

**Legislative and Games Committee
Meeting Minutes**

Held on
Tuesday, September 17, 2013
12:30 p.m.

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

Committee Members: Margaret Morton, Chairperson of the Legislative and Games Committee; Gale Mattison; Natasha Pierre; Robert Morgan; Jim Farrell via telecom; Frank Farricker, Chairman of the Board arrived at 1:09PM

Staff Members: Anne Noble, President & CEO; Diane Patterson; Chelsea Turner; Lana Glovach; Michael Hunter; and Christine Valentine

Call to Order: Margaret Morton called the meeting to order at 12:35 p.m.

I. Approval of Minutes:

On a motion made by Mr. Mattison, seconded by Mr. Morgan, the minutes of the June 26, 2013 Legislative and Games Committee Meeting were unanimously approved.

II. Sales Performance:

- Total all games sales for August 2013 were \$96.2 million. As of August 31, 2013, transfers to the General Fund were \$51 million.
- CT games through August 31, 2013 were \$159.1 million.
- Multi-state games through August 31, 2013 were \$27.6 million, slightly below budget, but two Powerball jackpots of \$400 million plus have helped.
- Instant ticket sales remained steady, with \$54.7 million in sales for the month of August. The New York Giants ticket has launched.
- Play3 and Play4 games were \$20.6 million for the month of August. This is great and we are still seeing the residual effects of 1111 and 1234 which were hit in the spring.
- Lotto sales for August 2013 did well at \$2.1 million.
- Cash5 sales for August 2013 were \$2.8 million.
- Super Draw 7 did not sell out. We will shift back to a longer time frame to sell tickets and this should help. Super Draw 8 launches on September 29, 2013.
- Powerball sales for the month of August were \$11.9 million. We are seeing some jackpot fatigue but the good news is that jackpots are gaining faster and higher.
- Mega Millions sales for August were \$1.8 million.

- The new Lucky for Life game began September 17, 2013, with two “For Life” prizes. The top prize of up to \$1,000 a day for life remains the same while the second-tier prize will be elevated to a \$25,000 a year for life payout, making it the only game in the country that offers two lifetime prizes. August 2013 Lucky for Life sales were \$2.3 million.

III. Keno

Ms. Noble provided the committee with key assumptions regarding Keno.

- Keno is a draw style lottery game, categorized as “social” in the industry because it is typically offered and played in venues that sell food and beverages.
- Keno is distinct from other draw games due primarily to the frequency and nature of the drawings and the display of results on a monitor.
- Keno is an ordinary lottery game. It is not an electronic form of gambling. It works just like other games.
- The object is for the player to match selected numbers to those drawn by the Lottery’s gaming system.
- The amount a player can win is dependent on the numbers matched as well as the style of play selected.
- A Keno wager is typically a dollar, although there are many choices available to a player. Odds and winnings vary by play style.
- Preliminary steps have been taken by the Lottery to prepare for a roll out. Keno will bring the CT Lottery in line with RI, Mass and NY that all offer Keno.
- The legislation passed in June requires an agreement between the state and tribes.
- As with all new games the CT Lottery will then need approvals from our Board and the DCP for Game Rules.
- The CT Lottery will continue to collaborate with our partners at DMHAS and CCPG on responsible gaming. We will be developing a new PSA as well as a new responsible gambling training video for retailers. As we consider introducing Keno, we share the goals with the problem gambling community of preventing youth from gambling and ensuring the public makes informed choices.
- Revenue from Keno will mature over time. Year one is an investment year and as retailers are added, revenue and profits will begin to grow. We expect to submit a budget to the Board this month after a review with the Finance Committee. We will also submit to the Board a proposed exercise of an extension of our contract with Scientific Games International (SGI), our online system provider.
- Successful and timely implementation is highly dependent upon some variables beyond the lottery’s control, such as execution of the tribal agreement, timely delivery of equipment and software from our vendor, and approval of retailer licenses.
- Deployment of Keno in our existing retailers as well as new venues, such as restaurants and taverns, reflects industry best practice and is consistent with the architecture of our gaming system. This approach gives all of our retailer

network an opportunity to sell the game, for which they earn a 5% commission, and ensures that consumers have venues to purchase tickets, check the outcome of their purchase, and redeem winnings.

