



**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 18, 2016
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 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
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:

Karen Russo, Office of Government and Community Relations

Mike Gonzalez, Office of Finance

Bruce Anderson, Intralot

Terry Patterson, Intralot

Duane Miller, Hooven-Dayton

Tom Diehl, Scioto Downs

John Walker, Scioto Downs

Greg Kolocin, Hard Rock Rocksino

Kyle Wentz, Hard Rock Rocksino

Gary DeWitt, Penn National, Hollywood Dayton

Mike Galle, Penn National, Hollywood Mahoning Valley

Ed Dick, JACK Thistledown

Debbie Pirone, Marcus Thomas

David Evans, Marcus Thomas

Eric Sarmiento, Cavitch

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of April 18, 2016, 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, Allan Krulak, John Lewis, Trevor McAleer, Pat McDonald, Angela Mingo, William Morgan and Elizabeth Vaci.

APPROVAL OF MINUTES OF MARCH 21, 2016

- Chairman McDonald requested a Motion to approve the March 21, 2016 Minutes. Commissioner Krulak made a Motion that was seconded by Commissioner Lewis. The Motion was affirmatively voted upon by all Commissioners present.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendee David Evans from Marcus Thomas.

CHAIRMAN'S COMMENTS

- Chairman McDonald reported that last week, he and Director Berg met with Paul Sternberg from the Spectrum Gaming Group. Mr. Sternberg provided them with an update and overview of where they are with the project, and it appears that they are on course of meeting the August 2016 deadline.
- Chairman McDonald stated that he has asked Commissioner Brady, Commissioner Mingo and Commissioner Whalen to join him after the May 16, 2016 Commission Meeting to be interviewed by Spectrum and give them their thoughts on the future direction of the OLC, as well as what they have noticed in their tenure on the Commission.
- Chairman McDonald stated that any of the other Commissioners are more than welcome to meet with Spectrum individually. Also, they can give their input or suggestions to any of the four (4) Commissioners that are meeting with Spectrum after the May, 16, 2016 Commission Meeting, and they can relay them to Spectrum on their behalf.
- Chairman McDonald reported that JACK Thistledown Racino had its grand reopening on April 8, 2016. Unfortunately, he was unable to attend the event. However, Commissioner Brady was in attendance, and he asked Commissioner Brady to comment on the event.
- Commissioner Brady stated that the grand reopening was very well attended and well represented by the OLC, and the CEO of JACK Entertainment spoke at the

event. He stated that the new restaurants look amazing, and he was really impressed with the living wall and the beautiful one-thousand (1,000) car parking garage. These are just a few of the added features that are going to add extra flare to the Racino. The enhancements were very well done making JACK Thistledown a high class facility reminiscent of a Vegas Casino.

- Director Berg added that JACK Thistledown will also be repaving the entire parking lot, as well as, building a new facing on the front of the facility.
- Chairman McDonald stated that the Commission needs to reschedule the July 18, 2016 Meeting to either July 11, 2016 or July 25, 2016, due to the Republican National Convention. The Commission was in agreeance to move the Meeting to July 11, 2016.
- Chairman McDonald stated that he would like to have the August Commission Meeting in Columbus to coincide with the taping of the *Cash Explosion*® Show at Mills James.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that March represented the ninth month of fiscal year 2016. Total sales of \$266.2 million were up \$13.8 million or 5.2% higher compared to last March.
- *Pick 3*, *Pick 4* and *Pick 5* sales were up \$2.9 million, or 5.8% from last March. *Keno* sales of \$34.3 million were \$2.2 million, or 6.9%, higher than last March and broke an all-time monthly sales record for any given month since the game commenced sales in August 2008. The OLC is achieving record *Keno* sales of over \$8.0 million weekly.

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- Director Berg reported that *EZPLAY*® sales of \$10.7 million were \$1.5 million or 16.5% higher than last March and also broke an all-time sales record for any given month. Multi-state game sales of \$17.4 million were up \$3.3 million compared to last March. Instant ticket sales of \$143.3 million were up \$3.9 million, or 2.9%, from last March. This was the highest monthly sales figure achieved for the month of March.
- VLT sales for March were \$78.6 million. Of that amount, \$26.3 million went to the OLC. This was an all-time record month. Six (6) of the seven (7) tracks had record financial results. Thistledown did not have record sales due to the transition of operations in early March, and the expanded facility opened to the public in early April.
- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) for March totaled \$91.3 million. This was \$3.7 million above projection and \$3.5 million above last March’s profit transfer. This was the third highest transfer in the OLC’s history.
- Director Berg stated that over \$5.0 billion has been wagered in Casinos and Racinos since May 2012. With that being said, the OLC is holding its own pretty well on the traditional lottery side of the business.
- Director Berg reported that the OLC uses an outside vendor to provide telemarketing and distribution of instant tickets to our retail base. The current contract was awarded in 2009 to Intralot, and it is in its final renewal period. This is a separate contract from the gaming system contract. Specifications are being drafted for DAS State Purchasing to issue a bid in the next two months. Since the services require connectivity to the gaming system, we intend to have a contract award by year end. This will allow a six (6) month launch timeline for completion by July 2017.

