



**Meeting of the Board of Directors of the
Connecticut Lottery Corporation
DRAFT MEETING TRANSCRIPTION**

Held on

Thursday, June 11, 2020 at 12:00 p.m.

via teleconference

Board Members Present: Robert Simmelkjaer, Board Chair; Patrick Birney; Wilfred Blanchette Jr.; Meghan Culmo; John Flores; James Heckman; Manny Langella; Patti Maroney; Margaret Morton; and Michael Thompson (all via teleconference).

Staff Members Present: Gregory Smith, President and CEO; Peter Donahue; Paul Granato; Matthew Stone; and Annmarie Daigle.

I. Welcome:

(R. Simmelkjaer): Good afternoon everyone. This is a regularly scheduled meeting of the Connecticut Lottery Corporation Board of Directors. My name is Rob Simmelkjaer, Board Chair, calling to meeting to order at 12:05 p.m. Before we begin I'd like to turn it over to our General Counsel to go over the rules of the meeting we are operating under.

(M. Stone): Thank you Mr. Chair. This is Matt Stone, General Counsel for the Lottery and we are operating under Governor Lamont's Executive Order regarding public access to meetings. We have the public on a different line listening in, as there is no in-person public attendance for this meeting. That phone line will be taken out of the room when the Board goes into executive session and that line will be kept open and active and then brought back into the meeting after the executive session. A reminder that speakers should identify themselves by name each time they speak, this is particularly important for Board members when making motions, seconding motions, voting no or abstaining from a vote, so that we have the record clearly reflect who took what actions the public knows who is speaking. And finally, this meeting is being recorded, audio only, and we will post the recording transcript on our website after the meeting, which will serve as the minutes of the meeting. That is all I have, thank you Mr. Chair.

(R. Simmelkjaer): Thank you very much Matt. This is Rob Simmelkjaer, Board Chair. This is my first meeting as Board Chair so I wanted to make few comments. First of all welcome to all of you who have joined the meeting. I just want to say how pleased I am to be with all of you, to be a part of this organization. I want to thank Governor Lamont, Lt. Governor Bysiewicz for the opportunity to serve this

state as Board Chair. I am really honored to be chosen to lead this Board, to serve the administration, an administration which has done such a great job leading the State over the last two-and-a-half years, especially during the crisis that we've been going through as a state, as a country, over the last few months. Speaking of that crisis I wanted to acknowledge and thank the staff of the Connecticut Lottery Corporation for the work they've done to guide this organization through the last few months. There's obviously been a tremendous number of logistical challenges to operate the Lottery during this pandemic; we haven't missed a beat, we've managed to continue to operate, we haven't missed a day. We've actually had some strong sales which you'll hear about later in the meeting during the latter stages of this crisis and that's incredibly important because the revenue that this organization generates for the state couldn't be any more important than it is right now. I came to company headquarters for the first time a couple of weeks ago after being nominated for this position and there were a couple dozen people here working, with masks on, properly distanced, doing everything they needed to do to keep operations on track. So I want to thank Greg for your leadership, and the entire staff for the work that everyone has done to keep the Lottery going during this really difficult time. This has been such a tough time, not just with the pandemic but with everything that's been happening in our country in the last few weeks, the protests we've seen around the country, around the state, regarding what happened in Minnesota. We've been fortunate that here in Connecticut the protests have been peaceful, which has allowed our retailers, who are of course our most important partners, to stay in business, they have not been disrupted. We've seen disruptions in a lot of parts of the country with convenience stores and other types of stores that were affected and unable to operate. We've been fortunate that has not been the case in Connecticut so, thank you to the people in the state for keeping the focus on the message of the protests and not being counterproductive and doing things that hurt the state or hurt what we're trying to do here with the Lottery.

Lastly, I just wanted to say what an exciting time this is for me to come into this organization. There's really a tremendous opportunity, a necessity, in front of us to do everything we can to increase responsible gaming in the State of Connecticut. There are now by my last count 17 states that have legalized sports betting in some form around the country. About half a dozen states have legalized iLottery in some form or another, online casinos are also growing. The COVID crisis and the economic impact of that has created an acute need for the State of Connecticut to look at all options to grow revenue in a way that does not hurt taxpayers or essential services. There is no other entity in the state that can give taxpayers the kinds of returns that the Connecticut Lottery Corporation can for any new type of gaming which is legalized, I cannot stress that enough. This corporation has a great track record of delivering financial returns to the state, something that isn't really discussed enough quite frankly. There hasn't been any auditing issue that I'm aware of in recent history. So now is the time to put whatever negative story lines that had existed aside, clean up any past issues quickly and as fairly as we can, and to focus on the work of generating revenue for the taxpayers of this state at a time that this is desperately needed. I am really looking forward to working with Greg, with all of the other members of the Board, to make that happen as we navigate this challenging time and look ahead to the future of gaming in the State of Connecticut. Thank you very much.

