



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

Held on

Thursday, June 10, 2021 at 12:00 p.m.

via teleconference

Board Members Present: Robert Simmelkjaer, Board Chair; Wilfred Blanchette Jr.; John Flores; James Heckman; Manny Langella; Patti Maroney; and Andrew Meehan (all via teleconference).

Guest: Nancy Nicolescu, Connecticut Office of State Ethics

Staff Members Present: Gregory Smith, President and CEO; Peter Donahue; Paul Granato; Jodi Ketchale; Lauren Perrotti; Matthew Stone; Steven Wagner; Mark Walerysiak; and Annmarie Daigle.

I. Welcome:

(R. Simmelkjaer): Hello everyone. My name is Rob Simmelkjaer, I am the Board Chair of the Connecticut Lottery Corporation. This is the regular meeting of the Board commencing at 12:00 noon, thank you all very much for joining us. We have a pretty full agenda today so I'm going to jump right in and then we'll have multiple updates with everything that is going on with the Lottery as we go through the agenda. We have an ethics presentation that we are going to start off with before we even get into the Board minutes so I will lead with that. But before we start I'd like to turn it over to our Matt Stone, our General Counsel, to discuss the rules of the meeting we are operating under given Governor Lamont's Executive Order.

(M. Stone): Thank you, Mr. Chairman, this is Matt Stone, General Counsel for the Lottery. Just as a reminder that we are still operating under that Executive Order regarding public meetings and the primary thing for speakers to remember is that everyone must identify themselves by name before speaking, that is a requirement of the Executive Order so please do your best. That is all, back to you Mr. Chairman.

II. State Ethics Presentation

(R. Simmelkjaer): Thank you Matt. So we do ethics training on an annual basis I believe for Board members so we are going to jump into that now, and I apologize as I did not catch your name properly to introduce you but, take it away.

(N. Nicolescu): Thank you, good morning everyone. My name is Nancy Nicolescu and I am the Director of Education and Communications for the Office of State Ethics and I've been invited to do an in person training for the Connecticut Lottery Board. I know some of the members here are new, so welcome to the Board and it's my hope that this will be beneficial to you in your work as a public official for the Connecticut Lottery Corporation. One of my favorite quotes is by Potter Stewart is "Ethics is knowing the difference between what you have a right to do and what is right to do." I believe that as state employees we get up every day and go to work and want to do the best possible job that we can. If we were driving through our small towns and there were no speed limit signs posted and we got through to the other side and there was an officer there waiting to give us a ticket, that wouldn't be fair. So it's important for you to know what the rules are. A little bit about our agency, we were created in 1977, recreated in 2005, after our former Governor John G. Rowland resigned and Lieutenant Governor Rell took over. There were some sweeping government reforms and that's when we were recreated as the Office of State Ethics. We are a civil enforcement agency, also known as a watch dog, we do not report to the Governor's office or OPM, we have a nine member board, similar to this board, they meet monthly, and that's who oversees our agency. The most important thing you need to know about us is we are not a 'gotcha agency', we really do want to help you get it right. We spend a lot of time in education and advice; we have a legal division, and administration. You're getting this training because you are covered by the code of ethics, the other groups that are covered are your contractors and vendors – those who are doing business with Connecticut Lottery or seeking to do business with Connecticut Lottery or any other state agency. Also, lobbyists are covered by the code of state ethics; most of us think that we don't deal with lobbyists because we think of those individuals being at the Capitol wearing lobbying badges, and those are the communicators, they are hired by companies and you deal with those companies every single day in your life – Dunkin Donuts, Walgreens, CVS, ATT, Verizon, Eversource, Hartford Hospital – they are registered as lobbyists in the State of Connecticut. You are a public official so those lobbyists and contractors are restricted donors for purposes of the code. The code also covers all of the elected officials including the constitutional officers and state employees. The whole point of the code -- when we talk about ethics we think of it as legal and practical and personal and our ethics are different based on our religion our culture and what we do for work – but the whole point of the code is using your position for financial gain. The Connecticut Lottery Corporation, even though you are a quasi-public agency under 1-79, the employees that work for CT Lottery are defined as state employees, very important, and they are subject to the code of ethics. As a Board member, you are subject to the code of ethics. Like I said, ethics are personal, different for each and every one of us. We're going to talk a little bit today on the specific rules that apply to you, they are practical, there's always somebody watching, so you need to think about what will you do, what won't you do, even when you leave here and you're not a Board member and you're going back to your regular job, you are still a public official so you need to be thinking about what are you doing when you think nobody is looking. As far as the limits go I'm going to just touch on gifts, conflicts of interest, revolving door and statements of financial interest. Our number one rule is to always get advice. There's a number of ways to do that. Matthew Stone is your Ethics Liaison, he's your General Counsel, he's your Ethics Liaison, you can go to him, he is not a mandatory reporter for purposes of the code. Your mandated reporters are your agency heads, those in charge of procurement and HR. Every state agency has an Ethics Liaison like Matt and every state agency also has an ethics policy. It can be more restrictive than the code of ethics but it cannot be less restrictive. So you should familiarize yourself with that policy, I'm sure it was part of your Board packet when you started in your new role. What else can I tell you? If you don't want to talk to Matt, if you're not sure, if you can't get a hold of somebody, never hesitate to call our office for advice. Our legal division is there to serve you, the legal advice is free,