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- Director Berg stated that on May 10, 2016 and May 11, 2016, a few OLC staff members, including himself, will be attending the Auditor of State's 16th Annual Emerging Trends in Fraud Investigation and Prevention Conference in Columbus. The OLC's Security Department will give an overview of the OLC's retailer compliance program. In October 2015, this information was presented to the Association of Certified Fraud Examiners at Northfield Hard Rock Rocksino. Attendees of these events are generally those involved with accounting, auditing, security and fraud prevention.
- In Mid-May, the OLC will be relocating the drawing studios to a street level space on the first floor of the Bradley Building on W. 6th Street.
- Director Berg stated that on May 9, 2016, Intralot is tentatively scheduled to begin delivery of the MPQK terminals, and Ms. Vasil will provide a status on the project during the Sales Management Report. The OLC anticipates completion of the installation of the MPQK terminals in early June 2016. The Quick Keno games will go live tentatively on June 19, 2016.
- Director Berg reported that this morning the North American Association of State and Provincial Lotteries kicked off its annual Lottery Leadership Institute Seminar at the Downtown Renaissance Cleveland Hotel. There are approximately eighty (80) attendees from lotteries across the county, including the OLC. He opened the event with welcoming remarks and will be participating on a CEO Panel on Wednesday. Staff members from the Office of Operations will be giving a presentation on the *Cash Explosion*® Gameshow, and several members from OLC management will be judges on a Game Design Showcase where seminar participants will be challenged with designing a new game concept.

APPROVAL OF FIVE (5) INSTANT GAME RULES IN PROPOSED FORM

- Ms. Vasil brought before the Commission five (5) Instant Game Rules for approval in Proposed Form. The Rules are as follows:
 - Rule 3770:1-9-333, *Ohio's \$500,000 Money Club* (\$10.00);
 - Rule 3770:1-9-334, *\$5,000 Jackpot* (\$1.00);
 - Rule 3770:1-9-335, *\$20,000 Jackpot* (\$2.00);
 - Rule 3770:1-9-336, *\$300,000 Jackpot* (\$5.00); and
 - Rule 3770:1-9-337, *\$1,000,000 Jackpot* (\$10.00).

- Commissioner Brady inquired as to where \$10.00 instant games fall as far as sales go, and also, with regards to the odds, is that referring to the odds of winning any prize amount.

- Ms. Vasil responded that in regards to the odds, that refers to the overall odds of winning any prize amount. She stated that the OLC is seeing increases in sales on the \$5.00 and \$10.00 instant games. The trend is on the higher price points.

- Director Berg stated that sales on the \$5.00, \$10.00 and \$20.00 instant games represents approximately 75% of all the OLC's instant game sales.

- Chairman McDonald then requested a Motion to approve the five (5) 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.

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 3770:1-9-330, *Fast \$100s* (\$2.00);
 - Rule 3770:1-9-331, *Bejeweled*TM (\$3.00); and
 - Rule 3770:1-9-332, *Triple Winning 7s* (\$5.00).

- Chairman McDonald then requested a Motion to approve the three (3) Instant Game Rules in Final Form. Commissioner McAleer made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF THE RESCISSION OF ONE (1) INSTANT GAME RULE, NO LONGER IN USE, IN PROPOSED AND FINAL FORM

- Mr. Miltner brought before the Commission the Rescission of one (1) Instant Game Rule, no longer in use, for approval in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:1-9-323, *Double Lucky 7's* (\$2.00).

- Chairman McDonald then requested a Motion to approve the Rescission of one (1) Instant Game Rule, no longer in use, in Proposed and 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 FINAL FORM

- Mr. Miltner brought before the Commission Amendments to one (1) Online Game Rule for approval in Final 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 for approval in Final Form. Commissioner Morgan made a Motion that was seconded by Commissioner Krulak. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED FORM – AMENDMENTS

- Mr. Miltner brought before the Commission the approval of one Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, Amendments, in Proposed Form. The Rule is as follows:
 - Rule 3770:1-5-10, *Financial administration*.

- Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, Amendments, in Proposed and Final 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.

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

- Mr. Miltner reminded the Commission that the annual mandatory financial disclosure statements need to be filed by Monday, May 16, 2016. The preferred method of filing by the Ethics Commission is electronically. However, Commissioners can send the statements to the OLC Legal Department to mail on their behalf or the statements can be mailed to the Ethics Commission directly.

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

- Mr. Petro brought before the Commission a Resolution to approve three (3) new EZPLAY® Tap Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The three (3) new EZPLAY® Tap Game Themes are as follows:
 - *Go Keno;*
 - *Metal Keno;* and
 - *Pyramid Prize Keno.*
- Chairman McDonald then requested a Motion to approve the Resolution to approve three (3) new EZPLAY® Tap 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.

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

- Ms. Miller brought before the Commission a Resolution to approve forty-nine (49) Video Lottery Game Themes. These game themes have been internally reviewed for

technical compliance, content and game matrix. The forty-nine (49) Game Themes are as follows: seven (7) game themes submitted by Aristocrat; three (3) game themes submitted by Bally; three (3) game themes submitted by Everi; four (4) game themes submitted by IGT; twenty-four (24) game themes submitted by KGM/Ainsworth; six (6) game themes submitted by Konami; and two (2) game themes submitted by WMS.

- Chairman McDonald then requested a Motion to approve the Resolution for forty-nine (49) Video Lottery Game Themes. 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.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Chairman McDonald distributed to the Commission the monthly comparison of the Racinos vs. the Casinos.
- Mr. Bowers stated that there is a correction to his written report. On page 2 of the report, there is an incorrect amount posted under the Expired Prizes category. The amount should read \$1,051,763, as the amount posted was the year-to-date amount through February 2016. The correct amount will be in the year-to-date statement next month.
- Mr. Bowers reported that sales year-to-date through March now equal \$2.3 billion, which is \$129.0 million, or 6.0% more than year-to-date sales through last March. Including TAP games, total sales are up \$137.5 million over the same time period last year.

- Mr. Bowers reported that all of the daily draw games, with the exception of *Classic Lotto*, saw increases in sales year-to-date through March compared to the same time period last year through March. The daily draw category is now up over \$15 million, or 3.7 % over last year. *Classic Lotto* is down only \$1 million, or 1.3% from last year.
- Mr. Bowers reported that year-to-date sales for the Multi-State Games are currently up almost 36% over the same time period last year. *Keno* sales are up 10.6%, or \$25.8 million, while *EZPLAY*® sales are up 15.4% or \$11.1 million. Instant game sales continue to outpace sales from last year and are now \$14.8 million, or 1.3% higher than cumulative sales last year through March.
- Mr. Bowers reported that the OLC's share of the VLT revenue through March is \$214.8 million. Of that amount, after expenses, \$207.8 million represented net income, which was more than last year by \$24.7 million.
- Mr. Bowers reported that through March, transfers to the LPEF equal \$801.6 million. This is \$68.6 million over the OLC's budgeted commitment, and \$59.9 million more than last year through March.

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

- Ms. Lesko gave a brief summary of the kick-off of the OLC's summer sponsorships.

**OFFICE OF SALES MANAGEMENT REPORT, PATTY VASIL, DEPUTY
DIRECTOR**

- Ms. Vasil reported that the recruitment of MPQK retailers has been the top priority for OLC Sales staff for the past three (3) months. As of this morning, the OLC has

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received applications for 943 out of the 1,000 machines, and hopefully applications for the remaining fifty-seven (57) are received over the next couple of weeks.

- Ms. Vasil stated that the MPQK retailer recruitment effort has been a group effort. Intralot has been diligently working on going out to those retailer locations and installing the additional wiring that will be needed prior to the deployment of the machines.
- Ms. Vasil stated that she and Director Berg have scheduled their next two (2) regional office visits. One is scheduled for April 27, 2016 in the Lorain Regional Office, and the other is scheduled for May 5, 2016 in the Cleveland Regional Office. Commissioners are welcome to attend.
- Ms. Vasil stated that Jim Eastman, a Sales Representative in Columbus, will be retiring the end of April 2016. Chairman McDonald asked Ms. Vasil to wish him well on behalf of the Commission.

ADJOURNMENT

- Chairman McDonald stated that the next Meeting will be held on May 16, 2016, and the Spectrum Gaming Group will be giving a presentation to the Commission. Chairman McDonald adjourned the April 18, 2016 Meeting at 12:52 p.m.


Dennis Berg, Director

Approved:


Patrick McDonald, Chairman