II. Approval of April 9, 2020 Board Meeting Minutes:

(R. Simmelkjaer): With that, we'll move on to Item II on the agenda which is approval of the board minutes from the April 9, 2020 Board Meeting. I will look for a motion, assuming everyone has had a

chance to review those. Obviously I was not around for that one so I will have to abstain. Is there a motion to approve those minutes?

(P. Birney): Mr. Chair, Patrick Birney, so moved.

(W. Blanchette): Second, Blanchette.

(R. Simmelkjaer): OK, we'll vote on this. All those in favor?

(All): Aye.

(R. Simmelkjaer): Any opposed? And I will abstain for obvious reasons, so one abstention.

III. Approval of May 7, 2020 Special Board Meeting Minutes:

(R. Simmelkjaer): The next item is the approval of the Special Board Meeting Minutes for the meeting which took place on May 7, 2020. Do I have a motion to approve those?

(P. Birney): Mr. Chair, Patrick Birney, so moved.

(R. Simmelkjaer): Thank you Patrick.

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? And one abstention from me.

IV. Lottery Report:

a. Financial Report:

(R. Simmelkjaer): We will move on to the Financial Report, and Paul will take us through that.

(P. Granato): Good afternoon Board members – This is Chief Financial Officer Paul Granato to report on our financial results for May. The third slide in your packet contains the results for May 2020 with a comparison to May 2020 budget and to May prior year. Sales were very strong in May and totaled \$124 million – up \$7.7 million – or 6.6% ahead of the prior year.

Our instant tickets were up \$9.4 million compared to prior year and our daily Play3 and Play4 games were up a combined \$4 million. Sales were approx. \$6 million lower in jackpot dependent games of Powerball, Mega Millions and Lotto. Total cost of sales for May were \$91.1 million or 73.5% of sales. Cost of Sales include prizes, commission, system fees, marketing and production expenses, with the lion share of expense in prizes. More important to monitor the percentage here since the dollar amount will rise or fall based on sales increase or decreases. Cost of sales is three percentage points ahead of budget and 5% higher than prior year. The majority of the increase is the result of prize payouts. Several repeating numbers were selected during the drawings in May and liabilities are generally higher with repeating numbers. Also dates are usually higher payouts – for instance today is June 11, and the liability is generally higher for 6-1-1 today. That happened several times during the month of May as well. In addition, the Lotto jackpot was won again after only two draws. This required a significant contribution from the Lottery to fund the prize. As a reminder these funds come from unclaimed prizes.

Operating expenses were \$1.8 million or 1.5% and that left \$30.4 million to be transferred to the General Fund. Transfers were down \$4.9 million from May of the prior year even though sales were up over 6%.

So while sales were up our cost of sales were also up considerably. Moving on to slide 4 – to date we have \$1,179,000,000 in sales- down 3.8% compared to prior year and 3.3% compared to budget. Compared to prior year – instant tickets, Keno and daily games continue to perform better than the prior year. These gains are offset by lower sales primarily in the multistate games of Powerball and Mega Millions. Total cost of sales are \$830.7 million or 70.4%. Total cost of sales is \$24.2 million lower than prior year totals – however –the percentage increased from 70 basis points from 69.7% to 70.4%. This is the predominantly the result of higher prize payouts.

Total operating expenses were \$22.6 million compared to \$22.1 million or 2.1% over prior year. The increase is chiefly related to higher legal expenses over prior year coupled with higher salary and compensation offset by lower costs in many other categories expense compared to the prior year. General fund transfers were \$321.6 million for the period ended May 31, 2020. Transfers are down \$18 million from the prior year and down \$7.1 million to budget. While it does not carry the same pizzazz as transferring a million dollars a day in profits, the CLC has returned over \$957,000 in profits per day to the general fund.

That concludes my financial report – and I’ll open it up to any questions. Thank you.

(R. Simmelkjaer): Thank you Mr. Granato. Any questions? Hearing none. Excellent, thank you.

b. Public Relations Report:

(R. Simmelkjaer): Next we’ll move on to the Marketing Report, Mr. Donahue.

(P. Donahue): Thank you. This is Pete Donahue, Senior Director of Marketing with the Lottery. Good afternoon Chairman Simmelkjaer, welcome and very nice to have you here. Good afternoon to the Board as well, I’m going to follow up on what Paul has already covered but I’m going to focus more on sales. You can see all the numbers here from the income statement is a representation of everything, as a snapshot together right in line with what Paul was saying, we have some games that are performing better than others, with our jackpot-focused games dipping a little bit just because we have not had those big jackpot runs. The good news here is despite all the negative impacts of the COVID-19 scenario, we are in remarkably good shape. The next slide is a graphical representation of the previous slide and again really the focus is that we are in very good shape and very impressive numbers based on the hand that we have been dealt.

