

**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 21, 2014
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

Julie Ault
James Brady
Allan Krulak
John Lewis
Patrick McDonald
William Morgan
Sean Whalen

Executive Staff of the Commission:

Dennis Berg, Director
Greg Bowers, Deputy Director, Finance
Danielle Frizzi-Babb, Deputy Director, Communications
Sandy Lesko-Mounts, Deputy Director, Marketing Communications
Lawrence J. Miltner, Chief Legal Counsel
Gwendolyn Penn, Deputy Director, Product Development
Carla Tricarichi, Deputy Director, Government and Community Relations
Patricia Vasil, Deputy Director, Sales
Jennifer Wilson, Deputy Director, Internal Audit
Traci Konesky, Assistant to the Director

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Also Present Were:

Richard Perk, Office of Sales
Chuck LoPresti, Office of Legal Counsel
Jim Brown Office of Information Technology
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Andreas Koustis, Office of Finance
Tom Bogus, Office of Communications
Joe Angelillo, VLT Management
Byron Boothe, Intralot
Jay Lapine, Intralot
Amy Byers, Intralot
Duane Miller, Hooven Dayton
Debbie Pirone, Marcus Thomas
Elizabeth Ballash, Marcus Thomas
Leslie Verral, Hart
Matt Rubin, Hart
John Oberle, Ice Miller
Gary DeWitt, Hollywood Dayton
Mike Galle, Hollywood Mahoning Valley
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission (“OLC”) meeting of April 21, 2014, was called to order at 1:05 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: Julie Ault, James Brady, Allan Krulak, John Lewis, Pat McDonald, William Morgan, and Sean Whalen.

INTRODUCTION OF FIRST TIME ATTENDEES

Chairman McDonald offered first time attendees an opportunity to introduce themselves. There were no first time attendees present.

APPROVAL OF MINUTES OF MARCH 21, 2014

Chairman McDonald requested a Motion to approve the March 21, 2014 Minutes. Commissioner Morgan made a Motion that was seconded by Commissioner Whalen. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald inquired as to when the Commission would like to have a Commission Meeting at Belterra as well as visit Miami Valley. Ms. Konesky stated that Belterra would like to host the September Commission Meeting. Chairman McDonald stated that that would leave Penn Dayton and Penn Mahoning Valley. John Oberle stated that both properties will be opening in September 2014.
- Chairman McDonald stated that the Trotwood *Cash Explosion*® Roadshow will be on the afternoon of May 17, 2014 at the Trotwood-Madison High School. All of the Commissioners are invited to attend. On April 7, 2014, a press conference was held in Trotwood announcing the Roadshow.
- Chairman McDonald stated that he would like staff to touch on how sales are going with the \$30 Instant Ticket. What is the next stage for instant tickets, is the OLC going to a \$50 instant ticket. He would also like staff to address the rollout of the Multi-Purpose Next Generation ("MPNG"). He is excited that the OLC has a commitment of 600-700 MPNGs. He would also like a status update of the current lawsuit in regards to the grey machines.
- Chairman McDonald stated that he would like to know the ratio of the VLTs in casino owned establishments vs. the VLTs in the other racinos. He stated that he would like to know if they are infusing the right amount of machines for the clientele.

AUDIT COMMITTEE UPDATE, COMMISSIONER SEAN WHALEN

- Commissioner Whalen stated he had a very productive meeting with OLC staff today. Over the next ninety days, the group plans to update both the Audit

Committee Charter, as well as the Internal Audit Charter. At the July Commission Meeting, the Committee plans to provide a formal update, addressing the schedule and scope of services over the next fiscal year.

- Jennifer Wilson was introduced as the new Internal Audit Manager.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that sales on the traditional lottery side of the business performed well in March. Sales of \$261.1 million were up \$16.9 million or 6.9% higher compared to last March, making this the second best March in the OLC's 40 year history.
- *Keno* sales of \$28.9 million were \$5.1 million higher than last March for a 21.5% increase and was the highest monthly sales figure achieved for the game since its inception in August 2008.
- Director Berg reported that instant ticket sales of \$142.3 million were \$15.9 million higher than last March and was the highest monthly sales figure achieved for the month of March. Instant ticket sales have benefited from the introduction of the OLC's \$30 ticket in January 2014.
- VLT sales of \$50.9 million, of which \$17 million goes to the OLC, also were the largest in the OLC's history as four (4) racinos were open for the entire month in March compared to only one (1) racino open last March which was Scioto Downs.
- Director Berg reported that transfers to the Lottery Profits Education Fund ("LPEF") of \$80.7 million exceeded last March's transfer by \$15.2 million and the budgeted forecast by \$4.4 million. Mr. Bowers will provide further details on financial activity and transfers to education for the month in his report.
- On May 17, 2014, the Cash Explosion® Road show will be taped at the Trotwood-Madison High School. A press conference was held announcing the event earlier in April, and Chairman McDonald was able to attend.

