



## **DRAFT MEETING TRANSCRIPTION**

### **Executive Committee**

#### **Regular Meeting**

March 11, 2021 at 10:00 a.m.

via teleconference

Committee Members: Robert Simmelkjaer, Board Chair; Wilfred Blanchette, Jr., Personnel Committee Chair; Andrew Meehan, Audit Committee Chair; and Margaret Morton, Legislative & Games Committee Chair.

Staff Members: Greg Smith, President & CEO; Pete Donahue; Paul Granato; Jodi Ketchale; Lauren Perrotti; Matthew Stone; Steve Wagner; Mark Walerysiak; and Annmarie Daigle.

Invited Guest: Daniel Schwartz, Shipman & Goodwin, LLP

#### I. Welcome:

(R. Simmelkjaer): Hello everyone, welcome. This is Rob Simmelkjaer, I am the Chairman of the Board of the Connecticut Lottery Corporation. Today is March 11, 2021 and I am calling to order this Regular Meeting of the Executive Committee at 10:02 a.m. Before we begin I'd like to introduce Matt Stone, the General Counsel of the Connecticut Lottery Corporation, to discuss the rules under which we are operating.

(M. Stone): Thank you Mr. Chairman. This is Matt Stone, General Counsel for the Lottery, and I am going to shorten my reminders being that we have been at this for almost a year now and we have a pretty good handle on things. We continue to operate under Governor Lamont's Executive Order regarding public access to meetings. The primary thing that I want to remind members of is the need to identify yourself before speaking. I know this can be awkward in a conversation but it is a requirement of the Executive Order, so please do your best. That is all, back to you Mr. Chair.

#### II. Approval of the January 14, 2021 Executive Committee Special Meeting Minutes:

(R. Simmelkjaer): Thank you very much. This is Chairman Simmelkjaer. The first item on the agenda is to approve the January 14, 2021 Executive Committee meeting minutes.

(M. Morton): This is Peg Morton, so moved.

(W. Blanchette): Will Blanchette, second.

(R. Simmelkjaer): Thank you. All those in favor?

(All, except for Mr. Meehan): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions?

(A. Meehan): Mr. Chair, this is Andrew Meehan, I am going to abstain since I was not at the last meeting.

(R. Simmelkjaer): Yes, thank you Andrew. One abstention and the minutes are approved.

III. Lottery Sales and Transfers:

(R. Simmelkjaer): Next up is an update on our lottery sales and transfers to the general fund. For that I'll turn it over to the President and CEO, Greg Smith.

(G. Smith): Thank you Mr. Chair. Good morning, this is Greg Smith. One of the responsibilities of this Committee is to report the sales and transfers so I will give you a high level snapshot. Through fiscal 2021, through February sales are at \$120 million ahead of budget and we are approximately \$50 million ahead of budget in transfers. We continue to be in a strong place. I remember talking to the Board and probably this Committee back in November saying similar things – we're well ahead in transfers and sales and we are about to compete against a really strong December through February of last year and hopefully we can keep our lead and perform well. The December through February of last year that was so strong – we had sales of \$332 million in that three month period, this December through February we had \$380 million, so we were \$57 million ahead of that really strong last year. So not only did we meet the strong last year, we beat it by 17% and some part of that was due to that billion dollar Mega Millions jackpot and the large Powerball jackpot that came to an end in January but not \$57 million worth, not even half of that. So yes we benefitted from that, but we benefitted from strong sales across the board of essentially all games. Coming up for the rest of this fiscal year, we know that March and April were down last year, our sales fell as much as 20% compared to the prior year so if we can just hang on to what we are doing right now, we will build a nice pile into that lead. The part that gives me a little bit of concern is with the likelihood that with positive testing going down, vaccinations going up, we'll be back at full opening of the casinos, a lot of different things that are competing products for us. If that were to happen in May and June, we had a really strong May and June last year, we may struggle to keep up with that. I hate to keep saying we may struggle but we've got to see these things on the horizon and know how that may impact what we are doing. We still continue to perform well but what will the public do when they can do whatever they want, that's the part that we can't quite read yet.

(R. Simmelkjaer): This is Rob, there are things that you can control and things that you can't control obviously in life and business, this falls into the category of 'can't control category' but I am wondering if there are things that you do or that Pete think that we can do around that. Certainly I would hope that with what's happened over that last year, maybe we've had some people play lottery who have not played before, previously had been going to casinos for their gaming enjoyment and have not been using our products, have now found that maybe they enjoy playing and will continue to play. What else can we put under our control when it comes to that?

(G. Smith): No pressure, Pete.

