

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting  
held on  
Thursday, September 18, 2014  
At 12:00 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; Jim Farrell; Steve Bafundo; Meghan Culmo; Margaret Morton; Patrick Birney (via teleconference); Kia Murrell; Jennifer Hamilton; and Michael Thompson (via teleconference).

Board Members Not Present: Board Members not in attendance provided the Connecticut Lottery Corporation with advanced notice of scheduling conflicts.

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Lana Glovach; Paul Granato; Michael Hunter; Cynthia Hadden, and Jessica Hayton.

Other: Mr. David Milkosky (via teleconference) and Ms. Amy Wong, both of EY.

Call to Order: Chairman Farricker called the meeting to order at 12:00 p.m.

I. Mr. Farricker welcomed Ms. Meghan Culmo, who was newly appointed by the House Majority Leader, Representative Aresimowicz, to the Board.

II. Approval of Minutes:

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

“Resolved, that the Board hereby approves the June 26, 2014 Board meeting minutes.”

III. Audit Committee Report:

Mr. Morgan reported that the Audit Committee met on September 16, 2014 with its auditors, EY. EY presented their findings on the audited financial statements for FY ended June 30, 2014. Mr. Milkosky reported that the CLC received an unmodified (clean) opinion on the financial statements. EY reported no internal control recommendations in their report. Ms.

Noble asked the Board if they were satisfied with the written materials they received and the response was positive. Mr. Morgan thanked EY's Partner, Mr. David Milkosky, who participated via teleconference and, Ms. Amy Wong was present at the meeting. Mr. Milkosky and Ms. Amy Wong exited the meeting at 12:05 p.m.

The Board Members agreed there was no need for an Executive Session with the Auditors since the CLC received an unmodified (clean) opinion and had met in Executive Session with the Audit Committee.

IV. Executive Report:

President's Report:

Ms. Noble thanked Board members for attending today's meeting. She thanked EY, Mr. Granato, Chief Financial Officer, and his entire Finance Team for their work on the Audit. Ms. Noble welcomed Ms. Culmo to the Lottery's Board and Ms. Cynthia Hadden as Ms. Noble's new Executive Secretary. She reviewed the meeting agenda and updated the Board on various topics through a PowerPoint presentation. Highlights from her report follow:

- Sales Performance Update:
  - Currently, sales are \$2 million ahead of budget and General Fund transfers are 3.39% ahead of budget.
  - The CLC is slightly behind in actual sales and General Fund transfers when compared to last year. This is largely due to higher jackpots at this time last year.
  - The instant ticket portfolio has rebounded significantly.
  - The first quarter of FY '15 saw a decline in sales for the Daily Numbers games. Ms. Noble commented that the high profitability of the Daily Numbers offsets the lower sales.
  - 5 Card Cash was introduced in May, 2014 with two ways to win: instantly and draw. The game was well received and continues doing well. 5 Card Cash was nominated by the North American Association of State and Provincial Lotteries (NASPL) for best new on-line draw game. CT's Lucky 4 Life received the same nomination in 2010.
- Game Development Update:
  - New game development is underway.
  - FY '15 will see new games and designs with the goal of producing more revenue for the state.
  - Ms. Noble briefly discussed the possibility of upcoming changes to Powerball. Ms. Noble reminded the Board that MUSL votes on the terms and rules of this game.
- Social Media Update:
  - The CLC entered social media cautiously.
  - The CLC now actively integrates social media into game launches and promotions.
  - The CLC is engaging their players and winners through Facebook, Twitter and YouTube.

- Responsible Gambling Update:
  - The CLC is one of the sponsors for the upcoming Connecticut Council on Problem Gambling's Annual Conference being held on October 29, 2014.
  - The CLC was the winner of the National Council on Problem Gambling (NCPG) Newsletter Award for *Chatter That Matters*. For the last two years, the CLC has also received national awards for its holiday advertising programs regarding responsible gambling.
  - The CLC's biannual Responsible Gambling training for employees will occur on October 31, 2014 and will feature Betty White, a woman in recovery.
  - The CLC will participate in the Greater New England Minority Supplier Development Council Meeting being held at Mohegan Sun, September 30, 2014 and October 1, 2014.

#### Sales & Marketing Performance Report:

Ms. Diane Patterson updated the Board on Sales & Marketing Performance for the first two months with a PowerPoint presentation. Her report follows:

