



Minutes of the Board Meeting

Held on

Thursday, February 14, 2019

at 12:00 pm,

at the

Connecticut Lottery Corporation

777 Brook Street

Rocky Hill, Connecticut 06067

Committee Members: Patrick Birney, Vice Chair of the Board of Directors; Patti Maroney (via teleconference); Bob Morgan; Peg Morton (via teleconference); and Michael Thompson.

Staff Members: Greg Smith, President & CEO; Chelsea Turner, Vice President; Paul Granato; Theresa Scott; Matthew Stone; Annmarie Daigle; and Kristen Williams.

Call to Order: Vice Chair Birney called the meeting to order at 12:06 pm.

I. Welcome & Pledge of Allegiance:

Vice Chair Birney welcomed the Board members and thanked them for attending today's meeting. He then thanked Mr. Michael Janusko, who recently retired, for his tenure on the CLC's Board and welcomed Mr. Manny Langella, appointee of Senate Majority Leader Duff, to the CLC Board of Directors.

II. Approval of the January 17, 2019 Board Meeting Minutes:

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

"Resolved, that the Board hereby approves the January 17, 2019 Board meeting minutes".

III. Approval of the January 8, 2019 Executive Committee and Legislative and Games Special Joint Meeting Minutes:

This item was tabled due to lack of quorum.

IV. Lottery Report:

Review of Sales Performance:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided a brief report for the period ending January 31, 2019. All sales and figures are unaudited estimates.

Ms. Scott reported that Lotto has not had a winner since January 2018, and the jackpot is currently at \$11.7 million. Keno has earned \$231 million since its launch in 2016. Instant ticket sales were down; however, there were \$18 million in sales on Christmas week, which was the second highest in CLC history.

Capitol Update:

Ms. Turner, Vice President, provided a Capitol update. Ms. Turner, along with Mr. Smith and Mr. Walter, have met with 30-40 legislators, as well as the Governor's office, regarding sports betting and internet lottery. Ms. Turner reported that the CLC has the potential of returning to the state 4-5 times per dollar wagered in sports betting when compared to all other potential operators. Additionally, internet lottery has the potential to provide an estimated \$150 million to the General Fund over a 10-year period. Ms. Turner also reported that the CLC will be hosting an educational forum on sports betting and internet lottery on either March 15, 2019 or March 22, 2019.

March is Problem Gambling Awareness Month, and Ms. Turner stated that there will be several activities held at the CLC throughout the month, which have been coordinated with CLC's Corporate Responsibility team.

President's Report:

Mr. Smith welcomed and thanked the Board for attending today's meeting. He then introduced the CLC's new hires: Mark Walerysiak, Director of Security, and Jodi Ketchale, Director of Human Resources.

Mr. Smith introduced the Hot & Spicy scratch game series, which will be advertised digitally and through radio ads. He also reported on the Loyalty Program status, which is in development with Pollard and is expected to have a summer 2019 rollout. Mr. Smith also provided an update on the Segmentation Study collaboration with Scientific Games, which should be completed by Spring 2019.

Mr. Smith noted that the Lottery continues to perform strongly and that as of January 31, 2019, sales were \$32 million or 4.1% ahead of the budget and General Fund transfers were \$7 million or 8.4% ahead of the budget.

Lastly, Mr. Smith stated that the CLC website is currently going through a redesign with the assistance of the Marketing and Information Technology departments. Comparison slides were shown to the Board members, with the new design being very modern, contemporary and less cluttered. The new website design should be launched in summer 2019.

This concluded the Lottery Report.

V. Committee Reports:

Executive Committee:

Mr. Birney provided the Executive Committee report, and stated that the Committee is anticipating the assignment of a permanent Board Chair. He also pointed out that two high points of the Committee were the ability to work closely with Mr. Smith and to have a strong working relationship with the DCP.

Audit Committee:

Mr. Thompson noted that the Audit Committee met earlier this morning. He stated that there will be another Disaster Recovery exercise in April 2019 at the Alumni Road facility. He also reported that the Committee discussed the Draw Project, including ways to expand the integrity of the system. Mr. Thompson is expecting to provide a formal update by June 2019.

Finance Committee:

Mr. Birney reported on the meeting of the Finance Committee from February 1, 2019. He then requested for Mr. Granato to provide the Board with an update of the financial statements for the period ended December 31, 2018.

Mr. Granato reported on the unaudited results for the quarter ended December 31, 2018. The reporting specified the individual game performance including sales, cost of sales, operating expenses and contributions to the General Fund.

Overall the lottery returned \$99.7 million for the quarter ending December 31, 2018, compared to \$82.8 million in the previous year period, which was an increase of \$16.9 million or 20.5%. Other extremely positive feedback included:

- General Fund transfers were over budget by \$12.3 million, or 14.1%, for the period ended December 31, 2018.
- Sales revenue totaled \$664.6 million through the second quarter, compared to \$628.1 million for the prior year. Total sales increased \$36.5 million or 5.8% year over year.
- Overall the Lottery returned \$185.9 million to the General Fund for the six months ended December 31, compared to \$175.5 million in the previous year period. The General Fund contributions were \$10.3 million or 5.9% ahead of the previous year period. The CLC has transferred operating revenue averaging over \$1 million per day, representing the best six-month period on record.

Mr. Birney inquired about the unclaimed \$1.5 billion Mega Millions jackpot from South Carolina and how that could impact the CLC. Mr. Granato explained if the winner does not claim the prize by April 2019, then all of the participating states would share the jackpot pro rata, with Connecticut turning over its portion to the General Fund.

Legislative and Games Committee:

Ms. Morton noted that the Legislative and Games Committee had not met since the January meeting.

VI. Old Business:

No items brought to the table for discussion.

VII. New Business:

No items brought to the table for discussion.

VIII. Executive Session:

At 12:55 pm, on motion made by Mr. Thompson and seconded by Mr. Morgan, the Board moved to Executive Session to discuss:

- SG Contract Amendment
- Attorney/Client Communication Re: Marcum
- Pending Claims and Litigation: CHRO Matters

Mr. Smith, Ms. Turner and Mr. Stone were invited to stay for Executive Session.

The Board reconvened in regular session at 1:19 p.m.

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

Vice Chair Birney noted that no votes or actions took place during Executive Session.

X. Resolution to endorse Problem Gambling Awareness Month, March 2019:

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

Resolved, that the Board of Directors of the Connecticut Lottery Corporation endorses the Lottery's observance of and participation in Problem Gambling Awareness Month in Connecticut, from March 1, through March 31, 2019, to raise public awareness about the potential risks of gambling, and to reinforce the Connecticut Lottery Corporation's commitment to corporate social responsibility.

XI. Adjournment:

On motion made by Mr. Thompson and seconded by Mr. Morgan, the meeting was adjourned at 1:21 pm.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation