



**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**

**JANUARY 11, 2016
1:00 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
Steve Kmiolek, Interim Deputy Director, General Services
Sandy Lesko, Deputy Director, Marketing Communications
Mike Petro, Deputy Director, Information Technology
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

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Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Marie Kilbane Seckers, Office of Communications
Karen Russo, Office of Government and Community Relations
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
Kyle Wentz, Hard Rock Rocksino
Mark Birtha, Hard Rock Rocksino
Mike Galle, Penn National, Hollywood Mahoning Valley
John Oberle, Ice Miller
John Walker, Scioto Downs
Elizabeth Ballash, Marcus Thomas
Eric Sarmiento, Cavitch
Jeff Schweig, Alchemy3
Derek Gwaltney, Alchemy3
Pete Donahue, Alchemy3
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of January 11, 2016, was called to order at 1:02 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.

ANNUAL ELECTION OF OFFICERS

Chairman McDonald turned the Meeting over to Vice-Chairman Whalen for the purpose of electing a Chairman for 2016. Vice-Chairman Whalen nominated Pat McDonald for Chairman of the Commission. Commissioner Morgan made a Motion to nominate Pat

McDonald as Chairman which was seconded by Commissioner Krulak. The Motion was affirmatively voted upon by all Commissioners present except Chairman McDonald who abstained.

Chairman McDonald nominated Sean Whalen for Vice-Chairman of the Commission. Commissioner Morgan made a Motion nominating Sean Whalen for Vice-Chairman of the Commission that was seconded by Commissioner Lewis. The Motion was affirmatively voted upon by all Commissioners present except Commissioner Whalen who abstained.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendees Jeff Schweig, Derek Gwaltney and Pete Donahue from Alchemy3.

APPROVAL OF MINUTES OF DECEMBER 14, 2015

- Chairman McDonald requested a Motion to approve the December 14, 2015 Minutes. Commissioner Brady made a Motion that was seconded by Commissioner Vacii. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that he would like Director Berg to report on the current record setting *Powerball*® jackpot during his report.

AUDIT COMMITTEE UPDATE, SEAN WHALEN, COMMISSIONER

- Commissioner Whalen reported that the Audit Committee held its quarterly Meeting on December 14, 2015. This was Commissioner McAleer's first Meeting. There were twenty-two (22) attendees at the Meeting ranging from members of the Office

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of Budget and Management (“OBM”), the Auditor of State (“AOS”), OLC and the Audit Committee.

- Commissioner Whalen stated that on December 15, 2015, AOS released their annual report of their engagement with the OLC both with Information Technology (“IT”) and Finance. The audit of the Finance Department had no material findings, and they received the unqualified opinion of AOS. This is the best opinion that can be received.
- Commissioner Whalen stated that there were four (4) findings in the IT audit with recommendations for improvements with segregation of duties, managing internal policies and documenting program changes. The IT Department is currently reviewing and developing those enhancements, and the Audit Committee will continue to monitor that progress. The full report of AOS can be found on their website.
- Commissioner Whalen reported that the Audit Committee is entering into the last part of fiscal year 2016 and will be completing its remaining medium and high risk audits. In February 2016, the Internal Audit Department will begin its annual risk assessment of the OLC which will help the Audit Committee in preparing for the fiscal year 2017 audit planning.
- The Audit Committee is set to meet again on March 21, 2016, and will begin reviewing all governing documents that pertain to the Audit Committee and the Internal Audit Department. This will be done as a best practice on an annual basis.

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- Chairman McDonald asked Commissioner Whalen when he referred to the discussion on risk assessment, if that was an ongoing discussion or was it only discussed at one (1) Meeting.
- Commissioner Whalen responded that it is an intensive process agency wide. The Audit Committee and the Internal Audit Department take a look at how to measure risk as a collaborative effort with Senior Management. This is done so that all parties can agree on the risk assessment of each item, whether it is high, medium or low. This is important because it allows for a good collaboration in the priority of the completion of audits.
- Chairman McDonald thanked Commission Whalen for the update, as well as thanking Commissioner Mingo and Commissioner McAler for also serving on the Audit Committee.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that December represented the sixth month and halfway point of fiscal year 2016. Total Sales of \$285.5 million were up \$17.3 million or 6.1% higher compared to last December. Sales for *Pick 3*, *Pick 4* and *Pick 5* were up \$4.7 million or 9.6% from last December.
- *Keno* sales of \$31.0 million were \$3.1 million or 11.2% higher than last December and broke an all-time monthly sales record for the month of December since the game commenced sales in August 2008. In addition, *EZPLAY*® sales of \$9.5 million were \$1.3 million or 15.2% higher than last December and also broke an all-time sales record for the month of December.