General fund contributions, Paul covered it really well, we’re down a little bit but with these continued strong sales in May and the start we’ve had in June, we will be quickly closing this gap, so that is really good news. Some game specific highlights, we’ll drill down a little bit. Starting with instant games, we’ve had some very strong sales recently. I was looking at this chart yesterday as I was preparing for this meeting and if you showed me this chart on April 11th and said this is what I’d be talking about on June 11th, I would have never believed that we would have gotten here. This is fantastic news, we have really cranked it up with instant tickets. We continue to post incredible instant sales numbers. For example, last week was a \$17.3 million week which is unheard of for June, so incredible sales. Continued strong sales will help us close that budget gap. I also wanted to point out a lot of hard work went into keeping the instant products out there on the shelves, constant shifting, daily changes, sometimes hourly changes and a huge thank you to the warehouse and sales teams to keep us moving forward, we certainly could not have done it without them and we really learned new ways of doing things, so it’s been great. Thank you to everyone.

On to the next slide, Powerball and Mega Millions, no surprises here, these are the jackpot games. We haven't been able to get a good run, we had a good one starting and unfortunately Mega Millions got hit Tuesday night and we will continue to promote these games and hopefully we can get in a couple of good jackpot runs. On to Keno, Keno continues to be our shining star. Prior to COVID, we were on an amazing, amazing run and really generating some record sales on a weekly basis. If it hadn't been for the COVID-19 pandemic, that purple bar would have been off this chart. But we're very pleased with how everything is coming back and this is in spite of all of the bars and restaurants being closed. We continue to generate very strong sales with Keno and we expect to continue to do so. Looking at the daily numbers, which is just the Play3 Play4 Day and Night, you can see that we are holding steady to budget and we have surpassed a little bit from the actual of last year. The daily numbers have been very solid throughout the year, bolstered by an incredibly solid May, and I'm going to get into just May and highlight that in the next slide. Wow, May, for the daily numbers, incredible growth, if you look at Play3 Day, Play4 Day and Night, all up incredibly over a year-over-year growth anywhere from 12%-22% higher than last year. The appetite for those games has continued to grow and we are very excited about that growth. Well timed, timing is everything, we have a new promotion that just kicked off on Monday. We have been working on this for a while, prior to everything happening. This promotion is called \$200,000 Cash Blast, again kicked off on Monday and is going to run through June 21st or until all the vouchers are awarded. We are giving away 20,000 ten-dollar cash vouchers. If a player wins a cash voucher they have the option of getting the \$10 or they can purchase additional lottery products. Some really solid numbers on that promotion, just since Monday we've awarded 45,000 of these vouchers and we have seen incremental sales growth since last week on a comparison day-by-day. We are going to keep our eye on this promotion, we think it's a winner right out of the gate and we will have a report for you in the weeks to come.

Lucky Links. As you know from previous meetings, we are saying goodbye to Lucky Links. The game has been out there since 2015 and has served us very well. We feel that it's time to freshen up our product mix and retire Lucky Links. We've done a very thorough job of notifying our players including notification on the website, this is also present at retail on the retailer monitors, we have done a legal notice in all three of our major papers, and the retailers have all gotten news messages on the terminals. So we are now in the step-down phase where we limit Advanced Action because we are passed the point where you could buy 26 consecutive draws. Everyone's been notified and that game will come to a close on June 30th.

Finally, as they say, out with the old and in with the new, we are very excited about our new game, Fastplay. We have been working on this for seemingly the last nine months or so. It has been a monumental task with literally every department pitching in. So thank you to everyone for your input. We've had some very strong support from our systems vendor, Scientific Games, so a big thank you to those folks as well. We have a two minute video that we created for consumer use and we will send out the link to everyone so you can see that. We will use the video to explain to our players and our retailers, it will be a great training tool as it gives a very good overview of the game. Basically, it is an instant game that comes out of the terminal, our first progressive suite will be a \$1, \$2 and \$5 game, all contributing to one growing jackpot and once that jackpot is hit it will reset and continue to grow. This game is on sale at 22 lotteries throughout the country and it does incredibly well, we are expecting big results from this game. We will support it with traditional POS and radio, outdoor billboards, our TV spot got temporarily

interrupted by the pandemic but we are making plans to have some TV to support it as soon as we can get back into the studio. That wraps up my report and I will turn it back over to Greg.

(R. Simmelkjaer): Thank you. Any questions for Pete?

(J. Flores): This is John Flores. Was there any public reaction to the closing of Lucky Links?

