

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting
held on
Thursday, April 21, 2016
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; Meghan Culmo (via teleconference); Robert Dakers; Kia Floyd; Robert Morgan; Margaret Morton (joined at 12:16 p.m.); Natasha Pierre; Michael Thompson and Diane Winston (via teleconference)

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

Call to Order: Chairman Farricker called the meeting to order at 12:02 p.m.

I. Mr. Farricker welcomed the Board members to the meeting.

II. Approval of Minutes:

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

“Resolved, that the Board hereby approves the February 25, 2016 Board meeting minutes.”

III. Executive Report:

President’s Report:

Ms. Noble welcomed and thanked the Board members for attending today’s meeting and for their continued support. Ms. Noble provided an outline of her agenda which included a performance update, KENO, GameSense, a Capitol update and various other updates. 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.

- Performance Update for FY16
 - Ms. Noble reported that the state of the Lottery is good.

- Sales are \$74 million or 8.2% ahead of last year at this time and \$57 million ahead of budget.
- General Fund transfers are \$16 million or 6.6% ahead of last year at this time and \$18 million or 7.6 % ahead of budget.

Ms. Noble thanked the Board for all their support of KENO, and the staff for all their efforts in this regard.

- KENO Update:
 - Ms. Noble reported that sales began cautiously on Monday, April 18, 2016 with wagering in approximately five stores. An additional four stores were added on Tuesday and KENO went live in approximately one hundred additional retail partners on Wednesday.
 - On Monday, April 25, 2016, it is anticipated that KENO will go live across the entire state retail network. The CLC is ready with robust point of sales (POS) information at all of the retailers and information available on the CLC website and mobile app. The software and systems are working as planned. Ms. Noble then shared the CLC's new KENO commercial that will be broadcast on television. She reported that the CLC is pleased with its advertising partner, Mason, Inc. Ms. Noble stated that Ms. Patterson would provide more KENO details in her Sales Performance and Game update.
- GameSense:
 - Last year, during Ms. Noble's testimony before the legislature on KENO, she committed to a new, multi-faceted responsible gambling initiative. As a result, GameSense was introduced in March 2016. GameSense is a refreshed, modern approach to responsible gambling that began at the British Columbia Lottery Corporation. The CLC became the first U.S. lottery to become a licensee.
 - GameSense is a new approach to responsible gambling. The premise of GameSense is to remind players to use their "gamesense," or good common sense when choosing to gamble. The messaging is designed to reach players before they have problems gambling. GameSense reminds players to take breaks, set a budget and a limit on their spend.
 - Ms. Noble shared the four public service announcements that will be on both television and in social media. She also noted that GameSense messaging is currently displayed at the concourse between the Legislative Office Building and the Capitol.
 - All of the Lottery's retailers have been provided GameSense information. The CLC hopes that many other lotteries will adopt GameSense and make it a stronger responsible gambling brand across the nation.
- Capitol Happenings:
 - Senate Bill 118, An Act Concerning the Collection of Delinquent Taxes and Child Support from Lottery Winners. Ms. Noble stated this bill would have lowered the threshold on delinquency collections to \$600 and above. Ms. Noble provided written testimony stating that the CLC's position was neutral and provided information about the bill's potential impact. The bill did not move forward out of the Public Safety Committee.
 - Senate Bill 192, An Act Concerning Daily Fantasy Sports. Ms. Noble also testified in writing in connection with this bill. She stated that regulatory and statutory proposals to

laws regarding fantasy sports are not unique to Connecticut and are happening across the nation as mentioned previously. The CLC's position was to clarify jurisdictional issues and request to put the Lottery on equal grounds with respect to the internet. Ms. Noble noted that the CLC was invited and participated in a discussion at the Capitol yesterday. The discussion arose as the result of the Attorney General issuing an opinion that suggested that the legislation raised important issues with the State's relationship with our gambling partners, both of the tribes. The CLC is working to be helpful and provide information as requested. Ms. Turner stated that this bill passed out of the General Law Committee by unanimous vote and was referred to the Finance Committee, who merged the bill into the Finance Tax Package. The CLC is continuing to monitor this bill.

