

CONNECTICUT LOTTERY CORPORATION

Minutes of the Special Board Meeting
held on
Friday, April 17, 2015
At 12:00 p.m.

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

Board Members Present: Frank Farricker, Chairman of the Board; Patrick Birney, Vice Chairman of the Board (via teleconference); Jim Farrell (via teleconference); Jennifer Hamilton (via teleconference); Robert Morgan; Margaret Morton; Kia Murrell; Natasha Pierre (via teleconference); and Michael Thompson

Board Members Not Present: Board Members not in attendance provided the Connecticut Lottery Corporation with advanced notice of scheduling conflicts.

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

Call to Order: Chairman Farricker called the meeting to order at 12:05 p.m. He also welcomed newly appointed board member Diane Winston from Norwalk to the Board. Ms. Winston could not be here today.

I. Approval of Minutes:

On motion made by Ms. Morton seconded by Ms. Murrell, and unanimously approved, it was:

“Resolved, that the Board hereby approves the March 20, 2015 Board meeting minutes”.

II. Executive Report:

President’s Report:

Ms. Noble welcomed and thanked the Board members for attending today’s meeting. Ms. Noble reviewed her meeting agenda and updated the Board on various topics through a PowerPoint presentation. Highlights from her report follow:

- Year To Date Performance
 - To date, sales are approximately \$30 million ahead of budget and General Fund transfers are approximately \$2.6 million ahead of budget and \$5 million behind last year, which is mostly due to the performance of Powerball and Mega Millions.

- Third and Fourth Quarter Initiatives:
 - The third quarter financials will be reviewed at the May 14, 2015 Board of Directors' meeting.
 - The Connecticut Lottery Corporation ("CLC") began its annual budget and strategic planning process. A first draft of the FY'16 Budget has been sent to the Finance Committee for review. The Budget will not be finalized until the Finance and Personnel Committees meet in May. Ms. Noble noted that Keno may impact the strategic planning process; it will be more difficult to generate growth without it.
 - Since the expansion of Lucky for Life as a multi-state game, and changes to its prize structure, the CLC has seen an increase in sales and more winning experiences for its players.
 - A new game will be launched later this month that will help to close the gap between last year and this year with respect to General Fund Transfers.

- Capitol Update:
 - Ms. Noble provided a brief update regarding HB 7054: An Act Concerning Keno, House Bill 5224: An Act Concerning Late Submission of Claims for Lottery Tickets, and SB 1090: An Act Concerning Gaming.

- Social Responsibility Update:
 - The Connecticut Council on Problem Gambling (CCPG) recently appointed Ms. Tamara Petro as Executive Director. Ms. Noble will meet with Ms. Petro later this month. The CLC maintains strong relationships with the CCPG, the Department of Mental Health and Addiction Services –Problem Gambling Services Department (DMHAS-PGS) and the National Council on Problem Gambling (NCPG).
 - The CLC recently held its Second Annual Open House for Diverse Suppliers on March 12, 2015. The event provided an opportunity for small business minority vendors to learn about the CLC and the types of products and services purchased by the CLC and our suppliers. The event was very successful.
 - On Saturday, April 11, 2015 the Greater New England Minority Supplier Development Council (GNEMSDC) held its Annual Awards Gala. CLC was nominated for Corporation of the Year and Ms. Beckner for Buyer of the Year. While we did not receive these awards, it is a huge honor to be nominated.
 - Ms. Noble noted that Social Responsibility is an important part of the CLC's mission and vision. In regards to Keno, the CLC's commitment to responsible gambling will be as strong as ever, and we will continue to work with DHMAS-PGS, CCPG and NCPG.

Sales & Marketing Performance Report:

Ms. Diane Patterson updated the Board on Sales & Marketing Performance with a PowerPoint presentation. Her report follows with sales data ending March 31, 2015:

- Total Sales were at \$847 million on March 31, 2015, which is \$26 million ahead of budget and \$17 million ahead of last year at this time. The CLC reached a milestone of \$900 million today. The CLC is averaging \$3.1 million in sales per day. General Fund transfers are ahead of budget but slightly behind last year at this time.
- Sales for all CT games are steady and currently ahead of budget by \$9.3 million and \$41.1 million to actual.
- Multi-State games were at \$93.3 million which is lower compared to last year at this time due to thirteen jackpots already paid this year.
- Instant game sales are strong and total sales at the end of the third quarter were \$504 million which is 3.4% ahead of budget, and an average of \$1.8 million per day.
- Play3 and Play4 Day and Night game sales were at \$171 million combined to date which is slightly under budget. Play3 Day sales were at \$4.6 million and Play3 Night sales are at \$6.6 million. Play4 Day were at \$4 million and Play4 Night at \$6 million.
- 5 Card Cash sales were at \$48 million on 3/31/15. There have been twelve top prize winners since its inception in May, 2014. Ms. Patterson shared the story of a couple who lost their homes in Hurricane Sandy and recently won the October 14, 2014 5 Card Cash drawing. They arrived at the CLC four days prior to the ticket expiration to claim their \$255,555 prize.
- Lotto has a current jackpot of \$2 million and building after the last jackpot in January. Sales were at \$15.1 million as of 3/31/15.
- Cash5 sales are at \$2.7 million in March. Ms. Patterson noted it is a good stable game in the portfolio.
- Connecticut Super Draw is going to retire after thirteen editions. The CLC may revisit this style of game in the future. The most recent 50/50 Super Draw game ended on March 18, 2015 with a \$103,887.50 prize payout which equaled half of the game's sales. There were 41,555 tickets sold. The prior 50/50 Super Draw was held on Game day with a prize payout of \$100,000 and 37,850 tickets were sold.
- Ms. Patterson noted that Powerball's lack of jackpots is affecting sales. The highest jackpot was \$500 million in February. The lowest jackpot was \$60 million and was paid in July, 2014. Total sales to date for FY'15 are \$53 million. The average jackpot this year is \$178 million.
- Mega Millions sales have also decreased and usually has ten - twelve jackpots per year but there have been only 5 in FY'15. The jackpots are averaging \$191 million. Sales were at \$24.5 million.
- Lucky for Life sales are consistent and growing. Connecticut is among the top five of the seventeen participating states in sales and per capitas. To date, there have been twelve, \$25,000 second prizes awarded, three of them to Connecticut players. Ms. Murrell asked if the CLC pays for all expenses related to Lucky for Life. Ms. Noble responded that expenses are shared by the participating states.