(P. Donahue): Actually some of the things that we've been planning, the timing works out very well. We just introduced Wild Ball, we are enjoying about 7% participation rate for Wild Ball which is right where we expected it to start. We have a promotion that starts on Monday that is designed to increase that awareness and increase that participation level in Wild Ball. We think that a lot of the folks who have joined in the daily games are those casino players and we hope

that adding a new feature like Wild Ball where they are increasing their chances are winning will hold onto that base a little longer. Then of course we are always striving to make sure that we have stellar games out there in the \$10, \$20 and \$30 levels because that's where we've seen the biggest increase in sales. We always pay attention to those price points and making sure that we are fully stocked in inventory; we have games out there for a lot of different varieties of audiences. Those are some of the things that we continue to work towards to make sure that those numbers stay where they are.

(R. Simmelkjaer): Thank you. Pete Donahue speaking there for the Lottery.

(P. Donahue): Thank you Rob, I forgot to mention that.

(G. Smith): This is Greg again. And to help Pete out there a bit. We have and will be reporting more to the Board, this second chance platform that we'll be developing this year which will be another enticement opportunity which can attract new players or recently joining players with a new opportunity. Then we also have some expansion plans for later in 2021 relative to the FastPlay game families. These tactics are things that will be executed this year that should be not only just good marketing opportunities but good growth of our consumer base. We know from some of our segmentation studies that we do have a certain population that is poised and ready to join us more strongly. I think we've seen some of them so far and I know Pete's efforts are going to be attracting them with some good offerings that we have. One last point on sales is we've had this incredible year, we reached \$1 billion in sales for the year last Saturday and compared to last year, we were 39 days faster to that milestone. That is a nice plateau for us to reach. That is it as far as an update for sales and transfers; would you like me to roll into the Legislative Update?

(R. Simmelkjaer): Unless anyone has questions on sales?

#### IV. Legislative Update:

(R. Simmelkjaer): Hearing no questions, back to you Greg.

(G. Smith): For legislative updates for the Committee, we had a public hearing in the Public Safety and Security Committee where we the idea and progress was reported on as far as CLC being a sports betting operator and expanding into ilottery and the collaboration or similar opportunities for expansion being provided for by the tribes. We learned a lot a couple weeks ago about what future opportunities look like and that there seems to be -- without any votes taken -- pretty good structure and support for some expansions for the Lottery. Certainly the second agreement needs to be reached with the Mashantucket Tribe and then ultimately legislation written about ilottery and about sports betting that we will be included in as we are hearing so far. Regarding ilottery we heard that the convenience store associations are not a strong supporter of that because they are concerned about their sales drifting away from their stores. We've always been able to say that the retail sales have not been cannibalized in any state that started doing ilottery and I think we have no reason to expect that to happen here. We also heard them say that they want a higher percentage of commission and the commission rate has been stuck in place for decades. A couple of points for the Committee members to hear about is Lottery revenue has grown by over 20% in the last eight years, so if our commission has been at 5% this whole century but our sales are growing by 20%, any retailer that is keeping up with that sales growth is getting paid more money. You don't necessarily need a higher percentage so long

as the base continues to grow and we've been a very steady and consistent grower of that. Retailers are getting more money through sales growth even though the commission has not been raised. That's been our offset comment relative to that as well. We're not trying to reject concerns and thoughts, we're just trying to help them understand that we are not going to be trying less in retail and we fully continue to expect that our retail sales will grow in addition to ilottery and it will actually enlarge the customer population that is interested in playing lottery anywhere, in any channel.

(R. Simmelkjaer): Greg, this is Rob. Have we been able to put in front of them the data that has come from other states that have legalized ilottery in terms of what that has done to retail sales and the positive results that retailers have seen in those states?

(G. Smith): We have said it a lot, we also know that the national organizations of the convenience stores and similar lottery retailers have strongly been against and have not acknowledged those thoughts. What we've done locally, in conversations with the executive director of one of those organizations, we are preparing a virtual meeting where they will invite people of their organizations and we will hold it and present that information, it's not to say we're right and don't worry, it's let's engage and talk about that. This is more likely than it is unlikely at this point so we want to let them know that we have a strong focus and we want to be able to say to them here are the states that added ilottery and here's how their retail lottery sales grew, so be aware of that. We can talk to them now about some of the tactics we are planning for marketing and cross channel promotions, we just don't have that clearly established yet because it's still in legal. We will continue to work with them and are planning on having this first virtual meeting by the end of March and we actually have a call later today to try and organize.