(P. Donahue): We did get a few comments on the website from people who said ‘that’s too bad I really enjoyed that game’ and we responded with letting them know that we are constantly looking to keep our product mix fresh and to look for new promotions and new games coming soon. There was no negative reaction other than a couple of people saying that they’ve enjoyed playing that game for many years.

(J. Flores): Ok. Thank you.

(R. Simmelkjaer): Any other questions?

(W. Blanchette): How much of an increase is due to the fact that the casinos have been closed and do you expect a retreat from that? This is Will Blanchette.

(P. Donohue): Greg is actually going to cover that in his report. Any other questions?

c. President’s Report:

(G. Smith): This is Greg Smith. We’ve spend a lot of time and effort over the past twelve weeks making adjustments in order to maintain our operations and to keep our work environment safe for our essential staff to keep their duties ongoing. I am going to touch on some of the various efforts we’ve made, some of which you’ve already heard about or were asked to approve in some of our recent Committee or Board meetings. For the last twelve weeks, taking us back to the middle of March, and recapping these topics for you and what we’ve done. Regarding staffing, we spent about two or three weeks designating essential staff, getting telework implemented for about a third of our staff, and adjusting schedules for some lower volumes of work, an example being training new retailers when we weren’t bringing retailers into operation in the initial months of the pandemic. And then we also completed internal promotions and outside hiring, getting the staff in the right place, getting their assignments with either working from home or not, and then if we had any openings, making sure we had them filled as quickly as we could.

Regarding the retailers, during the first four weeks of the pandemic about 400 retailers had no weekly sales either due to restrictions or their individual business choices to close their stores. This doesn’t mean just bars and restaurants, there were a number of stores that decided to keep customers out or to understand what safe operation looked like before they got back into business. While many were slowing or stopping their operations, others needed regular attention and barely saw any change to their weekly sales numbers. We also partnered with one of the convenience store associations about some in-store signage about distancing among customers so they could have displays available so that customers could know what to do, and to not have customers crowding around the cashier counters. Sadly, we also had in the beginning of March, just started a retailer incentive program and by the end of March we knew that we had to suspend that program, so it remains suspended and it was a byproduct of the restrictions and decline in business.

Regarding game adjustments, the two national game jackpot amounts and the speed of their growth due to lower annuity factors and some drop off in sales were things that the Board had to deal with a couple of times. Additionally, we made some changes to the prize claim periods for players so people weren’t

having to make a choice about going out in public versus claiming their monetary prize; so they could make a safe and healthy choice for that. We also made a number of changes internally for our distribution of our instant ticket games. Pete touched on that a little bit but it was an adjustment to go to a lower volume and it's also been a very different adjustment to go to these higher volumes. All of that has taken place in the last twelve weeks.

Regarding safe operations, we've done a lot of extra cleaning in the building on a daily and weekly basis. Everyone in the building wears masks except when they are isolated or in their office or able to keep an appropriate distance from other people in the building. We handle many of our claims now by appointment or mail, meaning the public is restricted from coming into the building, except for certain high dollar value claims. We have done a lot of changes to scheduling, not just because of part-time work, but to make sure that employees get can get out of the building for three, four or five days consecutively just to maintain as less contact with others as they could. At one point at the beginning of April we moved our full operations to our disaster recovery site for the purpose of doing a deep cleaning on this building, the headquarters building. This was accomplished over a five or six day period and then we came right back in. Additionally, we also ended up moving all of our drawings that were normally done in the Fox studio down to our emergency draw location here in Rocky Hill and that took place over a week and it was a remarkable undertaking, a good test for us to see that we could do the drawings securely and with integrity at an alternative location. Last of all on safe operations, we did all of this by following the protocols established by the CDC and Governor Lamont's administration.

The last point I'm going to touch on for the last twelve weeks is sales. Sales by game has traveled a very interesting path in the time period from mid-March until now. We've had some very strong sales and we've had a very interesting path, if you look at this display the top line shows you average daily sales and the four weeks prior to the restrictions we were close to \$4 million a day, instant tickets at \$2.25 million and Keno about \$400,000 on a daily basis. The first four weeks all of those sales dropped off at least 20% if not higher. Four weeks later we clearly experienced a recovery, we came back roughly half of the sales decline, instant tickets came back quite strongly, being down only 8% at that time compared to the four prior weeks. Keno still declined pretty well with the bars and restaurants being in limited operation, bars not in operation at all. But we did have some good increases in Keno to help balance that out in the convenience store trade styles. So then in the last four weeks, the most recent four weeks, it has been almost unimaginable that we would be back at this – for total daily sales we are 6% ahead of where we were prior to the pandemic and we were in a great place prior to the pandemic, so to be 6% ahead that is beyond remarkable. Our instant ticket sales recovery are on a pace right now to actually achieve the budget for instant ticket sales that we had which were almost a \$20 million growth over last year. Keno has made good progress in its recovery, we're seeing good sales there and now that there's a bit more activity in the restaurants we're seeing a little more volume. Across all the trade styles, while we were expecting Keno to be down, its recovery is also nice as it's cut its decline in half. That's the best example I can give you as far as the last twelve weeks in games sales.

