



**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**

**JUNE 20, 2016
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

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
Sandy Lesko, Deputy Director, Marketing Communications
Constance Miller, Deputy Director, Operations
Mike Petro, Deputy Director, Information Technology
Liz Popadiuk, Deputy Director, Human Resources
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
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Charlie Scannella, Scientific Games
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
Kim Wright, Hooven Dayton
John Walker, Scioto Downs
Tom Diehl, Scioto Downs
Kyle Wentz, Hard Rock Rocksino
Greg Kolocin, Hard Rock Rocksino
Gary DeWitt, Penn National, Hollywood Dayton
John Oberle, Ice Miller
Scott Schaffer, JACK Thistledown
Scott Lokke, JACK Thistledown
Eric Sarmiento, Cavitch

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of June 20, 2016, was called to order at 1:03 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: 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 attendees Scott Schaffer from JACK Thistledown; and Kim Wright from Hooven-Dayton Corporation.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that representatives from the Hooven-Dayton Corporation will be giving a brief presentation on the Company. Hooven- Dayton is an Ohio based company that has been providing gaming consumables to the OLC for over 25 years.
- Chairman McDonald stated that Kim Wright, Chief Operating Officer and Duane Miller, Director of Government Affairs and Gaming Development will be giving a brief PowerPoint presentation, followed by a 4 minute Black Enterprise video that recently featured Hooven-Dayton.
- Chairman McDonald stated that Hooven-Dayton was founded in 1935, and they are in the process of consolidating all of their manufacturing to the greater Dayton area. Hooven-Dayton is a subsidiary of the Che International Group, which is 100% minority owned. They have been supplying the OLC with online consumables since 1992, and this contract is widely held as a model of success of the State of Ohio's Minority Business Enterprise ("MBE") program.
- Chairman McDonald stated that Ms. Vasil will be giving an update on the OLC's Cooperative Services Program ("CSP") contract bid process. This contract is for the instant ticket warehousing and distributions services along with telemarketing services with OLC retailers.
- Chairman McDonald stated that the National Association of State and Provincial Lotteries ("NASPL") Director's Meeting was held in Cleveland last week, and Director Berg will give more details on that Meeting during his report.

- Chairman McDonald stated that the installation of the software to support the *Quick Keno* terminals was installed on Sunday, June 19, 2016. Ms. Vasil will be providing an update on the implementation project during her report.

APPROVAL OF MINUTES OF MAY 16, 2016

- Chairman McDonald requested a Motion to approve the May 16, 2016 Minutes. Commissioner Lewis made a Motion that was seconded by Commissioner Vaci. The Motion was affirmatively voted upon by all Commissioners present.

HOOVEN-DAYTON CORPORATION PRESENTATION, KIM WRIGHT, CHIEF OPERATING OFFICER AND DUANE MILLER, DIRECTOR OF GOVERNMENT AFFAIRS AND GAMING DEVELOPMENT

- Kim Wright and Duane Miller from Hooven-Dayton Corporation gave a brief presentation on the Hooven-Dayton Corporation. The presentation was followed by a video that featured the Hooven-Dayton Corporation as the Black Enterprise Entrepreneur of the Week.
- Chairman McDonald asked what the duration of Hooven Dayton's contract was. Mr. Miller responded that it is a two (2) year contract with extensions. They are coming close to the second year of an extension, and there is one (1) more two (2) year extension left.
- Chairman McDonald asked what the OLC's annual expense was with Hooven-Dayton. Mr. Miller responded that it is \$5.5-\$6.0 million annually.
- Commissioner McAleer asked if Hooven-Dayton has been the OLC's vendor since 1992. Mr. Miller responded that yes they have been.