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- Director Berg reported that instant ticket sales of \$160.9 million were up \$7.2 million or 6.1% from last December. This was the highest monthly instant ticket sales figure achieved in the OLC's history.
- The OLC had a record instant ticket sales week the week ending December 26, 2015 of \$44.2 million and a record instant ticket sales day on Christmas Eve Day of \$10.1 million.
- Director Berg reported that VLT sales of \$72.7 million, of which \$24.3 million went to the OLC. This was \$8.0 million more gross than last December and \$2.6 million more to the OLC than last December. The OLC had a record VLT sales week the week ending January 2, 2016 and a record VLT sales day New Year's Eve day.
- Transfers to the Lottery Profits Education Fund ("LPEF") of \$95.3 million were \$7.6 million above projection and \$4.8 million above last December's profit transfer. This represented an all-time record monthly profit transfer in the OLC's history.
- Director Berg stated that the nicer weather conditions may have helped with the increased sales for the month of December. December 2015 was the warmest on record with three (3) record high days and the third lowest snowfall count 1/3 of 1 inch.
- Mr. Bowers will be providing a mid-year financial recap during the Finance Report.
- Director Berg stated that regarding the current record *Powerball*® jackpot, the OLC had an all-day sales record for *Powerball*® of \$17.1 million and a weekly sales record for *Powerball*® of \$43.3 million. Total online sales for last week were \$69.5

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million. Sales for both online and instant games combined for the week were just shy of \$100 million.

- Director Berg stated that in October 2015, the game matrix was changed for *Powerball*®. The odds of winning the jackpot are now one (1) in 292 million. The game also changed to a \$2.00 price point which means that compared to the \$1.00 game, there is only half the coverage on numbers for the same sales dollars. For the Saturday, January 9, 2016 *Powerball*® drawing, 78% of the numbers were covered. The estimate coverage for the \$1.4 billion *Powerball*® jackpot for Wednesday, January 13, 2016, is at least 80%.
- Director Berg stated that the billboards are not able to accommodate a jackpot in the billions, and Ohio is not the only state that has that issue. This is not something that the OLC or other lotteries will be able to resolve overnight.
- Ms. Lesko stated in regards to the billboard issue, it was the OLC's idea to shut down the *Powerball*® side of the static dual jackpot billboards. Ms. Lesko then introduced Elizabeth Ballash from Marcus Thomas. Ms. Ballash gave a detailed overview of the media and advertising plan for the record *Powerball*® jackpot.
- Commissioner Brady asked if the spike in instant and other online game sales could be attributed to the high *Powerball*® jackpot. Director Berg responded that sales have been trending upward prior to the high *Powerball*® jackpot.
- Commissioner Whalen asked if there has been any discussion about capping how high the *Powerball*® jackpot could go. Director Berg responded that the Multi-State Lottery Association ("MUSL"), the consortium who oversees *Powerball*®, had discussed the possibility of instituting a jackpot management system at a certain tier

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to slow down jackpot growth and to seed early jackpot funding. However, nothing has been implemented at this time.

- Commissioner Lewis asked how much is the OLC's share of *Powerball*® sales. Director Berg responded that the OLC retains \$0.38 on a \$1.00 and the remainder goes to prizes and operating expenses.
- Director Berg reported that there was a \$17.4 million *Classic Lotto* winning ticket for the Wednesday, Dec 30, 2015 drawing. The winning ticket was sold at Riesbeck's in Bridgeport, Ohio. In addition, Ohio has had two (2) second tiered winners in *Lucky For Life* since the games inception in November 2015.
- Director Berg stated that Thistledown will be giving a presentation at the March Commission Meeting.
- Director Berg reported that the OLC will be seeking approval from the Controlling Board on January 25, 2016, for 1,000 Quick Keno devices. The devices will be primarily installed in retail locations in the bar/tavern trade channel, and the goal is for a late spring or early summer rollout.
- Chairman McDonald inquired as to how long it will take to manufacture the 1,000 devices. Director Berg responded that under contract, it is approximately a six (6) month buildout. Intralot will be the company that the OLC will be securing the devices from, and they stated that they can get that done quicker.
- The Department of Administrative Services ("DAS") announced that the Spectrum Gaming Group was selected to provide Business Assessment consulting to the State. The OLC has previously worked with Spectrum on a review of potential video lottery performance. They also helped the Casino Control Commission with

the establishment of their rules and regulations in 2011 and 2012. The OLC will be hosting an introduction session later this week to review their proposed scope of work and to identify the members of the Steering Committee. The project will kick-off formally later this month with the establishment of the Steering Committee. This will be followed with site visits and data collection on management and operation functions. Spectrum proposes to review governance; management structure and staffing; third party management agreements; lottery products; video lottery; customers; retailers; marketing and advertising; game platforms; financial structure; and procurement practices. The final report will be delivered in approximately six (6) months.

- Commissioner McAleer asked Director Berg if OLC staff will be on the Steering Committee. Director Berg responded that the Steering Committee will be a combination of staff from DAS and the OLC.

