



**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**

**DECEMBER 14, 2015
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
Allan Krulak
John Lewis
Trevor A. McAleer
Patrick McDonald
Angela Mingo
William N. Morgan
Elizabeth D. Vaci
Sean Whalen

Executive Staff of the Commission:

Dennis Berg, Director
Greg Bowers, Deputy Director, Finance
Danielle Frizz-Babb, Deputy Director, Communications
Steve Kmiotek, Interim Deputy Director, General Services
Sandy Lesko, Deputy Director, Marketing Communications
Constance Miller, Deputy Director, Operations
Lawrence J. Miltner, Chief Legal Counsel
Liz Popadiuk, Deputy Director, Human Resources
Carla Tricarichi, Deputy Director, Government and Community Relations
Patricia Vasil, Deputy Director, Sales Management
Jennifer Wilson, Deputy Director, Internal Audit
Traci Konesky, Assistant to the Director

Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Marie Kilbane Seckers, Office of Communications
Jim Brown, Office of Information Technology
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Tara Motheral, Attorney General's Office
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
Kyle Wentz, Hard Rock Rocksino
Greg Kolocin, Hard Rock Rocksino
Mike Galle, Penn National, Hollywood Mahoning Valley
Gary DeWitt, Penn National, Hollywood Dayton
John Oberle, Ice Miller
John Walker, Scioto Downs
Glenda Terrell, Marcus Thomas
Eric Sarmiento, Cavitch
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission ("OLC") meeting of December 14, 2015, was called to order at 12:05 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, Allan Krulak, John Lewis, Trevor McAleer, Pat McDonald, Angela Mingo, William Morgan, Elizabeth Vaci and Sean Whalen.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendee Greg Kolocin from the Hard Rock Rocksino.

APPROVAL OF MINUTES OF NOVEMBER 16, 2015

- Chairman McDonald requested a Motion to approve the November 16, 2015 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 stated that the Audit Committee met this morning prior to the Commission Meeting, and Commissioner Whalen will update the Commission at January's Meeting.
- Chairman McDonald stated that the January 11, 2016 Commission Meeting will begin at 1:00 p.m. as opposed to 12:00 p.m.
- Chairman McDonald stated that he would like Director Berg or staff to touch on the recent *Pick 4* prize expense.
- Chairman McDonald stated that he would like Ms. Tricarichi to update the Commission on the Restoration of America's Wire Act ("RAWA") during her report.
- Chairman McDonald stated that Ms. Lesko Mounts will be providing the Commission with an overview of the holiday campaign during her report.
- Chairman McDonald stated that he would like Director Berg to provide an update on the Business Assessment.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that November represented the fifth month of fiscal year 2016. Total Sales of \$236.6 million were up \$6.6 million or 2.8% higher compared to last November.
- The *Pick 3*, *Pick 4* and *Pick 5* daily Draw Games were up \$903,000 or 2.0% from last November. *Keno* sales of \$28.7 million were \$2.8 million or 10.8% higher than last November and broke an all-time monthly sales record for the month of November since the game commenced sales in August 2008. In addition, *EZPLAY*® sales of \$9.0 million were \$571,000 or 6.7% higher than last November and also broke an all-time sales record for the month of November.
- Director Berg reported that instant ticket sales of \$129.0 million were up \$3.6 million or 2.9% from last November. This was the highest sales figure achieved for the month of November.
- VLT sales for November were \$65.6 million, of which \$21.9 million went to the OLC. Gross sales were \$5.3 million more than last November and \$1.8 million more for the OLC than last November. \$4.5 billion has been wagered in casinos and racinos since May 2012.
- Director Berg stated that this November was the third warmest November on record which helped contribute to the increased sales over last November.
- On Saturday, November 28, 2015, the numbers 1-1-1-1 hit for the evening *Pick 4* drawing and maxed out on the prize liability of \$6 million for that game. Mr. Bowers will elaborate more in his report.

- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) of \$77.5 million were \$1.0 million below projection and \$7.1 million below last November’s profit transfer.
- In regards to the OLC’s holiday campaign, Ms. Lesko Mounts will elaborate on the strategy behind the creation of the campaign during her report.
- Director Berg reported that Ohio had a second tier winner in the *Lucky For Life* game, and the winner will receive \$25,000 a year for life. Ms. Frizz-Babb will give more details during her report.
- In regards to the RFP, Director Berg stated that information on the status of that will be released and made public in the near future.
- Commissioner McAleer asked with regards to the \$6 million cap for *Pick 4*, what is the OLC’s normal prize payout for that game. Director Berg responded that *Pick 4* is designed with roughly a 50% prize payout. Although the average is a 50% payout, it can vary daily with some draws paying out 10%-12% and some paying out 80%. However, it is built into the system to shut off at \$6 million.

APPROVAL OF FOUR (4) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Fornaro brought before the Commission four (4) Instant Game Rules for approval in Proposed Form. The Rules are as follows:
 - Rule 3770:1-9-309, *Loose Change* (\$1.00);
 - Rule 3770:1-9-310, *Gold Fish*[™] (\$2.00);
 - Rule 3770:1-9-311, *Roulette* (\$3.00); and
 - Rule 3770:1-9-312, *Green & Gold* (\$5.00).

