



**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**

**SEPTEMBER 21, 2015
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
Allan Krulak
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 Frizzi-Babb, Deputy Director, Communications
Sandy Lesko Mounds, Deputy Director, Marketing Communications
Steve Kmiotek, Interim Deputy Director, General Services
Constance Miller, Deputy Director, Operations
Lawrence J. Miltner, Chief Legal Counsel
Michael Petro, Deputy Director, Information Technology
Liz Popadiuk, Deputy Director, Human Resources
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

Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Marie Kilbane Seckers, Office of Communications
Duane Miller, Hooven Dayton
Charlie Scannella, Scientific Games
Karen Nichols, Scientific Games
Bruce Anderson, Intralot
Kyle Wentz, Hard Rock Rocksino
Mike Galle, Hollywood Mahoning Valley
Troy Buswell, Scioto Downs
John Walker, Scioto Downs
Eric Sarmiento, Cavitch
Mary Edquist, McDonald Hopkins LLC
Karen Farkas, The Plain Dealer

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of September 21, 2015, was called to order at 12:06 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, Trevor McAleer, Pat McDonald, Angela Mingo, William Morgan, Elizabeth Vaci and Sean Whalen.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendee Mary Edquist representing Camelot.

APPROVAL OF MINUTES OF AUGUST 17, 2015

- Chairman McDonald requested a Motion to approve the August 17, 2015 Minutes. Commissioner Krulak made a Motion that was seconded by Commissioner Morgan. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that he would like Director Berg to provide an overview of the Business Assessment RFP that was issued after the August 17, 2015 Commission Meeting.
- Chairman McDonald asked if all of the Commissioners had the opportunity to update their Bios for the OLC's website. A couple of the Commissioners stated that they had not done so as of yet but would update their Bios as soon as possible.
- Chairman McDonald handed out to the Commissioners the OLC's Organizational Chart. He stated that the objective is to continue working on other initiatives that will assist the Commissioners in understanding the overall structure of the OLC and not just what is reported at the Commission Meetings.
- Chairman McDonald also handed out to the Commissioners a Racinos vs. Casinos comparison spreadsheet. He stated that it gives a great synopsis comparing year-to-date and month-to-month sales of the Racinos to the Casinos, and he like this spreadsheet handed out at every Meeting. Chairman McDonald stated that he thought the four (4) Casinos with table games out-produced the seven (7) Racinos but he was wrong, so this spreadsheet is a good comparison to have.
- Chairman McDonald stated that Director Berg was inducted as an Ohio Commodore on September 11, 2015.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that August represented the second month of fiscal year 2016. Sales on the traditional lottery side of the business were soft compared to last August. Total Sales of \$227.3 million were down \$7.3 million or 3.2% lower compared to last August.
- Director Berg reported that *Pick 3*, *Pick 4* and *Pick 5* sales were down \$1.0 million compared to last year with \$46.9 million in sales.
- *Keno* sales of \$27.7 million were \$1.5 million or 5.8% higher than last August and broke an all-time monthly sales record for the month of August since the games inception in August 2008. In addition, *EZPLAY*® sales of \$8.7 million were \$390,000 or 4.7% higher than last August and also broke an all-time sales record for the month of August.
- Director Berg reported that instant ticket sales of \$122.2 million were down \$5.2 million or 4.1% from last August.
- VLT sales of \$71.8 million, of which \$24.1 million went to the OLC, and was the third best performing month for VLTs. \$4.0 billion has been wagered in Casinos and Racinos since May 2012.
- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) of \$83.7 million were \$2.5 million over projections and \$6.2 million more than last August’s transfer. Low prize expense and new VLT revenue made up for the decline in traditional sales. Mr. Bowers will elaborate more on prize expense during the Finance Report.

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- The Combined Charitable Campaign Kickoff was held on September 3, 2015 in the second floor auditorium. Director Berg thanked Chairman McDonald for being a guest speaker at the event.
- Director Berg stated that Ms. Frizzi-Babb will report on the School of the Year event that was held on Friday, September 18, 2015 at Fairport Harding High School. Commissioner Vaci attended the event.
- Director Berg stated that there will be an All Agency Meeting on October 20, 2015 at Tri-C Corporate College East in Warrensville Heights.
- In the Commissioners materials is the new VLT Economic Impact document that highlights fiscal year 2015
- Director Berg reported that on Thursday, September 17, 2015, a Committee Meeting was held in Columbus with the Permanent Joint Committee on Gaming and Wagering. Director Berg asked Ms. Tricarichi to elaborate on the Committee Meeting.
- Ms. Tricarichi stated that Senator Coley is the Chair of the Permanent Joint Committee on Gaming and Wagering. Individuals that presented included: Director Berg on behalf of the OLC; the Director of the Casino Control Commission (“CCC”); the Executive Director and Chair of the Racing Commission; and the head of the Charitable Gaming Section from the Attorney General’s Office. Director Berg’s presentation had to do with the state of the OLC in general, as did the CCC’s presentation.
- Ms. Tricarichi stated that the full Committee was not present. Senator Coley, Senator Eklund, Senator Cafaro and Representative Slensnick were present at the hearing. Senator Coley gave a presentation similar to the presentation he gave to the Commissioners on promotional credits at the OLC’s Commission Meeting.

