

CONNECTICUT LOTTERY CORPORATION

Minutes of Board Meeting

Held on
Thursday, November 17, 2011
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, designee of ex-officio member, Denise Nappier, State Treasurer; Steve Bafundo; Natasha Pierre (who joined the meeting by phone); Martin Stauffer; Joseph Kaliko; Michael Thompson; and James Farrell.

Absent: Margaret Morton; Kenneth Saccente; Robert Dakers; and Patrick Birney.

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

Visitors: Kenneth Flatto, Director of Gaming, Connecticut Department of Consumer Protection; Amy Jurz, Scientific Games; Kendra Eckhart, Cashman and Katz Integrated Communications; and, various CLC employees

Call to Order: Chairman Farricker called the meeting to order at 1:35 p.m.

I. President's Report:

Ms. Noble welcomed Board members to today's Board meeting. In her update to the Board, Ms. Noble reported that sales and General Fund transfers have been very strong, and the Lottery is now entering the holiday season, which typically corresponds to strong sales.

The CT Lottery Corporation has had a lot of big winners recently. We know the November 2nd \$254 Million Powerball ticket was purchased in Fairfield County in Connecticut, but the winner has yet to come forward to claim his/her prize. This jackpot is the 12th largest in U.S. lottery history and trounces the previous record for a Connecticut jackpot win. Additionally, the Lucky-4-Life game was hit on November 16th by a woman from Hamden, and a \$1.5 million Classic Lotto jackpot prize was claimed by a Navy veteran on Veterans' Day. The timing of this last winner made for a particularly heartwarming story, and the Lottery was honored to present the winner with his check here at our headquarters.

Ms. Noble then welcomed Lana Glovach, the Lottery's new General Counsel. She noted that Ms. Glovach had worked in the past for the law firm Murtha Cullina LLP and for The Hartford.

Ms. Noble thanked CLC staff for their hard work during the recent snow storm. Operationally, the Lottery's system functioned as normal, but over the course of the week, Lottery sales were impacted by approximately 15% due to power outages and other issues at retail sites.

The Lottery continues to monitor internet gaming and legislation at the federal level. The Lottery is also closely monitoring the casino developments in Massachusetts. The Lottery plans to hold a Legislative and Public Affairs Committee meeting before the end of this year and will present a draft proposed legislative agenda for the coming year at that time.

The Department of Consumer Affairs (“DCP”) is still reviewing regulations for the Lottery. Lana Glovach, the Lottery’s new General Counsel for the Lottery, has reviewed the most recent draft and will be providing some additional input. We expect that DCP will move their proposed regulations forward within the next few weeks and the Lottery looks forward to seeing the final proposal.

The Lottery’s Affirmative Action Plan will be presented at the next Personnel Committee meeting, which is planned to take place over the two to three weeks.

The recent win in the Classic Lotto game resulted in an augmentation amount of \$500,004. The President of the Lottery is required to report to the Board any augmentation amount in excess of \$300,000.

Ms. Noble thanked Barbara Porto and Gloria Donnelly for their work and dedication to responsible gaming during their tenure with the Lottery. (Both Ms. Porto and Ms. Donnelly retired from the Lottery in September and October, respectively.) These women were not only leaders on this issue in Connecticut but on a national level. Ms. Turner will now oversee the Lottery’s responsible gaming initiatives and plans are in place to share many of these opportunities with other CLC employees to encourage interdepartmental coordination and more companywide commitment to the projects. Ms. Noble reported that she is pleased that there will be new opportunities for CLC employees to participate in the World Lottery Association accreditation process, retailer responsible play initiatives, a women’s responsible play group, a responsible play group led by DCP comprised of all the gaming entities in CT, the Partnership for Responsible Gaming, responsible play PSAs and marketing initiatives, and executive development efforts, as well as speaking engagements and outreach in the community.

On November 10th, the Lottery celebrated Veterans’ Day with an event held in the atrium to honor ten Lottery employees who were members of the US armed forces.

Sales & Marketing Report:

Using several sales charts, Ms. Patterson provided an overview of sales trends as compared to the same period last year. A brief summary follows:

Connecticut instant ticket games proved strong in the first four months of this fiscal year and were \$5.8 million ahead of budget and \$7.3 million ahead of last year’s actuals.

Overall daily numbers games are slightly behind budget, except for the Play3 Day game.

Classic Lotto sales were strong and finished \$3.2 million, or 39.5% ahead of budget. Classic Lotto’s November 11, 2011 jackpot of \$1.5 million was claimed by a US Navy veteran on that day. Cash5 went pari-mutuel on two occasions during the first quarter. Lucky-4-Life games remained steady and the top prize was recently claimed at Lottery headquarters.

The Lottery saw a successful jackpot run in the Powerball game, which helped bolster sales during the July through October period. Powerball with Powerplay sales reached \$22.1. The Mega Millions with Megaplier game reached \$8.2 million in sales during the same period.

In total, all game sales were 0.7%, or, \$0.7 million ahead of budget.