- Commissioner Mingo asked what the difference was between a flexographic label and a regular label. Mr. Wright responded that the difference is in the imaging technology that is used to create the labels. With flexographic technology, a flexible plate with raised images is used, and offset printing is a slightly different technology that uses a smooth plate.
- Chairman McDonald asked Mr. Bowers what percentage is Hooven-Dayton's contract in terms of MBE spend for the OLC. Mr. Bowers responded that he will look into and get back with him.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that May represented the eleventh month of fiscal year 2016. Total sales of \$250.9 million were up \$8.4 million, or 3.3% higher compared to last May. This was the highest ever for the month of May.
- Keno sales of \$31.7 million were \$2.7 million or 9.6% higher than last May and broke an all-time monthly sales record the month of May. Multi-State game sales of \$24.4 million were up \$4.6 million compared to last May.
- Director Berg reported that instant ticket sales of \$128.6 million were up \$1.2 million or roughly 1% from last May. This was the highest sales figure achieved for the month of May for instant tickets.
- VLT sales for May were \$78.2 million, of which \$26.2 million went to the OLC. This was \$11.7 million higher than Casino revenue.

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- Director Berg reported that transfers to the Lottery Profits Education Fund (“LPEF”) were nearly \$90.0 million. This was \$4.1 million above projection and \$4.0 million above last May’s LPEF.
- Director Berg stated that as Chairman McDonald mentioned in his comments, Ms. Vasil will be giving an update on the MPQK project during her report.
- Director Berg stated that the NASPL Director’s Conference was held in Cleveland on June 13, 2016 through June 15, 2016, and he wanted to touch on a few of the key topics of discussion.
- Director Berg reported that one of the topics of discussion was putting out a Request for Proposal (“RFP”) for a study on the three (3) organizations: the Multi-State Lottery Association (“MUSL”), the Mega Millions® Consortium and NASPL. The study would be to look at the efficiencies of the organizations and the best way to have governance.
- Director Berg reported that a second topic of discussion was the ramifications when there is a budget impasse such as that which recently occurred in Illinois. The lotteries are trying to figure out the best solution when a state has a budget impasse and cannot fund their prizes.
- Director Berg reported that a third key topic was that the Mega Millions® Consortium developed a rule change in their agreement. The change states that they are looking for a good faith effort from all of the lotteries, that by December 31, 2018, lotteries sell *Mega Millions*® in some form other than the traditional form i.e. electronically; through the internet; mobile; and/or through a subscription. Director Berg stated that there will be a provision or waiver if a state cannot carry out this mandate due to individual state laws and regulations.

APPROVAL OF EIGHT (8) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Fornaro brought before the Commission six (6) Instant Game Rules for approval in Proposed Form, and Mr. Petro brought before the Commission two (2) EZPLAY® Game Rules for approval in Proposed Form. The Rules are as follows:
 - Rule 3770:1-9-343, *Dazzling 7's* (\$2.00)
 - Rule 3770:1-9-348, *Holiday Lucky Times 5* (\$2.00)
 - Rule 3770:1-9-349, *Frosty Cashword* (\$3.00)
 - Rule 3770:1-9-350, *Holiday Lucky Times 10* (\$5.00)
 - Rule 3770:1-9-351, *Holiday Lucky Times 20* (\$10.00)
 - Rule 3770:1-9-353, *Bingo Squared* (\$2.00)
 - Rule 3770:1-9-951, *EZPLAY® Blustery Bucks* (\$10.00)
 - Rule 3770:1-9-952, *EZPLAY® Twenty 20's* (\$20.00)

- Chairman McDonald then requested a Motion to approve the eight (8) Instant Game Rules in Proposed Form. Commissioner McAleer 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 SIX (6) INSTANT GAME RULES IN FINAL FORM

- Mr. Miltner stated that an amendment was made to Rule 3770:1-9-346 to include language regarding annuity prize awards. That language was not in the Rule when it was approved in Proposed Form at the May 16, 2016 Commission Meeting, and the amended Rule is in the Commission Materials. Mr. Miltner brought before the Commission six (6) Instant Game Rules for approval in Final Form. The Rules are as follows:
 - Rule 3770:1-9-338, *Cashword Tripler* (\$3.00);
 - Rule 3770:1-9-340, *Gold Bar Bingo* (\$5.00);
 - Rule 3770:1-9-342, *Ohio Lottery Limited* (\$2.00);