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- Director Berg stated that on March 25, 2014, the OLC provided testimony to the “House Policy and Legislative Oversight Committee”. A copy of the OLC’s testimony is included in the commission materials. There were three (3) separate items that the OLC testified on.
- The first item was removing Controlling Board approval for Lottery fees.
- The second item was removing the requirement that one (1) OLC Commissioner “represent” an organization providing addiction services, this provision creates a conflict since the Lottery partially funds almost all organizations that provide addiction services. Instead, under the proposed language, one (1) Commission member will be required to have experience with addiction services.
- The final item was to streamline support of statewide joint Lottery games. This would permit the OLC to prepare to implement any new multi-state games, pending final approval by the Governor.
- Director Berg reported that, as was reported last month, the OLC has placed an initial order for 600 MPNG devices last month with the OLC’s gaming vendor Intralot. The state of the art gaming equipment will be manufactured in Mason, Ohio. This is same facility that the current MPs used primarily for the OLC’s Keno trade channel and the Winstation Instant ticket dispensing equipment is built in.
- In conjunction with Intralot, the OLC continues to conduct informational open house sessions throughout the State to interested Veteran and Fraternal Organizations. The OLC’s goal is to provide clarifying information on how the MPNG program will work and this next generation equipment can benefit their organizations.
- Director Berg reported that OLC staff are working diligently with the management staff of Belterra Park in Cincinnati for the grand opening of the state’s fifth racino. All is going on schedule for a planned opening date of Thursday May 1, 2014.
- A National Game Committee formed as part of the Multi-State Lottery Association is advocating the sale of a new \$5.00 national lottery game tied into the theme of the popular board game Monopoly®. The draw game would also be tied into a national television show. The plan is for lotteries to be able to start selling tickets by October

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2014l. Ohio has expressed preliminary interest but we would likely not join the game until later.

- Director Berg reported that on Wednesday, April 16, 2014, representatives from the Department of Administrative Service's ("DAS") LeanOhio team visited the OLC and completed a White Belt training session with senior staff. The White Belt training focused on Lean Six Sigma tools and methodologies designed to fit the needs of State agencies. They shared a few case studies of the tremendous results that are happening in other state agencies through the implementation of various Lean tools. The LeanOhio program is designed to make government services in Ohio simpler, faster, better, and less costly.
- The OLC has sent two (2) employees through Green Belt training. The agency is committed to embrace the LeanOhio program and identify key areas of processes that could be enhanced by using the Kaizen event tool.
- Director Berg reported that at the end of February, DAS, on behalf of the OLC, awarded a contract for the build, launch and management of a Player Loyalty Rewards program. The contract was awarded to Marcus Thomas, a fully integrated marketing and communications agency located in Cleveland and is currently a marketing vendor of the OLC.
- The Player Loyalty Rewards program has two primary goals, to maintain and reward current customers and build player value by providing them with an incentive to continue playing and to attract the next generation of Ohio Lottery players.
- To accomplish these goals a website and mobile application will be created that allows players to enter their non-winning tickets for points, answer surveys on new game ideas and future Lottery products, enter into 2nd chance drawings and raffle style games, win instant prizes, and also allow us to support the Lottery brand and meet the changing needs of consumers.
- The website and mobile website will launch in mid to late August, with the mobile app and additional rewards and redemption options to follow soon after.

- Director Berg reported that the Attorney General's ("AG") Office has provided notification to the OLC that they will discontinue the MOU between the OLC and the AG's office effective the end of June for the charitable gaming oversight services the OLC has been performing on their behalf since 2005. The OLC is working on the transition with the AG's team. The department currently employs a staff of fifteen (15). The AG has indicated that they wish to absorb the staff onto their payroll if they choose to transition into their agency. The OLC has also made the commitment to absorb the staff who wish to remain employed by the OLC in lieu of the Attorney General.
- Director Berg stated that, Nadene Vrabel, a Sales Representative in the Youngstown Region, retired at the end of March 2013. Ms. Vrabel was present and Director Berg, as well as Rick Perk, recognized her for her dedication and service with the OLC.

APPROVAL OF THREE (3) INSTANT GAME RULES IN PROPOSED FORM

Ms. Penn brought before the Commission three (3) Instant Game Rules for approval in Proposed Form. Ms. Penn presented the details of the game:

- Rule 3770:1-9-202, *Wild Pixies* (\$2.00);
- Rule 3770:1-9-203, *15X the Win* (\$3.00); and
- Rule 3770:1-9-204, *Bring on the Bens* (\$5.00).

Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Proposed Form. Commissioner Ault 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 3770:1-9-197, *Magic 8 Ball™* (\$2.00);
- Rule 3770:1-9-198, *Fun 5's* (\$5.00);
- Rule 3770:1-9-199, *100X The Money* (\$20.00); and
- Rule 3770:1-9-200, *Cash Explosion®* (\$2.00).

Chairman McDonald then requested a Motion to approve the four (4) Instant Game Rules in Final Form. Commissioner Krulak made a Motion that was seconded by Commissioner Ault. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF ONE (1) ADMINISTRATIVE RULE IN PROPOSED FORM

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

- Rule 3770:1-8-07, *Pay vouchers*.

Chairman McDonald then requested a Motion to approve one (1) Administrative Rule in Proposed Form. Commissioner Brady made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF AMENDMENTS TO ONE (1) ADMINISTRATIVE RULE IN PROPOSED FORM-THIS RULE IS ALSO UP FOR MANDATORY RULE REVIEW IN JUNE 2014

Mr. Miltner brought before the Commission amendments to one (1) Administrative Rule for approval in Proposed Form. This Rule is also up for Mandatory Rule Review in June 2014. The rule is as follows:

- Rule 3770-4-09, *Compensation and reimbursement of expenses to be paid licensed lottery sales agent*.

Chairman McDonald then requested a Motion to approve amendments to one (1) Administrative Rule in Proposed Form. Commissioner Ault made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN FINAL FORM – RESCISSION

Mr. Miltner brought before the Commission the approval of one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, rescission, in Final Form. The Administrative Rule is as follows:

- Rule 3770-4-01, *Scope of regulations: director may provide management instructions.*

Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, rescission, in Final Form. 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 LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

Mr. Miltner provided a brief update on the lawsuit involving the raffle machines which the Attorney General has deemed unlawful charitable gaming machines and has taken action to remove them. A lawsuit was filed requesting a temporary restraining order to prohibit the AG's Office from any further game removal until the parties has an opportunity to present their arguments before the Court. The TRO was granted and is currently in effect. All Motion are due by May 12, 2014 with the Court committed to make a decision on this matter no later than November of this year.

Mr. Miltner is currently reviewing the Financial Disclosure Statements from Commissioners and OLC staff in preparation for the May 15th filing deadline.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Mr. LoPresti brought before the Commission a Resolution to approve forty-four (44) Video Lottery Game Themes. The forty-four (44) Game Themes are as follows: ten (10) game themes submitted by Aristocrat; four (4) game themes submitted by Bally Technologies; twenty-two (22) game themes submitted by IGT; three (3) game themes submitted by Multi-Media; four (4) game themes submitted by Spielo; and one (1) game theme submitted by Williams.

Chairman McDonald then requested a Motion to approve the Resolution for forty-four (44) Video Lottery Game Themes submitted. Commissioner Brady made a Motion that was seconded by Commissioner Ault. 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 both the National Association of State and Provincial Lotteries (NASPL) and the National Conference of State Legislators (NCSL) have written to Congress to express their opposition to the Restoration of America Wire Act regarding internet gaming introduced the Rep. Jason Chaffez (R-Utah) in the House and by Sen. Lindsey Graham (R-South Carolina) in the Senate. Both organizations stressed that gaming is the province of the individual states. However, a diverse bi-partisan group of legislators in each House are co-sponsoring the legislation. The current thought is that this legislation would only come to a vote in lame duck session after mid-term elections.
- Ms. Tricarichi commented that as part of our Cash Explosion Facing Hunger Campaign, non-perishable food collected at the show tapings was delivered to the Nelson Garrettsville Community Cupboard on Thursday, April 17th. The

Garrettsville historic downtown area recently experienced a fire that devastated several buildings, including their local food pantry. Over 2,000 pounds of food was delivered to help restock their shelves to assist the community.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers reported that the OLC had another solid month in traditional lottery sales and had the best month in net VLT revenue to date: As a result, \$80.7 million was transferred to the LPEF, of which \$16.5 million represented net profit from VLTs. This was the third highest transfer in OLC history.
- With that transfer the OLC now has exceeded \$20 Billion in generating profits for Education since its inception forty (40) years ago.
- Sales for Mega Millions were \$16.5 million, or \$8.8 million more than LY in March, as a result of a \$400 million jackpot.
- Sales for Keno/Booster continue to be successful, especially during the NCAA tournament as we set yet another weekly sales record for week ending April 5th. During the month of March, Keno/Booster sold nearly \$29 million, or \$5.1 million more than March of LY. A majority of this could be attributed to an expanded Keno retailer base. Special recognition should be given to Marketing/Products/Sales for their efforts in promoting the game and increasing retailer outlets;
- The momentum from the \$30 ticket continues to boost Instant tickets sales. To Illustrate: This past Saturday was our 10th straight where sales were higher than the same week LY. We've seen double digit weekly sales increases over last year for 8-9 straight weeks, thanks largely to the \$30 price point.
- Total Sales are up \$27.2 million (Through March), or 1.3%. Online is up \$61.6 million through March, or 6.8%, while Instant tickets sales are down \$34.4 million, or 3.2%. During March alone, we reduced our YTD deficit for Instant tickets by \$16 Million. We picked up another \$7 million since the end of March and now Instant Ticket sales are down only 2.4% from LY. Since the beginning of this calendar year (Jan. 1), we reduced our deficit roughly \$30 million, thanks to the \$30 price point.

