

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting

held on  
Thursday, May 23, 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; Robert Morgan; Robert Dakers; Natasha Pierre; Patrick Birney; Marty Stauffer; James Farrell and Michael Thompson

Peg Morton and Steven Bafundo via phone

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Jane Rooney; Paul Granato; Michael Hunter; Lana Glovach; Christine Valentine and Luci Goodwin

Guests Present: Carol Kardas and Gerald Kardas

Call to Order: Chairman Farricker called the meeting to order at 1:12 PM.

I. Approval of Minutes:

On motion made by Mr. Morgan, seconded by Mr. Farrell, the April 18, 2013 Board meeting minutes were unanimously approved.

II. Executive Report:

President's Report:

Ms. Noble thanked Board members for attending today's meeting. Highlights from her report are as follows:

- Sales passed a billion dollars on May 21<sup>st</sup>; this is a landmark to celebrate.
- Total revenues are \$40 million ahead compared to this same time last year, and \$35 million ahead compared to budget; strong instant sales and the recent Powerball run have helped contribute to this success.
- Overall, General Fund Transfers are \$2.6 million behind budget, which is less than 1%, but a significant improvement since April.
- We continue to work on the budget for FY' 14 and will present this at our June Board

meeting.

- The Lottery and the Department of Consumer Protection continue to work on regulations and other regulatory issues.
- The end of the legislative session is nearing and we are monitoring activity there and at the federal level.
- Management evaluations are underway and we are beginning to set goals for FY'14.
- The CT Lottery Corporation's electronic billboards will display a "Remember the Heroes" message for Veteran's Day.

#### Sales Performance Report:

Using sales charts, Ms. Patterson provided an overview of Lottery revenues and sales trends.

Highlights from her report are as follows:

- As of May 23, 2013, all game sales reached \$921 million, which is \$16 million ahead of budget. Weekly average sales this year have reached \$21.1 million compared to \$20.6 million last year.
- As of May 19, 2013, Connecticut only games are ahead of budget by \$11.3 million.
- As of May 19, 2013, Sales of the multi-state games are ahead of budget by \$23.2 million.
- New Instant Games "30x Cash" and "2x the Money" were introduced.
- Instant Ticket sales continue to be strong.
- Combined sales of Play 3 and Play 4 were \$22.2 million in April; this was the best month of the year thus far.
- Lotto has been holding steady at an average this year of \$1.8 million per month; the rebranding efforts have helped.
- Cash5 sales remained steady but were impacted by other games.
- Combined Powerball and Mega Millions sales for April totaled approximately \$8.2 million; Powerball sales outweighed the Mega Millions sales and were approximately \$5.9 million.
- Super Draw 7 launched on April 27, 2013 and the drawing will be held July 4, 2013. This game features the best chance to win one million dollars.
- Lucky for Life has not had a top prize winner since August 2012. The game is performing as expected. Plans are underway for changes to this game. Sales for the game for the month of April came in at approximately \$2.6 million.

A general discussion followed regarding the number of retailers, commissions and remerchandising plans.

This concluded the Executive Report.

### III. Committee Reports:

Chairman Farricker requested that the Committee Report section of the agenda begin with the presentation by KardasLarson, LLC.

Ms. Rooney began with an overview of how KardasLarson, LLC was selected. Seven companies were considered and five received interviews. Dunn & Bradstreet reports were obtained. KardasLarson, LLC ultimately was selected by the Personnel Committee. Their strengths included knowledge of the public and private sector, competitive pricing, and a practical and sound approach to this project. They are also both an MBE and a Connecticut

company.

Ms. Rooney introduced Ms. Carol Kardas and Mr. Gerald Kardas.

Ms. Carol Kardas, of KardasLarson, LLC presented an in-depth summary of the Compensation study. This included details about the purpose of the project, the choice of methodology, the subject matter (both compensation and benefits) and selecting invitees to participate.

A job analysis exercise was conducted that included a review of the current job functions, compensable factors and job descriptions.

In addition, other quasi public participants and lotteries were interviewed to obtain comparable data and existing proprietary database information was also used. There are some legal restrictions provisions that apply to the collection of this data.

Fourteen lotteries were invited to participate; eight responded. Ten quasi public state agencies were invited to participate; six responded.

