

CONNECTICUT LOTTERY CORPORATION

Minutes of the Special Board Meeting  
held on  
Thursday, May 14, 2015  
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; Steve Bafundo; Patrick Birney, Vice Chairman of the Board; Meghan Culmo (via teleconference); Robert Dakers; Jim Farrell (via teleconference); Jennifer Hamilton (via teleconference); Robert Morgan; Margaret Morton (via teleconference); Kia Murrell; Natasha Pierre; Michael Thompson (via teleconference); and Diane Winston

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

Call to Order: Chairman Farricker called the meeting to order at 12:01 p.m. He also introduced and welcomed newly appointed board member Diane Winston from Norwalk to the Board.

I. Approval of Minutes:

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

“Resolved, that the Board hereby approves the April 17, 2015 Board meeting minutes.”

II. Executive Report:

President’s Report:

Ms. Noble welcomed and thanked the Board members for attending today’s meeting and for their valuable support. Ms. Noble reviewed her meeting agenda and updated the Board on various topics through a PowerPoint presentation. Highlights from her report follow:

- Year-end Results – Race to the Finish:

- To date, sales are up approximately \$27 million over last year and \$34 million ahead of budget. General Fund transfers are approximately \$3 million or 1.3% ahead of budget, yet slightly behind last year by \$3.8 million. Ms. Noble noted that each year during the months of April, May and June, it is a race to the finish.
- Launch of Lucky Links:
  - Lucky Links launched successfully on April 26, 2015. To date, the game has performed as expected and is a good game to have in our portfolio. Ms. Noble noted that Ms. Patterson will share more about the game in her Sales Report. Ms. Noble then shared the Lucky Links television commercial.
- Capitol Update:
  - Ms. Noble stated that Keno has been incorporated into the Finance, Revenue and Bonding Committees' revenue package. The CLC is cautiously optimistic. Ms. Noble shared her appreciation for all the good work being done by the Legislature and the support provided at the Public Hearings.
- FY 16 Budget and Plans:
  - The Audit, Finance and Personnel Committees all met on Tuesday, May 12, 2015. The Committees' input was extremely helpful with respect to the FY'16 budget draft. The proposals and FY'16 budget draft will be refined and reviewed again at the June Committee meetings and then presented to the CLC Board of Directors' at the June 18, 2015 meeting.
- Industry News:
  - Ms. Noble will provide an update on proposed changes by the Multi-State Lottery Association (MUSL) in Executive Session. She and Ms. Patterson recently attended the La Fleur's Conference. Ms. Noble presented on the expansion of the Lucky for Life game, which was well received. She noted that several states have indicated interest and expects there will be an additional four to five states that will join before the end of the calendar year. Ms. Noble and Ms. Patterson also participated in the fundraiser, Strikes for Responsible Gaming; the CLC was a sponsor. This event was well attended.

#### Sales & Marketing Performance Report:

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

- Ms. Patterson updated the Board about the launch of Lucky Links with 2X Power. The game has been on sale for seventeen days. The daytime game is averaging approximately \$22,000 in sales per day, while the nighttime game is averaging \$46,000 in sales per day. Chairman Farricker asked Ms. Patterson for a brief explanation of the game, which she provided. Ms. Patterson then let the Board know that marketing the game with the addition of 2X Power for a total of \$3.00 total spend was working. An average of 56% of tickets sold included 2X Power, compared to Powerball where approximately 20% of

tickets sold include the Power Play add-on. Sales for the first 17 days are at \$1.1 million with the game averaging 800 winning experiences for the daytime drawing and 1,500 for the nighttime drawing.

- All Game sales were approximately \$946 million as of April 30, 2015, which is \$31 million ahead of budget. Sales are currently at \$990 million. General Fund transfers are \$26.8 million and ahead of budget. There are eight General Fund Transfers remaining for the fiscal year.
- Sales for all CT Games are steady and currently ahead of budget by \$15.7 million or 6.4%.
- Multi-State games were at \$101.5 million, which is lower compared to last year due to the decline in Powerball sales. Mega Millions is currently performing better than Powerball. Both games have growing jackpots at this time.
- The CLC has experienced seven months of its highest sales. Current General Fund transfers are \$268.5 million. Total sales were \$990 million as of May 13, 2015, and it is expected that the CLC will reach \$1 billion in sales on or before Sunday, May 17, 2015. The portfolio is consistent with modest growth.
- Instant game sales are strong and total sales to date are \$593 million, which is an average of \$1.8 million per day.
- Play3 and Play4 Day and Night game sales were at \$200 million combined and slightly under budget. The fiscal year-end goal is \$233 million.
- Play3 Day sales are up \$1,000 per day higher than last month. On 5/11/15, 0-0-1 was drawn and paid winners \$141,000. Sales for that day were \$142,000.
- Play3 Night is currently at \$62.5 million in sales for the year.
- Play4 games are performing better than the Play3 games. Play4 Day is at \$37.5 million for the year and is averaging \$118,000 in sales per day.
- Play4 Night is at \$57 million for the year.
- 5 Card Cash sales are currently at \$41.4 million. There has been a slight decline in sales.
- Lotto sales have been steady. The last jackpot hit was \$4.7 million on January 30, 2015. The jackpot is currently at \$2.4 million and growing.
- Cash5 sales are steady and averaging \$85,500 per day.
- Connecticut Super Draw is on hiatus, at least temporarily.
- Powerball's jackpot is at \$110 million. Ms. Patterson noted that several small jackpots were hit over the winter and early spring. Sales increase when jackpots are much higher. Total sales in this game are currently down. Total sales to date for FY '15 are \$59 million.
- Mega Millions current jackpot is at \$159 million. The jackpot was last won on March 24, 2015. Total sales to date for FY'15 are \$27.6 million.
- Lucky for Life sales are steady and continue to trend in an upward direction. We have more prizes since changes were made to the game. This equates to more winners which is a positive experience for our players.

