

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting  
held on  
Thursday, June 29, 2017  
At 12:00 p.m.  
at the  
Connecticut Lottery Corporation  
777 Brook Street  
Rocky Hill, Connecticut 06067

Board Members Present: Patrick Birney, Vice Chair; Robert Dakers; James Heckman (via teleconference); Michael Janusko; Robert Morgan; Margaret Morton; Natasha Pierre (via teleconference); Michael Thompson; and Diane Winston (via teleconference).

Staff Members Present: Chelsea Turner, Interim President & CEO; Paul Granato; Michael Hunter; Theresa Scott; Matthew Stone; Annmarie Daigle; and Rebecca Lambert.

Call to Order: Mr. Birney called the meeting to order at 12:10 p.m.

I. Mr. Birney welcomed the Board members and thanked them for attending today's meeting. Mr. Birney began the meeting with the Pledge of Allegiance.

II. Approval of May 16, 2017 Board Meeting Minutes:  
On motion made by Ms. Morton, seconded by Mr. Dakers, and unanimously approved, it was:

Resolved, that the Board hereby approves the May 16, 2017 Board meeting minutes.

III. Approval of May 23, 2017 Board Meeting Minutes:  
On motion made by Ms. Morton, seconded by Mr. Thompson, it was:

Resolved, that the Board hereby approves the May 23, 2017 Board meeting minutes.

Mr. Birney abstained.

IV. Executive Report (Ms. Turner):

Interim President's Report:

Ms. Turner welcomed and thanked the Board for attending today's meeting. Ms. Turner provided an outline of her agenda which included: FY17 highlights, marketing update, SGI update, and a Capitol update. A PowerPoint presentation guided the discussion. Highlights from her report follow.

All sales numbers are approximated and based on information currently available to the CLC.

- The CLC is on track to return the second highest General Fund transfer ever of \$330 million.
- Keno is performing above expectations with \$72 million in sales for FY17.
- A new instant game, Quarter Million LARGE, generated \$1 million in sales per week during the first eight weeks of sales.
- The Foxwoods High Roller ticket, which was designed by the CLC's in-house Marketing team, has been performing well, generating \$1,000,000 in sales in its second week on the market. There is a second-chance drawing for experiential prizes for both consumers and retailers every week, the first of which was this morning. Press coverage has been coming in on both a local and national level. The feedback from Foxwoods has been very positive.
- The Giants and Patriots tickets will be launching at the end of July. These games also feature a retail push, with second-chance drawings for both consumers and retailers. For every pack that a retailer settles, they receive an entry into a drawing for various prizes. Prize packages include game tickets, on-field experiences at a game, parking passes, gift cards and cash.
- Connecticut Millionaires Club is a \$20 ticket that will launch in September with a \$2,000,000 top prize. This game will have a long print run of approximately 3-4 years, which will generate approximately \$91 million in sales, and return approximately \$15 million to the General Fund.
- Performance for holiday instant games was down slightly last year, so this year the decision was made to change the price points of holiday tickets offered. This year there will be two \$5 tickets offered, as opposed to the one \$5 and one \$10 ticket offered last year. This improved variety, and a new holiday commercial have the potential to increase holiday ticket sales.
- A promotion for the Powerball game is planned, and it is different from anything we have offered in the past. During the promotion period, players who buy five Powerball tickets with PowerPlay will receive a trailer ticket, which will be an entry into a drawing for one of twenty-five Royal Caribbean cruises in January 2018. This promotion has been offered in other states by Alchemy3, and has performed well.
- Many promotions are planned around the Cash5 game. A different promotion will run approximately every other month between now and the end of the year. Each will focus on a specific draw game; for example, a promotion being run now is when a player buys five Powerball tickets, they receive a free Cash5 Quick Pick ticket. Similar promotions are planned for Lucky for Life, Lotto and Mega Millions. Ms. Turner presented two television commercials promoting the Cash5 game.
- SGI system upgrades are on target for August 13. Also, SGI will be providing customized training sessions to the CLC.
- CLC's proposal for iLottery is still being discussed by the legislature.
- Governor Malloy has proposed passing a mini budget to cover spending for the first 90 days of the fiscal year. Senate Democrats appear to be supportive of this concept. House Democrats' support is not as clear. There will be no budget by July 1.
- Three bills have passed regarding casinos. SB 957 gives MMCT Venture, LLC, a private company that the two tribes own, the exclusive right to operate a casino gaming facility in East Windsor. MMCT must contribute 25% of slot revenue to the General Fund, with 25% of all other gaming revenue also going to the state, 15% to the General Fund and 10% to tourism. Four and one half million dollars from that 25% will go to the municipalities around the casino, and MMCT will contribute \$300,000 annually to the

