

CONNECTICUT LOTTERY CORPORATION

Minutes of Special Board Meeting

Held on
Thursday, April 12, 2012
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; Robert Dakers; Patrick Birney; Natasha Pierre; Margaret Morton (who joined the meeting via teleconference); Martin Stauffer; Kenneth Saccente; and Michael Thompson.

Absent: Joseph Kaliko; Steve Bafundo; and James Farrell.

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

Call to Order: Chairman Farricker called the meeting to order at 1:30 p.m.

I. Approval of Minutes:

Before making a motion to approve the minutes of the February 23, 2012 Special Board meeting, Chairman Farricker asked that the minutes be amended to reflect that only the price of the Powerball ticket had been increased from \$1 to \$2, not the price of a Mega Millions ticket as stated in the minutes. Additionally, the second paragraph of the resolution concerning the Lucky for Life game should read: "That, the President of the Connecticut Lottery Corporation is hereby authorized to execute the Lucky for Life Regional Game Agreement on behalf of the Connecticut Lottery Corporation."

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

"Resolved: That the Board approves the February 23, 2012 Special Board meeting minutes as amended."

II. Executive Report:

President's Report:

Ms. Noble welcomed Board members to the meeting. She reported that sales and General Fund transfers had been very strong. Sales were ahead of last year by \$48 million and General Fund transfers were ahead by \$24 million.

Ms. Noble reported that the Connecticut Lottery Corporation and five other New England states launched the first ever regional game, entitled "Lucky for Life," on March 11, 2012. The first drawing took place on March 15, 2012. The goal of the CLC was to increase the per capita game sales at launch for the new Lucky game over the old Lucky game, which the Lottery has achieved to-date.

The recent \$640 million Mega Millions jackpot resulted in record returns to the state of Connecticut. Sales of the game also generated significant commissions for our retailers, and players also enjoyed receiving many prizes.

House Bill 5182: An Act Concerning a Change Regarding the Financial Security of Lottery Sales Agents – The bill has passed the Banking Committee, the Public Safety and Security Committee, and the House of Representatives, all unanimously. This bill makes a change in the statute to ensure that the Lottery may accept various types of financial security from our retailers including: surety bonds; letters of credit; and cash in escrow. The Senate is likely to take up the bill in the next couple of weeks.

Ms. Noble reported that a preliminary draft of the FY 2013 budget had been provided to the Finance Committee. Lottery management will continue to refine the budget and will provide the Finance Committee with a revised document at the May 10, 2012 Finance Committee Meeting.

Finally, Ms. Noble reported that Ms. Sandra Cady, former Director of Human Resources at the Connecticut Lottery, has taken a position with the Department of Revenue Services and that the Lottery will be recruiting for a new Director of Human Resources.

Sales Performance Report:

Using several sales charts, Ms. Patterson provided an overview of sales trends as of March 31, 2012. Her report follows:

The new Lucky for Life regional game, the first collaborative game in New England, was launched on March 11, 2012, and sales in the game for March achieved \$2.5 million. Ms. Patterson noted that per capita spending in the game reached 22 cents in the first four weeks of sales. The game is very popular with players, and the Connecticut Lottery has had five \$25,000 winners claim prizes.

Connecticut instant ticket game sales have performed well, and the CLC has experienced the largest gain seen to-date in this category. A new instant game, "\$1,000,000 Jackpot," launched on March 26, 2012. Sales reached \$1 million during its first full week of sales. At the February 23, 2012 Board meeting, it was reported that, as of the end of January 2012, overall instant ticket sales were \$14 million above budget. As of March 31, 2012, sales were \$26.1 million above budget. Budgeted sales in this category are \$618 million. The Lottery anticipates that sales may reach as high as \$640 million.

Classic Lotto is performing well in 2012, and per capita spending in the game has increased by 3 cents. The Lottery is looking at promotional opportunities to maximize player interest in the game. So far this fiscal year, there have been four jackpots in the game, totaling \$16.8 million. Six top prizes were won in the game. Overall sales in the "Connecticut Only" draw games were ahead of budget by \$2.4 million.