- Chairman McDonald then requested a Motion to approve the four (4) Instant Game Rules in Proposed Form. Commissioner McAleer 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 FOUR (4) INSTANT GAME RULES IN FINAL FORM

- Mr. Miltner brought before the Commission four (4) Instant Game Rules for approval in Final Form. The Rules are as follows:
 - Rule 3770:1-9-305, *\$50 a Day for Life* (\$1.00);
 - Rule 3770:1-9-306, *\$1,000 a Week for Life* (\$2.00);
 - Rule 3770:1-9-307, *\$10,000 a Month for Life* (\$5.00); and
 - Rule 3770:1-9-308, *\$250,000 a Year for Life* (\$10.00).
- Chairman McDonald then requested a Motion to approve the four (4) Instant Game Rules in Final Form. Commissioner Brady made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN FINAL FORM - AMENDMENTS

- Mr. Miltner brought before the Commission the approval of three (3) Administrative Rules based on the Mandatory Rule Review Pursuant to Chapter 119, amended rules, in Final Form. The amendments were not substantive. The Administrative Rules are as follows:
 - Rule 3770:2-3-05, *Video lottery licenses; suspension or revocation;*
 - Rule 3770:2-3-07, *Video lottery licenses; renewal;* and

- Rule 3770:2-4-01, *Video lottery sales agent employees licensing.*
- Chairman McDonald then requested a Motion to approve three (3) Administrative Rules based on the Mandatory Rule Review Pursuant to Chapter 119, amended 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.

RESCISSION OF FIFTY (50) GAME RULES IN PROPOSED AND FINAL FORM-NO LONGER IN USE

- Mr. Miltner stated that he would like to defer this Agenda item to the January Commission Meeting.

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

- Mr. Miltner reminded the Commission that the annual mandatory Ethics Training needs to be completed by December 31, 2015 and thanked the Commissioners that have already completed their Ethics Training.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES, CONSTANCE MILLER, DEPUTY DIRECTOR

- Ms. Miller brought before the Commission a Resolution to approve sixty-six (66) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The sixty-six (66) Game Themes are as follows: two (2) game themes submitted by Aristocrat; four (4) game themes submitted by Bally; eleven (11) game themes submitted by Everi; nineteen (19) game themes submitted by IGT; twenty-four (24) game themes submitted by ITS;

one (1) game theme submitted by Konami; and five (5) game themes submitted by WMS.

- Chairman McDonald then requested a Motion to approve the Resolution for sixty-six (66) Video Lottery Game Themes. 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 OF GOVERNMENT AND COMMUNITY RELATIONS REPORT,
CARLA TRICARICHI, DEPUTY DIRECTOR

- Ms. Tricarichi reported that on December 9, 2015, Congress had a three (3) hour hearing on RAWA that was convened by Representative Chaffetz.
- Four (4) people testified at the hearing: three (3) of whom were supportive of the legislation to ban all internet gaming and one (1) of whom was not supportive. The three (3) people who testified in favor of RAWA were essentially law enforcement people who were concerned that there was not an ability to police the location of the players and thus the enforcement of state laws which impact each state's sovereignty.
- Ms. Tricarichi stated that the fourth individual, the former Chairman of the Nevada Gaming Board, testified that he believed there is sufficient geo locator software and States have been doing a good job in policing internet gaming.
- On a bipartisan basis, both Republicans and Democrats who are members of the Committee voiced significant opposition to RAWA, primarily on a State's rights basis. They felt that gaming was really within the purview of each individual state based on the predilection of their own citizens.

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- Ms. Tricarichi stated that NASPL was concerned RAWA may be tucked into the Omnibus Spending Bill so it is being closely monitored.
- The Senate version is more suitable for lotteries because it has a carve out for state lotteries. It makes internet gaming illegal with the exception of regulated internet gaming by state regulated lotteries.
- Ms. Tricarichi stated that included in the materials distributed to the Commission is a press release that the OLC issued reminding people not to buy lottery tickets for minors as stocking stuffers. This is part of the OLC's responsible gaming efforts in cohort with several other states, however, this press release was specific to the OLC.
- Commissioner Brady stated that in regards to RAWA, is the concern that it may be possibly funding terrorism, and what is the concern with where the gaming is coming from.
- Ms. Tricarichi responded that the hearing was entitled, *A Casino in Every Smartphone, Law Enforcement Implications*. One concern was with illegal gaming that they are not aware of and that is being processed offshore but there was not necessarily talk of funding terrorism specifically. Another concern was minors gambling with cell phones and not being able to verify their age or location.
- Commissioner Brady asked if this is in response to FanDuel. Ms. Tricarichi responded that it was not because RAWA predated the FanDuel issue.
- Commissioner Whalen stated that originally the OLC's concern was the transmissions to retailers would cause it to fall under potentially prohibited internet gaming, and he wanted to know if that was still an issue or not.
- Ms. Tricarichi responded that it depended on how strictly you read the language. If the language states that it does not permit any transaction via the internet, then it