Connecticut Council on Problem Gambling. This bill passed with two other bills; HB 6266, regarding mixed martial arts, and HB 6948, which expands the number of authorized OTBs in Connecticut, and creates an Advisory Council on Large Entertainment Venues.

- The Supreme Court is addressing the issue of sports betting. The Connecticut legislature has said that if the issue is opened to other states, then they want to see a fair bidding process.
- Ms. Turner discussed future plans including a possible new draw game to replace Lucky Links; a possible enhancement to Lotto; and the New Year's SuperDraw. She also mentioned leveraging technology with the addition of Player Activated Terminals (PATs) as well as iLottery. In addition, Ms. Turner discussed the CLC's plan to apply for WLA Level III Responsible Gambling Accreditation as well as hosting a supplier diversity open house in the fall.
- Ms. Turner stated that there is an issue relating to a minority shareholder of SGI that she will bring before the Audit Committee.

This concluded the Interim President's Report.

#### Sales Performance and Game Update (Ms. Scott):

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided the following report for the period ended June 17. All sales figures are unaudited estimates.

- Regarding All Games, there has been growth between the months of April and May of \$3.8 million. Sales for the month through June 17 are \$62 million.
- Regarding Connecticut Games:
  - Instant Games have delivered \$694.6 million in sales. Projected amount was \$722.7 million, with sales currently being behind projections by \$28 million or 3.9%. Current year-to-date instant sales have surpassed \$700 million, with sales of \$714 million. The full fiscal-year projection for these games is \$750 million.
  - Number games, Play3 and Play4 Day and Night, have year-to-date sales of \$231.8 million through June 17. Projected sales for these games is \$228.6 million, with sales currently being ahead of projections by \$3.2 million or 1.4%. The full fiscal-year projection for these games is \$237 million.
  - Draw games, Lotto, Cash5, Lucky Links Day and Night and Keno, have year-to-date sales of \$122.6 million through June 17. Projected sales for these games is \$122.5 million, with sales currently being ahead of projections by \$100,000 or 0.1%. The full fiscal-year projection for these games is \$127 million.
- Multi-State Games, Powerball, Mega Millions and Lucky for Life, have combined sales of \$124.2 million through June 17. Projected sales for these games is \$127.3 million, with sales currently being behind projections by \$3.1 million or 2.4%. The full fiscal-year projections for these games is \$132 million.
- Budgeted Total Sales were \$1.246 billion. Through June 17, Total Sales were \$1.173 billion. As of June 26, total sales were \$1,205,631,285. During the last two fiscal years, total sales have grown; FY14 – FY15 saw an increase in total sales of 2.9% over the previous fiscal year, and FY15 – FY16 saw an increase in total sales of 7.4% over the previous fiscal year.