they will answer you verbally, in writing; that way you can hold up your advice in terms of your outside business, your other employment, potential conflicts, you're leaving lottery, your sharing of confidential information, I always feel like my mom voice comes out here but because it's so important. I am going to be giving you the top ten rules for public officials and state employees on these little cards, they fit nicely in your wallet so you can have that with you and know how to get a hold of us. Gifts come up quite frequently for us and as a general rule what we like to say is don't accept gifts then we won't have an issue. But we all like gifts. I don't get a lot of them at the Office of State Ethics; we did recently just move, I am at 165 Capitol Avenue, chocolate is my favorite, I've been asking for chocolate for years now, right Matt? This is the thing, ethics laws don't change that often – this presentation doesn't change that often, and that's a good thing, if the laws were jumping around too much it would be hard to keep up. A gift is anything of value, directly and personally received unless consideration is given. That means if someone gives you something, a restricted donor, a lobbyist or a contractor – if you give it away, throw it away, sell it on eBay, you're still the one that received the gift. But with every good law there are 19 gift exceptions, and I'm going to go through the ones that you see more frequently. Sometimes a vendor will come in here and want to give you token items – maybe they have t-shirts and caps and mugs and things of that nature – you can accept those as long as they are not worth more than \$10 per item and you do not accept more than \$50 per year. A vendor may want to bring in food and beverage, they may want to take you out to dinner to talk about something. They can offer you food and beverage, they can spend up to \$50 per person as long as they are in attendance. I put the fruit basket up there to remind you that if you send me a gift, don't send me fruit, I don't like it. Also that fruit basket we know is not a token item because it's worth more than \$10, it's also not considered food and beverage because the individual giving you that type of a gift would not be in attendance with you. Our board has said that if you get items like that to put them in a common area and share them and I know that has occurred here. Rebates or discounts – as public officials you can accept rebates or discounts that are available to state employees, if they are available to the entire group. And what that means is ATT, Sprint, Verizon, Costco, BJ's all offer discounts to state employees and they are available across the state. Prohibited gifts – how do you know when you've gotten a prohibited gift? You like it, you want to keep it, it's not a hat, it's something really good. You're supposed to refuse, return or pay for it. We are human, sometimes we forget, and maybe you've received a prohibited gift from a restricted donor and you're not really thinking about it until later on when you're in the shower or outside and you think "I really shouldn't have taken that" well, you have 30 days to pay it back. You would pay back fair market value. Check in with Matt or call our legal division attorneys and they'll help you document that. If you're going to travel or attend conferences, you can accept that from a restricted donor if you're going in your official capacity and actively participating and they can pay for your travel, lodging and meals, and related conference expenses. But if you're speaking you cannot accept a fee or honoraria at that event. We have a whole guide on necessary expenses and gifts to the state and if you're going to do something in your official capacity of the Lottery Board check in on that. Gifts to the state are not limited, they do not have an active participation requirement but you can only accept what's necessary to attend. There is a disclosure requirement for you if lodging and/or out of state travel is triggered. Gifts to the state are not limited to these things – a restricted donor, like a Connecticut Lottery vendor -- maybe they want to give CT Lottery cash, or equipment or materials – they can give those things to the State as long as they facilitate state action or function. But here's really what the code is about, it's conflicts of interest. If you as a Board member has a direct conflict, you must abstain or recuse. It's mandatory under the law. A direct conflict is if you have reason to believe that you, your family, your spouse, your child, your child's spouse, your parents, your brothers and sisters, or a business that you're associated with is going to benefit. So it's money in your