would prohibit current lottery operations. That is the version that is still in play, however, the Senate version appears not be a problem for lotteries.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers stated that as reported last month, there was a *Mega Millions*® jackpot won in Westerville, Ohio for \$202 million. The prize was claimed and paid this past week. The winner took the cash option prize, which was \$122.3 million pre-tax, and the net after taxes equals \$86.8 million. The State collected \$4.9 million in taxes from this prize.
- Sales for the multi-state *Lucky 4 Life* game commenced on November 15, 2015 and generated \$827,914 for the month of November.
- Sales for the month of November were \$236.6 million, which was more than sales recorded last November by \$6.6 million. Sales were also more than expected for the month by \$7.5 million.
- Instant ticket sales of \$129.0 million were up for the month by \$3.6 million compared to last November. This was the OLC's largest month to month variance for the year. Mr. Bowers asked Ms. Vasil to elaborate on holiday sales.
- Ms. Vasil reported that the holiday sales for a fifty-three (53) day period are \$8.4 million greater than the same time frame last year. Retailers across the State are at a high ninetieth percentile with activation rates.
- Mr. Bowers stated that with regards to VLT activity, the OLC's share of net win was \$22.0 million. Of that amount, \$21.3 million represented net income after expenses. This was higher than projected by \$1.9 million and more than last year by \$1.7 million.

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- Although sales and VLT revenue were up for the month, the OLC has gone from one extreme to the other in regards to *Pick 3* and *Pick 4* prize payouts. As reported in previous months, payouts for *Pick 3* and *Pick 4* have been in the OLC's favor, with really low payouts. However, in November, the luck favored the players, as *Pick 4* paid out 88.5% of sales. This offset all of the gains on the positive sales variance for the month.
- Mr. Bowers stated that for the year through November, *Pick 4* has paid out 54.1% of sales, whereas year-to-date through October the payout was 45.5%.
- Year-to-date through November, transfers to the LPEF are up \$14.7 million over the OLC's commitment and \$13.5 million more than last year through November.
- Mr. Bowers passed out a final draft of the Comprehensive Annual Financial Report ("CAFR") to the Commission. Once the Auditor of State ("AOS") releases the Audit officially, it will be submitted to the Government Finance Officers Association for their review. The CAFR is also ready for State Printing to start the printing process once it has been released by AOS. Copies will be available for the Commission next month.
- Chairman McDonald asked Mr. Bowers to give a comparison of sales for the racinos and casinos for November. Mr. Bowers responded that November was the eighth consecutive month where VLT's surpassed casinos. November's VLT sales are down from October, however, they are up from last November. All the racinos were up except for Thistledown which was down slightly.

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

- Ms. Lesko Mounts introduced Glenda Terrell from Marcus Thomas.

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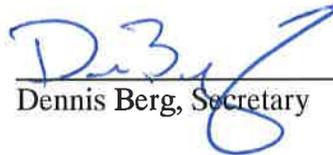
- Ms. Terrell gave a detailed overview of the strategy behind the creation of the OLC's holiday campaign, *Joy is More Joyful*.
- Ms. Terrell passed out information detailing the strategy. Also included in that information were examples of spots from leading brands, as well as where the Commission can view them.
- Commissioner Brady asked which holiday spot they were referring to. Ms. Lesko Mounts responded that it was the animated spot.
- Commissioner Mingo inquired as to when this spot airs on television. Ms. Terrell responded that the spot airs every other week through Christmas, and it will stop airing on Christmas Eve.
- Commissioner Whalen inquired if the OLC uses the Christmas season as a whole as an opportunity to align its brand with those thoughts and feelings of togetherness. Ms. Lesko Mounts responded that the OLC does not have to spend a lot of money on brand recognition. Ms. Terrell added that the OLC does not have an awareness issue.
- Chairman McDonald asked how it was determined if this holiday campaign was good for the OLC. Ms. Terrell responded that there was a lot of research on who is buying OLC games and how those players age into doing that. The spot was based on the research they did.
- Chairman McDonald asked if the OLC will know if the campaign was affective based on sales. Ms. Lesko Mounts responded yes.

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

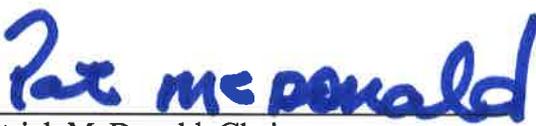
- Ms. Frizzi-Babb stated that there was a winning second tier *Lucky For Life* ticket purchased in Ohio, and the winner will receive \$25,000 a year for life.
- Ms. Frizz-Babb showed pictures that are on the OLC's blog page that were taken at the retailer who sold that winning ticket, C & S Beverage and State Liquor in Cleveland. The retailer will receive a \$2,500 selling bonus.

ADJOURNMENT

- Chairman McDonald adjourned the December 14, 2015 Meeting at 12:53 p.m.


Dennis Berg, Secretary

Approved:


Patrick McDonald, Chairman