- The CLC successfully completed the transition of broadcast of CT Lottery Drawings to WCCT as of August 11, 2014.
- The Mid-Day drawing scheduled for November 18, 2014 will be live at the Middlesex County Chamber of Commerce Business to Business Expo in Cromwell, CT.
- Drawings can now be viewed by players in a variety of ways, including on YouTube and on the CLC's website.
- FY '15 is off to a good start with \$183 million in sales. Ms. Patterson reported that July, 2014 saw the highest sales compared to prior years.
- The Connecticut games have solid sales in both instant and durational games.
- Last year there was a softening in the Instant Games category. This year, there is a solid start in FY '15 with the highest sales in July and August.
- A sampling of new Instant Games was shared. Diamonds, the new spotlight game series, will begin on September 29, 2014. The game's General Fund transfer potential is approximately \$50.6 million over the life of the series.
- Play3 Day sales are currently \$8.23 million and Play3 Night sales are \$11.9 million. Play4 Day sales are \$6.7 million and Play4 Night sales are \$10.4 million. FY '15 sales are in line with those of FY '12 and FY '13.
- 5 Card Cash sales are currently at \$11 million. The game launched in May, 2014 with 7 top prize winners to date. Customers are enjoying the opportunity of having an instant win paired with a second chance.
- Lotto sales are currently at \$3.4 million. There was a \$3.6 million jackpot in July, 2014.
- Cash5 sales are currently at \$5.2 million. There was a slight drop in sales which may be due to the launch of 5 Card Cash.
- The latest version of CT Super Draw did not sell out. The CLC believes there is still a place in the Lottery's portfolio for the CT Super Draw game. Anticipated changes to the game will be discussed further in Executive Session.
- Multi-State Lottery game sales have not exceeded last year as there were two very large jackpots, Powerball at \$448 million and Mega Millions at \$180 million. At present, we have a growing jackpot with Powerball currently at \$171 million.

- As of August 31, 2014, New England Lucky for Life current sales are \$3.5 million. A second \$25,000 for life prize was added in September 2013. To date, there have been 37 winners of the second prize in New England and 14 alone in Connecticut. The top prize for Lucky for Life has not been won since June 2013.
- Social media marketing efforts have resulted in an increase of 15,700 Facebook followers over a 3-month span and an increase to 950 Twitter followers. Highlighting winners and asking them to like and share increases the CLC's network.
- Remerchandising of stores is generating positive sales growth.

This concluded the Executive Report.

V. Committee Reports:

Legislative and Games:

Ms. Morton reported that the Legislative and Games Committee met on September 17, 2014. The Committee reviewed game performance including plans for Lucky 4 Life, which will be covered during the Board's Executive Session.

Personnel:

Mr. Gale Mattison reported that the Personnel Committee met on September 18, 2014 to review the Affirmative Action Plan. The Committee reviewed FY '14 goals and noted that fifty percent of the goals were achieved. The Committee then reviewed FY '15 goals. The Committee found the plan satisfactory.

VI. Executive Session:

At 12:36 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Mr. Mattison, seconded by Ms. Murrell, and unanimously approved, the Board moved into Executive Session to discuss:

- Review of Draft for Lucky for Life Game Rules
- Attorney/Client Communications Re:
  - Pending Claims and Litigations
  - Lucky for Life Multi-jurisdictional Agreements
  - FOIA Fee Policy

Ms. Noble, Ms. Patterson, Ms. Turner, Ms. Glovach, Mr. Hunter, and Mr. Granato were invited to stay for the Executive Session. The Board reconvened in regular session at 1:10 p.m. Chairman Farricker stated that no votes or actions took place during Executive Session.

VII. New Business:

On motion made by Mr. Mattison and seconded by Ms. Morton, the following resolution was made:

“Resolved, that, after due consideration, and based upon the recommendation of the Legislative and Games Committee, the Board of Directors approves the Official "Lucky for Life" Game

Rules and Connecticut amendments, as presented, subject to the Department of Consumer Protection's approval and the required newspaper publication of a notice of rules adoption."

This resolution passed unanimously.

On motion made by Mr. Mattison and seconded by Ms. Morton, the following resolutions were made:

"Resolved, that, after due consideration and based upon the recommendation of the Legislative and Games Committee, the Board of Directors hereby authorizes the President of the Corporation to execute, on the Corporation's behalf, the Lucky for Life Game Regional Agreement, with the further authority to make any changes to the Finance & Operations Procedures and the Drawing Procedures as the President deems advisable. The appropriate committee of the Board shall be informed of any material changes to those procedures.

And it is further resolved that, after due consideration and based upon the recommendation of the Legislative and Games Committee, the Board of Directors hereby authorizes the President of the Corporation to execute, on the Corporation's behalf, the Lucky for Life Licensee Lottery Participation Agreement in connection with the expansion of the Lucky for Life game. The Board also authorizes the President to execute any and all future amendments to the agreement that add lotteries to this multi-jurisdiction game and to report the addition of lotteries to the Legislative and Games Committee."

This resolution passed unanimously.

On motion made by Mr. Mattison and seconded by Mr. Morgan, the following resolution was made:

"Resolved, that, after due consideration, and based upon the recommendation of the Audit Committee, the Board of Directors adopts the Freedom of Information Act Fee Policy in connection with requests for copies of public records that the Corporation receives on and after September 22, 2014."

This resolution passed unanimously.

VIII. Board Administration:

Mr. Farricker announced the next scheduled meeting of the Board will be held on Thursday, November 13, 2014 at 12:00 p.m. at the Connecticut Lottery Corporation.

The 2015 Board meeting schedule was distributed.

Mr. Gale Mattison announced his resignation as Vice Chairman of the CLC Board of Directors effective November 21, 2014. Mr. Farricker thanked Mr. Mattison on behalf of the Corporation for his service.

IX. Adjournment:

Chairman Farricker called for a motion to adjourn today's meeting.

On motion made by Mr. Morgan, seconded by Ms. Murrell, and unanimously approved, the meeting was adjourned at 1:15 p.m.

Respectfully submitted,

Chelsea Turner  
Corporation Secretary/Connecticut Lottery Corp.