Now to cover the next twelve weeks, what is coming in front of us here. Touching on those same topics, regarding staffing, currently almost all of our staff are doing some work either at the office or at home and at least part-time, which was not the case in the first weeks of the pandemic. The administration has provided guidance to apply to our return to work plan that we are developing. This will be done in phases and while we have not dates to share as to when everyone will be back, we are in development of that plan and will be sharing it with the administration in advance. We expect the start this phased approach to

get people back to work either regular part-time or up to full-time as it is warranted. During the past twelve weeks some of our staff have filed for retirement, either they were on the verge or had been thinking about it. Some of them are exploring the thoughts having been away for a while and just trying to think of what their personal decisions will be like. So no numbers to share with you, just letting you know of some thoughts that may have us say goodbye to some folks and we will have opportunities for internal promotions or additional hiring. We are continuing this steady pace of internal promotions and outside hiring, not only in the first weeks of the pandemic but we expect more of that as we move along over the next twelve weeks. Regarding retailers, almost all of our retailers are back in business and have some volume of sales on a weekly basis. Certainly some of them are up over pre-pandemic levels. We are maintaining regular contact with our retailers either through our regular order placement phone calls or by them receiving phone calls from their field sales staff. We are using various tactics to get marketing material and information to the retailers so that they can stay current and continue the sales growth that we've been experiencing.

Regarding games, there are no changes that we are expecting, the point here is that we expect to begin reeling back in some of the temporary adjustments that we've made. We have no changes to express regarding jackpots but we do expect that we will be, at some point in the summer time, reeling back in the extension of the claims period and the extended ticket pack settlements that we made for retailers for their benefit. And as Pete mentioned we will be ending the Lucky Links game very soon and starting the Fastplay game this summer as well. For safe operations we're developing this phased approach to return to normal operations. We are developing plans to start allowing more in-person claims for some of the larger prizes and then we are going to be maintaining all of the necessary cleaning in the building to keep the staff safe and meet the expectations that people have, whether they are employees here or whether it's when the public starts returning to the building.

Regarding sales, and Will Blanchette, this is an attempt to answer your question, it's really difficult to predict sales based on the changes we've seen in the last four weeks. There's been no casino betting, and no sporting events for people who've been betting on sports to participate in. Lottery has been the only game in the state. We believe that it's clear we've been receiving some of those dollars that used to be spent at the casinos or spent on sports betting. Can we quantify that? Not really. We are not present to count all of the retail sales and we don't have any online presence to track this but it's clear that it's not just the same volume of lottery players that were with us in February and early March that have allowed us to get to about a \$4 million selling average. So while we can't count what we've received from casino and sports betting players, we believe that some of it's there. We know the casinos are in a phased opening now for about 10 days and they're not in full operation, I know they'll be striving to get there. We don't know when that will happen in full but we still believe that we're showing games particularly in our upper-priced instant tickets and our daily games that seem to be appealing to a larger volume of players. We will continue to look at that and make the most of it while it's with us and also try to maintain as much of it as we can as bit more of normal returns to these other gaming opportunities.

My last slide is just touching on a few stray thoughts for you. Paul has provided the monthly financials, that's going to be the new document and display that we are going to supply to you each time we review this. It's a standardized approach, a bit more informative than the financial statement model that we've used before. The quarterly financials is what we've been doing in prior years.

The last comment I'm going to make is regarding our regulator, the Department of Consumer Protection. We've been going through a lot of adjustments, they've been going through more, and they've been right there with us and the continuation of the plans that we have are ongoing plans. I want to thank Pete Hsieh and his team for keeping the responses timely and knowing that we need a number of things addressed, just getting our games launched requires a number of interactions with them. I'm safe to say they haven't missed a beat and we're looking for that to continue. I'll wrap up from there any questions on any of the topics I've presented?

(R. Simmelkjaer): Thank you Greg. Any questions? I did have one question. You said you did a deep clean of the building, was that in response to an illness that had taken place or was that just standard?

(G. Smith): Partial, we had one of our staff members who was diagnosed with the virus but he was diagnosed over two weeks after he was last in the building. Out of an abundance of caution we set up at our disaster recovery site and had the cleaning done, then came back. That employee is fine, back to work and all good.

(R. Simmelkjaer): Excellent. Thank you. Any other questions for Greg before we move on?