- Senate Bill 360, An Act Concerning Lottery Tickets. This bill would have eliminated prize claim expiration periods beginning in October. Ms. Noble stated that the CLC testified against this bill and it died in committee.
 - Senate Bill 358, An Act Concerning the Purchase of Lottery Tickets. This bill would have authorized a management service to arrange for internet subscriptions with the Lottery's retailers and players. The CLC testified in opposition, primarily due to the lack of a contractual arrangement with the CLC and the lack of potential safeguards. The CLC is not opposed to ecommerce. This bill died in committee.
 - The CLC will continue to monitor a variety of other bills at the Capitol on a variety of topics.
 - Ms. Floyd asked if Senate Bill 360 was related to the Clarence Jackson issue. Ms. Turner explained that the bill was spearheaded by a lobbying firm who represented a woman with five expired tickets. Ms. Turner noted that the introduction of this year's bill was helpful in illustrating the CLC's concern about opening up a Pandora's box.
- Various Updates:
 - 5 Card Cash
 - Ms. Noble stated that the Audit Committee received a complete report on the status of 5 Card Cash at their April 6, 2016 meeting. She noted that further details would be provided in Executive Session. Ms. Noble also mentioned that the CLC continues to pursue restitution in a number of forums including with our gaming system vendor, Scientific Games. She will keep the Board and Audit Committee informed.
 - Budget
 - The CLC's first draft of the Budget was given to the Finance Committee on March 31, 2016. Ms. Noble reported that there is a lot of work to do in putting together a complete and comprehensive plan for FY17. The Finance Committee will meet in May to review and complete the budget process. Ms. Noble anticipates the final budget will be ready for the June Board meeting.

Sales Performance and Game Update:

Ms. Patterson, Vice President of Marketing and Sales presented her report using sales charts, and provided an update for the period ended March 31, 2016 which included the highlights below.

Ms. Patterson began her report by stating that KENO is not only about selling tickets, but also the training of our retailers, customers, and staff. She noted that KENO is a whole new way to play

the Lottery. She shared a picture of a recent Retailer Rally with approximately 180 retailers in attendance who learned how to sell KENO.

Ms. Patterson shared her appreciation for the Sales and Marketing team at the CLC and for all of their efforts with the Retailer Rally. She pointed out the KENO Tip sheet provided to the Board and stated that it was created for bar and restaurant employees selling Keno as part of on-going training. The public is also learning how to play KENO through the CLC's social media and Facebook page in addition to the CLC's how-to-play KENO video on the CLC's YouTube channel. The CLC continues to educate its players by encouraging the use the Lottery's mobile app to check tickets themselves. The mobile app is promoted in many of our point of sale (POS) materials.

The CLC has recently received publicity on WTNH and WFSB regarding KENO. Ms. Patterson shared a social media promotion set to appear in the next few weeks. Ms. Patterson reported that on the first day of KENO, Sales staff were at the retail locations beginning at 5:00 a.m. to support the sale of KENO and answer any questions. She noted the largest win on day one was \$1300 at the Italian Villa in Enfield. Ms. Patterson shared pictures of various retail locations across the state. She mentioned as of the start of today's meeting, Keno was at draw 1356 and to date there were approximately \$29,000 in KENO sales. Mr. Farricker asked how many locations were currently selling KENO. Mr. Hunter responded that there are 108. Ms. Patterson noted the draw times and frequency.

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

- All Games Sales were at \$102.8 through the end of March. As of April 20, 2016, actual sales are \$988.5 million compared to a budgeted \$931 million, which is 6.1% ahead of budget.
- General Fund transfers are at \$265 million or 7.6 % ahead of budget.
- CT Games are at approximately \$799 million for FY16 which is \$31.7 million or 4.1% ahead of budget.
- Multistate games are at \$122 million, which represents \$25 million or 26% ahead of budget.
- Total Sales were at \$921.1 million as of March 31, 2016 and currently at \$988 million.
- Instant games are doing very well with \$66 million as of March 31, 2016. Ms. Patterson stated the new series of Lucky 7s games have contributed to the increase in Instant ticket sales. The launch of the 7s series is bringing in approximately 9% of all Instant sales in the Instant Game portfolio.
- Ms. Floyd inquired as to how long the Lucky 7s games will run. Ms. Patterson responded that it would most likely run under a year. Ms. Floyd asked if the game continues to sell well, would it be continued. Ms. Patterson responded that some games are cycled out and replaced with a new game or a second edition of the game. Mr. Birney inquired what denomination of Instant ticket sells more. Ms. Patterson explained that the \$1, 2's and 3's are selling well, and sell very well during the holidays. The Lottery has seen a growth in sales of the higher price tickets due to the higher prizes.
- Play3 and Play4 have seen strong sales for the month of March with \$22.1 million. Ms. Patterson noted that on March 17, 2016, the number 1-2-3 was drawn in Play3 day, and it paid out \$935,000. On April 10, 2016, 4-1-1 was drawn and paid out \$716,000.
- Play4 Night had \$6.2 million in sales for March 2016.