Combined sales of the Play3 and Play4 games have been steady. The Lottery will implement a promotion for the game which it anticipates releasing sometime in June. Prize expense was quite low in the games. Both Play3 Night and Play4 Night sales were consistent.

The fourth Super Draw game was launched on April 1, 2012. Sales were \$130,000 during the first ten days following release of the game. Retailer incentives and a marketing campaign are being used to help increase sales.

Sales in the Powerball with Powerplay category saw an upward trend. Last year's per capita spending in the game was 33 cents; this year's per capita spending is 39 cents. Though sales performed well, wagers in the game are down. The Lottery will examine this trend. However, Connecticut game sales were ranked number 7 when compared to other MUSL member states.

As a result of the recent \$640 million jackpot, sales in the Mega Millions game reached \$33.4 million. The Lottery was able to transfer approximately \$6 million to the state's General Fund as a result of this jackpot run. There were more than an estimated 9,000 wagers per minute during the final hours of the March 30, 2012 Mega Millions run. Ms. Noble noted that the gaming system had operated flawlessly throughout the sales phase, and she thanked the Lottery's gaming system vendor for ensuring that the system functioned without incident.

Discussions took place concerning various games, including the impact of the price increase of the Powerball ticket, funding for multi-jurisdictional games, jackpot reserves, and various other topics related to Lottery sales.

In total, sales for all games were \$806.8 million, or \$44.2 million ahead of budget. General Fund transfers were also ahead of budget by \$21.8 million. As of March 31, 2012, General Fund transfers totaled \$235.0 million.

This concluded the Executive Report.

III. Committee Reports:

Games and Marketing:

Vice-Chairman Mattison gave the Games and Marketing Committee report on behalf of Mr. Kaliko, who was unable to attend the Board meeting. Mr. Mattison reported that the Games and Marketing Committee met on April 10, 2012 to review sales performance charts, similar to those included in the Board booklet. He noted, however, that the charts in the booklet had since been updated, and he referred the Board to the latest set of charts that were provided at today's meeting.

Audit:

Mr. Stauffer reported that the Audit Committee met on April 10, 2012 to discuss the Lottery's proposal to update its Purchasing Policy and make changes to the "Lottery's Rules of Operation."

Mr. Stauffer stated that Lottery management would re-examine the Purchasing Policy regarding the proposed changes. As such, no votes nor actions were taken regarding the Purchasing Policy.

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

"RESOLVED: That after due consideration and based upon the recommendation of the Audit Committee, the Connecticut Lottery Corporation Board of Directors hereby amends its Rules of Operation to delete Section 3(i) entitled "Prizes Payable for Life," subject to the approval of the Department of Consumer Protection; and

BE IT FURTHER RESOLVED: That said Board directs incorporation of the same provisions concerning prizes payable for life into the Official Procedures for All Scratch Games in accordance with applicable procedures, including the approval of the Department of Consumer Protection.”

IV. Executive Session:

At 2:05 p.m., Chairman Farricker requested a motion to enter into Executive Session for the purpose of discussing: Attorney/Client Communications Re: Pending Contract and Review of Draft Proposals and Correspondence; and the Personnel Search Committee Update. Ms. Noble, Ms. Turner and Ms. Glovach were invited to attend all portions of the Executive Session.

On motion made by Mr. Stauffer, seconded by Mr. Morgan, the Board entered into Executive Session.

The Board reconvened in regular session at 2:40 p.m. No votes nor actions were taken during Executive Session.

V. Report and Possible Action: Online Gaming Contract:

Tabled.

VI. Old Business:

Chairman Farricker reminded all Board members that Annual Statements of Financial Interest must be filed by May 1.

VII. New Business:

None.

VIII. Next Scheduled Board Meeting Date: May 17, 2012.

IX. Adjournment:

On motion made by Mr. Stauffer, seconded by Mr. Birney, and unanimously approved, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corporation

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