



**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**

**JANUARY 22, 2018  
12:00 P.M.**

**Present at the meeting were the following:**

**Members of the Commission:**

James Brady  
John Lewis  
Patrick McDonald  
Trevor McAleer  
Angela Mingo  
Elizabeth Vaci  
Sean Whalen

**Executive Staff of the Commission:**

Dennis Berg, Director  
Greg Bowers, Deputy Director, Finance  
Maureen Hall, Interim Deputy Director, Information Technology  
Danielle Frizz-Babb, Deputy Director, Communications  
Steve Kmiotek, Interim Deputy Director, General Services  
Nicole Kostura, Deputy Director, Government and Community Relations  
Sandy Lesko Sabbath, Deputy Director, Marketing Communications  
Charles LoPresti, Chief Legal Counsel  
Constance Miller, Deputy Director, Operations  
Traci Konesky, Assistant to the Director

**Also Present Were:**

Ron Fornaro, Instant Ticket Product Manager  
Marty Morrow, Assistant Sales Director  
Karen Russo, Office of Public Policy  
Dan Carter, Office of Legal Counsel  
Brian Sindelar, Office of Legal Counsel  
Marie Kilbane Seckers, Office of Communication  
Rebecca McLemore, Office of Communications  
Jane Parker, Office of Internal Audit  
Bruce Anderson, Intralot  
Elizabeth Abate, Marcus Thomas  
Duane Miller, Hooven-Dayton  
John Walker, Scioto Downs  
Kyle Wentz, Hard Rock Rocksino  
Greg Kolocin, Hard Rock Rocksino  
Ed Dick, JACK Thistledown  
Stephanie Wisneski, Miami Valley Gaming  
John Oberle, Penn Gaming  
Eric Sarmiento, Cavitch

**CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

- The Ohio Lottery Commission (“OLC”) meeting of January 22, 2018, was called to order at 12:07 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, Elizabeth Vaci and Sean Whalen.

**ANNUAL ELECTION OF OFFICERS**

- Chairman McDonald stated that the floor was open for nominations for Chairman of the Commission. Commissioner McAleer made a Motion to nominate Pat McDonald as Chairman that was seconded by Commissioner Lewis. The Motion was affirmatively voted upon by all Commissioners present except for Chairman McDonald who abstained.
- Chairman McDonald made a Motion nominating Sean Whalen for Vice-Chairman of the Commission that was seconded by Commissioner Vaci. The Motion was affirmatively voted upon by all Commissioners present except for Commissioner Whalen who abstained.
- Chairman McDonald asked Commissioner Whalen if he still wanted to chair the Audit Committee, and he stated that he would. Chairman McDonald asked Commissioner Mingo and Commissioner McAleer if they still wanted to serve on the Audit Committee for 2018, and they responded that they would like to continue serving on the Audit Committee.
- Chairman McDonald asked Commissioner Lewis if he still wanted to chair the Problem Gambling Committee. Commissioner Lewis graciously excepted.

**INTRODUCTION OF FIRST TIME ATTENDEES**

- Chairman McDonald recognized first time attendee Marty Morrow, the new Assistant Sales Director. However, Mr. Morrow had worked at the OLC in the early 1990's.

**CHAIRMAN'S COMMENTS**

- Chairman McDonald welcomed Marty Morrow who has just started as the Assistant Director of Sales. He was the OLC Marketing Director in the early 1990's. Mr. Morrow has over twenty-one (21) years of industry experience with IGT, and he has worked in over fifty (50) countries.
- Chairman McDonald stated that the OLC is half-way through the fiscal year. The OLC has had a strong first half, and has transferred \$551.2 million to Lottery Profits Education Fund ("LPEF"). Mr. Bowers will be providing a mid-year overview during his report.
- Chairman McDonald stated that the OLC has a new monitor game, *The Lucky One*, and it launched yesterday. It is a match-number game and airs between the *Keno* shows.
- Chairman McDonald asked Commissioner Whalen to give an update on last month's Audit Committee Meeting.

**AUDIT COMMITTEE UPDATE, COMMISSIONER SEAN WHALEN**

- Commissioner Whalen stated that last month's Audit Committee Meeting was the most productive one that they have ever had. There are several long standing projects in place to improve or enhance the business process as a result of Internal Audit findings, and there were several stale issue resolutions coming off the list.
- Commissioner Whalen stated that the Audit Committee has its annual risk assessment coming out. This is an opportunity for staff members as well as Commissioners to provide their insights on what should be focused on from an Internal Audit perspective. The idea is to ensure that there are no major priorities missed because the business evolves and changes over time.

