



**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 19, 2015
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
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
Sandy Lesko Mounts, Deputy Director, Marketing Communications
Steve Kmiotek, Interim Deputy Director, General Services
Lawrence J. Miltner, Chief Legal Counsel
Michael Petro, Deputy Director, Information Technology
Carla Tricarichi, Deputy Director, Government and Community Relations
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
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Duane Miller, Hooven Dayton
Bruce Anderson, Intralot
Michael Camarato, Intralot
Kyle Wentz, Hard Rock Rocksino
John Oberle, Ice Miller
Mike Galle, Hollywood Mahoning Valley
Gary DeWitt, Hollywood Dayton
John Walker, Scioto Downs
Troy Buswell, Scioto Downs
Sarah Wright, Hart
Jill Nissen, Hart
Elizabeth Ballash, Marcus Thomas
Eric Sarmiento, Cavitch
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of October 19, 2015, was called to order at 12:02 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, 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 Michael Camarato from Intralot.

APPROVAL OF MINUTES OF SEPTEMBER 21, 2015

- Chairman McDonald requested a Motion to approve the September 21, 2015 Minutes. Commissioner Brady made a Motion that was seconded by Commissioner Whalen. The Motion was affirmatively voted upon by all Commissioners present except for Commissioner Lewis who abstained.

CHAIRMAN'S COMMENTS

- Chairman McDonald reported on the Repeal America's Wire Act ("RAWA"). This legislation was introduced with Congress last year to make online gaming illegal.
- The legislation is supported by Sheldon Adelson and other brick and mortar casino interests. To date, the legislation has not gained traction due to opposition by state's rights proponents.
- Chairman McDonald stated that new RAWA supporters are floating a proposal to impose a two (2) year moratorium on online gaming while a federal study is conducted. A formal proposal, either as new legislation or an amendment to RAWA, has not yet been submitted. Ms. Tricarichi continues to actively monitor the legislation.

AUDIT COMMITTEE UPDATE, SEAN WHALEN, COMMISSIONER

- Commissioner Whalen reported that regarding the current fiscal year's audit plan, audits are in-line and on pace year-to-date.
- The Audit Committee is very pleased with the management of the audit staff down time. The Audit Committee looks to optimize the time of the engagements that are scheduled. Downtown time is minimized through proactive engagement, which means staff can pivot easily between audit engagements as audits role out on the priority list.

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- Commissioner Whalen reported that the Auditor of State (“AOS”) concluded its annual engagement and will be conducting a post-audit meeting on Thursday, October 22, 2015. AOS will also be attending the next Audit Committee in December.
- Ms. Wilson met with the State Audit Committee on September 24, 2015 and shared the progress of the OLC’s Internal Audit Department over the last twelve (12) months.
- Commissioner Whalen stated that the Audit Committee is seeing very strong engagement from Senior Staff through attendance at the Audit Committee Meetings or through contributions to projects and engagements.
- Commissioner Whalen stated that the next Audit Committee Meeting is scheduled for December 21, 2015 but it may be moved up a week to December 14, 2015.
- Chairman McDonald asked Commissioner Whalen if he will be in attendance at the Post-Audit Meeting on October 22, 2015. Commissioner Whalen responded that he will not be attending the Post-Audit Meeting.
- Chairman McDonald reported that Commissioner Morgan told him that he will be resigning from the Audit Committee and stated that he would like to appointment Commissioner McAleer to the Audit Committee. Commissioner McAleer accepted the appointment and thanked Chairman McDonald.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that September represented the third month of fiscal year 2016 and the conclusion of the first quarter. Total Sales of \$231.2 million were up \$10.2 million or 4.4% higher compared to last September.
- *Pick 3*, *Pick 4* and *Pick 5* sales were relatively flat with last September. Sales of \$44.9 million were up slightly from last year by \$323,000.
- Director Berg reported that *Keno* sales of \$26.7 million were \$2.7 million or 11.3% higher than last September and broke an all-time monthly sales record for the month of September since the game commenced sales in August 2008. In addition, *EZPLAY*® sales of \$8.6 million were \$1.5 million or 22.1% higher than last September and also broke an all-time sales record for the month of September.
- *Mega Millions*® and *Powerball*® sales of \$21.1 million were up \$4.3 million or 25.6% higher over last year. This is mainly attributed to higher jackpot offerings.
- Director Berg reported that instant ticket sales of \$121.7 million were up \$1.7 million or 1.4% from last September. This was the highest sales figure achieved for the month of September.
- VLT sales for September were \$67.8 million, of which \$22.7 million went to the OLC. \$4.2 billion has been wagered in Casinos and Racinos since May 2012.
- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) for September totaled \$84.2 million. This was \$5.9 million over projections, and \$7.0 million above last September’s profit transfer.