Currently, General Fund transfers stand at \$91.2 million.

Ms. Patterson reported on the various promotional activities currently taking place at the Lottery. Notably, the Play3 Day and Play4 Day drawings were planned to take place on-site at the Stew Leonard's store on Friday, November 18th. A Stew Leonard's customer was selected at random as part of the promotion; that customer will be the Lottery's "guest host" for the drawing.

The Lottery, as part of its partnership with UConn, presents individuals with awards for exceptional community service. At a recent event, the Lottery's Director of Sales, Sol Ramsey, presented the award on behalf of the Lottery.

The Lottery continues in its efforts to educate the public about scams and other fraudulent activities. Fred DuPuis, the Lottery's Director of Security, participated in an event sponsored by the CT Attorney General's office on November 2nd. The aim of the event was to alert the public about how to avoid such scams and other deceptive practices.

The holiday marketing campaign is well underway. Retailers have received new holiday placemats and various other POS. The Lottery endeavors to support its retailers by providing promotional materials that will help them in their sales efforts.

This concluded the Sales and Marketing Report.

II. Approval of Minutes:

Before making a motion to approve the minutes of the September 15, 2011 Board meeting and the minutes of the November 9, 2011 Special Board meeting, Mr. Thompson requested that the minutes of the November 9th meeting be amended to reflect his attendance at that meeting.

On motion made by Mr. Stauffer, seconded by Mr. Bafundo, and unanimously approved, it was:

“Resolved: That the Board approves the September 15, 2011 Board meeting minutes and the amended November 9, 2011 Special Board meeting minutes.”

III. Committee Reports:

Finance:

In his opening remarks, Mr. Morgan stated that overall sales were ahead of budget by \$4.4 million. He also noted that General Fund transfers had done especially well and were above budget by over \$700,000. He then asked Mr. Sheftel, the Lottery's Acting Chief Financial Officer, to give an overview of the Lottery's financial statements for the quarter ended September 30, 2011. Mr. Sheftel's report follows:

Net sales were up \$4.4 million, due to higher than expected scratch ticket and Classic Lotto games sales. Overall Prize expense was up by \$2 million, primarily due to an increase in the prize expense

related to the scratch ticket games. Retailer sales commissions were up by \$200,000 compared to budget. Market and advertising expense was down \$1.2 million, primarily due to the timing of the production of commercials. Total cost of sales was up \$1.1 million as compared to budget. Salaries and fringe benefits were down by \$200,000. This was a result of retirement expense budgeted at 41%; however, the actual rate was 39%. In addition, salaries were lower due to several unfilled positions as of September 30, 2011. Other operating expenses were up \$100,000, because of payment of annual dues and purchases in the first quarter, which were budgeted for future quarters.

Games:

Mr. Kaliko report that the Games and Marketing Committee had met on November 9th to review sales and discuss cross promotions. He noted that the Georgia Lottery had a promotion where players with a non-winning \$5 ticket could bring it to their local “Waffle House” restaurant for a free waffle. The committee also discussed partnerships with sports teams and ways continue to increase returns to the General Fund. Mr. Kaliko noted that no votes were taken at the November 9th meeting.

Personnel:

Vice-Chairperson Mattison reported that some personnel matters had been discussed at the November 9, 2011 Special Board meeting. He then proposed a motion to appoint Chelsea Turner, in lieu of Barbara Porto, as the Lottery’s Corporate Secretary.

On motion made by Vice-Chairperson Mattison, seconded by Mr. Bafundo, and unanimously approved it was:

“Resolved: That the Board appoints Chelsea Turner, in lieu of Barbara Porto, as the Secretary of the Connecticut Lottery Corporation, with such powers and duties as are set forth in Section 12-805(a) of the Connecticut General Statutes and Article III of the By-Laws of the Connecticut Lottery Corporation, each as amended from time to time, and to have Ms. Turner serve as such Secretary without additional compensation and within her existing job duties.”

IV Executive Session:

At 2:05 p.m., Chairperson Farricker called for a motion to enter into Executive Session for the purpose of discussing new games initiatives, Personnel Search Committee report, and pending claims and litigation. Ms. Noble, Ms. Turner, Ms. Patterson and Ms. Glovach were invited to attend the new game initiatives portion of Executive Session. Ms. Noble and Ms. Glovach were invited to attend the Personnel Search Committee Report and pending claims and litigation portions of Executive Session.

On motion made by Vice-Chairperson Mattison, seconded by Mr. Bafundo, the Board moved into Executive Session.

The Board reconvened in regular session at 2:30 p.m. No votes nor actions were taken.

V. Old Business:
None.

VI. New Business – Next Board Meeting Date:
Chairperson Farricker referred Board members to the roster of Board meeting dates for calendar year 2012. There were no objections to any of the dates and times. As such, the next Board meeting date is Thursday, February 2, 2012.

VII. Adjournment:
On motion made by Vice-Chairperson Mattison, seconded by Mr. Kaliko, and unanimously approved, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corporation

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