Ms. Patterson shared details about recent initiatives. She also discussed plans for a new game that will be launched at the end of the month. Ms. Murrell asked for an explanation of the

average number of scratch games that are in the marketplace at one time. Ms. Patterson responded that the average is forty-five. It used to be over sixty.

This concluded the Executive Report.

IV. Committee Reports:

Legislative and Games:

Ms. Morton reported that the Legislative and Games Committee met on April 16, 2015. The Committee reviewed sales and game performance and received a Capitol Update. New Game Initiatives were also discussed which will be covered during the Board's Executive Session.

Ms. Turner provided a legislative update regarding HB 7054: An Act Concerning Keno. On April, 2015, Ms. Noble testified before the Finance, Revenue and Bonding Committee on a bill that would clearly authorize the CLC to offer Keno. Ms. Noble testified as well as Sol Ramsey, Paul Sternburg the former Vice President of Sales and Marketing at the CLC and former Director of the Massachusetts Lottery, the VFWs and four retailers. Over fifty retailers submitted written testimony in support. Ms. Noble noted Keno is important in order to grow and provide a continuous and stable source of revenue for the state in the short term and long term.

Ms. Turner also spoke about House Bill 5224: An Act Concerning Late Submission of Claims for Lottery tickets. Ms. Turner explained the Lottery's concern with the bill and reported that the bill died on a narrow vote in the Public Safety and Security Committee. The issue may come back later in the session in another format.

Ms. Turner also discussed SB 1090: An Act Concerning Gaming, which would allow the two tribes to enter into a commercial joint venture to build up to three casinos near Connecticut's three major interstates. The CLC's position on this is to "do no harm to the Lottery." In response to a question raised by Ms. Murrell regarding the Lottery's concern of the expansion of the casinos, Ms. Noble responded that the expansion of casino gaming off of the tribal reservations could cannibalize lottery revenue and General Fund transfers and negatively impact our retailers in these surrounding areas. There was also some discussion about the Attorney General's letter to legislative leadership, dated April 15, 2015, which outlines his concerns with the bill.

Ms. Turner and Ms. Noble will continue to keep the Board apprised of pending legislation.

Mr. Thompson asked if there was any evidence Keno causes problem gambling. Ms. Noble responded that the most current study done in 2009 showed that problem gambling in Connecticut is not higher than the national average. Ms. Noble mentioned that despite the rapid expansion of casino gaming over the past ten years, problem gambling rates in the U.S. have remained stable according to a study conducted by the University of Buffalo. A copy of the study will be provided to Board members.

On a motion made by Ms. Morton, and seconded by Mr. Morgan, the following resolution was made:

“Resolved, that based upon a recommendation of the Legislative & Games Committee, the Board of Directors approves and supports the Connecticut Lottery Corporation’s efforts to continue to work with Legislature and move forward toward the passage of the HB 7054, An Act Concerning Keno.

The resolution passed unanimously.

Audit Committee:

Mr. Morgan reported that the Audit Committee last met on February 19, 2015. A full Committee report will be provided at the May 14, 2015 Board meeting.

Finance:

Mr. Birney noted that the Finance Committee last met on February 19, 2015. The Committee reviewed the second quarter financials which are included in the Board packet. The Committee is scheduled to meet on May 12, 2015 and will review the third quarter financials and FY’16 draft budget.

V. Executive Session:

At 1:07 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Ms. Morton, seconded by Mr. Thompson, and unanimously approved, the Board moved into Executive Session to discuss:

- New Game Initiatives
- Attorney/Client Communications Re:
 - Pending Claims and Litigations
 - MUSL Governance and Third Party Inquiries
 - Pending Contract Negotiations

Ms. Noble, Ms. Patterson, Ms. Turner, Ms. Glovach, Mr. Granato, Mr. Hunter were invited to stay for the Executive Session. The Board reconvened in regular session at 1:27 p.m. Chairman Farricker stated that no votes or actions took place during Executive Session.

VI. New Business:

Chairman Farricker reminded Board Members that the Statement of Financial Interest is due by May 1, 2015. He also asked Board members to clear their calendars and encouraged members to be present for the next two Board meetings, if possible. The June 25, 2015 meeting was rescheduled to June 18, 2015.

VII. Adjournment:

Chairman Farricker called for a motion to adjourn today's meeting.

On motion made by Ms. Morton, seconded by Ms. Murrell, and unanimously approved, the meeting was adjourned at 1:32 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corp.