The survey design and collection took into account both compensation and benefits, and many factors were taken into consideration such as the time the data was collected, and the location of the participant (the data was normalized to Hartford, CT).

Data was obtained under the US Department of Justice & Federal Trade Commission Guidelines, which state that all data is presented in the aggregate form, no individual participant is identified, there must be five or more participants providing data for a statistic, the data must be at least three months old, no single respondent can make up more than 25% of the data sample, all raw data is kept in strictest confidence and surveys must be managed by a third party.

Ms. Kardas outlined the process for creating a salary grade structure which included creating ranges, the slotting process (no current salaries were seen until after this phase), and the job title adjustments. Many factors were considered in structure including: the focus of job levels, the mix of work accomplished, time spent on work, the impact of the position, and the impact on people and managers.

Their report serves as a tool for management and employees to assess compensation and performance.

#### Personnel Committee:

Mr. Thompson reported that the Personnel Committee met two times in April to discuss compensation and meet with KardasLarson, LLC. The Committee felt that the full Board would benefit from their presentation, as seen today. The Committee conducted their annual review of certain HR policies and found them to be in order.

#### Legislative and Games:

Mr. Morgan reported that the Legislative and Games Committee met on April 12th to review Sales Performance. Those results have been covered in detail by Ms. Patterson in today's Sales Performance report.

In addition, a brief Legislative report was provided by Ms. Turner. At Mr. Farricker's request,

Ms. Turner summarized her report. She stated that the CT Lottery is currently monitoring over six hundred bills relating to gaming policy, retailers, procurement, state employees and miscellaneous initiatives. She stated that the end of the session is nearing, and we are following budget developments. At the federal level, a new gaming caucus has formed and a legislator from New York has expressed interest in proposing an i-gaming bill that would include both poker and lottery.

Finance:

At Mr. Morgan's request, Mr. Paul Granato gave a brief overview on the nine months ended March 31, 2013. He stated that sales were up for the 3<sup>rd</sup> Quarter, which ended March 31, 2013, but so was prize expense. If prize expense were not so high, there would have been higher transfers to the General Fund. Marketing and advertising expenses were down \$1.1 Million for the quarter. Production expenses were up \$1.2 million for the quarter, which was attributed to the \$30 scratch ticket. Operating expenses were down \$1 million.

IV. Executive Session:

At 1:55 PM., Mr. Farricker called for a motion to enter into Executive Session. On motion made by Mr. Morgan, seconded by Mr. Thompson, and unanimously approved, the Board moved into Executive Session to discuss the Employment and Compensation of the President & CEO and Vice President of Sales & Marketing. No guests were invited into Executive Session.

The Board reconvened in regular session at 2:58PM.

V. Old Business: None.

VI. New Business:

On a motion made by Ms. Pierre, seconded by Mr. Thompson, and unanimously approved, the following resolution was made:

“RESOLVED: It is hereby resolved that the KardasLarson salary ranges are adopted with the exception of the President & CEO, and Vice-President of Sales & Marketing.”

Ms. Pierre reminded Board members that under the Connecticut statutes, it is the Board of Directors' responsibility to set the salaries for the President & CEO, and Vice-President of Marketing & Sales.

Mr. Dakers noted that he hopes management will consider using the state manager salary increases in July as a guide to making adjustments.

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

“RESOLVED: It is hereby resolved that compensation for the President & CEO and the Vice President of Sales & Marketing is established at total compensation for FY'13, effective immediately.”

Mr. Dakers abstained from this vote and all other Board members present voted in the

affirmative.

Chairman Farricker announced with great regret that Mr. Marty Stauffer is retiring from the Board and thanked him for his years of service.

VII. Next Scheduled Board Meeting Date:

The next Board of Directors' meeting will be held on Thursday, June 27th, 2013 at 1:00PM

VIII. Adjournment:

On motion made by Mr. Birney, seconded by Mr. Farrell, and unanimously approved, the meeting was adjourned at 3:03PM.

Respectfully submitted,

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Chelsea Turner  
Corporation Secretary  
CT Lottery Corporation

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By: Luci Goodwin  
Secretary 2  
Connecticut Lottery Corporation