- Director Berg stated that Mr. Bowers will report on the first quarter results of fiscal year 2016 during his Finance Report.
- The new *Powerball*® Game went on sale on Sunday October 4, 2015. Next up will be the multi-state game *Lucky for Life*, which is scheduled for launch in mid-November, 2015.
- Director Berg reported that on September 28, 2015, the Department of Administrative Services (“DAS”) received four (4) responses to the Business Assessment RFP. Scoring and review of those responses is underway and there is an evaluator meeting later this week. The four (4) responding firms are public record, therefore he can share that information. Responses were received from: the Camelot Group; Deloitte Consulting; GPI, Incorporated; and Spectrum Gaming Group.
- Director Berg stated that tomorrow, October 20, 2015, the OLC will be conducting a meeting with all OLC team members throughout the State, where OLC Senior Staff will be able to share accomplishments and plans with them. The agenda includes a motivational speaker, responsible gaming training, and a series of breakout sessions. The meeting will be held at Tri-C Corporate College East, and all Commissioners are welcome to attend.

CASH EXPLOSION® ROADSHOW AT MIAMI VALLEY GAMING PRESENTATION, BARRY RILEY, GAMESHOW MANAGER

- Mr. Riley stated that there were two (2) *Cash Explosion*® Shows taped at Miami Valley Gaming on October 17, 2015. He played a video which featured segments from the festivities prior to and during the tapings of the show.

- Mr. Riley reported that the *Cash Explosion*® Department is working towards a 30th anniversary celebration. That is the next big agenda item that is coming up for the *Cash Explosion*® Show.
- Chairman McDonald asked Mr. Riley if he had any details on what they were planning for the 30th anniversary. Mr. Riley responded that they were still in discussions and have not finalized anything as of yet. They are going to look back at what was done for the 25th anniversary. The intent is to use the 29th year as a prelude leading up to the 30th anniversary special.
- Chairman McDonald asked what was done for the 25th anniversary. Mr. Riley responded that there was a fifty-third show separate from the regular Saturday night shows. In addition, there was a special symbol on the *Cash Explosion*® 25th Anniversary instant game, and if a player scratched off and revealed that symbol they were automatically entered into a drawing where 1,000 individual entries won \$2,500 each. The payout on this instant game was increased by approximately \$3 million, and as a result, sales for that game increased.
- Chairman McDonald encouraged any of the Commissioners who have not attended a *Cash Explosion*® Show taping to do so because they do a great job.

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. The Rules are as follows:
 - Rule 3770:1-9-298, *Luck of the Irish Tripler* (\$1.00);
 - Rule 3770:1-9-299, *Cash Blast* (\$2.00);
 - Rule 3770:1-9-300, *Cash Extravaganza* (\$5.00);
 - Rule 3770:1-9-302, *\$300 Million Diamond Dazzler* (\$20.00);
 - Rule 3770:1-9-304, *Break the Bank* (\$10.00).

- Mr. Fornaro stated that the Instant Game, *Break the Bank*, is an 8"x10" ticket that will utilize the playbook dispensers.
- Commissioner Brady inquired as to what the playbook dispensers were. Mr. Fornaro responded that they were dispensers that were specifically made to fit the playbook instant games that were oversized tickets with pages. The OLC had a deal with the vendor who produced the playbook that if the OLC did three (3) playbook instant ticket runs, the vendor would pay for 90% of the dispensers that would hold the playbook. The OLC now owns the dispensers, but that vendor no longer has a contract with the OLC. *Break the Bank* was created as an oversized ticket specifically so that the OLC can utilize the oversized dispensers.
- Chairman McDonald then requested a Motion to approve the five (5) Instant Game Rules in Proposed Form. Commissioner Lewis made a Motion that was seconded by Commissioner Vaci. 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. The Rules are as follows:
 - Rule 3770:1-9-294, *Sapphire Blue 7s* (\$2.00);
 - Rule 3770:1-9-295, *Emerald Riches* (\$3.00); and
 - Rule 3770:1-9-296, *Ruby Red 7s* (\$5.00).
- Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Final Form. Commissioner Brady made a Motion that was seconded by

