

CONNECTICUT LOTTERY CORPORATION  
Board of Directors

Minutes of Special Meeting

March 29, 2010  
At 12:00 p.m.

held at the  
Connecticut Lottery Corporation  
777 Brook Street  
Rocky Hill, Connecticut 06067

Board Members Present: John Paul, Chairman of the Board; Gale Mattison; Robert Morgan; Marty Stauffer; Margaret Morton; Pat Racz; Kenneth Saccente; Patrick Birney; Carolyn Long and Wendy Kingsbury

Absent: Steve Bafundo

Staff Members: Anne M. Noble, President & CEO; Barbara Porto; Paul Sternburg; Diane Patterson and Helen Duffy.

Visitors: Tony Cashman and Kendra Eckhart, Cashman + Katz Integrated Communications; Mary Anne Naylor, Division of Special Revenue; Tom Muller, Scientific Games; and Mr. Adam Ossman, as a member of the public.

Call to Order: Chairman Paul called the meeting to order at 12:10 p.m. In his opening remarks, he welcomed Mr. Mattison back as a member of the Board of Directors. He also thanked Ms. Racz for hosting the celebration event at her home on March 18<sup>th</sup> for Karen Mehigen, the Lottery's former Director of Human Resources, on the occasion of her retirement.

I. Approval of Minutes:  
On motion made by Mr. Morgan, seconded by Ms. Morton, and unanimously approved, it was:

“Resolved, That the minutes of the January 28, 2010 Board Meeting are approved.”

II. Election of Vice-Chairman to the Board:  
On motion made by Mr. Saccente, seconded by Mr. Stauffer, and unanimously approved, it was:

“Resolved, That after due consideration and discussion, the Board of Directors elects Gale Mattison as Vice Chairperson of the Connecticut Lottery Corporation's Board of Directors.

III. President's Report:  
Ms. Noble opened her report with an update on the Lottery financial picture. As of late February or early March, the Lottery reached a significant milestone with its cumulative transfers of more than \$7 billion to the General Fund. She continued by saying that there was a slight increase in sales and in the General Fund transfers since the January 28<sup>th</sup> Board Meeting. While she is hopeful that sales of Powerball and Mega Millions will strengthen and improve, she also noted that cannibalization and loss of cross-border sales remain a concern. The Lottery will defer any analysis of the impact of the cross-sell project until more concrete data is available. Ms. Noble attended the MUSL meeting in New York in late March and reported that it was still too early to draw any conclusion about the cross sell, noting further that even the vendors are not in agreement about the early results.

Ms. Noble continued with a brief Keno discussion, using a tutorial from the Maryland Lottery to complement her remarks. She explained that Keno is an online matrix game and not an electronic or video lottery terminal game. The position of the Division of Special Revenue and OPM is that the CLC is already authorized to operate the game of Keno. The frequency of the draw is a differentiating feature of this game, as well as the fact that Keno is a game typically and best offered in non-traditional lottery retailers, such as social venues and pouring establishments. At a public hearing held on March 2<sup>nd</sup> at the Legislative Office Building, the Lottery, as well as members of the Division of Special Revenue, the Office of Policy and Management, both Native American casinos and the Attorney General's Office, testified. Open issues after that hearing included: Is it necessary to enact a law to operate the game? Would the State violate the compacts by authorizing the CLC to operate Keno?

In early 2009, the Governor's budget included a plan to securitize lottery revenues. Keno was re-introduced in 2010. The Treasurer's Office and OPM developed a plan for securitization, including Keno. Several bills have been introduced.

Concluding her Keno discussion, Ms. Noble noted that it will be critical to obtain agreement from both tribes and consensus of the General Assembly on securitization for Keno to go forward at this time.

Mr. Stauffer asked a question about the venues where Keno will be offered. Ms. Noble said that the Lottery would roll the game out to pouring establishments first. This is an approach endorsed by vendors and seems to generate the most success. He also asked whether the legislature was interested in anything but the financial merits of Keno. Ms. Noble responded in the affirmative and noted that Senator Stillman objected to the game for problem gambling reasons. There has been considerable debate on this issue, according to Ms. Noble.

The Lottery is heavily involved with the budget process. A draft budget will be mailed to the Finance committee with the understanding that adjustments might be required if the Lottery is given authority to install Keno.

The Lottery underwent a network security assessment in the fall of 2009. CLC Operations and the Information Technology Department have been working hard to address and remediate issues raised in the security assessment. A full report will be made to the Audit Committee in April.

The Lottery is close to awarding the ITVM contract. A report will be provided to the Games and Marketing committee and to the full Board at the May 6<sup>th</sup> meeting.

The Lottery observed Problem Gambling Awareness Week in Connecticut from March 7 – 13, 2010. A press release was issued by the Lottery reiterating its commitment to responsible play and the prohibition of youth gambling. The Lottery also restricted advertising during that week and messages were broadcast on TV and radio regarding responsible play. The Connecticut Council on Gambling Awareness, whose members include the Lottery, the Division of Special Revenue, both casinos, Autotote Enterprises, DMHAS and the Connecticut Council on Problem Gambling, met in mid-March and drafted a Statement of Principles concerning responsible play.

#### Marketing Report:

Using several sales charts, Mr. Sternburg presented an overview of sales trends as compared to the same period last year. His summary follows:

Overall, instant ticket sales are down \$14.4 million compared to last year. Play3 Day sales continue to do well. Play3 Night is down slightly. Play4 Day and Play4 Night sales are doing well. Classic Lotto sales are still down, although ahead of budget by \$2.3 million. Cash5 sales continue to decline, possibly due to

cannibalization by the Mega Millions game. Lucky-4-Life sales are down and the Mega Millions game has done \$3.2 million. Powerball sales were down due to the lack of any substantial jackpots. Overall sales are \$5.7 million ahead of last year.

The Lottery's newest game, Silver & Gold, will soon be released and will include a new web-based second chance drawing feature. The top prize in this game is \$1 million. The 2<sup>nd</sup> chance drawing entries can be also be mailed in. The Connecticut Black game is doing very well and is outselling the \$5.00 base games.

Mr. Sternburg reviewed TV footage of some recent Lottery winners, particularly the winner of the recent \$1.9 million Classic Lotto jackpot.

This concluded the President's Report.

III. Committee Reports:

Personnel:

Ms. Racz reported that the Personnel committee met on March 23, 2010. Management provided the committee with an update on incentive compensation policies and a timeline for spring projects for the committee. The management performance appraisal process was reviewed. Management is working diligently to put a plan into place should the Lottery need to hire additional staff to launch Keno.

Games:

Mr. Mattison reported that the Games and Marketing committee had met on March 23, 2010. He stated that their agenda would be discussed further in today's Executive Session.

IV. Executive Session:

At 12:50 p.m., Chairman Paul called for a motion to move into Executive Session to discuss New Games Initiatives. He invited Ms. Noble, Ms. Porto, Ms. Patterson and Mr. Sternburg to remain for Executive Session.

The Board reconvened in regular session at 1:40 p.m. Chairman Paul stated that no votes or actions were taken during Executive Session.

V. Old Business:

None.

VI. New Business:

None.

VII. Next Scheduled Board Meeting Date:

The next Board of Directors meeting will be held on May 6, 2010.

VIII. Adjournment:

On motion made by Mr. Mattison, seconded by Mr. Birney, and unanimously approved, the meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Barbara Porto  
Corporation Secretary

By: Helen Duffy  
Secretary to Anne M. Noble  
President & CEO/Connecticut Lottery Corporation