- Director Berg asked Ms. Miller to update the Commissioners on the *Cash Explosion*® Roadshow.
- Ms. Miller stated that the *Cash Explosion*® Roadshow will be at Miami Valley Gaming and Racing on Saturday, October 17, 2015. Activities will begin outside the facility at 11:00 a.m. The audience will be able to enter the facility at 1:00 p.m. There will be two (2) tapings that will begin at 1:45 p.m., and it is expected that 800-1,000 people will be in attendance. Both shows will be Halloween themed, and they will air on October 24, 2015 and October 31, 2015. Ms. Miller stated that there is more information in the Commissioners materials.
- Director Berg stated that in regards to the Business Assessment RFP, the high level goal as to what is to be accomplished is to have an independent assessment done to analyze the OLC's business operations for efficiency with the overall goal to maximize profits for transfers to education. In trying to accomplish this goal, there are three (3) key areas of focus: the OLC's governance structure; the OLC's overall business operations; and possible revenue opportunities.

ONLINE PRODUCT PRESENTATION, MIKE PETRO, DEPUTY DIRECTOR, INFORMATION TECHNOLOGY

- Mr. Petro stated that each Commissioner has with their materials an envelope which contains sample bet cards and sample online tickets. The tickets were printed on test ticket stock from the test system which makes the tickets completely useless.
- Mr. Petro stated that the OLC currently has over thirty (30) online games available, and *EZPLAY*® games make up the majority of those games.
- Mr. Petro gave an in-depth presentation on the OLC's current online games, as well as upcoming initiatives for online games.

INSTANT TICKET PRODUCT PRESENTATION, RON FORNARO, INSTANT TICKET PRODUCT MANAGER

- Mr. Fornaro handed out to the Commissioners a folder containing several instant ticket items. The folders contained the following: sample instant tickets for each price point which includes \$1.00, \$2.00, \$3.00, \$5.00, \$10.00, \$20.00 and \$30.00 instant tickets; insert cards for dispensers and ticket vending machines; sample licensed property instant tickets; sample instant tickets of the OLC's base games; instant ticket how-to-plays; retailer posters spotlighting newly released instant tickets; and a list from fiscal year 1993 through fiscal year 2015 that shows when each price point first went on sale and the fiscal year sales for each price point.
- Mr. Fornaro played a portion of a video produced by Scientific Games entitled, "Life of an Instant Ticket."

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

- Mr. Fornaro brought before the Commission three (3) Instant Game Rules for approval in Proposed and Final Form. The Rules are as follows:
 - Rule 3770:1-9-289, *It Takes 2* (\$2.00);
 - Rule 3770:1-9-290, *The Wizard of Oz*TM (\$3.00); and
 - Rule 3770:1-9-291, *Platinum Millions* (\$20.00).
- Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Proposed and Final Form. Commissioner Vaci 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 THREE (3) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Fornaro brought before the Commission three (3) Instant Game Rules for approval in Proposed 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 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.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED FORM – AMENDED RULES

- Mr. Miltner stated that one (1) Administrative Rule was taken off of the Agenda that the Commissioners received last week, and an updated Agenda is in the Commissioners materials.
- 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 Proposed 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, *Key gaming employee licenses.*

- 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 Proposed 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.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED AND FINAL FORM – NO CHANGE RULES

- Mr. Miltner brought before the Commission the approval of four (4) Administrative Rules based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. The Administrative Rules are as follows:
 - Rule 3770:2-3-02, *Video lottery licenses; application review process;*
 - Rule 3770:2-3-06, *Video lottery licenses; fines;*
 - Rule 3770:2-3-09, *Video lottery licenses; records and audits and inspection of video lottery agent premises; and*
 - Rule 3770:2-3-10, *Video lottery licenses; settlement of video lottery ticket sales, control of video lottery and collection of revenues due the lottery.*
- Chairman McDonald then requested a Motion to approve four (4) Administrative Rules based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. Commissioner Krulak made a Motion that was seconded by Commissioner Brady. 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.

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

- Mr. Miltner reported that at a previous Meeting he had brought to the Commissioners a proposal for game rule simplification. The premise would be to take the prize structure that is given to the OLC from the manufacturer and attach it to the game rule as an appendix.
- Currently, the OLC writes out the entire prize structure in the rule. This process is time consuming as well as it presents an opportunity for error. If an error is made when writing out the entire prize structure in the game rule then the fault lies with the OLC wherein the appendix approach is more protective for the OLC.