Commissioner McAleer. 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 brought before the Commission the rescission of fifty (50) 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 fifty (50) Game Rules is in the Commissioner's materials.
- Chairman McDonald then requested a Motion to approve the rescission of fifty (50) Game Rules that are no longer in use in Proposed and Final Form. Commissioner Morgan made a Motion that was seconded by Commissioner Mingo. 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 four (4) 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:
 - *Blackbeard's Booty;*
 - *Cupid's Cash;*
 - *Hogs Heaven; and*
 - *Shake 'Em 2.0*

- Chairman McDonald then requested a Motion to approve the Resolution to approve four (4) new *EZPLAY*® Tap Game Themes. 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.

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

- Mr. Petro brought before the Commission a Resolution to approve twenty (20) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The twenty (20) Game Themes are as follows: three (3) game themes submitted by Aristocrat; one (1) game theme submitted by Bally; twelve (12) game themes submitted by IGT; and four (4) game themes submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for twenty (20) Video Lottery Game Themes. 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.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers gave a fiscal year 2016 first quarter financial review to the Commission. The presentation compared sales from the first quarter of fiscal year 2016 to the sales from the first quarter of fiscal year 2015.
- Commissioner McAleer inquired if there was on reason that *Pick 3* sales were down because it looked like they are the lowest they have been in several years.

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- Mr. Bowers responded that the OLC has seen a downturn in *Pick 3* sales over the past ten (10) years. *Pick 3* was derived from the “numbers game” from some years ago, and the decline in sales could be due to a shift in the player base.
- Commissioner Brady inquired if the OLC leases Keno monitors to retailers or does it just give the monitors to them.
- Mr. Bowers responded that Intralot owns the monitors. Mr. Petro added that Intralot installs the monitors. If a retailer cancels their license, Intralot will retrieve those monitors from the retailer. The monitors will then be cleaned up and installed in another retailer location.
- Commissioner Brady asked if there was any charge to the retailer for the monitors. Mr. Petro responded that generally there is no charge for equipment to be installed.
- Mr. Bowers stated that as Commissioner Whalen mentioned during the Audit Committee update, on Thursday, October 22, 2015, AOS will have the OLC’s post-audit meeting. The OLC did get their results from AOS’s financial audit, and the OLC received a clean audit with no written comments.
- Commissioner Mingo asked Mr. Bowers in regards to the VLT revenue, did he have a breakdown of the .23% in other revenue for September 2015. Mr. Bowers responded that the other revenue is miscellaneous fees received. He stated that he can break that down specifically and forward her that information.
- Chairman McDonald inquired as to when the Comprehensive Annual Financial Report (“CAFR”) would be ready. Mr. Bowers responded that the theme of this year’s CAFR is going to focus on retailers, and he may have a prototype by November’s Commission Meeting. Typically, the CAFR is ready by the end of November, so the finalized CAFR will be ready by the December Commission Meeting.

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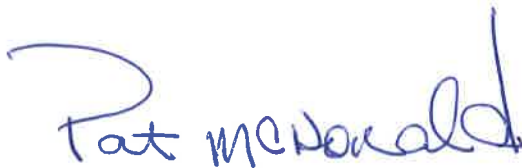
- Commissioner Whalen inquired as to what is happening in Illinois with the IOUs. Mr. Bowers responded that it is strictly related to the budget for the whole State of Illinois not passing. If a player wins under a certain amount, they can cash tickets at retailers. If players win over a certain amount, the Illinois Lottery does not have the authority to pay.
- Commissioner Whalen stated that the media in Columbus presented it as the Illinois Lottery could not afford to pay their prize winners, which is misleading. Mr. Bowers stated that it is not that the Illinois Lottery cannot afford to pay, it is because they do not have the authority to pay.

ADJOURNMENT

- Chairman McDonald asked the Commissioners if anyone had a conflict with their schedules if the December 21, 2015 Meeting was moved to December 14, 2015. All Commissioners present were fine with moving the December Commission Meeting up a week. Chairman McDonald asked for a motion to adjourn the October 19, 2015 Meeting. Commission Morgan made a motion to adjourn the Meeting. Chairman McDonald adjourned the October 19, 2015 Meeting at 12:44 p.m.


Secretary – Dennis Berg, Director

Approved:



Patrick McDonald, Chairman