pocket, money in your family's pocket, money in your business's pocket; if your action is going to cause that, you must step back. Potential conflicts are a little different, they may do more so apply to boards, they are not as easily identified but if there's a reasonable expectation that your action will have that potential conflict where there's a gain or a loss – because the law covers gain or loss – again, check in with Matt. Sometimes you will be required to abstain or recuse, sometimes you'll be allowed to take action anyway but you'll have to provide a written statement. Conflicts are very, very important for you to be aware of. Call and ask. If you have outside employment, your other employment cannot impair your independence of judgement or require you to disclose confidential information that you obtain as a result of your position here. If you have an outside business, it's impermissible to hire an employee -- a supervisor cannot hire an employee for that outside business. When you leave your position as a Board member, there are some revolving door provisions that apply to you. There are two lifetime bans and two one-year bans. This is really very important – in terms of the lifetime bans the first is on the disclosure of confidential information – you can never disclose confidential information that you obtained through your work on the Board. The other is a side-switching provision and what that means is if you were significantly involved in a contract, you entered into a contract with a vendor, and you leave and you want to try and renegotiate that contract that you were significantly involved in, that's prohibited forever. So you cannot tear down privately what you built publically, that's a quick version of that. For your one-year bans, you have to cool off. You cannot come before this agency for one year and that means appear in person, sign documents, identify yourself. I say don't call, don't text, don't tweet, stay away from CT Lottery for that one year. But if you are running a business that potentially is going to be doing business with CT Lottery, again go back and get that advice, we don't want to get you to "No", want to get you to "Yes" as our answer but there may be some rules that you need to follow. In terms of contracts, if you are involved in a contract over \$50,000 with a vendor, you cannot seek or accept employment, or hold employment with that contractor for one year. For the employees of CT Lottery, it's one year from when they leave their position and for the Board members it's one year from the date from when the contract was signed. I end with enforcement – agencies that do a good job of making sure their folks are getting this training don't usually end up in the headlines. An ethics complaint can ruin your career, but we do have very strict confidentiality provisions so when complaints are being investigated they are confidential. The only time they would become public is if a judge trial referee makes a probable cause determination, you enter into a settlement, those are the only times it would become public. If a complaint against you is dismissed, it remains confidential. You can file a complaint with our agency anonymously or in writing; if you do, you are held to confidentiality provisions, you cannot file the complaint and then pick up the phone and say "hey Hartford Courant, I just filed a complaint against my agency head." If our board finds that there has been a violation they can order you to comply with the code in the future, have you file any required statements or reports like your statements of financial interest, and pay civil penalties of up to \$10,000 per violation. If it's criminal, if it's larceny, bribery, felony, it generally will get referred to the Chief State's Attorney's Office for their action. So that is pretty much the training in a bubble. I gave you a lot of information very quickly; I am always happy to have a longer discussion with you, our legal division attorneys are also happy to do that. You can give us a call, my phone number is on this card. Think of some of the things I talked about today, make a decision as to what your rules are – what is your plan, what will you do, what won't you do? I don't accept gifts, even if it is the best chocolate in the world, so I have a plan. I leave you with this: If you're about to do something, write the headline. If you don't like the way it looks on the front page of the Hartford Courant, don't do it. If you're about to do something, give it the colleagues test. If that person shouldn't do what you're about to do, then you shouldn't do it either. And finally, if you're going to have a hard time explaining to your wife, husband,

mother, father, children why you lost your really good position, don't do it. So I'm happy to take questions, I know you have a full agenda.

(R. Simmelkjaer): I have one question. Can you talk about the different kinds of advice that your office gives if someone does make a request and the different impact of those types of advice?

(N. Nicolescu): Absolutely, that's a good question. Our agency offers three kinds of advice. There's informal advice, you could call on the phone, you don't have to give your name, you can give your name; they'll send you an email, they'll write you a letter, and even at the bottom of that they'll say "this is informal advice and it's not binding." Sometimes there are issues that haven't been asked and answered before where someone wants an advisory opinion from our board and that's a formal advisory opinion and the question is asked to our board, handled by our legal division and once they issue the advisory opinion, that is a binding opinion, binding legal advice.

(R. Simmelkjaer): So that binding advice says you can do it, then you can't be found to have done something wrong in the future because it's been pre-cleared essentially.

(N. Nicolescu): Yeah, and even our informal advice has that effect; and we certainly find that when the media calls about different Board member actions or legislator actions, if the advice has been given they generally see that they've received the advice, they followed the advice and they are in compliance with the codes of ethics. We definitely are prophylactic in that way. Our third type of advice is declaratory rulings – anyone can get those who is not covered by the code of ethics. So the first two are for this board because you are covered by the code of ethics, and dec ruling would be for someone who is not covered.

(R. Simmelkjaer): Any other questions?

(J. Heckman): Jim Heckman. I just wanted to say hello, I work with Nancy in my real life a lot, and you did a great job as usual. What she says is absolutely true, they are not out to get you. I have to call them all the time for stuff and they are wonderful, very responsive. No questions, just a point.

(N. Nicolescu): Thank you.

(R. Simmelkjaer): Thanks Jim. Anyone else?

(M. Stone): May I add something else? This is Matt Stone, to add what Jim just said, it's absolutely true they are not out to get you and one of the ways that's proven is they have the two divisions – the legal division and the enforcement division. The legal division is who you go to for advice whether it's formal or informal and they have I guess you'd call it a firewall where the legal division will not go across the hall to the enforcement division to say "hey, Matt from the Lottery just brought this to my attention, can you believe the Lottery is doing this?" They keep it in the legal division for the advice purposes and that's it, it does not go from them to the enforcement division so that's an important distinction I think. I will remind everyone of that if the time comes and we have to talk about it.