- Not all locations will have a monitor, which displays the results of each draw. We anticipate that 100-200 existing retailers will have monitors. The vast majority of our existing retailer base will not have a Keno monitor.
- If the retailer network for the sales of Keno is limited, adjustments to revenue expectations will be required.
- The current licensing process for retailers will be followed. DCP must approve all licenses to become a lottery retailer. Recruitment efforts by the Lottery will be ongoing.
- As with the launch of other new lottery games, the implementation plan includes retailer training, employee training, and marketing and advertising support.
- We are testing prize structures and design variables.

Mr. Morgan asked whether any resources had been expended on Keno and Ms. Noble replied that some ordinary new game preparations are being made such as market research, employment recruitment and staff time.

Mr. Morgan asked about prospective new retailers. Ms. Noble said we have been cognizant that there are some approvals that need to occur. Sales representatives are surveying existing retailers and we have tentatively secured 1-800-4-CTKENO for prospective retailers. This is not turned on yet. We have also developed a lottery leads system to help with those efforts. We want to implement Keno responsibly.

Mr. Morgan commented that the CT Lottery is doing what the Board endorsed in 2010. Ms. Noble stated that we will not fully move forward until a budget is in place.

Mr. Morton stated that everything you're saying sounds like prudent management.

Mr. Mattison stated that we'll need to consider the extension of our contract with SGI. Ms. Noble replied that we have the right to exercise a five or seven year extension at two different rates and she would recommend seven if Keno is implanted. The agreement would commit us to a \$5.4 million payment over a two year period for the use of up to 600 terminals. Ms. Noble stated that the contract has been negotiated for these optional extensions.

Ms. Pierre asked if existing retailers have to get re-licensed. Ms. Noble responded no and explained that Keno is just like our other new games.

Ms. Noble commented that other capital expenditures included lighted signs.

IV. Executive Session

On a motion made by Mr. Morgan, seconded by Ms Pierre, and unanimously approved, the Committee moved to Executive Session at 1:12 p.m. Ms. Morton invited: Ms. Noble,

Ms. Patterson, Ms. Turner, Ms. Glovach, and Mr. Hunter to stay for the Executive Session relating to the Review of Draft CT Powerball Game Rules and Draft CT Mega Millions Game Rules, and Attorney/Client Communications Re: Lucky for Life Legal Agreement.

The Committee reconvened in regular session at approximately 1:27 p.m. No actions or votes were taken during Executive Session.

V. Old Business: *None*

VI. New Business:

Review and Possible Action Re: CT Powerball Game Rules and CT mega Millions Game Rules
On a motion made by Mr. Morgan, seconded by Mr. Mattison, the following resolution was made:

“Resolved, that the Legislative and Games Committee recommends to the Board of Directors that the Board approve the Connecticut Powerball Game Rules.”

The resolution passed unanimously.

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

“Resolved, that the Legislative and Games Committee recommends to the Board of Directors that the Board approve the Connecticut Mega Millions Game Rules.”

The resolution passed unanimously.

Procurement: Status Report

In preparation of Keno, CT Lottery worked with Social Sphere on testing prize structures and logo designs.

An RFQ for market research was issued on September 18, 2013.

Review and possible Action Re: Lucky for Life Legal Agreement

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

“Resolved, that the Legislative and Games Committee recommends to the Board of Directors that the Board authorize the President of the Corporation to execute the Second Amendment to Lucky for Life Regional Game Agreement on behalf of the Corporation.”

The resolution passed unanimously.

Review and Possible Action Re: Keno

This item was passed on. Discussion will continue with the full board.

VII. Adjournment:

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

Respectfully Submitted,

By: Diane Patterson
Vice President of Marketing and Sales
Connecticut Lottery Corporation