- Mr. Miltner stated that both the Joint Committee on Agency Rule Review and the Legislative Service Commission state that they would recognize an appendix with a rule as an appropriate form of a rule.
- Mr. Miltner stated that when the OLC first looked into the rule simplification, it was discovered that there was not any language in the contract that addressed this approach. When the most recent instant ticket contract went out to bid, language was added in the RFP stating that the OLC wants the vendor to provide a modified prize structure for the purpose of adding it to the OLC's game rules. That has been done and the OLC is now ready to move forward with the rule simplification process.
- Chairman McDonald thanked Mr. Miltner and stated that he fully supports the rule simplification. It will not only streamline the process but it will give the OLC the necessary protection with the rule making. There were no questions or concerns from the Commissioners.
- Mr. Miltner thanked Mr. Fornaro who assisted in working on this project and was a valuable resource.

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

- Ms. Miller brought before the Commission a Resolution to approve thirty-five (35) Video Lottery Game Themes. Thirty-seven (37) game themes were received, however two (2) of KGM/Ainsworth's game themes were rejected due to the artwork. The thirty-five (35) Game Themes are as follows: six (6) out of eight (8) game themes submitted by KGM/Ainsworth; nine (9) game themes submitted by Aristocrat; five (5) game themes submitted by Bally; eleven (11) game themes submitted by IGT; and four (4) game themes submitted by MGAM.

- Chairman McDonald then requested a Motion to approve the Resolution for thirty-five (35) out of thirty-seven (37) 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 reported that sales in August were less than last August as well as Projections. However, prize expense was lower than normal for the daily draw games. *Pick 3* prize payouts were 46.9% of sales, and the theoretical game matrix for prize payout is 50%; and *Pick 4* prize payouts were 47.5% of sales, and the theoretical game matrix for prize payout is 49%. For the year through August, *Pick 3* prize payouts were 43.2% of sales, whereas *Pick 4* prize payouts were 48.1% of sales.
- Mr. Bowers stated that prize payouts are just a matter of luck, and this time the luck was on the OLC's side. However, as it turned out for June 2015, the opposite occurred where the payouts for *Pick 3* and *Pick 4* that month were 63% of sales, which means the luck was on the side of the player that month. Prize payouts for these games fluctuate, but typically trend upward towards the theoretical prize payout in the long run.
- Operating expenses for August were less than budget and slightly less than expenses last August.
- Mr. Bowers reported that the OLC's share of the VLT revenue was \$24.1 million, and of that amount, \$23.1 million represented net income after expenses. This

amount was higher than projected by \$277,000, and as expected, more than last August by \$4.9 million.

- As a result, transfers to the LPEF in August exceeded the OLC's monthly commitment, as well as last August's transfers. Transfers to the LPEF year-to-date through August are up \$6.1 million over the OLC's budgeted commitment, and \$12.5 million more than last fiscal year through August.
- Mr. Bowers stated that next month he will have a re-cap of the financial performance through the first quarter of the fiscal year.

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

- Ms. Lesko Mounts stated that the OLC has three (3) major advertising campaigns currently running.
- The first advertising campaign is the OLC's annual instant ticket campaign. Ms. Lesko Mounts played six (6) television spots and four (4) radio spots for this campaign.
- The second advertising campaign is for the OLC's *MyLotto Rewards*[™] Program. Ms. Lesko Mounts played three (3) television spots for this campaign.
- The third advertising campaign is a Problem Gambling campaign that was created for the OLC only and not part of Ohio for Responsible Gambling, which the OLC is part of. Ms. Lesko Mounts played two (2) television spots for this campaign.

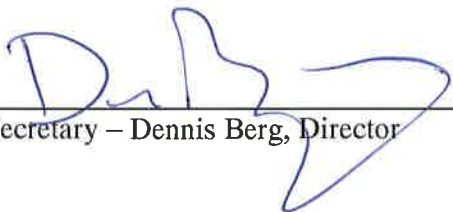
- Chairman McDonald inquired if the Powerball® jackpot does not get hit on Wednesday, what is the projected jackpot for Friday. Mr. Bowers responded that he does not know the exact amount but the jackpot will be over \$500 million.

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

- Ms. Frizzi-Babb showed pictures from the School of the Year presentation held on September 18, 2015, at Fairport Harding High School. All of the pictures can be found on the OLC's FaceBook page.
- Commissioner Vaci was in attendance at the School of the Year presentation. She stated that all of the kids were very excited, and they enjoyed the mascots.

ADJOURNMENT

- Chairman McDonald adjourned the September 21, 2015 Meeting at 1:43 p.m.


Secretary – Dennis Berg, Director

Approved:


Patrick McDonald, Chairman