(N. Nicolescu): That's a great point, and that's statutory.

(R. Simmelkjaer): Great. Nancy, thank you very much. We appreciate your time.

III. Approval of April 8, 2021 Board Meeting Minutes:

(R. Simmelkjaer): This is Rob Simmelkjaer, Board Chair. We'll move on now to the next item on our agenda starting with the approval of the meeting minutes from our last Board meeting which was on April 8, 2021. We had one minor change in the minutes that was picked up, a typo on page 8 of the minutes,

towards the bottom, section V, Committee Reports, in the seconding of the motion to approve, Mr. Blanchette was referred to as Will Blanchette Flores, so we will edit out the Flores. Other than that is there a motion to approve?

(W. Blanchette): So moved, Blanchette.

(M. Langella): I'll second, Manny Langella.

(R. Simmelkjaer): Thank you very much Will and Manny. All those in favor?

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? Patti will abstain, wasn't here. Thank you. The minutes are approved.

IV. Lottery Report:

a. Financial Report:

(R. Simmelkjaer): With that we will move on to the Lottery Report, starting with the Financial Report from Mr. Granato.

(P. Granato): Thank you Chairman Simmelkjaer. Good afternoon Board members, CLC staff, DCP and other guests. This is Paul Granato, Chief Financial Officer of the Connecticut Lottery. You'll see on your screen the results for the 11 months ended May 31, 2021. When I look at this sheet right now the numbers don't really look that big, but I'm going to tell you every single one of these are record-breaking numbers. Our Total Sales number, Cost of Sales and General Fund. Highest levels we've ever achieved. So Total Sales are at \$1.375 billion; that is \$164 million ahead of budget and \$196 million, ahead of last year. Double digit increases obviously and that has been the story for this whole fiscal year.

Our next slide is Cost of Sales at \$960 million, that's \$100 million ahead of budget and \$130 million ahead of the prior year. The biggest component of that is our prize expense, our prize expense is at 62% right about at our expectations, down just slightly due to our lower payout in the daily number games throughout the first 11 months of this fiscal year. That brings our gross profit to \$415 million for the 11 months ended May 31st. Our operating expenses remain well controlled at \$22.4 million, we are \$2.5 million below budget – the majority of that is partially due to vacancies and effects of the pandemic, we spent less in travel costs, motor vehicle costs, all those normal things we budgeted for and did not spend the money. We are about \$200,000 less in the 11 months than in the prior year. As I mentioned the General Fund is at \$387 million year-to-date through May 31st, obviously those numbers are extraordinary. As of this last Saturday, we have transferred \$395 million and based on our \$1 million a day transfer to the General Fund, today, the day of the Board Meeting -- \$400 million to the General Fund. So that is fantastic news, a great benchmark for us to reach, and we are not done yet. That is my report, the financial statements have been positive throughout this whole fiscal year. Any questions?

(R. Simmelkjaer): Questions? Fantastic, thank you very much, Paul.

b. Marketing Report:

(R. Simmelkjaer): Ok. We'll move on to Marketing and Pete Donahue.

(P. Donahue): Good afternoon Chairman Simmelkjaer and Board members, this is Pete Donahue, Senior Director of Marketing for the Lottery. Rather than my usual deeper dive into the numbers that Paul just shared, today I'm going to cover a few key points and highlight some of the initiatives designed to keep

the momentum going on our current product mix and planning for our future. Paul is often quoted as saying he's running out of adjectives to describe our historic sales and I agree with that 100%. These numbers are supporting the record \$400 million-plus General Fund Transfer that we are on a run to. Taking a quick look at one of the best charts I see on a weekly basis – created by Paul's team – we can see that sales continue to trend up for Keno. This is not typical for all lotteries that run Keno. A couple fun facts about Keno, we have surpassed \$3 million in sales for the seventh time since March and this past week was our fourth highest week in Keno ever. My next slide is going to highlight our efforts to keep that trend going. I'm hoping you have seen the first wave of our Keno campaign. We worked with our creative agency, Decker, to develop a fresh new perspective on the numbers. Many, including Connecticut Lottery, have done the "where do your numbers come from" angle and the spots have been great. But we wanted to go down a different path and look at it from a numbers perspective. And there you have our campaign "Your Numbers are Waiting". Various numbers are featured in the campaign and they all have distinct personalities. There are many humorous interactions among the group of numbers. It's a fantastic campaign that not only highlights Keno but it entertains and educates as well. You'll notice some of those elements in the spots I'll show you in a minute. The number 4 is a big part of the campaign because Keno is drawn every four minutes. You'll notice the four minute clock to reinforce that message. We created costumes and back stories for each of the characters highlighted in the spots. It's really a fun way to promote Keno. On the right you'll see our coaster designs. Again, lots of fun designed to create engagement in social establishments as those social establishments come back on board and those people start to go back out. I'm going to play our first TV spot for you to set up the story and through the next 24 months you'll see all five spots all working together.