- Rule 3770:1-9-344, *Block-O* (\$3.00);
 - Rule 3770:1-9-345, *Double Sided Dollars* (\$5.00); and
 - Rule 3770:1-9-346, *\$5 Million Dollar Cash Showcase* (\$20.00).
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- Chairman McDonald then requested a Motion to approve the six (6) Instant Game Rules in Final Form. Commissioner Morgan 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 AND FINAL FORM

- Mr. Miltner brought before the Commission Amendments to one (1) Online Game Rule for approval in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:1-9-949, *Ohio 50/50*.
- Mr. Miltner stated that this Rule was approved in Proposed and Final Form at the May 16, 2016 Commission Meeting. However, the Joint Committee on Agency Rule Review (“JCARR”) wanted some language deleted. The language has been in Rules for several years and approved by JCARR over those years. The language that JCARR wanted deleted had to do with the authority of the Director to create internal management rules, however, the language said management regulations. Regulations are things that are typically approved by the Commissioners. The language was taken out of the Rule, and it does not affect the Director’s ability to approve internal management rules.
- Mr. Miltner stated that once this Rule is approved at today’s Meeting, JCARR stated that it will go through the JCARR process without any issues.

- Chairman McDonald then requested a Motion to approve the Amendments to one (1) Online Game Rule for approval in Proposed and Final Form. Commissioner Vaci 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 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 was approved in Proposed Form at the March 21, 2016 Commission Meeting, and it has cleared JCARR without any objection. The Rule is as follows:

- Rule 3770:1-9-941, *Mega Millions®*

Chairman McDonald then requested a Motion to approve Amendments to one (1) Online Game Rule for approval in Final Form. Commissioner McAleer 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 – AMENDMENTS

- Mr. Miltner brought before the Commission the approval of one Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, with Amendments, in Proposed Form. The Rule is as follows:
 - Rule 3770:2-10-60, *Game rule number sixty, “General video lottery game rule”*.

- Mr. Miltner stated that the reason for the amendment to this Rule was because it contained the same language that was in Rule 3770:1-9-949, *Ohio 50/50* that JCARR wanted removed.
- 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 Form. 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.

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

- Mr. Miltner brought before the Commission the approval of one (1) Online Game Rule based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:2-9-01, Severability.

Chairman McDonald then requested a Motion to approve one (1) Online Game Rule based on the Mandatory Rule Review Pursuant to Chapter 119, no change, in Proposed and Final Form. Commissioner Lewis 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 OPERATIONS REPORT, CONSTANCE MILLER, DEPUTY DIRECTOR

- Ms. Miller thanked the Commissioners that attended the midday drawing prior to today's Commission Meeting.

- Ms. Miller reported that due to the transition from Caesar's, the review of the license renewal for JACK Thistledown has been drawn-out, however they have been formally notified that their license has been renewed.

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

- Ms. Miller brought before the Commission a Resolution to approve twenty-nine (29) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The twenty-nine (29) Game Themes are as follows: six (6) game themes submitted by Aristocrat; seven (7) game themes submitted by Bally; three (3) game themes submitted by Everi; and thirteen (13) game themes submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for twenty-nine (29) Video Lottery Game Themes. Commissioner Whalen made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

BUSINESS ASSESSMENT STATUS UPDATE, CONSTANCE MILLER, DEPUTY DIRECTOR, OPERATIONS

- Ms. Miller reported that the contract for the Spectrum Gaming Group to complete a business assessment of the OLC was awarded in late 2015, and the term of the contract was through October 2016. The contract indicated that their report would be due six (6) months from the purchase order issuance. The purchase order was issued in December 2015 before the holidays, and therefore, the kick-off meeting was not held until late in January 2016.