Two other components on Legislative Update, there's a bill out there addressing winner anonymity, my memory is that it is through a FOIA approach. One of the thoughts that we've been presenting is that they could consider adding to Lottery statutes that any winner's information could be requested under FOIA – their name, their town, their game and their prize. That is a very common thing in many U.S. states as required disclosures and then use the FOIA method for being able to say if any person wants to shield their name, they can file a request for that when they claim their prize and it would be immediately applicable so we would not disclose their name, we would disclose “a lottery player, from a town, for this game, for this dollar amount” and we would not disclose their name because we had their certified request for that anonymity for just their name. That's been an effective method in some other states and I think Matt might be able to chime in if needed for what's written right now for us is FOIA rules and it's not 100% clear, there's maybe a little bit of interpretation. It seems to be working OK but it's not as clear cut as it could be. Is that a fair thought Matt?

(M. Stone): This is Matt, and yes it is. It's not expressly written in the statutes whether or not we can withhold that information, but nor is it said that we have to expressly give out that information so if a player currently requests anonymity on a name we do honor that request and so far have not had any issues in doing so.

(G. Smith): This is Greg again. The last point in the Legislative Update is two years ago, Department of Consumer Protection was modifying Lottery regulations and made a variety of changes. It made it all the way through the process – public comment, AG review, Legislative Committee review and it was rejected about 18 months ago without prejudice that needed some additional edits. There's been no outward, visible activity of that being picked up again until either in February or just now in March where that is now picking up and proceeding again. We would be okay with the changes, we proposed some requests for some modifications and they

were rejected by DCP and the AG but we know we can function fine or well with them – we were just looking for a little bit better clarity but some people saw it differently so I guess we are expecting it to make it through the Committee and then become an update to Regs that we are fully aware of and we'll just need to roll out through our staff so that they can make sure we are all in compliance with those new Regs when they take effect.

(R. Simmelkjaer): Very good. Any questions?

(W. Blanchette): Rob, this is Will, I have a question for Matt. Matt, what would happen if a person elected to have his or her attorney show up to claim a prize, would that shield them from publicity?

(M. Stone): This is Matt Stone. It depends. Ultimately no unless they expressly requested the anonymity because we do allow players to claim their prizes through a trust, so they could come in and create a trust or an LLC or something like that but ultimately we do need the person's name and social security number, other things like that in order to be able to pay the prize to them. So even if we publicized that a trust claimed a prize, if there were a FOIA request for their specific information, we would have to give that out unless they had made a request for us to not do that. So there are ways to shield the initial publicity of a winner's name but it is not a complete guarantee at this point.

(W. Blanchette): Thank you.

(G. Smith): This is Greg. And the holder of that ticket will have their name or their entity's name as that claimant, even though there may be a variety of checks written. We've had attorneys come in and make a claim because they were the administrator of the trust.

(W. Blanchette): Thank you.

(R. Simmelkjaer): Ok Greg, is that it for Legislative Update?

(G. Smith): Yes it is.

(R. Simmelkjaer): Ok, great. Any other questions? Hearing none. That brings us to item IV on our agenda which is a few items we have to discuss in Executive Session. All of which are listed on the agenda. We'll be joined in Executive Session by members of the senior staff for part of it and then just Board members for part of it as well. Can I have a motion to go into Executive Session?

(M. Morton): Peg Morton, so moved.

(R. Simmelkjaer): Do I have a second?

(A. Meehan): Andrew Meehan, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Ok, we will close the public line at this point and go into Executive Session at 10:23 a.m.

[A. Daigle left the meeting at 10:23 a.m.]

V. Executive Session:

- a. Discussion of Board Expectations of Senior Staff - Draft Outline
- b. Discussion of Sports Betting - Draft Outline

[G. Smith; P. Donahue; P. Granato; J. Ketchale; L. Perrotti; M. Stone; S. Wagner and M. Walerysiak left the meeting at 11:07 a.m. and D. Schwartz joined the meeting at 11:07 a.m.]

- c. Update on Pending Claims and Litigation: Civil Suits

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

(R. Simmelkjaer): This is Rob Simmelkjaer, Board Chair of the Connecticut Lottery Corporation. We just left an Executive Session at 11:44 a.m., in which no votes were taken, no actions were decided in that session.

VII. Adjournment:

(R. Simmelkjaer): With that we have completed our agenda, so I will ask for a motion to adjourn.

(M. Morton): So moved, Peg Morton.

(A. Meehan): Andrew Meehan, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Any opposed? Ok, this meeting of the Executive Committee is adjourned at 11:45 a.m. Thank you all very much.

Respectfully submitted,

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Matthew Stone  
Corporate Secretary  
Connecticut Lottery Corporation