[Plays TV Spot]

(P. Donahue): Makes me laugh every time I see it, I have to say. There's going to be five different spots that you'll see with different numbers featured. And the radio to back that up.

[Plays Radio Spot]

(P. Donahue): So of course that's been a lot of fun for us to create. We are really looking forward to all the campaigns tying nicely together. And all that is designed to keep that trend line zooming up in the next months and years. Additional ways to help us keep the momentum is to create more winners and to highlight the winning. We had a really interesting and fun win on Wild Ball just a while back, we had the daily combination of 2-2-2 come up with the Wild Ball of 2. It was the largest Wild Ball payout since launch of over \$76,000 and the overall payout for that day was over \$2.6 million. It's always a great way to get some hype in the game and to get the players to experience some wins. Our internal graphic artist designed some templates in anticipation of these noteworthy combos so we were able to react quickly and get the message out to retail and on our website and on social. Another way to create more winners is to create more opportunities. As you know, Lucky for Life moves to daily drawings on July 19th, with that we expect more sales and more winners. Since we will be promoting playing Lucky for Life every day, we have an opportunity to shift our messaging a bit. When we began Lucky for Life as a Connecticut-only game, the message was focused on winning \$1,000 a day for life. While that continues to be impressive we feel that the messaging of \$365,000 a year for life is even a stronger call out. And it provides consistency with the game's second prize of \$25,000 a year for life. We will also launch a promotion in August called Lucky for Life 365; it will be for all draw games combined, every 365th ticket will trigger a free Lucky for Life quick pick. This allows us to reinforce the top prize of \$365,000 a year for life and the fact that you can play 365 days a year. It also puts Lucky for Life tickets into players

hands to reinforce the message that the next drawing is today. So all good and we are looking forward to keeping this fantastic momentum going.

(R. Simmelkjaer): This is Rob Simmelkjaer, how does someone get one of those tickets?

(P. Donahue): You just play your favorite game and every 365th ticket system-wide on any draw game will pop out the ticket right away. So that's it for me unless anyone has any other questions.

(R. Simmelkjaer): Questions? Pete, thank you.

c. President's Report:

(R. Simmelkjaer): Next we have Mr. Smith, with the President's Report.

(G. Smith): Thank you, Greg Smith here. I be brief in covering a few points here. First, talking about this year that is soon to come to an end. We've had great sales and great profits. For reporting on numbers and being proud of it and hitting new records, it's been one of the easiest things to report on. You love winning, you love constantly doing that well. I think of the work that we've done this year and the description of the duck on the water – very calm on the surface but then below the surface those legs re moving fast and furious and there's a lot of motion in the water. And that's what's been going on here; there have been lots and lots of adjustments to maintain our operations and to continue to deliver products out in the market to keep our sales growth going at this level. So I just want to publicly state my appreciation for the staff members who worked on all of the adjustments and remained dedicated and flexible throughout the year so that we could get to these numbers. Next, commenting on our regulations, we mentioned to the Board before, we have these enhanced regulations that were brought forward and past and became effective in mid-April, so just about two months ago. There are a number of additional requirements for us that we are working on so we can be in compliance. The effect probably every department in the company so we've been engaged with DCP on these and are working on various fronts to get in compliance as soon as possible or to adjust to the new steps that are required of us in this. It's an active process for us. This won't be going away any time soon, it's just us getting it as part of our standard operating procedures. Last of all regarding Responsible Gaming, I am just taking this minute to let you know that we recently named Chris Davis as our Manager of Responsible Gaming. Chris has been our Government Relations Manager and so we added this responsibility into his duties and so he will be working year round for us covering that area as well as maintaining the Government Relations work that is so strongly focused in the December to June period. He's done a nice job in his work with us so far, so as of last Friday, he continues on with us with this new responsibility. There are a number of initiatives and efforts that he will either pick up or begin for us whether it's related to our regular ongoing lottery work or some that are as a cause of the expanded gaming. So those were the only topics that I was going to cover because I know there is a lot more to get into but I'll take any questions if anyone has any on those three.

(R. Simmelkjaer): Thanks Greg. I'll pause just a moment here because I rushed through the top – because you mentioned Chris and the government aspect of his role, I think it's worth pausing for a second here to reflect on what has happened for Connecticut Lottery in the last few months. We have gone through this legislative session and this process that we've all gone through – Greg, myself, Chris, other key members of the team – we all have to feel incredibly good at where we are, where we ended up through that process. I don't think that things could have worked out that much better to be honest, as far as what we hoped would happen during the legislative session, where we hoped we would be in terms of expanded gaming, Connecticut Lottery's role in that, other legislation that was floating around, that we feel ended