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- Commissioner Whalen stated that there will be a survey submitted to the Commissioners to see if there are any priorities they feel are important to look at. Senior staff will also be contributing to the risk environment by helping to identify risks as well as rate risks. The risk assessment goes into the annual Audit Plan.
- Commissioner Whalen stated that the Auditor of State (“AOS”) finished its annual financial assessment noting that the OLC’s financial statements filed on June 30, 2016 received an unmodified opinion. That is the best outcome that one can receive. AOS also did an assessment of all the multistate games and no issues were identified.
- Commissioner Whalen stated that the Audit Committee is still pursuing a peer review. This is an important benchmark for the Internal Audit group to be held accountable to what they should be doing from a best practice perspective and ensuring that any changes in the audit environment. Peer reviews are held every five (5) years. The Office of Budget and Management just completed their peer review. This will be the OLC’s first peer review, and the hope is to complete this process later this year.
- Commissioner McAleer stated that the Audit Committee is working with the Office of Finance to create a presentation for the Commission regarding all the contracts the OLC has. Mr. Bowers stated that the intent is to have a presentation at the February 2018 Commission Meeting.

## **APPROVAL OF MINUTES OF DECEMBER 18, 2017**

- Chairman McDonald requested a Motion to approve the December 18, 2017 Minutes. Commissioner Lewis made a Motion that was seconded by Commissioner Mingo. The Motion was affirmatively voted upon by all Commissioners present except for Commissioner Brady and Commissioner Vaci who abstained.

**DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR**

- Director Berg reported that total sales for the month of December of \$293.4 million were up \$23.9 million or 8.9% higher compared to last December. This was a sales record for the month of December, and the second highest sales month in the OLC's history.
- Multi-State game sales of \$26.8 million were up nearly \$11.6 million from last December. This could be primarily attributed to higher jackpots. There was a *Powerball*® jackpot of \$570 million on January 6, 2018 and a *Mega Millions*® jackpot of \$450 million on January 5, 2018. The *Classic Lotto* jackpot was hit at \$26.8 million on January 10, 2018.
- Director Berg reported that sales for the daily draw games *Pick 3*, *Pick 4* and *Pick 5* were \$50.9 million. This was up \$1.8 million or 3.8% from last December. *Pick 5* had a record for December of \$3.4 million.
- Traditional Keno sales of \$36.7 million were \$3.6 million or 11.0% higher than last December, and broke an all-time monthly sales record for December. This was also the second highest monthly sales result in the OLC's history.
- Director Berg reported that instant ticket sales of \$157.5 million were up \$7.2 million or 4.8% from last December. This was not a record for the month of December but was, however, the ninth consecutive month of increased instant ticket sales compared to the prior year.
- VLT sales of \$79.4 million, of which \$26.6 million went to the OLC. On a gross sales basis, this is \$8.1 million more than December. All seven (7) VLT facilities beat last December's sales results.

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- Director Berg reported that transfers to the LPEF of \$102 million were \$7.5 million above projection and roughly \$9.8 million higher than last December transfer. This was the second highest profit transfer in the OLC's history.
- Director Berg stated that there will be some challenges in the second half of fiscal year 2018 since the *Powerball*®, *Mega Millions*® and *Classic Lotto* jackpots were all hit and reset.
- Director Berg stated that in regards to the Cashless project, there are approximately 5,200 units activated, and they have realized over \$2.4 million in cashless sales. The additional 1,400 will be enabled by the middle of February.
- Director Berg stated that there are now 420 Touch and Win terminals installed, and it is expected that all of the new terminals and the re-wrapping of the current QK terminals to be completed by mid-April.
- *The Lucky One* game was installed yesterday, January 21, 2018, without major incident, and there were \$218,00 in sales.
- Director Berg stated that later in the Meeting, Mr. Fornaro will be providing an update on holiday instant ticket sales, and Ms. Lesko Sabbath will be showing one of the OLC's commercials.
- Director Berg stated that there was a Sales Manager meeting a couple of weeks ago in Columbus. Presentations included the following: Mr. Bowers gave a sales performance update; Mr. Fornaro and Scientific Games presented the instant ticket plan for the next six (6) months; and Intralot brought their CSP team to discuss and improve the distribution process of our instant ticket product.

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- Director Berg stated that there were discussions on the strategies of ongoing and upcoming projects and new game initiatives such as: Cashless; photon deployment, new game releases and *The Lucky One* game.
- Chairman McDonald stated that he and Commissioner Brady would like to attend a future Regional Manager's meeting. He inquired as to how often the meetings are held. Mr. Fornaro responded that they are held every six (6) months, however, they have weekly phone calls.
- Commissioner McAleer asked if there is any data yet that would suggest the benefit of cashless machines and if sales are increasing. Director Berg responded that it is too early to get a real conclusion. Ms. Lesko Sabbath added that there will be marketing support coming once all of the cashless units are installed such as radio, digital and point of sale materials.
- Director Berg reported that the next phase of the cashless project is to replace all the point of sale terminals, and those new terminals are going to have cashless availabilities.
- Chairman McDonald inquired as to what the timeframe will be to roll these terminals out, and how will that interfere with the current operations. Ms. Hall responded that it will go retailer to retailer, and it will take approximately three (3) months. Once the new terminals are at the retailer location, the old terminals will be turned off and the new ones will be turned on immediately so there is no down time.



