



THE OHIO LOTTERY COMMISSION

MEETING MINUTES

OCTOBER 14, 2020

VIA TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman
James Brady
Nita Gupta
Jonathan Hughes
Angela M. Mingo
Mark Rickel
Martin Sweeney
Matthew Szollosi

Director and Staff of the Ohio Lottery Commission

Pat McDonald, Executive Director
Sean Webster, Assistant Director, Operations and Administration
Nicole Kostura, Assistant Director, Sales and Marketing
Nick Stadler, Executive Assistant to the Director
Terri Jones, Administrative Assistant, Executive Office
Charles LoPresti, Chief Legal Counsel, Office of Legal Counsel
Greg Beyer, Deputy Director, Office of Internal Audit
Ron Fornaro, Instant Ticket Product Manager, Office of Sales
Danielle Frizzi Babb, Deputy Director, Office of Communications
Connie Miller, Deputy Director, Office of Operations
Karen Russo, Deputy Director, Office of Responsible Gambling
Greg Bowers, Deputy Director, Office of Finance
Dan Carter, Deputy Director, Office of Legal Counsel
Nick Ciofani, Deputy Director, Office of Government & Community Affairs
Marty Morrow, Deputy Director, Office of Sales
Rick Perk, Deputy Director, Office of Sales
Michael Gonzalez, Deputy Director, Office of Product Innovation
Sandy Lesko-Sabbath, Deputy Director, Office of Marketing

Rebecca McLemore, Audio Visual Production Specialist, Communications
Thomas Spayd, VLT Management, Operations
Stacey Hall, Infrastructure Specialist, Information Technology

Additional Attendees

Ed Dick, JACK Thistledown Racino
John Walker, Eldorado Scioto Downs
Sam Porter, Ice Miller, LLC
Jim Nash, Marcus Thomas LLC
Debbie Pirone, Marcus Thomas LLC
Jonathan Reed, Gongwer News Service
Kathleen Lenhardt, Hollywood Gaming at Mahoning Valley
Matthew Block, Scientific Games
Clair Bennett, Squire Patton Boag
Danny Eldridge, Hanna News
Kevin Davis, Hollywood Gaming at Dayton Raceway
Patrick Markovich, Governmental Policy Group, Inc.

Caller did not identify his/herself from the following numbers:

216-470-6444

CALL TO ORDER

Chairman Blair called the meeting of the Ohio Lottery Commission to order at 12:00 p.m. The meeting was held via teleconferencing due to COVID-19 (coronavirus).

ROLL CALL

The following members of the Commission answered present to Roll Call: Matthew Blair, James Brady, Nita Gupta, Jonathan Hughes, Angela Mingo, Mark Rickel, Martin Sweeney and Matthew Szollosi.

APPROVAL OF MINUTES OF SEPTEMBER 9, 2020

Chairman Blair presented to the Commission for approval the minutes from the September 9, 2020 meeting. Chairman Blair made a Motion to approve the minutes, seconded by Commissioner Hughes. The Motion was affirmatively voted upon by all Commissioners present.

INTERNAL AUDIT QUARTERLY MEETING

Commissioner Mingo presented to the commission the Internal Audit Committee update. During the September meeting the Internal Audit Annual Report was presented and approved. Key accomplishments include five (5) Audit Reports issued, with an additional two (2) completed by

OBM-IA. Verified and Closed twenty-six (26) outstanding audit recommendations which helped improve and increase efficiency of Lottery operations. Our client survey results improved from FY2019, with nearly all responses positive on the work of the department. The status of the FY2021 Internal Audit Plan was also discussed. Three (3) audits are currently underway.

- Background checks- This audit will review the procedures for completing background checks, including the security of Confidential Personal Information (CPI), and appropriate oversight of the process.
- Drawings- Random Number Generators- This audit will look at the physical security and logical controls in place to safeguard our Random Number Generators, as well as the management oversight of these devices.
- Balancing Online Games- Will look at the procedures and controls in place on the daily balancing of our Online Games.