- Ms. Miller stated that the Department of Administrative Services inquired as to when Spectrum would have their final report completed, and the response was that the OLC was considering the six (6) month timeline to start from the date of the initial Steering Committee kick-off meeting. With that being said, Spectrum agreed in writing to have their report finalized by the end of July 2016.
- Ms. Miller stated that with respect to the status of Spectrum's report, Spectrum is currently reviewing the research that they have completed thus far and have begun drafting their initial report. The draft will illuminate areas that need more research.
- Ms. Miller stated that Spectrum will be on-site over the next couple of weeks to finish up certain areas of research. Two (2) areas that were specifically mentioned were Finance and the OLC's licensing process. However, the OLC has recently developed an electronic licensing system that has reduced the licensing process for retailers to thirteen (13) days from seventy-eight (78) days.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers stated that he will report to the Commission fiscal year-end financial information at the July 11, 2016 Commission Meeting. Approximately ten (10) days ago, total sales for fiscal year 2016 surpassed total sales for last fiscal year.
- Mr. Bowers stated that work will begin on the fiscal year 2018 and fiscal year 2019 biennium budget submission, which is due sometime in October 2016. Also, staff has begun working on the OLC's fiscal year 2016 Comprehensive Annual Financial Report ("CAFR"), which is due in late September 2016.
- Mr. Bowers reported that notice was just received that the OLC's fiscal year 2015 CAFR has met the requirements and qualified for the Certificate of Achievement for

Excellence in Financial Reporting. This was the nineteenth consecutive year the OLC has achieved this prestigious award.

- The CAFR has been judged by an impartial panel to meet the high standards of the program, including demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate our stakeholders to read the CAFR. This Certificate of Achievement is the highest form of recognition in Governmental Accounting and Financial Reporting, and its attainment represents a significant accomplishment by its management.
- Mr. Bowers stated that he is very proud of the OLC’s Finance team and specifically thanked the General Accounting Department for this accomplishment.
- Chairman McDonald congratulated Mr. Bowers and the Office of Finance on this accomplishment.
- Chairman McDonald distributed to the Commission the monthly comparison of the Racinos vs. the Casinos. He stated that this is the second straight month that Northfield’s revenues are higher than all four (4) of the Casino’s revenues. Ms. Miller stated that Northfield is the OLC’s largest installation, and their foot traffic is impressive.

OFFICE OF SALES MANAGEMENT REPORT, PATTY VASIL, DEPUTY DIRECTOR

- Ms. Vasil reported that the MPQK program went live on Sunday, June 19, 2016, and it went well. At the time it went live, there were six hundred (600) terminals installed at five hundred and twenty-five (525) retailer locations. Within the next few weeks, the remaining four hundred (400) terminals will be installed. Sales

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began at 11:00 a.m. Sales for the first day totaled \$80,000, \$41,000 in Quick Keno sales and \$39,000 in traditional lottery sales.

- Ms. Vasil stated that she and Director Berg have scheduled the remaining four (4) regional office visits. The first two (2) are scheduled for July 26th and July 27th in the Cincinnati and Dayton Regional Offices, and the second two (2) are scheduled for August 23rd and August 24th in the Athens and Columbus Regional Offices. Commissioners are welcome to attend.
- Ms. Vasil reported that the contract for the OLC's CSP will be expiring next year. A team of OLC staff members worked on an RFP for CSP, and once the RFP was finalized, it was forwarded to the Department of Administrative Services ("DAS") to be reviewed. Currently, Intralot holds the contract for CSP. Intralot is the second vendor to hold that contract, and Scientific Games was the first vendor.
- Commissioner McAleer stated that he read in the Sales Report that games are going to be released on Wednesdays instead of Thursdays and wanted to know the reasoning behind that.
- Ms. Vasil responded that the goal is to get tickets activated within a two (2) day period. If tickets are delivered on Thursdays, it may not allow the Sales Representatives enough time to get all of the tickets activated within that two (2) day timeframe. With that being said, the release of games was moved up by one (1) day to assist in achieving that goal.

ADJOURNMENT

- Chairman McDonald stated that the next Meeting will be held on July 11, 2016 at 12:00 p.m. Chairman McDonald adjourned the June 20, 2016 Meeting at 2:02 p.m.


Dennis Berg, Director

Approved:


Patrick McDonald, Chairman