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 3770:1-9-315, *Monopoly Millionaires' Club*TM (\$1.00);
 - Rule 3770:1-9-316, *Monopoly Millionaires' Club*TM (\$2.00);
 - Rule 3770:1-9-317, *Monopoly Millionaires' Club*TM (\$5.00);
 - Rule 3770:1-9-318, *Monopoly Millionaires' Club*TM (\$10.00).
- 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 Krulak. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

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

- Ms. Tricarichi brought before the Commission four (4) Instant Game Rules for approval in Final 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 Final Form. Commissioner Vaci 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 AMENDMENTS TO ONE (1) ONLINE GAME RULE IN PROPOSED FORM

- Ms. Tricarichi brought before the Commission amendments to one (1) Online Game Rule for approval in Proposed Form. The Rule is as follows:
 - Rule 3770:1-9-55, *Keno*.

- Chairman McDonald then requested a Motion to approve amendments to one (1) Online Game Rule in Proposed Form. 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.

RESCISSION OF SEVEN (7) GAME RULES IN PROPOSED AND FINAL FORM-NO LONGER IN USE

- Ms. Tricarichi brought before the Commission the rescission of seven (7) Game Rules that are no longer in use for approval in Proposed and Final Form. All of the games are no longer in use and all of the prizes have been paid out. Removal of these game rules will free-up these rule numbers so that they can be used for future rules. The list of the seven (7) Game Rules is in the Commissioner's materials.
- Chairman McDonald then requested a Motion to approve the rescission of seven (7) Game Rules that are no longer in use in Proposed and Final Form. Commissioner McAleer made a Motion that was seconded by Commissioner Vaci. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MPNG UPDATE AND RESOLUTION TO APPROVE EZPLAY® TAP GAME THEMES, MIKE PETRO, DEPUTY DIRECTOR, INFORMATION TECHNOLOGY

- Mr. Petro brought before the Commission a Resolution to approve two (2) new EZPLAY® Tap Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The four (4) new EZPLAY® Tap Game Themes are:
 - *Cash Vault; and*
 - *Leprechaun's Loot.*
- Chairman McDonald then requested a Motion to approve the Resolution to approve two (2) new EZPLAY® Tap Game Themes. Commissioner Krulak made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES, MIKE PETRO, DEPUTY DIRECTOR, INFORMATION TECHNOLOGY

- Mr. Petro brought before the Commission a Resolution to approve fifty-eight (58) Video Lottery Game Themes. Fifty-nine (59) game themes were received, however one (1) of Everi's game themes was rejected due to incorrect artwork on the machine. These game themes have been internally reviewed for technical compliance, content and game matrix. The fifty-eight (58) Game Themes are as follows: six (6) game themes submitted by Aristocrat; thirty-seven (37) out of the thirty-eight (38) game themes submitted by Everi; six (6) game themes submitted by IGT; and nine (9) game themes submitted by WMS.

Chairman McDonald then requested a Motion to approve the Resolution for fifty-eight (58) of the fifty-nine (59) Video Lottery Game Themes. Commissioner Morgan made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers gave a fiscal year 2016 mid-year financial review to the Commission. The presentation compared fiscal year 2016 mid-year sales to fiscal year 2015 mid-year sales as well as fiscal year 2016 mid-year forecast. The presentation also included an update on the current *Powerball*® jackpot run, as well as a sales update on the recently launched *Lucky for Life* game.
- Commissioner McAleer asked if fiscal year 2016 would be the first fiscal year that the OLC transferred over \$1 billion to the LPEF. Mr. Bowers responded that yes it would be.

OFFICE OF SALES MANAGEMENT REPORT, PATTY VASIL, DEPUTY DIRECTOR

- Ms. Vasil reported that the record instant ticket sales for December 2015 would not have been achieved without the product. The expertise of Mr. Fornaro and his solid working relationship with Scientific Games created the five (5) holiday instant tickets that began delivery to the retailers on October 22, 2015.
- Prior to that, the OLC worked with Intralot CSP to look at previous years' sales. The allocation of the holiday instant ticket inventory in the field was heavy due to the retailer activation program. Retailer inventory levels were monitored on a regular basis, and additional calls were made if inventory levels were low.
- Ms. Vasil reported that holiday sales through January 2, 2016, were 32% high than holiday sales through the same time period last year.
- Ms. Vasil stated that the OLC is working with Intralot CSP to make sure that field staff are stocked with *Powerball*® paper stock and bet slips to distribute to retailers to ensure that they can make the sale.
- Chairman McDonald stated that he had heard on the news that some retailers are running out of paper and bet slips. Ms. Vasil responded that perhaps that was happening in other states but it is not an issue for OLC retailers.

ADJOURNMENT

- Chairman McDonald stated that the next Commission Meeting will be held on Monday, February 8, 2016 at 12:00 noon. Chairman McDonald adjourned the January 11, 2016 Meeting at 2:01 p.m.


Dennis Berg, Secretary

Approved:


Patrick McDonald, Chairman