OBM recently began their Consulting Engagement on the Intralot Gaming Contract. The Audit Committee reviews the status and progress being made on the remediation of outstanding audit recommendations. Currently there have been seven (7) audit recommendations that have closed for Fiscal Year 2021. There are currently thirty-two open issues since the last meeting. The office of OBM- IA shared the results of their annual assurance review of the OLC Internal Audit group. They did not identify Any key issues during their review and are confident in the work of our Internal Audit team.

APPROVAL OF FOUR (4) SCRATCH OFF GAMES IN PROPOSED FORM

Ron Fornaro, Instant Ticket Manager presented before the Commission Four (4) Scratch Off Game Rules in Proposed Form.

- ✦ Rule 3770:1-9-640, \$5,000 Taxes Paid (\$1.00)
- ✦ Rule 3770:1-9-641, \$20,000 Taxes Paid (\$2.00)
- ✦ Rule 3770: 1-9-642, \$250,000 Taxes Paid (\$5.00)
- ✦ Rule 3770: 1-9-644, \$500,000 Taxes Paid (\$10.00)

Commissioner Blair moved to approve the Rules as presented in Proposed Form, with Commissioner Rickel offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

APPROVAL OF FIVE (5) SCRATCH OFF GAMES IN FINAL FORM

Charles LoPresti, Chief Legal Counsel presented before the Commission Four (4) Scratch Off Game Rules in Final Form.

- ✦ Rule 3770:1-9-622, Player Appreciation (\$2.00)
- ✦ Rule 3770:1-9-623, Go for the Green! (\$5.00)
- ✦ Rule 3770: 1-9-624, Black Ice (\$10.00)

- ✦ Rule 3770: 1-9-625, Millions (\$30.00)
- ✦ Rule 3770:1-9-627, \$25, \$50 or \$250 (\$5.00)

Commissioner Blair moved to approve the Rules as presented in Final Form, with Commissioner Mingo offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED FORM

Charles LoPresti, Chief Legal Counsel presented before the Commission Mandatory Rule Review Pursuant to Chapter 119 in Proposed Form.

- ✦ Rule 3770:2-4-06, Video lottery sales Agent employee licenses: suspension or revocation.

Commissioner Blair moved to approve the Mandatory Rule Review Pursuant to Chapter 119 presented in Proposed Form, with Commissioner Brady offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED AND FINAL FORM

Charles LoPresti, Chief Legal Counsel presented before the Commission Mandatory Rule Review Pursuant to Chapter 119 in Proposed and Final Form.

- ✦ Rule 3770:2-4-07, Video lottery sales Agent employee licenses: renewal

Commissioner Blair moved to approve the Mandatory Rule Review Pursuant to Chapter 119 presented in Final Form, with Commissioner Hughes offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve fifteen (15) Video Lottery Game Themes.

Commissioner Blair moved to approve the Resolution, with Commissioner Gupta offering a second to the Motion. The Motion was affirmatively voted upon by the Commissioners present.

Mr. LoPresti also reminded the Commissioners that Mandatory Ethics Training is to be completed by Monday, December 14, 2020.

SCHOOL OF THE YEAR

Danielle Frizzi Babb, Deputy Director, Communications, presented a video on the School of The Year. The video has been posted on the Lottery Social Media Channels. Congratulations to Robertson Community Learning Center in Akron, Ohio.

FINANCIAL REPORT

Greg Bowers, Deputy Director, Finance, provided to the Commissioners a financial update for the months of August and September 2020.

- Traditional Sales for the month of September were \$316.3 million.
- The daily Numbers games (P3, P4, P5) were up against last year by \$14.7 million, or close to 29%.
- Games played in social environments such as Keno, Lucky One, and Fast Play games were up by \$7.2 million or 18.7%.
- Revenue at the seven racinos fared well during the month. GGR was \$92.8 million, up by \$6.0 million, or 2% over last September. Net revenue for the Lottery was \$31.1 million. This is a little more than \$2.0 million, or 7% more than last year. compared to last year.
- Profit from traditional lottery games for the month of September were \$103.2 million, \$10.3 million more than our original estimate, and \$15 million more than last year.
- For the first quarter of this fiscal year, total profits generated for the LPEF were \$321.2 million, or \$25.1 million higher than our budget, and \$19.7 million more than Q1 of last year.

NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Executive Director McDonald informed the Commissioners of the following items.

The Ohio Lottery Strategic Plan. The Lottery Agency's Deputy Directors and Senior Staff met for our first Strategic Planning session last October. During this meeting we were able to revise the agency's mission statement, vision statement, and core values. Additionally, senior staff came away from the session with a clear and concise understanding of how the revised mission statement, vision and values, influence our current, upcoming and future goals and initiatives. The Director thanked director of Product Development, Mike Gonzalez and his staff for organization of the session and construction of the explainer document. Their explainer document key initiatives are divided into three categories, People, Products, and Technology. The Lottery's priorities for the next couple years neatly align with these categories. Prioritizing fellow Ohioans, our employees and key stakeholders. Taking a hard look at our whole existing product line and potential new offerings. Using modern technology to both improve customer service and operate more efficiently. Another key component contained within the plan includes the recognition of industry, economic and operational challenges, which affect the way that a lottery conducts its business. The Lottery has also looked at the way our messaging, operations and sales priorities

have adjusted in the face of the current pandemic. Our messaging and customer service strategies have been adjusted to account for the situation in the world and result of the virus.

The strategic plan is a “living document” and subject to change, so the plan can remain fresh and relevant to our ongoing goals and objectives. The Lottery will look into revising this document twice a year if needed.

Scientific Games provides services to the Ohio Lottery ranging from game development, portfolio management, inside sales, advanced logistics for warehousing. On September 14th, Scientific Games announced several long- term institutional investors reached an agreement to acquire a 34.9% percent stake in Scientific Games stock from MacAndrews & Forbes. With each owning less than 1% Scientific Games will have a broader base of long- term institutional investors holding Scientific Games’ shares, including highly credentialed gaming industry investor Caledonia. The market reacted very positively in strong support for Scientific Games’ strategy to deliver the best gaming and lottery experiences.

On October 13, 2020 we officially released the “Deck the Halls with Wins from Scratch-Offs” point of sale (POS) to display in the store. Our paid TV and radio advertising will begin on November 9th. From November 9th through the 22nd we’ll highlight our \$20 Merry Millions ticket. Then on November 30th we’ll launch into our spot that highlights all our holiday scratch off tickets. The Lottery will continue to run our Responsible Gambling messaging on digital channels reminding individuals while Lottery tickets make great gifts, they shouldn’t be given to children under age 18.

Our Delivering Merriness ad runs in several markets throughout the month of December. In partnership with our carrier stations, we will surprise deserving essential workers with a wreath of Scratch-off tickets and film and share their reactions.

Cleveland.com published an article highlighting recent sales trends at our racinos. The article touted positive sales trends since the reopening of our racino facilities over the summer. Since reopening in late June, the racinos have generated record net revenues in July (\$95M), August (\$94.7 M), and September (\$92.7 M). Overall, through October 3rd, revenues are up by \$44.9 M or 5.21% against FY 2020. The Lottery has continued to abide by the responsible restart guidelines issued by Governor DeWine.

The November Commission meeting is scheduled to take place on Wednesday November 11, 2020. As this is a recognized state holiday, the Director proposed to reschedule the meeting date for a week later, Wednesday November 18, 2020. Meeting date was scheduled for November 18, 2020 at 12:00 p.m.

ADJOURNMENT

With no further business before the Ohio Lottery Commission, Chairman Blair complimented the Lottery staff on doing an incredible job. Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, November 18, 2020 at 12:00 p.m. via teleconferencing.

Respectfully Submitted,

Handwritten signature of Pat McDonald in blue ink.

Pat McDonald, Executive Director

Handwritten signature of Matthew Blair in blue ink.

Matthew Blair, Commission Chair