This concluded the Executive Report.

III. Committee Reports:

Legislative and Games:

Ms. Morton reported that the Legislative and Games Committee had not met since April 16, 2015; however, the Committee is optimistic about the Legislative Session which adjourns on June 3, 2015. Ms. Morton will provide a full Committee report at the June 18, 2015 Board of Directors' Meeting.

Audit Committee:

Mr. Morgan reported that the Audit Committee met on Tuesday, May 12, 2015. Mr. Granato provided the Committee with an update regarding GASB 68. The information that we need from the Treasurer's Office will come in time for the Auditors. The Committee also reviewed MUSL Matters and the draft Purchasing Policy in Executive Session.

Personnel Committee:

Ms. Murrell reported that the Personnel Committee met on Tuesday, May 12, 2015. The Committee reviewed employee benefits, life and disability insurance, paid time off, retirement benefits, and the organizational realignments. Ms. Murrell noted that no actions were taken at the Committee meeting. The Committee will meet again in June and bring their recommendations regarding compensation to the full Board on June 18, 2015.

Finance:

Mr. Birney noted that the CLC Finance Committee met on Tuesday, May 12, 2015. The Committee reviewed the draft of FY'16 Budget. The Committee is scheduled to meet again on June 12, 2015 to review the final draft that will be presented to the Board on June 18, 2015. The Committee also reviewed the status of the system conversion and the third quarter financials. Mr. Birney asked Mr. Granato to briefly highlight the third quarter financials.

Mr. Granato began by stating that the Connecticut Lottery Corporation (CLC) had a very good third quarter. He noted that the Finance Committee reviewed in great detail the operational results for the third quarter. He directed Board members to the highlighted financial pages which include the third quarter and year-to-date results with analysis provided by year.

Mr. Granato presented the following highlights:

- Sales for the quarter were up \$20 million or 7.5% from the same period a year ago and were offset by higher prizes.
- Prize expense rose from \$58.5% one year ago to \$62.8% for the third quarter.
- General Fund transfers were \$77.1 million for the quarter which is down \$2.9 million or 1.5% but also put us \$700,000 ahead of budget for the quarter.
- Through the first nine months, year-to-date sales as of March 31, 2015 were \$847.1 million, up \$17.2 million with continued success in both the instant portfolio and 5 Card Cash.
- Prize expense totaled \$525.6 million, equating to a 62% payout versus a 60% pay out in the prior year resulting in a \$31 million increase year over year.
- Retailer commissions, gaming system fees, marketing and advertising expense, and

- production expenses are on track and comparable to prior years.
- The first nine months operating expenses were \$15.7 million compared to \$15.4 million in the prior year.
  - Salary and benefits costs rose year over year due to wage increase while operating costs were down \$90,000 year over year. Prior year results included costs for a supplier diversity consultant which was non-recurring this year.
  - General Fund transfers for the 9 months ending March 31, 2015, totaled a very impressive \$233 million, which is down \$4.8 million from the prior year. Compared to budget, we are ahead on sales revenue and a commensurate amount of prize expense.
  - Marketing and Advertising through the first nine months was \$8.7 million.
  - Operating costs are below budget by \$600,000 due to unfilled vacant positions, as well as tight cost control on building operations, motor vehicle fleet costs, and data processing costs.
  - General Fund transfers, for the 9 months ended March 31, totaled \$233.0 million, which is \$3.5 million or 1.5% ahead of budget, through May 9, 2015. As of the most recent transfer to the General Fund, we remain \$3.5 million ahead of budget.

Mr. Birney thanked Mr. Granato for his report and commended Ms. Noble and her Executive Team for their hard work, the increase in revenue and their continued focus on holding operating expenses down.

IV. Executive Session:

At 12:33 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Mr. Birney, seconded by Mr. Morgan, and unanimously approved, the Board moved into Executive Session to discuss:

- New Game Initiatives
- Review Draft Purchasing Policy
- Attorney/Client Communications Re:
  - MUSL Governance - Third Party Inquiries
  - Pending Contract Negotiations

Ms. Noble, Ms. Patterson, Ms. Turner, Ms. Glovach, Mr. Granato, Mr. Hunter were invited to stay for the Executive Session. The Board reconvened in regular session at 12:59 p.m. Chairman Farricker stated that no votes or actions took place during Executive Session.

V. Old Business:

There was no Old Business.

VI. New Business:

There was no New Business.

VII. Adjournment:

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

On motion made by Mr. Birney, seconded by Mr. Morgan, and unanimously approved, the meeting was adjourned at 1:00 p.m.

Respectfully submitted,

Chelsea Turner  
Corporation Secretary/Connecticut Lottery Corp.