- Instant Games saw an uptick between April and May of \$1.3 million. Sales for Instant Games were \$35.3 million through June 17. A big contributor to this number was the launch of the Foxwoods High Roller ticket. This new game generated \$722,000 in sales during the week of June 12 when it launched. This makes the game the third-highest \$10 ticket performer during a first week launch from 2014 to date. The other two tickets to perform better during their launch week were Pinball Wizard 18 and Star Platinum Play. The Foxwoods High Roller game generated more than \$1 million in sales last week. The Instant portfolio continues to exemplify profit in the higher price points, such as \$10, \$20 and \$30 tickets. The top three tickets to date have been Foxwoods High Roller at the \$10 price point, Quarter Million LARGE at the \$20 price point, and \$3,000,000 Royale at the \$30 price point. The instant graph shown compares the first fifty weeks of sales between FY16 and FY17, and shows that instant games are trending up in FY17 almost \$2 million per day.
- Play3 and Play4 Day and Night Combined have seen steady average sales of \$19 million - \$21 million in sales each month through the year. Sales for June through June 17 are \$11.4 million.
- Play3 Day sales have been over \$4 million each month of the current fiscal year.
- Play4 Day sales have been steady at \$3.6 million - \$4.4 million each month of the current fiscal year.
- Nightly numbers games appear to be more popular with players. On Monday June 12, there were 4,306 winning tickets statewide when the 1-2-3 combination was drawn in the Play3 Night drawing. This resulted in \$757,190.50 in prize money being paid to players, with winners receiving between \$25 and \$2,500. Since the Play3 Night game began, 1-2-3 has been drawn a total of 14 times, with the last drawing occurring on September 17, 2013.
- Play4 Night sales were \$6 million in May, with sales of \$3.3 million in June as of June 17.
- Lotto sales have been consistent at \$1.4 million each month between February and April. There was an increase in sales to \$1.5 million for the month of May. The current Lotto jackpot is \$2.8 million.
- Cash5 sales saw a slight increase in May to \$2.6 million. Promotion of Cash5 continues with other draw games. There is currently a promotion running that features Powerball and Cash5.
- Lucky Links with 2XPOWER has a core group of players participating in this game. Average daily sales are between \$7,000 - \$10,000, with Lucky Links with 2XPOWER Night performing better than the daytime game.
- Keno sales were \$6.7 million in May. Keno sales to date since launch are more than \$83 million. A full 50% of Keno sales are generated by 161 of our 2,900 retailers, which is 6% of the retailers. Bars, taverns, amusement and fraternal organizations combined deliver 26% of overall Keno sales, leaving existing retailers of all other trade styles with 74% of overall Keno sales. Fifty-five percent of wagers placed have the Bonus Multiplier activated. The top ten Keno retailers combined generate 9% of the total Keno sales since launch. The top two retailers have sold over \$1 million in Keno since launch. The most popular time to play Keno is between 4:00 p.m. – 6:00 p.m. The most popular Keno wagers are the 2-spot, at 21% of wagers since launch, and the 4-spot, at 20% of wagers since launch.
- Powerball and Mega Millions sales combined were up over the previous month in May with \$8.9 million.

- For Powerball, higher jackpots equate to higher sales. May sales were \$7.1 million, up \$2.6 million from the previous month. On June 10, there was a \$435 million jackpot won. During that jackpot run, Powerball sales were over \$4 million in Connecticut. The current Powerball jackpot is \$92 million.
- Mega Millions sales in May were \$1.8 million, up over April. Sales through June 17 are \$1.3 million. The current Mega Millions jackpot is \$148 million.
- Lucky for Life is a top-prize driven game, with \$1.7 million in sales in May. Twenty-four states now offer Lucky for Life. Nebraska will be joining the game in August, and Oklahoma and West Virginia have expressed interest in joining as well. Connecticut has had a total of 17 second-prize winners since the current version of the game began in January 2015.

This concluded the Executive Report.

V. Committee Reports:

Audit Committee:

Mr. Thompson stated that the Audit Committee met today, prior to the Board meeting. The Committee discussed fraud prevention that was precipitated by a fraudulent email sent to the CLC's finance department; the CLC's disaster recovery plan; an update of a criminal case involving former MUSL Security Director, Eddie Tipton; a change to the corporation's bylaws; and an update with regard to several Senior Advisor projects.