**APPROVAL OF FIVE (5) INSTANT GAME RULES IN FINAL FORM**

- Mr. LoPresti brought before the Commission five (5) Instant Game Rules for approval in Final Form. The Rules are as follows:
  - Rule 3770: 1-9-445, *Super Break the Bank* (\$10.00);
  - Rule 3770: 1-9-450, *Money Bags Multiplier* (\$2.00);
  - Rule 3770: 1-9-451, *Boardgame Bonus™* (\$3.00);
  - Rule 3770: 1-9-452, *\$150,000 Jackpot* (\$5.00); and
  - Rule 3770: 1-9-453, *Million Dollar Multiplier* (\$10.00).
- Chairman McDonald then requested a Motion to approve the five (5) Instant Game Rules in Final Form. Commissioner Whalen made a Motion that was seconded by Commissioner Brady. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

**RESOLUTION TO APPROVE TOUCH & WIN EZPLAY® TAP GAME THEME, MAUREEN HALL, INTERIM DEPUTY DIRECTOR**

- Ms. Hall brought before the Commission a Resolution to approve one (1) new Touch & Win EZPLAY® Tap Game Theme. The one (1) new Touch & Win EZPLAY® Tap Game Theme is:
  - *Shamrock Party.*
- Chairman McDonald then requested a Motion to approve the Resolution to approve one (1) new Touch & Win EZPLAY® Tap Game Theme. 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.
- Ms. Hall presented a brief overview of how *The Lucky One* game is played.

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

- Ms. Miller brought before the Commission a Resolution to approve twenty-six (26) new Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The twenty-six (26) new Game Themes are as follows: twelve (12) game themes submitted by Aristocrat; two (2) game themes submitted by Bally; two (2) game themes submitted by Everi; one (1) game theme submitted by IGT; three (3) game themes submitted by ITS; one (1) game theme submitted by Konami; four (4) game themes submitted by Novomatic; and one (1) game theme submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for twenty-six (26) new Video Lottery Game Themes. Commissioner Brady 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 OPERATIONS REPORT, CONSTANCE MILLER, DEPUTY  
DIRECTOR**

- Ms. Miller reported that Penn National Gaming, Inc. and Pinnacle Entertainment, Inc. announced that they have entered into a definitive agreement under which Penn National will acquire Pinnacle in a cash and stock transaction valued at approximately \$2.8 billion. Penn currently operates the two Hollywood Racinos, and Pinnacle operates Belterra Park. The Ohio Revised Code limits an operator to two (2) racing permit facilities. In order to comply with this, Penn has proposed divesting the Belterra Park property and three other properties nationwide to Boyd Gaming Corporation.
- OLC staff met with Penn and Pinnacle to discuss what the impact of this is going to have on the OLC. OLC has also met with Boyd Gaming regarding their application

for licensure. The OLC does not anticipate difficulty in the review or licensure for Boyd Gaming.

- Ms. Miller reported that the American Gaming Association is working on its annual analysis of the state of the state. The OLC is providing them with economic impact information for the calendar year 2017.
- Ms. Miller stated that the OLC is running a Jeep Promotion on the *Cash Explosion*® Game Show. The first three (3) contestants were picked on January 19, 2018. Also on January 19, 2018, the Department of Administrative Services released a bid for two (2) Jeep Wranglers.
- Ms. Miller stated that in the Commissioner's materials is a contract memo regarding the upcoming competitive bid for the daily drawing production and transmission, as well as the *Cash Explosion*® Game Show. Both of which are currently held by Mills James.

**OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR**

- Mr. Bowers gave a fiscal year 2018 mid-year financial review to the Commission. The presentation compared fiscal year 2018 mid-year sales to fiscal year 2017 mid-year sales as well as fiscal year 2018 mid-year forecast.
- Mr. Bowers stated that in regards to bank cashing, PNC Bank did not bid on it nor did anyone else. Officially on June 30, 2018 the OLC will need to move on recruiting a super market chain. Director Berg stated that the OLC is seeking a possible extension with PNC Bank which would allow the OLC more time to recruit.

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

- Ms. Lesko Sabbath played one (1) television spot for the OLC's annual instant ticket advertising campaign.


**OFFICE OF SALES MANAGEMENT REPORT, ON BEALF OF RICHARD  
PERK, RON FORNARO**


- Mr. Fornaro gave a brief presentation on this year's holiday instant ticket sales.

**ADJOURNMENT**

- Chairman McDonald stated that the next Meeting will be held on February 12, 2018 at 12:00 p.m. Chairman McDonald adjourned the January 22, 2018 Meeting at 1:16 p.m.

Approved:

  
Dennis Berg, Director

  
Patrick McDonald, Chairman