- In regards to Total YTD sales, However, I want to caution that soon we'll be comparing ourselves against a very high jackpot achieved in May LY (\$600 M-PB, \$190 M- MM), and those 2 jackpots generated roughly \$34 million in sales. Without another similar jackpot, we could potentially lose \$15-20 million of that surplus.
- With the posting of March's LPEF transfer of \$80.7 million, YTD transfers now equal \$659.3 million, over our commitment through March by \$44.1 million, or 7.2%, and \$67.9 million, or 11.5% over LY.
- I just received this morning a notice from the Government Finance Officers Association (or GFOA), that our FY 2013 Comprehensive Annual Financial Report (CAFR) has met the requirements and qualifies for the Certificate of Achievement for Excellence in Financial Reporting. This was our 17th consecutive year the Lottery has achieved this prestigious award.
- This Certificate of Achievement is the highest form of recognition in Government Accounting and Financial Reporting and its attainment represents a significant accomplishment by a government and its management. I'm very proud of our team in Finance and would like to formally recognize and thank Mary Vittardi for her efforts.

OFFICE OF INFORMATION TECHNOLOGY REPORT, ON BEHALF OF MIKE PETRO, DEPUTY DIRECTOR, JIM BROWN

- Mr. Brown reported that the Applications group is working closely with Intralot to finalize the specifications for the systems which will support the new MP-NG games. Intralot has provided an updated project plan, including software development, testing and installation. The intent is to install these new features as part of this year's second Gaming System release, tentatively scheduled for late this summer.
- Mr. Brown announced that on April 27, 2014, the first software release of the calendar year is scheduled. The batch will contain the software to support the new *Lucky for Life* game and the mobile play slip application.

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

- Ms. Lesko Mounts stated that as the initial six month period of the ORG campaign entitled “I Lost a Bet” comes to an end, she is very pleased with the results. From January 6th to March 31st there have been 105,000 unique visitors to the website. OLC has distributed close to 3,700 “I Lost a Bet” t-shirts.
- Ms. Lesko Mounts played two television spot for the Rolling Cash 5 and Keno branding campaigns.
- According to Ms. Lesko Mounts, the number of anonymous emails containing the warning signs of a problem gambler has totaled 193 as of March 31, 2014. Of this number 117 were opened and 48 went to the Problem Gambling site after opening the email.

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

- Ms. Frizzi-Babb announced the Communications Office, along with Commissioner McDonald, held a press conference April 7, 2014 announcing the Cash Explosion Road Show which will be held in Trotwood in May.
- The Cash Explosion Show accepts donated food items at each of its tapings. After a fire destroyed the food pantry in Garrettsville, the OLC delivered nearly a ton of donated food items. Ms. Frizzi-Babb showed Chanel 19’s coverage of this news story.

OFFICE OF SALES MANAGEMENT REPORT, ON BEHALF OF PATRICIA VASIL, DEPUTY DIRECTOR, RICHARD PERK

- Mr. Perk reported that to date, the OLC continues to hold open houses regarding the MPNGs and has had great response. So far the OLC has 725 devices identified from these fraternal.

- On April 14, 2014 the OLC participated in the 2014 Northeast Ohio Bar Expo. It was a great opportunity to promote lottery sales and Keno.
- OLC attended the M-PACT Seminar in Indianapolis on April 1-3, 2014. Aside from gaining knowledge of what's taking place in the gas and gas-C store industry from the various seminars that were held, we participated in our Ohio Lottery booth where we were able to showcase our Chain partnerships.

OFFICE OF PRODUCT DEVELOPMENT REPORT, GWEN PENN, DEPUTY DIRECTOR

Ms. Penn gave an overview of the Monopoly™ Jackpot game which was launched by the Ohio Lottery in November 2013. There is a progressive jackpot which now includes six other states. As of April 17, 2014, overall 41 million tickets have been printed with over \$207 million in retail sales. In the twenty weeks Ohio has had this game, OLC has seen \$12 million in sales.

ADJOURNMENT

Chairman McDonald stated that the next Commission Meeting will be held on Monday, May 19, 2014. Chairman McDonald adjourned the meeting at 2:35 P.M.

Secretary – Dennis Berg, Director

Approved:

Patrick McDonald, Chairman