(M. Morton): Thank you, the numbers look great.

(R. Simmelkjaer): Yes. Thank you Greg, thanks to everyone. This is Chairman Simmelkjaer, as I said in the beginning of the meeting, very impressive performance across the board. I don't think there are too many businesses in America that can boast the kind of numbers during this crisis that we have here, so congratulations.

V. Committee Reports:

a. Executive Committee:

(R. Simmelkjaer): So the next section of the meeting, the Committee Reports. I will start off with a brief recap of our Executive Committee Special Meeting that took place on May 28th. That meeting was to cover a few items, an operations update similar to the one you just heard from Greg, and secondly we did have a discussion regarding the office lease and the gaming system situation. As Greg pointed out at that meeting, both the lease here in Rocky Hill and our contract with Scientific Games, our technology provider, terminate at the same time, in April of 2023. Greg led a discussion about our strategy on how to manage those two things. An RFP is already being prepared on the equipment side and at the same time we are having discussions in the coming months with our landlord. Our goal is to have one of those settled well before the 2023 expiration or at least stagger them one way or another. We also had an update on the budget which we'll go over here as well, and then we went into executive session.

b. Finance Committee:

(R. Simmelkjaer): Next is Finance. Patti?

(P. Maroney): The first item is the review of the financial statements which Paul has already gone over. So unless there are other questions we'll move forward to the budget discussion. Hearing no questions. You all were provided in the email a copy of the proposed budget. It was a very difficult process in that the last quarter of information has been very unique. It's been hard to build off of actual numbers because what's happening now is not standard. So if you compare the proposed budget more to the budget that was originally enacted for 2020, you'll see in the numbers that we're staying pretty steady on the amounts.

Total Cost of Sales is down by about a million and based on a gaming system change. Operating expenses are pretty stable, the revenue estimates are down slightly and Paul can go into detail on that. And the transfer amount is down by about \$8 million, mainly based on the change in the revenue expected. If anyone has questions please let me know and I'm sure Paul will help me with any details.

(P. Granato): I'm happy to add anything there Patti, I think you covered it pretty well. This is Paul Granato, CFO. The sales levels as Patti mentioned are pretty static, again our projections are like throwing a dart against a dart board at this point, there is still a lot of uncertainty that I think was portrayed throughout our budgeting process. We are pretty confident and happy to propose a \$350 million transfer to the general fund and while certainly not our highest level, we hope that we can certainly beat that by beating our sales estimates for the coming year.

(R. Simmelkjaer): This is Chairman Simmelkjaer, and just to point out that while proposed transfer is down from the budget of 2020 but from what looks like the actual performance that we estimate now, it's pretty flat.

(P. Granato): Yes.

(P. Maroney): Correct. Also we have discussed the possibility, if needed, of revisiting the budget as the year goes on if things should drastically change and warrant that.

(J. Flores): This is John Flores, quick question, on the proposed budget 2021, what was the guesstimate as to when COVID ended, did you factor that in?

(P. Granato): Actually John -- this is Paul Granato -- when we went through the budgeting process we tried to eliminate that as a factor. We wanted to operate under our normal conditions and we believed that that was the most prudent approach to take. So it was effective July 1 that we were operating normally.

(J. Flores): Okay.

(R. Simmelkjaer): This is Chairman Simmelkjaer, I think either of you could speak briefly to the impact of the multi-state games to the performance this year; it was interesting to me and somewhat educational to me to see how much of a factor that was versus COVID to the performance this year and the question is how do you estimate that for the upcoming fiscal year given the issue we had with Powerball and Mega Millions not having the kind of big jackpots that drive sales the way they did last year.

(P. Granato): This Paul Granato, so our estimation process -- there's two factors in the multi-state games, one that Rob just mentioned, the annuity factor that is used to calculate these jackpots. Right now there is a very bad interest rate environment that we are in. The cost for an annuity is almost the same as the cash value of the annuity. What that means is you need to invest \$950,000 to get \$1 million next year because the growth is so small you're not getting that huge interest rate impact; in a normal environment you would only need \$700,000 to grow to \$1 million in the following year. So that factor is the main factor that's driving these jackpots to grow at such an abysmal rate. In addition to that, the participation is much lower when you start a jackpot at \$20 million instead of \$40 million. So you're losing another section of the portfolio with people who won't jump in at the lower jackpot levels and they're not coming back to join that jackpot -- it used to be \$100 million now it's \$200 million and \$300 million -- so it's several generations higher for that participation to come back. Those levels are obviously impacted and in our 2021 budget I think we've taken a more conservative view of those jackpot levels and hope to return \$110 million between those two games in fiscal 2021. We had \$140 million in our prior year budget so we

expect that to decline \$30 million from budget to budget. Obviously we're not including any decline in our overall sales so we have to make that up in all of our other lottery products. We need to see that increase in our instant portfolio, in our daily games, and in Keno. Those are going to be our drivers next year to make up that difference.