- Lotto had a \$5.2 million jackpot on April 8, 2016. The ticket was sold in the Hartford County and remains unclaimed. The Lottery's social media will continue to advertise the unclaimed ticket. Ms. Patterson noted that sales will flatten for a period while we grow the jackpot.
- Cash5 is a steady game in the portfolio. There was \$2.7 million in sales for March. Ms. Patterson noted that 60% of players are spending the extra \$.50. for the kicker number.
- Lucky Links with 2X POWER had sales of \$900,000 in the combined day and night games in March. Mr. Birney asked how the game is played. Ms. Patterson responded that Lucky Links with 2X POWER is a 9-section grid with a free space. She noted that players can have the same numbers but it depends on where they fall on the grid.
- Ms. Patterson noted that our social media is reminding players to check their tickets on the Lottery's mobile app. She noted that there are currently four unclaimed Powerball prizes. Three \$1million tickets and one \$2 million ticket. One of the tickets expires in FY16 and the other three in FY17. The CLC's Facebook page has a post that reminds customers to check their tickets and also reminds them of the four unclaimed Powerball ticket numbers. Ms. Patterson noted that Powerball sales levels have leveled out after the \$1.6 billion jackpot.
- MegaMillions has a growing jackpot and sales are slowly picking up.
- Lucky for Life has seen small incremental growths in sales. There was a recent meeting with the Lucky for Life Directors to discuss changes to the future of the game. Ms. Patterson noted that Lucky for Life also has an unclaimed \$25,000 a year for life ticket that expires in July 2016. This is also displayed in our social media, Facebook and the CLC webpage.

Mr. Farricker, Chairman of the Board stated that KENO has been a longtime vision of the CLC and it is enormously gratifying for him as Chair of the Board, that it has succeeded and seems to be rolling out with great acceptance and optimism. He congratulated the CLC for the successful job and for adding to the significant amount of funding, which increased in the last 4 months exponentially, that the CLC brings to the General Fund and the State of Connecticut. He stated the members of the CLC should be proud of their efforts and that the Board is quite proud of them as well.

This concluded the Executive Report.

IV. Committee Reports:

Finance Committee:

Mr. Birney stated that the Finance Committee received the FY17 Budget draft on March 31, 2016. The Committee will review the draft at its May meeting.

Audit Committee:

Mr. Thompson reported that the Audit Committee met on April 6, 2016 in public session and reviewed the 5 Card Cash investigation. Mr. Thompson noted that Ms. Noble provided a thorough, up-to-date and comprehensive report that lasted almost an hour and included an update on a recent media report. Each member was able to ask any question. Mr. Thompson further stated the members of the Audit Committee were duly satisfied and noted that very detailed minutes of the April 6, 2016 Committee meeting are posted on the CT Lottery Corporation's website. The Committee also met in Executive Session on April 6, 2016 and

further discussed the status of the 5 Card Cash Investigation in addition to restitution from Scientific Games (SG). Mr. Thompson stated that the Audit Committee supports these efforts to seek restitution. The General Counsel also updated the Committee on an FOI Appeal and was pleased with that result. Mr. Thompson stated that no votes or actions were taken at the meeting.

Legislative & Games Committee:

Ms. Morton reported that the Legislative and Games Committee met on April 13, 2016. She reported that Ms. Patterson presented a Sales and Games Performance update, which was similar to what was provided earlier in the meeting, Ms. Noble provided a KENO report and Ms. Turner provided a Capitol update. No votes or actions were taken at the meeting.

Personnel Committee:

Ms. Floyd reported that the Personnel Committee met on April 21, 2016 and reviewed the following policies: Life and Disability Insurance Policy, Retirement Plan Contribution Policy, Managerial and Confidential Tuition Reimbursement Policy, and the Paid/Accrued Leave Policy and Procedure for Management. The Committee did not recommend any changes, as they are satisfied with the current policies. Ms. Floyd reported that the Committee went into Executive Session and no votes or actions were taken.

V. Executive Session:

At 12:37 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Mr. Birney, seconded by Ms. Morgan, and unanimously approved the Board moved into Executive Session to discuss:

- New Game Initiatives
- Pending Claim Re: Attorney/Client Communication concerning the corporation's legal rights in connection with 5 Card Cash recoveries
- Pending Litigation Re: Attorney/Client Communication concerning Osmond FOIA appeal
- Attorney/Client Communications Re:
 - Update on 5 Card Cash
 - Compensation Plans

Ms. Noble, Ms. Patterson, Mr. Hunter, Ms. Glovach and Ms. Turner were invited to stay for the New Games Initiatives portion of the Executive Session. Ms. Noble, Ms. Glovach, and Ms. Turner were invited to stay for the Pending Claims, Pending Litigation and Update on 5 Card Cash portion of Executive Session. Ms. Noble and Ms. Glovach were invited to remain for the Compensation Plans portion of Executive Session.

The Board reconvened in regular session at 2:04 p.m. Chairman Farricker stated that no votes or actions took place during Executive Session.

VI. Old Business:

Election of Vice-Chairperson of the Board

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

“Resolved, that the Board elects Patrick Birney as Vice-Chairperson of the Connecticut Lottery Corporation's Board of Directors for a period of one year.

This resolution passed unanimously.

VII. New Business:

Mr. Farricker stated in light of the current economic conditions with the State, he asked the Finance Committee to review the Management Compensation Plan and report to the Board at its next meeting.

VII. Adjournment:

Mr. Farricker then called for a motion to adjourn the meeting.

On motion made by Mr. Birney, seconded by Ms. Morton, and unanimously approved, the meeting was adjourned at 2:06 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corp.