Finance Committee:

Mr. Birney stated that the Finance Committee has met three times since the last Board meeting, primarily to review the FY18 budget as well as receive updates regarding the financial software conversion project. The committee also was presented with a marketing update which committee members considered quite helpful in understanding the CLC's Keno game and instant game portfolio. Mr. Birney asked Mr. Granato to provide an overview of the FY18 budget.

Mr. Granato's overview consisted of the following highlights:

Total sales for FY18 is projected to be \$1,253,900,000. This represents an increase of \$7.9 million from the FY17 budget. He noted that production expenses will see an increase due to additional licensed properties. Salaries and benefits are up year over year, although we have several vacant positions, and there will be increases and pension and healthcare expenses. Total operating income for FY18 is projected at \$343 million. After payments of \$2.3 million to the Chronic Gamblers Fund and \$2.7 million to the Department of Consumer Protection for regulatory costs, there will be a transfer of approximately \$338 million to the General Fund.

Legislative and Games Committee:

Ms. Morton reported that the Legislative and Games Committee met on Wednesday of this week. Ms. Morton noted that the Committee was presented with an overview of sales performance by Ms. Scott and both a marketing and capitol update by Ms. Turner. The Legislative and Games Committee reviewed changes to the Powerball Rules, which were primarily language changes to reflect the possibility of selling the game over the internet in the future. The committee was also presented with a brief presentation from a member of the public.

VI. New Business:

Review and Possible Action re: Powerball Rules Change:

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

Resolved, that after due consideration and based on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Official Powerball Game Rules and Connecticut Amendments related to drawings occurring on or after September 30, 2017.

Review and Possible Action Re: FY18 Budget:

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

Resolved, that after due consideration and based on the recommendation of the Finance Committee, the Board of Directors hereby approves the FY18 Budget.

Review and Possible Action Re: Bylaws Change:

On motion made by Mr. Thompson, seconded by Mr. Dakers, and unanimously approved, it was:

Resolved, that the Board of Directors approve the amendment to Article III, Section 1, of the Corporation's Bylaws.

Article III            Officers

Section 1 Appointment of Officers

The Board shall appoint the President and the Secretary of the Corporation, and such other officers as the Board may approve upon the recommendation of the President. Such officers shall not be directors of the Board, shall serve at the pleasure of the Board and shall receive such compensation as shall be determined by the Board, subject to the provisions of any written agreement of employment between the Corporation and the officer. The President and Secretary shall not be the same person. Officers shall assist the President as directed by him or her. Each officer shall be under the supervision of the President. The duties and responsibilities of any of the Corporation's officers may not be delegated to a director of the Board. If the active employee or retirement benefits component of compensation for the Corporation's officers are governed by State statutes or regulations administered by an agency of the State government, then the Board shall consult with such state agency, as needed, to ensure that any written agreement of employment or modifications thereto conform with such statutes or regulations.

VII. Executive Session:

At 12:57 p.m., on motion made by Ms. Morton and seconded by Mr. Morgan, the Board voted unanimously to move into Executive Session to discuss:

- Attorney/Client Privileged communication (including advice from outside legal counsel) regarding pending requests for indemnification. Board may take action in public session after discussion.
- Attorney/Client Privileged Report from General Counsel

Ms. Turner and Mr. Stone were invited to stay for the entire Executive Session. Mr. Hunter was asked to stay for the first item.

The Board reconvened in regular session at 2:16 p.m.

VIII. Discussion and Action Re: Executive Session:

Mr. Morgan stated that no votes or actions took place during Executive Session.

IX. Adjournment:

The next meeting of the Board of Directors will be Tuesday, September 26, 2017.

On motion made by Ms. Morton, seconded by Mr. Dakers, and unanimously approved, the meeting was adjourned at 2:19 p.m.

Respectfully submitted,

Matthew Stone  
Corporate Secretary  
Connecticut Lottery Corporation