(G. Smith): This is Greg Smith. And I think it's important also to point out while we had projected \$140 million last year and this year we're projecting \$110 million, our projected actual for those two games is in the \$80 million range so we are actually projecting an improvement of the revenue in the budget for 2021 than we are experiencing this year. It's difficult to say how are you going to get there, but the games do draw a crowd and there is additional lottery play happening now. It was unfortunate this morning, one of the first messages I get is that the Powerball jackpot was hit last night at \$22 million and so it's certainly the luck of the draw concept and it didn't get into any kind of a run, but people are still playing these games. Right now I'd say that the driving force of the decline in the sales of these games is the annuity factor more so than the lack of participation by players. We have it in there but I think it's important to note that we're projecting 2021 to be better than 2020 in a budget-to-actual point of view.

(R. Simmelkjaer): Thank you very much. Any other questions on Finance? We have a section later in the meeting for a possible vote on the budget so we can have more discussion at that time. Anything else?

(P. Maroney): I would just like to thank Paul for all of his work and helping me, walking me through the budget process. I really appreciate his expertise in this area.

(P. Granato): Thank you Patti.

c. Legislative & Games Committee:

(R. Simmelkjaer): Great; thank you very much. Let's move on to Legislative and Games. Ms. Morton?

(M. Morton): Thank you. We met on Thursday, June 4th and the Committee discussed and voted to recommend to the Board to accept the proposed changes to both the Mega Millions and the Powerball games rules. I do have two resolutions for later in the meeting.

d. Personnel Committee:

(R. Simmelkjaer): Thank you. We can move on to Personnel now.

(W. Blanchette): Mr. Chair I was prepared to offer a resolution on the manager compensation plan but a couple of events have occurred in the very, very recent past that obligates me to refer to this matter for discussion in executive committee.

(R. Simmelkjaer): Thank you, we'll hold that off then for Executive Session later on in the meeting. Thank you Will, we appreciate that.

VI. New Business:

So on to New Business and back to the budget. We can either have further discussion on the budget that was just discussed or we can go right to resolution. I'll open it up to any questions or further discussion on budget. If not, we can go to the resolution and that would be from Patti.

(P. Maroney): Okay.

Resolved, that after due consideration and based on the recommendation of the Finance Committee, the Board of Directors hereby approves the FY21 Budget as presented. Should there be any significant

changes resulting from the easing of pandemic restrictions, the Board of Directors authorizes the Finance Committee to instruct the Connecticut Lottery Corporation to reevaluate this budget for potential adjustments.

(R. Simmelkjaer): So moved, that is a motion to adopt the 2021 Budget. Is there a second?

(P. Birney): Patrick Birney, second.

(R. Simmelkjaer): Thank you Patrick. Is there any further discussion on this before we move to a vote? Hearing none. All those in favor please say 'aye'.

(All): Aye.

(R. Simmelkjaer): Opposed? Abstentions? The 'ayes' have it and the resolution passes. Thank you everyone for their work on that, I know it's a pretty tough time to do a budget. So thank you and perhaps we'll be speaking again on that. Second item of New Business is proposed rules amendments, first for Mega Millions and then for Powerball, and that is with the Legislative and Games Committee. Peg?

(M. Morton): Okay.

Resolved, after due consideration and based on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Mega Millions game rules changes as presented.

(J. Flores): John Flores, second.

(R. Simmelkjaer): All those in favor of the motion?

(All): Aye

(R. Simmelkjaer): Any opposed? Any abstentions? The motion passes. Back to you for motion number two.

(M. Morton): Resolved, after due consideration and based on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Powerball game rules changes as presented.

(W. Blanchette): Will Blanchette, second.

(R. Simmelkjaer): Thank you Will. All those in favor of the motion?

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? The motion passes. Thank you very much.

VII. Executive Session:

(R. Simmelkjaer): That brings us to New Business Item d, the Compensation Plan and per the comment of Mr. Blanchette earlier in the meeting, I would like to invite a motion to go into Executive Session at this time.

(W. Blanchette): Will Blanchette, so moved.

(J. Heckman): Jim Heckman, second.

(R. Simmelkjaer): All those in favor of going into Executive Session?

(All): Aye.

(R. Simmelkjaer): Any opposed? Okay, we are in Executive Session at 1:01 p.m.

(G. Smith): I'd like to have Mr. Stone and myself present during Executive Session.