up in a place that net-net, you and I and Chris heard this throughout the entire process that people are feeling much more confident about Connecticut Lottery Corporation as a steward in the state, as an entity that can be trusted with additional responsibility, and can do the job for the State of Connecticut. I think that's a reflection of the work that everyone has been doing, on the staff, on the Board, Greg, your entire team, so everyone should feel terrific and very proud of where we are, and at the same time, should probably all be feeling a little bit – shall we say awed at the work that we have to do. Great, we have all this stuff, now we actually have to do all this stuff. That's going to be a tremendous responsibility for all of us – Greg and I are looking at each other with sort of knowing looks right now -- there's a lot to do so, let's celebrate and then yes, let's get back to work, because there's going to be a tremendous amount to do in the next year while implementing all of this while continuing to deliver the results that Paul and Pete just went through in terms of these massive contributions to the General Fund which are still going to continue to be the vast majority of the sales and the returns that we drive for the state even with sports betting and iLottery coming on board so it should be humbling, it should be exciting and inspiring but we need to keep our eye on the ball.

(G. Smith): Does this mean the celebration is over?

(R. Simmelkjaer): Yes, that was the celebration, hope you enjoyed that as much as I did.

V. Committee Reports:

a. Audit Committee:

(R. Simmelkjaer): With that, we'll move on to the very non-celebratory Audit Committee Report. Mr. Meehan?

(A. Meehan): Good afternoon, this is Andrew Meehan, Audit Committee Chair. I apologize I wasn't able to join you in person but look forward to meeting everyone. The Audit Committee met on April 27th and covered several different items. First we got a quarterly update on liquidated damages and service level assessments to the gaming system vendor. Some larger assessments have occurred in the last six to nine months but field service staffing and maintenance are improving so no longer term concerns there. State Auditor report has been finalized so we got a recap on that even though we discussed the content already, no concerns to report there either. We were updated on the procurement process for the hiring of a consultant to run the Project Management Office for the Gaming System Conversion planned to start this summer. The procurement is expected to be completed this month. In Executive Session, we got an update on the Gaming System procurement and discussed an expected a change to Lucky for Life – the drawing process that should be determined by July. Our next meeting is currently scheduled for July 27th and if there are no questions, that will complete my report.

(R. Simmelkjaer): Any questions on Audit?

b. Executive Committee:

(R. Simmelkjaer): Thank you Andrew, I appreciate it. Next up is Executive Committee, that is me. We had a regular meeting on May 13th. We had an update on the budget process which we've just now completed here in this meeting, and update on the RFP process for both iLottery as well as the sports betting RFP process, I'll be giving an update on that later in this meeting, and then in Executive Session we got an update on the Gaming System procurement process, real estate, office space and had a discussion of pending claims and litigation which we will also be doing in Executive Session at this meeting. No votes or actions were taken.

c. Finance Committee:

(R. Simmelkjaer): Next up is Finance, Ms. Maroney.

(P. Maroney): Hello this is Patti. We met on May 19th and we met earlier today. The main topic for the Finance Committee has been the draft budget which will be discussed in greater detail later on in the agenda. Also, Keno sales, Paul talked about the great numbers, so all very positive information. We did discuss the quarterly insurance company rating report. So that's the extent, it's mainly been budget and you'll hear details later.

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

d. Legislative and Games Committee:

(R. Simmelkjaer): Alright; thank you. Next up is Legislative and Games now. Peg is not here so Greg will give us an update on that.

(G. Smith): Thank you. This is Greg Smith. The Legislative & Games Committee met on May 19th, on three different topics. We reviewed and had a Committee vote for the rule changes in Powerball. The two factors in that are we are adding a third draw to that game nationwide, starting roughly in the third week in August. Then there was another option for the play of that game called Double Play that was added to the rules. Connecticut is not going to be offering the Double Play option at this time so we did not need to take any action on that component but it's a component of the rules so it was included in there anyway. Second was changes to the Lucky for Life game rules which were necessitated by going to a daily draw which will begin on July 19th, so we went in and added that component to the existing rules for the Lucky for Life game. The third item was just getting a legislative update which are normally delivered by Chris Davis, Angelica Mack in our legal department, and myself so we went through and updated the Committee on various bills above and beyond the expanded gaming that garnered so much attention. There's always a number of bills that in some way effect Lottery so we kept the Committee up to speed on that. That would complete my report on the Legislative & Games Committee.

(R. Simmelkjaer): OK, thank you Greg. Any questions?

e. Personnel Committee:

(R. Simmelkjaer): Ok that brings us to the Personnel Committee, Mr. Blanchette.

