

CONNECTICUT LOTTERY CORPORATION

Minutes of Board Meeting

Held on
Thursday, June 28, 2012
at 1:30 p.m.

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

Board Members Present: Frank Farricker, Chairman of the Board; Gale Mattison, Vice Chairman of the Board; Robert Morgan; Natasha Pierre; Martin Stauffer; Kenneth Saccente; Steve Bafundo; James Farrell; Michael Thompson; and Patrick Birney (who joined the meeting by teleconference at 1:55 p.m.).

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Lana Glovach; Michael Hunter; Paul Granato and Helen Duffy.

Call to Order: Chairman Farricker called the meeting to order at 1:30 p.m.

I. Approval of Minutes:

On motion made by Mr. Mattison, seconded by Mr. Morgan, and unanimously approved, it was:

“Resolved: That the Board approves the May 17, 2012 Board meeting minutes.”

II. Executive Report:

President’s Report:

Ms. Noble welcomed Board members to the meeting. She reported that by the end of fiscal year 2012 (FY ’12), the Lottery estimates that sales will close at approximately \$1.082 billion, and transfers to the General Fund at approximately \$307 to \$308 million, which could change between now and year end. Ms. Noble thanked the Board for their support and Lottery’s staff for their hard work and dedication throughout the year to help make FY ’12 a record year. Ms. Noble’s report follows:

There were many drivers of success in FY ’12:

- The Lottery continued to exercise best practices at retail locations in 2012;
- There was exceptional collaboration on the part of the management team;
- Marketing delivered a robust instant ticket portfolio;
- The first ever New England regional game, “Lucky for Life,” was successfully launched;
- There were record breaking multi-jurisdictional game jackpots in March (and two Powerball winners this year were from Connecticut);
- We experienced a very mild winter;
- There was lower than expected prize expense, and;
- The extra leap year equated to an extra day of revenue.

With a very ambitious projected Fiscal Year 2013 (FY '13) budget, especially in comparison to the FY '12 Budget, the Lottery projects continued revenue growth and relatively stable General Fund transfers. FY '13 sales are projected at \$1.090 billion and General Fund transfers at \$306.3 million. Increased sales are projected, despite external factors that favorably influenced growth in FY '12, which may not be repeated in FY '13, such as extraordinary jackpot performance and very favorable retail conditions at peak sales times.

There are some external factors that could influence these projections such as the economy, the price of gas, regulatory costs, prize expense and the performance of Powerball. It is also assumed that Keno will not be introduced in FY '13, and there are no plans to introduce new price points in the instant ticket category.

In order to reach our FY '13 budget goals, the Lottery hopes to hold major contract expenses steady. In addition, the Lottery will continue efforts to expand distribution outlets during FY '13. Additionally, revenue will be supported by new game promotions and advertising, enhanced social media and mobile applications, and fresh, new instant tickets.

Ms. Noble reported to the Board that augmentation for Classic Lotto for the May 22nd drawing was \$438,544 and \$529,421 for the June 26th drawing.

In keeping with one of the Lottery's core responsible play values, the United Kingdom's Camelot Lottery recently visited the CT Lottery and gave a presentation on corporate responsibility. The CT Lottery plans to integrate its responsible gaming efforts into a broader corporate responsibility program.

Negotiations concerning the Lottery's online games system contract will be discussed in today's Executive Session.

Sales Performance Report:

Before beginning her report, Ms. Patterson referred the Board to an updated chart that was handed out at today's meeting. The chart provided sales numbers as of June 27, 2012. Ms. Patterson provided an overview of sales trends. Her report follows:

Total all game sales through June 27, 2012 reached \$1.017 billion, up \$54.6 million, or 5.4%, as compared to budget.

Instant ticket sales remained strong, with \$57.1 million in sales for the month of May. The \$1,000,000 Jackpot instant game, which launched in March, is averaging \$690,000 in sales per week. Ms. Patterson showcased the new TV spot supporting the game. Play3 and Play4 games performed well and were up by \$1 million in May, over the month of April; promotional efforts helped boost Play3 sales.

The Lucky for Life game has performed above expectations. Since its launch on March 11, 2012, Connecticut has had more than 800,000 winning tickets sold. Classic Lotto has had two jackpots won since the May 17th Board meeting. Lotto's \$1.8 million prize has yet to be claimed. Cash5 remained steady. The Super Draw 4th Edition game is currently 66% sold.

