

# CONNECTICUT LOTTERY CORPORATION

## Minutes of Board Meeting

Held on  
Thursday, May 17, 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; Joseph Kaliko; Steve Bafundo; James Farrell; and Michael Thompson (who joined the meeting by teleconference).

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

Call to Order: At 1:35 p.m., Vice-Chairman Mattison called the meeting to order since Chairman Farricker was briefly delayed. Mr. Farricker arrived at 1:45 p.m. at the end of the President's report.

I. Approval of Minutes:

Mr. Mattison called for a motion to approve the April 12, 2012 Special Board Meeting minutes. On motion made by Mr. Bafundo, seconded by Mr. Stauffer, and unanimously approved, it was:

“Resolved: That the Board approves the April 12, 2012 Special Board meeting minutes.”

II. Executive Report:

President's Report:

Ms. Noble welcomed Board members to the meeting. She reported that sales were ahead of last year by \$50 million and General Fund transfers were also ahead of last year by \$25 million.

Ms. Noble reported that the Connecticut Lottery Corporation has been focusing much of its effort on expanding and enhancing its retailer network. Travel Centers, Pride Stores and Stew Leonard's are examples of recent successes. A second New Business Sales Representative was recently hired to help bolster recruiting efforts.

A retailer rally was also recently held at the Coco Key Resort in Waterbury, Connecticut. More than 120 retailers attended. This was a record turnout and the event was successful.

More outdoor signage has been placed at retail locations and field representatives continue to ensure ticket dispensers are filled with a fresh mix of tickets. Changes have also been made in the Lottery's telemarketing department to ensure that retailer orders are filled and shipped promptly and efficiently. These improvements have been well received by our retailers.

On the Human Resources side, the Lottery has begun coordinating interviews to fill the open Director of Human Resources position. In addition, the Personnel Committee will report on the Compensation Review RFP that was recently awarded.

Concerning the Lottery's Supplier Diversity Program, the Lottery is pleased to announce that Janice Beckner, Purchasing and Facilities Officer for the CT Lottery, received a distinguished award at the GNEMSDC gala for "Buyer of the Year."

CT Lottery management met with the Finance Committee on May 10, 2012 to review final details of the Budget for FY 2013. The final budget will be brought to the full Board for ratification at the June 28, 2012 Board meeting.

In May, the CT Lottery submitted its application to the World Lottery Association for Level II accreditation. Currently, only four U.S. states hold Level II or Level III accreditation. The Lottery looks forward to receiving feedback from the WLA.

House Bill 5182 has been signed into law. The bill will allow the CT Lottery Corporation to accept various types of financial security from CT Lottery retailers including: surety bonds, letters of credit, and cash escrow. Ms. Noble publicly thanked the General Assembly and Governor Malloy for their support in getting this bill passed.

#### Sales Performance Report:

Before beginning her report, Ms. Patterson referred the Board to three updated charts that were handed out at today's meeting. Ms. Patterson provided an overview of sales trends as of April 30, 2012. Her report follows:

The Lucky for Life regional game continues to perform well and is very popular with our players.

The Play3 and Play4 games combined experienced lower revenues. However, sales were ahead of FY '09 and '10. On June 1, Play3 and Play4 play slips will be introduced. This will be a convenience for the retailers and the players. The CT Lottery is also coordinating the launch of these play slips with a bonus promotion for the Play3 and Play4 games.

The CT Games Only category is \$30 million (3.7%) ahead of budget.

Concerning multi-jurisdictional games, the Mega Millions \$640 million jackpot provided a substantial gain in sales for Connecticut. There has been slight erosion in residual incremental sales; revenue in the Mega Millions game is ahead of budget by \$7.6 million, or 26.8%.

Connecticut instant ticket game sales continued to be consistent and are \$29.9 million (5.8%) ahead of budget.

Classic Lotto remains ahead of budget by \$3.6 million, or 18.0%.

The Super Draw game is 26% sold out. A TV commercial to support the game was shown.

Sales of Powerball were up. The CT Lottery is evaluating the impact of the \$2.00 price point. Additional information will be provided to the full Board at a future meeting.

General Fund transfers were up \$24.2 million (10.2%) compared to budget.

“Remember the Heroes” billboards will be placed around the state in honor of Memorial Day and our Veterans.

