDEES

Chairman McDonald recognized first time attendees: new OLC hiree, John Jones, Office of Internal Audit; Mike Galle, Penn National Gaming; Ameet Patel, Penn National Gaming: and Gary DeWitt, Penn National Gaming.

#### COMMISSION UPDATES

- Chairman McDonald recognized the departure of Clarence Mingo from the Commission. He stated that he was a valuable asset to the Commission.
- Chairman McDonald stated that Mr. Mingo was the Chair of the Problem Gambling Committee. He asked Commissioner Lewis to move-up to the position of Chairman of the Problem Gambling Committee. Commissioner Lewis graciously accepted. Chairman McDonald then asked Commissioner Ault to be on the Problem Gambling Committee, and she graciously accepted as well.
- Ms. Miller stated that Mr. Mingo was also on the Audit Committee. Chairman McDonald asked Commissioner Whalen if he would like to be part of the Audit Committee. Commissioner Whalen accepted the new position on the Audit Committee.
- Chairman McDonald stated that Mr. Mingo was also the Vice-Chairman of the Commission. Chairman McDonald made a Motion to nominate Commission Whalen as the Vice-Chairman of the Commission that was seconded by Commission Krulak. The Motion was affirmatively voted upon by all Commissioners present.

#### CHAIRMAN MCDONALD'S COMMENTS

Chairman McDonald stated that he would like an update on the new Multi-state Raffle.

#### APPROVAL OF MINUTES OF SEPTEMBER 16, 2013

Chairman McDonald requested a Motion to approve the September 16, 2013 Minutes. Commissioner Morgan 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 welcomed the OLC's new commissioner Julie Ault. He stated that her tenure with the Commission should be a rewarding experience.
- Director Berg reported that September represented the third month of Fiscal Year 2014. Sales on the traditional lottery side of the business were above last September's sales as there was a boost in *Powerball*® sales along with an increase in *Classic Lotto* sales and *EZPLAY*® sales.
- Sales of \$212.3 million were up \$1.9 million or nearly 1%. Given the intense competition for discretionary gaming dollars, the OLC is pleased with its sales results. Traditional sales coupled with VLT revenues allowed the OLC to exceed both last year's actual transfers to the Lottery Profits Education Fund ("LPEF"), and the OLC also exceeded projections for the month of September. Mr. Bowers will provide more details on the OLC's financial results for the month.
- Director Berg reported that the OLC had a successful first *Cash Explosion*® Road show for the calendar year at the Barnesville Pumpkin Festival. The next stop will be at the Veterans Memorial Civic and Convention Theater in Lima, Ohio on Veterans Day. Those commissioners interested are welcome to attend that day, and Ms. Miller can provide details for your participation. A flyer which includes details on this upcoming Road Show is in the Commissioners' folders.

- The OLC is currently selling its first multi-state raffle game. Sales are a little slower than hoped for but there are still ten (10) more days left to sell tickets, and the OLC has shifted its marketing strategy to emphasis the Halloween Day deadline to purchase your tickets. Past history indicates that the vast majority of sales occur in the few days leading into the drawing. The roster of States participating includes Indiana, Iowa, Michigan, New Jersey, New York, Ohio and Oklahoma.
- Director Berg reported that as mentioned last month, the Multi-State Lottery Association is coordinating a promotion tied to the *Powerball*® game. The promotion will involve 200 trip awards for four (4) people, 800 total, to the first ever NFL Hall of Fame fan festival that is being scheduled to occur in Cleveland, Ohio in the Spring of 2014 at the IX center. Ohio will be obtaining fourteen (14) of those trips. There will be eighteen (18) states participating in the promotion. Players will also have an opportunity to win up to \$1,000,000 at the fan fest event.
- Players will receive an entry to the promotion for each \$10 Powerball® ticket purchase. Ohio's promotional dates will be from November 17, 2013 thru February 8, 2014.
- Director Berg stated that the annual combined charitable campaign will conclude on October 18, 2013. Historically, OLC employee participation has far exceeded the state wide participation averages and he is extremely proud to report this statistic.

#### APPROVAL OF FIVE (5) INSTANT GAME RULES IN PROPOSED FORM

Mr. Fornaro brought before the Commission five (5) Instant Game Rules for approval in Proposed Form. Mr. Fornaro presented the details of the game:

• Rule 3770:1-9-174, Ohio Lottery 40<sup>th</sup> Anniversary Millions (\$30.00);

- Rule 3770:1-9-175, Win Pigs Fly (\$1.00);
- Rule 3770:1-9-176, \$10,000 Grant (\$2.00);
- Rule 3770:1-9-177, Joker's Wild (\$5.00); and
- Rule 3770:1-9-178, \$100,000,000 Mega Fortune (\$20.00).

Chairman McDonald then requested a Motion to approve the five (5) 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.

#### 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. These rules were approved in Proposed Form at the September 16, 2013 Commission Meeting. The rules are as follows:

- Rule 3770:1-9-169, *I Love Cash* (\$2.00);
- Rule 3770:1-9-170, Cadillac® Cash (\$5.00); and
- Rule 3770:1-9-171, *Twisted* (\$3.00).

Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in 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.

## <u>APPROVAL OF ADMINISTRATIVE RULE IN PROPOSED FORM - RESCISSION</u>

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

• Rule 3770:1-9-56, Game number fifty-six.

Chairman McDonald then requested a Motion to approve the Rescission of one (1) Administrative Rule in Proposed Form. 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.