Multi state games were up by 20% when compared to budget. Combined, Mega Millions and Powerball sales saw an upward trend. In early 2013, the Lottery will provide additional marketing support to Mega Millions.

Mr. Farricker went on the record in congratulating Ms. Noble and the Lottery team for their hard work and dedication over the past fiscal year. Their efforts and commitment helped generate continuous monthly revenue growth and culminated in a very successful year for the Lottery and for the state of Connecticut.

This concluded the Executive Report.

III. Committee Reports:

Finance:

Mr. Morgan reported that the Finance Committee met again on June 27, 2012 to review FY '12 results and the budget for FY '13. He noted that FY '12 was the best year ever for the Lottery in terms of transfers to the General Fund. Senior management projects modest growth in FY '13 sales, and General Fund transfers would be generally consistent with FY '12.

Mr. Morgan noted that, though the 2013 forecast is a very ambitious one, the Finance Committee had reviewed assumptions and believes that the budget, at this time, appears reasonable and achievable.

Mr. Morgan then asked Mr. Granato to provide highlights of the Fiscal Year 2013 budget. Mr. Granato's report follows:

Mr. Granato reported that senior management had reviewed and analyzed recent sales trends. This analysis resulted in an \$8.5 million increase in projected sales revenues for FY '13.

Mr. Granato informed the Board that, due to certain one-time events in FY '12, including unusually low prize expenses, good weather through the winter months, the extra day of revenue due to the leap year, General Fund transfers are not expected to increase over current fiscal year projections. Other operating expenses are projected to increase \$2.3 million based on changes in labor, building and other expenses.

Mr. Morgan acknowledged the hard work by senior management and all Lottery staff in developing the fiscal year 2013 budget. Chairman Morgan stated that he recommended that the Board approve the budget as presented.

On motion made by Mr. Mattison, seconded by Mr. Stauffer, and unanimously approved, it was:

“Resolved, that after due consideration, and based upon the recommendation of the Finance Committee, the budget for Fiscal Year 2013 is hereby approved.”

Personnel:

Mr. Mattison reported that the Personnel Committee met on June 27, 2012 to discuss drafting the Lottery's Ethical Conduct Policy. The Personnel Committee plans to have a draft policy for review at the next Board meeting (in September), for possible action at the subsequent Board meeting (in November).

Audit:

Mr. Stauffer reported that the Audit Committee met on June 7, 2012 to discuss the DCP audit and Alumni Road leases. He stated that both items would be reviewed during today's Executive Session.

IV. Executive Session:

At 2:10 p.m., Chairman Farricker requested a motion to enter into Executive Session for the purpose of discussing:

- Attorney/Client Communications Re:
 - Freedom of Information Claims;
 - Department of Consumer Protection Audit;
 - Alumni Road Leases; and
 - Claims Related to the Online Gaming System.
- New Games Initiatives;
- Search Committee Update, and
- Performance Evaluations and Compensation (Senior Management).

Ms. Noble, Ms. Turner, Ms. Patterson, Ms. Glovach, Mr. Hunter, and Mr. Granato were invited to attend the Attorney/Client Communications portions of Executive Session. Mr. Birney recused himself for the discussion on the online gaming system due to a potential conflict. The New Games Initiatives topic was tabled. Ms. Noble and Ms. Turner were invited to attend the Search Committee Update portion of Executive Session. Ms. Noble was invited to attend the portion pertaining to Performance Evaluations and Compensation for Senior Management except for her own evaluation.

On motion made by Mr. Saccente, seconded by Ms. Pierre, the Board entered into Executive Session.

The Board reconvened in regular session at 2:45 p.m. No votes, nor actions were taken during Executive Session.

V. Old Business:

None.

VI. New Business:

On motion made by Mr. Mattison, seconded by Mr. Morgan, and unanimously approved, it was:

“Resolved, that after due consideration, and based upon the recommendation of the Audit Committee, the Board of Directors authorizes the President to execute, on the Corporation's behalf, amendments to the leases of office and warehouse space at 81 Alumni Road in Newington, Connecticut.”

VII. Next Scheduled Board Meeting Date: September 20, 2012.

VIII. Adjournment:

On motion made by Mr. Saccente, seconded by Mr. Mattison, and unanimously approved, the meeting was adjourned at 2:50 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corporation

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