This concluded the Executive Report.

### III. Committee Reports:

#### Finance:

Mr. Morgan reported that the Finance Committee met on May 10, 2012, to review the draft budget for fiscal year 2013. He noted that the Committee was pleased with preliminary numbers. The Finance Committee also reviewed the financial statements for the nine month period ending March 31, 2012. Mr. Morgan then asked Mr. Granato to provide an overview of financials. His report follows:

Through the nine month period ending March 31, 2012, overall net sales grew to just under \$807 million, which is \$44 million, or 5.8% above budget. Instant sales were \$26.1 million ahead of budget. Powerball revenues were up \$8.9 million when compared to budget. Mega Millions sales were up \$7.9 million, or 31% above budget, which was attributable to the historic jackpot run. Consequently, prize expense was up \$19 million, primarily due to higher sales volume. The primary contributors were instant tickets, Powerball and Mega Millions, which were \$16.9 million, \$3.4 million and \$3.9 million, respectively.

Two items most notably impacted results: Play 3 Night sales were under budget by \$1.3 million but actual prize expense was \$3.1 million under budget, producing a \$2.5 million favorable variance; and, all other games sales were \$3.6 million ahead of budget, but actual prize expense was under budget by \$2.1 million, resulting in a favorable variance of over a \$4 million.

Retailer Commissions and On-line Systems expense both exceeded budget due to the higher volume of sales. Marketing expense was \$2 million under budget. Production expense was comparable with the volume in scratch ticket production costs. Salaries and fringe benefits were under budget, primarily as a result of vacancies throughout the year.

Through March 31, we returned \$235 million to the General Fund, which is 10.2%, or nearly \$22 million ahead of budget.

Mr. Granato reviewed the Statement of Net Assets schedule. Of note was the relatively large increase in cash as of March 31, 2012 due to the historic Mega Millions jackpot and due to the timing of the collection of retailers' sweep accounts. As was reported to the Finance Committee, it is important to note that because the levels of sweeps grew so quickly due to the Mega Millions jackpot, delinquencies on the part of our retailers was closely watched. There were no substantial increases in delinquencies, either in number of retailers or in dollars.

#### Personnel:

Mr. Mattison reported that the Personnel Committee had met twice since the April Board meeting. At the first meeting, personnel decisions were discussed with the Committee and subsequently with the Finance Committee. The second meeting took place before today's Board meeting to discuss the

Compensation Services contract. At that meeting, a vote was made which directs the President to sign the Compensation Services contract. A report is due back to the Personnel Committee in late August.

Audit:

Mr. Stauffer reported that the Audit Committee met on April 27, 2012 and that most of the agenda items had been discussed during the Executive Session. Similarly, the items on today's agenda concerning Audit matters will also be discussed during Executive Session.

Mr. Stauffer made reference to the Lottery's Purchasing Policy and that the Board of Directors continues to retain the final authority over the on-line gaming system, real estate and financial auditor contracts.

Mr. Stauffer reported that each member of the Board had received a letter from Scientific Games.

Lastly, Mr. Stauffer reported that a meeting had been arranged with the Department of Consumer Protection in the near future concerning partial ticket packs and that the Audit Committee would update the full Board as to the outcome of that meeting.

IV. Executive Session:

At 2:05 p.m., Chairman Farricker requested a motion to enter into Executive Session for the purpose of discussing:

- Attorney/Client Communications Re:
  - Review Preliminary/Draft Contract Proposal Alternatives Re: Online Gaming System; and,
  - Pending Claims and Litigation.

Ms. Noble, Ms. Turner, Ms. Patterson, Ms. Glovach, Mr. Hunter, and Mr. Granato were invited to attend all portions of the Executive Session.

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

The Board reconvened in regular session at 3:00 p.m. Mr. Farricker noted that no votes, nor actions were taken during Executive Session.

V. Old Business:

None

VI. New Business:

None

VII: Next Scheduled Board Meeting Date: June 28, 2012.

VIII: Adjournment:

On motion made by Mr. Kaliko, seconded by Mr. Mattison, and unanimously approved, the meeting was adjourned at 3:05 p.m.

Respectfully submitted,

Chelsea Turner  
Corporation Secretary/Connecticut Lottery Corporation

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