(Executive Session)

(R. Simmelkjaer): Thank you. We are back in regular session at 1:40 p.m. No actions or votes were taken during the Executive Session. We did discuss an item in Executive Session that was not on the agenda to be discussed in Executive Session so I am going to make a motion now to amend the agenda of this Board meeting to include a discussion of the compensation plan, which was Item VI d in the New Business section.

(P. Birney): Mr. Chairman, this is Patrick Birney, I second the motion.

(R. Simmelkjaer): Thank you Patrick. A reminder that this requires unanimous consent to be adopted so all those in favor of the motion to amend the Board agenda?

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? Thank you very much. We will now move on to a motion from Mr. Blanchette.

(W. Blanchette): Mr. Chair, I would request that in the best interest of all involved that this item be tabled for future discussion.

(R. Simmelkjaer): That item being the manager compensation plan?

(W. Blanchette): Yes, manager compensation plan.

(R. Simmelkjaer): Okay. There was a motion that was going to be read, Matt do we need to read the motion for it to be tabled or can we just table the item?

(M. Stone): That item can just be tabled.

(R. Simmelkjaer): Alright so the motion is to table the Compensation Plan item that is on the Board agenda. Is there a second?

(J. Flores): John Flores, second.

(R. Simmelkjaer): All those in favor of the motion?

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? Alright, the motion is adopted. Thank you Will.

VIII. Discussion and action, if any, on items discussed during Executive Session:

Next we have the item of the Pending Claims and Litigation: CHRO Matter. I will introduce a motion but before I do, I would like to open the floor to Board members for any statements or comments regarding this proposed settlement or regarding the process that has led us here to this vote. The floor is open.

(W. Blanchette): I have something, this is Will Blanchette. I want to regress a couple of weeks because when this issue came up several weeks ago, there was an intense discussion about whether or not it was appropriate to settle at that moment and as a result of that meeting certain people were criticized unfairly for delaying or postponing a vote. I'd like the record to reflect that my recollection of the discussions at

that time indicated that a consensus was reached to delay a vote based on a reasonable belief that further opportunities existed to improve our position on collateral issues. Again, any criticism of any individual for delaying or postponing a vote is unfair and misdirected.

(R. Simmelkjaer): Thank you Mr. Blanchette.

(M. Morton): This is Peg Morton, I'd like to second Will's comments, and I thank you Will for mentioning that. I appreciate it.

(R. Simmelkjaer): Thank you very much.

(M. Culmo): Guys, this is Meghan Culmo. I think this is a difficult vote for a lot of us but we want to do the right thing for the Corporation and for our new Chair and I think we're all going to do that.

(R. Simmelkjaer): Thank you very much Meg, I appreciate that. Any other comments? Alright then, I will read the motion. The motion is:

Resolved, that after due consideration the Board of Directors approves settling all pending matters between the Connecticut Lottery Corporation and Alfred DuPuis and authorizes the Lottery president to enter into a settlement agreement with Mr. DuPuis based on the content of the term sheet signed by the parties on March 10, 2020. No additional compensation in any amount is approved by this action.

Do I have a second for that motion?

(J. Flores): Second, John Flores.

(R. Simmelkjaer): Thank you John. Any further discussion? All those in favor of the motion please say 'aye'.

(W. Blanchette): Aye.

(M. Culmo): Aye.

(J. Flores): Aye.

(J. Heckman): Aye.

(M. Langella): Aye.

(P. Maroney): Aye.

(M. Morton): Aye.

(R. Simmelkjaer): Aye.

(R. Simmelkjaer): All those opposed?

(M. Thompson): Michael Thompson, opposed.

(P. Birney): Patrick Birney, opposed.

(R. Simmelkjaer): Any abstentions? So I know there are two opposed and we have the full Board, what is the vote count?

(A. Daigle): Eight to two.

(R. Simmelkjaer): So eight to two. The motion carries, eight to two. Thank you very much.

(M. Thompson): Mr. Chair, this is Michael Thompson, I just wanted to make a quick comment. I wanted to again congratulate you on helping the Board manage through that issue as one of your first tasks as a Board Chair, and you handled it very well and very professionally, so thank you for that.

(R. Simmelkjaer): Thank you, I appreciate that and I appreciate the thought that everyone put into this. As Meg said it was not an easy decision to make, so I appreciate that.

IX. Adjournment:

(R. Simmelkjaer): With that we have covered the agenda, are there any other discussion points, items that anyone wants to raise before we move to adjourn? Hearing none, thank you all very much for your attendance in person, on the phone, on Zoom, I appreciate that you made this relatively painless, my first rodeo, I stayed on the horse, I think. Can I have a motion to adjourn?

(P. Birney): Patrick Birney, so moved.

(J. Heckman): Jim Heckman, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? Thank you very much, adjourned at 1:48 p.m. Well done, I appreciate it everyone.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
CT Lottery Corporation