

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting

held on
Thursday, April 18, 2013
at 1:00 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; Natasha Pierre; James Farrell and Michael Thompson

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

Call to Order: Chairman Farricker called the meeting to order at 1:00 p.m.

I. Approval of Minutes:

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

“Resolved: That the Board hereby approves the February 28, 2013 Board meeting minutes.”

II. Executive Report:

President’s Report:

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

- The third quarter proved challenging for the Lottery with inclement weather in February and March, along with three Lotto jackpots that were hit since the start of the fiscal year. However, instant ticket sales were strong. The 50/50 Super Draw game exceeded expectations and there was a \$320 million Powerball run, which our marketing department capitalized on with a promotion where we gave away 320 free tickets. The end result was positive and as of the end of Q3, sales were \$17 million ahead of last year, and \$11 million ahead of budget. We were virtually to budget on General Fund transfers.
- April sales were strong, currently at about \$20 million ahead of last year, and about \$14 million ahead of budget. An extraordinary prize liability in the Play 4 game caused a \$10 million dollar lag in General Fund transfers. The sequences 1-1-1-1 and 1-2-3-4 were drawn in the Play 4 Night game within eight days of each another. This is wonderful news for our players. Typically, the prize liability in this game is approximately \$80,000 per draw. These two sequences yielded a combined prize liability of \$13.9 million.
- Lotto was also hit again, and augmentation for the April 5th Lotto drawing was \$401,760.
- California has recently joined Powerball and Florida will soon join Mega Millions.
- The Super Draw 7 game will be introduced on April 28th.
- Lottery management recently met with the Connecticut Airport Authority. The Lottery is hopeful that discussions will lead to collaborative projects for both the Lottery and Bradley Airport.

- The New England Lucky for Life group issued a Request for Information for a new lottery style game.
- The Lottery is poised to launch a social media program.
- The Lottery budget process, strategic planning and year-end evaluations are underway.
- The Lottery has issued a Marketing and Advertising Services Request for Proposals.
- Phase I of the Lottery's Supplier Diversity project is nearing completion, and the Lottery looks forward to receiving the Supplier Diversity consultant's report and recommendations. Our supplier diversity initiative will help ensure sustained growth, bring in new ideas and develop a robust supply chain; as a result, the CT Lottery will be more innovative and efficient.

Sales Performance Report:

Using sales charts, Ms. Patterson provided an overview of Lottery revenues and sales trends. Her report follows:

- As of April 17, 2013, All Games Sales reached \$879 million, which is \$14.2 million ahead of budget. Weekly average sales this year have reached \$21.1 million compared to \$20.6 million last year.
- Connecticut Only games showed a \$1.1 million improvement to the last report to the Board.
- Sales of the multi-state games showed a \$2.4 million improvement to the last report to the Board, compared to budget.
- Super Draw 6 sales exceeded the revenue goal of \$500,000 with a delivery of \$638,000 in sales, or 127,000 tickets. The Super Draw 7 game will launch on April 28 – the drawing will be held on July 4th. The game will offer 66 days of possible sales. Tickets are \$10 and the game features 1,300 winning prizes and a top prize of \$1 million.
- Instant ticket games sales achieved \$61.6 million in sales during March, the best monthly performance to date in this category. Ms. Patterson showcased some of the Lottery's newest instant scratch tickets.
- Combined sales of Play 3 and Play 4 were \$20.9 million in March. There are several instances of remarkable number combinations being drawn this year. Some of the Play 3 numbers drawn, year to date, were: 0-0-0, 1-1-1, 8-8-8, and 4-4-4. As Ms. Noble indicated, Play 4 numbers drawn include: 1-1-1-1 and 1-2-3-4. These combinations are popular with players and prize winnings are significant when repeat numbers are drawn. However, game profitability decreases in such occurrences.
- The Lotto game has been rebranded and our current promotion offers players and retailers a chance to win prizes of \$1,000 a day for 28 days.
- Cash5 sales remained steady, but were impacted by other games.
- Combined Powerball and Mega Millions experienced a decrease in sales. The Powerball jackpot has been hit eleven times this past year, with an average jackpot size of \$159 million, and Mega Millions has been hit twelve times, with an average jackpot size of just \$52 million. Connecticut is ranked 7th out of all lotteries for \$1 million dollar Powerball winners. Higher jackpots will increase sales in this category.
- The Lucky for Life game has not had a top prize winner since August 2012. Plans are underway for a change to this game.

Discussion took place regarding prize liability.

This concluded the Executive Report.

III. Committee Reports:

Legislative and Games:

In Ms. Morton's absence, Mr. Morgan gave the Legislative and Games Committee report. He stated that the Committee had met on April 12th to review Sales Performance; those results have been covered in detail by Ms. Patterson in today's Sales Performance report.

At Mr. Morgan's request, Ms. Turner provided a brief Legislative report. Her report follows:

- The CT Lottery is currently tracking many bills relating to gaming policy, state employees, quasi-public agencies, transportation and our retail partners, etc.
- A bill that would have mandated new lottery advertising requirements has successfully died in the Public Safety Committee.
- A bill that would allow for a limited bear hunting season would authorize a "lottery" to issue licenses; concerns were expressed to key policy makers over the use of the word "lottery." Substitute language has been provided, and this has been received positively to date.
- The Appropriations Committee and Finance Committee are expected to release their revenue and spending packages at their respective committee meetings on April 19th.
- A more detailed report will be provided at the next Legislative and Games Committee meeting.

Audit:

In Mr. Stauffer's absence, Mr. Thompson gave the Audit Committee Report. He stated that the Committee had met today to discuss intellectual property claims and the retention of SocialSphere by the Lottery to conduct research and analysis concerning Powerball and Mega Millions performance, along with a proposed new Lotto game. A recommendation was made to the Audit Committee at today's Committee meeting to retain SocialSphere.

Mr. Thompson made the following statement for the public record:

Given the importance to the Corporation of market research about our players and games and given SocialSphere, Inc.'s expertise, knowledge of the Connecticut marketplace, and prior research and analyses performed for the Corporation, the Audit Committee supports the President's determination to retain SocialSphere, without open or competitive bidding, to conduct market research and analysis concerning (a) the performance of the Powerball and Mega Millions games and (b) a proposed new lotto style game. Such action is consistent with the Corporation's purchasing policy and enabling legislation and enables expertise and cost-efficiency in this necessary research.

Personnel:

Mr. Mattison reported that the Personnel Committee met today to review the Compensation Consultant's Draft report. He stated that the consultants gave an extensive presentation, which included detailed methodologies and various recommendations. The draft report will be discussed further in today's Executive Session.

IV. Executive Session:

At 1:30 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Mr. Farricker, seconded by Mr. Mattison, and unanimously approved, the Board moved into Executive Session to discuss:

- Review of New Game and Promotional Initiatives
- Attorney/Client Communications Re:
 - Contract for Research and Analysis
 - Intellectual Property Claims

- Review of Draft Report: Compensation Consultants

Ms. Noble, Ms. Patterson, Ms. Turner, and Mr. Hunter were invited to join Executive Session concerning the review of new game and promotional initiatives, contract for research and analysis and intellectual property claims and then departed.

The Board reconvened in regular session at 2:15 p.m. Mr. Farricker stated that no votes nor actions took place during Executive Session.

Mr. Farricker reminded Board Members about the May 1st deadline to file Statement of Financial Interests, and to return Ethics Policy acknowledgement forms to the Lottery's General Counsel, Lana Glovach.

V. Old Business:
None.

VI. New Business:
None.

VII. Next Scheduled Board Meeting Date:
The next Board of Directors' meeting will be held on Thursday, May 23, 2013 at 1:00 p.m.

VIII. Adjournment:
On motion made by Mr. Morgan, seconded by Mr. Farrell, and unanimously approved, the meeting was adjourned at 2:17 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corp.

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