(W. Blanchette): This is Will Blanchette, Personnel Committee Chair. The Committee met on the 4th of June, primarily to discuss a periodic review of the personnel policies. The two policies we reviewed were the attendance and clothing policies. Then there was a short Executive Session to discuss some of the anticipated needs for staffing with the implementation of iLottery and sports betting. And we also reviewed the Affirmative Action Plan. That concludes my report.

f. Sports Betting Development Committee:

(R. Simmelkjaer): Lastly is the Sports Betting Development Committee and that is me. And actually I'm trying to figure out how many times that Committee met since the last Board meeting and I think it's five or six? So this is very much a working committee composed of myself, Mr. Blanchette, Mr. Langella, Mr. Meehan. It definitely has been, along with Finance, the busiest committee in the last couple of months as we've been meeting on a pretty frequent basis. Where we are now in this process, we as you all know had an RFQ that was out – a Request for Qualifications for sports betting operating partners, as I think we've discussed in previous meetings, we got 15 companies that responded to that RFQ, the Committee

reviewed those proposals and we invited five of those 15 companies to make further presentations to the Committee as to their qualifications. Of those five companies we then formally invited four of those companies to submit RFP proposals. The RFP proposal was put out with a sliding deadline for two weeks after the Governor signed the new gaming legislation. That as you know took place a couple of weeks ago, we added one extra day and so those RFP proposals, formal, binding proposals from sports betting operating companies are due tomorrow at 2:00 p.m., June 11th. We are anxiously awaiting that time as we see what kind of proposals we get from different partners. That will then begin another set of work for the Committee, along with a consultant that we've retained to look at those proposals, analyze those proposals, and then there will come a point at which we choose a preliminarily successful proposer, we will go into contract negotiations with that proposer, we will not make any public announcement as to who has been chosen or any terms or anything like that until a contract has been agreed to and signed and at that point we will make an announcement as to who that proposer will be. That is just one of the many elements that has to play out in the sports betting landscape, that's the part that is most under our control; now that the legislation has been signed there is also a process that has to happen at the Federal level the Department of Interior, the Bureau of Indian Affairs has to review the amendments to the tribal compacts that were part of the legislation and were agreed to between the administration and the tribes. They have to approve that, then there has to be a regulatory process of some kind. The Governor's office will be heavily involved in that. We have to choose our partner, we have to get up and running. We don't know at this point what the timing is going to be for any kind of launch. You've all seen in the media statements about sports betting launching by the beginning of the NFL season. As I have said consistently, that is extremely aggressive; it is not impossible, it could happen but it is an extremely aggressive timeline. A lot of things that we don't control will determine that timeline but our goal is to have Connecticut Lottery and our chosen partner or partners up and running and ready to go as quickly as possible. One other thing I'll say on this topic before we go into Executive Session is regarding retail and the process of determining retail locations in the State of Connecticut. As you know the legislation authorizes the Connecticut Lottery to open up to 15 retail sports betting locations around the state outside of a 25 mile radius from the tribal casinos, Greg and I have been having conversations with Sportech which is the OTB provider in the state that we were specifically authorized to partner with on retail. Those conversations are ongoing regarding the potential use of some of their existing OTB locations as sports betting retail locations, as well as other potential aspects of partnership with them as this rolls out. Nothing to announce there other than we are talking, we have gone to several of their locations around the state and we are discussing the suitability of those locations and other potential roles they might play. And also Greg and I have been in discussions as you may have read in the Hartford Courant about a week ago about the XL Center in Hartford. As you know the legislation specifically states that we will open retail locations in Hartford and Bridgeport, we are looking at XL, in fact Greg and I were just up there this morning looking around, looking at space, so that is a focus for sure. We've also looked at some different locations in Bridgeport, but for any of that to really go anywhere we have to have this operating partner in place. Because whatever we do it's going to be their job to run the actual sportsbook operation in any of those retail locations as well as the online component of what we do in sports betting. So that's the update; it's going to be an interesting 24 or 25 hours, not that I'm counting, until the deadline for the RFP and so we will see what comes in then there will be a lot of work after that. Any questions on that, I imagine there might be one or two.

(J. Flores): Rob, John Flores, just a quick question – we had talked about making this committee a regular or permanent committee of the Board, any more thought on that?

(R. Simmelkjaer): Yes we did talk about that John, thank you. We haven't really thought about it much since then but I think the way I'm probably thinking about it John is once we get through this sort of immediate process and now we're looking less at this scramble between the legislation and the partner selection and all of that and now we can look a little bit more long-term in terms of operations, that might be the time for us to look at that permanent change and whatever bylaws, amendments or anything like that that may be needed to establish a new, permanent committee, but I still think that does make sense, John. And one other thing I'll say is that I expect we will be getting a couple of new Board members coming up in the coming weeks or months, can't say anything more at this time but I'd like to have a more full Board roster with various expertise and experience levels that different Board members – at least in the current formation of the Board have, so that when we create that permanent committee we can make decisions about who goes on it with a full Board, so yes, that's still in the works. Any other questions about sports betting, or iLottery for that matter? We have Executive Session where we'll talk about more obviously, but that was for public session. Ok, great so you see we have five items on the agenda for Executive Session; so with that I will ask for a motion to go into Executive Session?

(W. Blanchette): Blanchette, so moved.

(P. Maroney): Second, Patti.