### 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 3770:1-2-01, *Authority of the commission*.

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 Whalen 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 LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

Mr. Miltner stated that the Legal Department has been reviewing internal policies, and they have been sent to the Deputy Directors for operational input. Once the policies are finalized, they will be posted on the OLC's internal website.

#### RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Mr. Schmidt brought before the Commission a Resolution to approve fifty-one (51) Video Lottery Game Themes. The fifty-one (51) Game Themes are as follows: twenty-seven (27) game themes submitted by Williams; eight (8) game themes submitted by Multi-Media; eight (8) game themes submitted by Aristocrat; six (6) game themes submitted by Bally Technologies; and two (2) game theme submitted by Konami.

Chairman McDonald then requested a Motion to approve the Resolution for fifty-one (51) Video Lottery Game Themes. Commissioner Krulak made a Motion that was seconded by Commissioner Vaci. 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 reported that there will be a media walk-through at River Downs on Wednesday, October 23, 2013. OLC officials will be in attendance.
- Ms. Tricarichi reported that opponents of the internet café legislation fell short on the number of valid signatures required by law. The law restricting internet cafés is now in effect.

 Ms. Tricarichi stated that OLC staff attended the National Council on Responsible Gaming Conference in Las Vegas, Nevada September 22, 2013 through September 24, 2013.

• The next *Cash Explosion*® Road Show will be in Lima on November 11, 2013. All Commissioners are welcome to attend.

Chairman McDonald recommended the city of Trotwood for an upcoming road show. Ms. Miller responded that there are two (2) fall road shows and two (2) spring road shows. To date, Toledo is scheduled for one (1) of the spring road shows, and she stated that she will take a look into Trotwood as a location for an upcoming road show.

# OFFICE OF FINANCE REPORT, GREG BOWERS, ACTING DEPUTY DIRECTOR

- Mr. Bowers reported that sales for the month of September were higher compared to last September, and nearly \$5.5 million more than projected for the month.
- On the VLT side, the OLC's net share of VLT revenue in September, after operating
  expenses are considered, equaled \$7.0 million, which was higher than monthly
  projections. This was based on "Net Win" at both tracks of \$22.3 million, which has
  been pretty consistent from month to month
- Mr. Bowers reported that operating expenses came in under budget for the month. Profits transferred to the LPEF for September were \$68.3 million, \$7.0 million more than projected for the month. For the first three (3) months of the fiscal year, the OLC is \$13.8 million ahead of projections.

- Mr. Bowers stated that he was pleased to announce that the OLC received its opinion letter from the Auditor of State's (AOS) office, for the audit conducted on the Financial Statements ending June 30, 2013. The OLC received an "unmodified" opinion, meaning the Financial Statements present fairly, in all material aspects, the respective financial position of the OLC in accordance with generally accepted accounting principles.
- The OLC's post-audit conference with the AOS is scheduled for Tuesday, October 29, 2013, when all Management comments, if any, will be discussed.
- Mr. Bowers stated that he would like to publicly acknowledge our Finance Division, especially the Accounting Department for this accomplishment of obtaining a clean audit.

### OFFICE OF INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

- Mr. Petro reported that tickets went on sale Sunday, October 20, 2013 for the new matrix on *Mega Millions*®.
- Mr. Petro reported that the OLC's Network Information Systems group installed the hardware necessary for OLC personnel to begin licensing track employees at both Northfield and Miami Valley.

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

• Ms. Lesko Mounts stated that the television and radio holiday campaign began airing on November 11, 2013.

- Ms. Lesko Mounts reported that the ticket scanner for instant tickets on the OLC's mobile app is up and running on android phones. The i-phone app will be up and running soon.
- Ms. Lesko Mounts played television spots and a radio spots for the following: *Lucky* 7's *Playbook*, second half of the *Multi-State Raffle* Campaign and *Megaplier*.

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

- Ms. Frizzi-Babb showed pictures of the Barnesville *Cash Explosion*® Road Show on the OLC's Facebook page.
- Ms. Frizzi-Babb showed a clip entitled, "In the Know," which is on the OLC's
  Facebook page and the OLC's YouTube channel. It is an overview of OLC games
  and promotions.

## OFFICE OF SALES MANAGEMENT REPORTPATRICIA VASIL, DEPUTY <u>DIRECTOR</u>

- Ms. Vasil reported that 5% of total EZPLAY® sales have been through the quick pick pilot program.
- Holiday instant tickets have been out since October 10, 2013.
- Sales staff continues to work on the Salesmaker program, converting on-counter ticket displays into cube dispensers.
- Ms. Vasil reported that several Sales staff members attended the Buckeye Bar Expo in Columbus on October 9, 2013.

## OFFICE OF PRODUCT DEVELOPMENT REPORT, GWEN PENN, DEPUTY DIRECTOR

• Ms. Penn reported that during the months of November and December, the OLC will be having *Keno* Promotions. Purchase a \$20 *Keno* ticket and receive a free \$5 five (5) consecutive tickets for a five (5) spot *Keno* ticket.

#### **ADJOURNMENT**

Chairman McDonald requested a Motion to adjourn the October 21, 2013 Commission Meeting. Commissioner Morgan made a Motion that was seconded by Commissioner Krulak. Chairman McDonald adjourned the meeting at 3:19 P.M.

Secretary – Dennis Berg Directo

Approved:

Patrick McDonald, Chairman