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

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? Thank you, we are in Executive Session at 12:57 p.m.

VI. Executive Session:

[Executive Session]

VII. New Business:

a. Discussion and Action, if any, on items discussed during Executive Session:

(R. Simmelkjaer): Thank you, this is Rob Simmelkjaer. We are back in public session at 1:52 p.m. No actions or votes were taken during the Executive Session. One thing that I want to quickly clarify before we go into new business, for anyone who's listening, on the sports betting part of the Committee Reports, I just want to make clear, I mentioned RFP proposals are due tomorrow at 2:00 p.m. Eastern Time, I mentioned that a number of companies were invited to submit proposals, any company can submit an RFP proposal by 2:00 p.m. tomorrow, so you didn't have to be invited to make a proposal in order to submit a proposal by that deadline. So anyone listening or reporting on that – anyone can submit and we will read and consider all proposals that we get in by 2:00 p.m. tomorrow.

b. Review and Possible Action: Proposed Budget for Fiscal Year 2022:

(R. Simmelkjaer): With that we have a couple of resolutions to discuss, let's go first to the proposed budget for Fiscal 2022.

(G. Smith): This is Greg Smith. Knowing that the Finance Committee has reviewed and recommended for Board approval, do Board members want us to tell you the top line sales and profit numbers that we have planned for and answer any questions that you may have on other numbers just so you are aware of what those totals are. Paul, do you want to go ahead and identify the top line sales and profits that we are budgeting for?

(P. Granato): Sure, this is Paul Granato, Chief Financial Officer. The total budgeted sales for next fiscal year are planned at \$1.457, that's \$134 million ahead of our budgeted plan for Fiscal 2021. And our profits are \$385 million to return to the General Fund, that's 26.5% of our sales revenue, that is the same budgeted number for the prior year as well, 26.5%. I'll tell you as a CFO, when you can have 26.5% of your revenue in profits, that's amazing, that's a great business to be in.

(G. Smith): Certainly the Finance Committee has gone through all of the numbers that build those – we are happy to share any other subtotals or other numbers if you are interested but the Finance Committee's diligence has been pretty thorough but we wanted to make sure we didn't miss anyone's deeper dive as needed.

(P. Maroney): Any questions?

(R. Simmelkjaer): Any questions? The Finance Committee an hour before this meeting approved the slight revisions to the budget but Paul gave the top line. If not I'll ask for a resolution, Greg can read the resolution.

(G. Smith): Resolved, that after due consideration, and on the recommendation of the Finance Committee, the Board of Directors hereby approves the Fiscal 2022 Budget as presented. Should there be any significant changes resulting from the easing of pandemic restrictions, or from a reoccurrence of the pandemic, the Board of Directors authorizes the Finance Committee to instruct the CT Lottery Corporation to re-evaluate this budget for potential adjustment.

(R. Simmelkjaer): Ok, is there a motion?

(P. Maroney): Motion to approve, Patti Maroney.

(M. Langella): Second, Manny Langella.

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

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? Ok, so the motion is approved.

(P. Maroney): I'd just like to thank Paul and all his staff on producing this document; there was a lot of work and it shows.

(R. Simmelkjaer): Thank you and thanks for your chairmanship of the Finance Committee as well, thanks for everyone's work on that, it's a great budget and obviously at a bit of a crazy time with everything that's going on so hopefully we've done a good job of projecting.

c. Review and Possible Action: Lucky for Life Game Rules:

(R. Simmelkjaer): Next up is a couple of rules changes related to Lucky for Life and Powerball and these are needed because of additional drawings that are going to be held for both of these games.

(G. Smith): Yes, the components of the Legislative and Games Committee report. So I'll start with the Lucky for Life resolution.

Resolved, that after review and due consideration, and on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Lucky for Life game rules changes as presented.

(R. Simmelkjaer): Is there a motion?

(W. Blanchette): Blanchette, so moved.

(A. Meehan): Meehan, second.

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

(All): Aye.

(R. Simmelkjaer): Any opposed? Any abstentions? The motion carries

d. Review and Possible Action: Powerball Game Rules:

(R. Simmelkjaer): Alright, one more for Powerball.

(G. Smith): Resolved, that after review and due consideration, and on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Powerball game rules changes as presented.

(R. Simmelkjaer): Is there a motion?

(A. Meehan): Meehan, so moved.

(W. Blanchette): Blanchette, I will second.

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

(All): Aye.

(R. Simmelkjaer): Opposed? Abstentions? Thank you, the resolution passes. That covers New Business.

VIII. Adjournment:

(R. Simmelkjaer): Nothing else. As I mentioned I expect we will calling for a special meeting sometime before the next regular meeting so stay tuned for that. Can I have a motion to adjourn?

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

(P. Maroney): Patti Maroney, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? Thank you very much, we'll adjourn at 1:57 p.m. Thank you everyone.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
CT Lottery Corporation