

CONNECTICUT LOTTERY CORPORATION

Board of Directors
Minutes of Special Meeting

Held on
February 10, 2011
at 1:30 p.m.

at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Gale Mattison, Acting Chairman of the Board; Marty Stauffer; Robert Morgan, designee of ex-officio member, Denise Nappier, State Treasurer; Kenneth Saccente; Carolyn Long; Patrick Birney; Natasha Pierre; Robert Dakers, designee of ex-officio member, Benjamin Barnes, Secretary, Office of Policy and Management; and Pat Racz (who joined the meeting by phone).

Absent: Steve Bafundo; Margaret Morton; and Wendy Kingsbury.

Staff Members: Anne M. Noble, President & CEO; Barbara Porto; Barry Sheftel (on behalf of John Ramadei); Chelsea Turner; Diane Patterson; Sandra Cady; Karen Mehigen (former Director of Human Resources, CLC); and Helen Duffy.

Visitors: Joseph Tontini, William Ryan and Michael Janusko, Division of Special Revenue; and Amy Jursz, Scientific Games.

Call to Order: Acting Chairman Mattison called the meeting to order at 1:35 p.m. In his opening statements, he welcomed the newest appointees to the Board, Natasha Pierre, appointee of Senator Donald Williams, President Pro-Tempore, and Robert Dakers, appointee of Benjamin Barnes, Secretary, Office of Policy and Management. He also went on the record in thanking John Paul, former Chairman of the Board, for his dedication and positive impact on the Connecticut Lottery Corporation.

I. Approval of Minutes:

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

“Resolved, That the minutes of the December 2, 2010 Special Board Meeting are approved.”

II. President’s Report:

Before beginning her report, Ms. Noble welcomed Natasha Pierre and Robert Dakers, recently appointed to the Lottery’s Board of Directors. She also welcomed back Ms. Karen Mehigen, former Director of Human Resources, to the Lottery. Ms. Noble went on record by stating her thanks, and that of senior staff, to John Paul, former Chairman of the Board, for his service, hard work and dedication to the Lottery. She noted that Mr. Paul was always willing to make himself available at any time to assist the Corporation.

By way of introduction, Ms. Noble reported that sales were strong, particularly in the numbers and instant games. Holiday sales were also very strong. The Million Dollar Connecticut Super Draw game was very successful and had completely sold out by December 31, 2010. However, unusual increases in prize expense related to the number sequences drawn toward the end of 2010, including: 9-9-9; 9-1-1 and 8-8-8, among others, offset much of our sales success. Powerball and Mega Millions sales were up slightly since December due to the Mega Millions jackpot run. Ms. Noble stated the multi-jurisdictional games would be discussed in more depth during today's Executive Session. Poor weather conditions, snow and ice damage to billboards, and parking restrictions in many towns hampering efforts by our sales reps to reach retailers, recently negatively impacted sales.

Ms. Noble did a brief overview of winter initiatives. Over the past recent months, several members of the General Assembly have visited the Lottery, which allowed the Lottery an opportunity to share information with legislators and to discuss the Lottery. Overall, these visits have been very favorably received, and the Lottery will continue to invite legislators to tour our facility and to see our operation firsthand. Ms. Noble extended her appreciation to the Administration as well. The Lottery continues to track bills that might affect the Lottery, including the Tax Delinquency Bill and the Notification of Winners Bill. We are also pursuing efforts to delete language in our enabling legislation which prohibits the Lottery from doing interactive on-line promotions.

With regard to the 3rd quarter, the Lottery has begun the budget planning process for Fiscal 2012 and, to facilitate the process, recently met with Scientific Games to discuss plans for an offsite "State of the Industry" meeting. Online system enhancements and sales and marketing initiatives will be part of those discussions.

Operations is continuing to drive efforts to pilot test dual communications software that will allow VSAT systems to failover automatically to CDMA, enhancing online system reliability and performance during inclement weather events.

The Lottery recently launched the new website which has received very positive feedback. A new replay feature is being installed on our online system which will allow retailers to scan barcodes from a player's existing ticket to produce a new ticket with the same game details and parameters. The enhancement should prove very convenient for both our players and retailers.

Ms. Noble reported that Mr. Sternburg, former Vice President of Sales and Marketing, was invited to attend today's Board meeting. Unfortunately, he was unable to attend because of a personal matter. He extended his thanks to the Board and Lottery staff attending today's meeting. His contributions to the Lottery over three years were significant, and the Lottery looks forward to working with him in Massachusetts.

The CLC continues with its commitment to reinforce the risks associated with youth gambling. A radio spot featuring Coach Geno Auriemma was showcased at today's meeting; a television spot featuring John Hannah of the New England Patriots is in production. The Lottery is also working with Youth Rights Media to create a viral spot about youth gambling.

Ms. Porto is actively working with the Mass Council on Problem Gambling in preparation for the next National Council on Problem Gambling Annual Conference, which will be held at the end of June in Boston. The CT Lottery will participate in the Conference. Problem Gambling Awareness Week in Connecticut is from March 6 through 12, 2011.

Sales and Marketing Report:

Using several sales charts, Ms. Noble presented an overview of sales trends as compared to the same period last year. Her summary follows: Instant ticket sales were up compared to last year's actual by \$48.1 million or 4.4% and 4.2% compared to budget. Numbers games were ahead of last year by 6.9% or 7.2% compared to budget. Play3 Day, Play4 Day, Play3 Night and Play4 Night sales exceeded sales when compared to the past three years. Although there were neither winners nor significant jackpots, we saw a slight increase in Classic Lotto sales during December and January. Bad weather conditions proved challenging recently and created a negative impact on sales.

Draw games sales, including Cash 5, Lucky-4-Life and Classic Lotto, saw a slight decrease compared to budget and last year's actuals. However, sales of the Lucky-4-Life game showed a slight uptick and mirrored sales during August and September. Cash 5 sales performed slightly better at 3.6% compared to budget.

In January, higher than normal Mega Millions game sales were driven by a large jackpot; Ms. Noble commented that the increased sales were not sustained after the jackpot. However, despite the fact that Powerball sales were down by 24.3%, it is important to note that the combined Mega Millions and Powerball sales did outperform last year's actual sales in recent months.

Total sales in the instant games, numbers games and other Connecticut games category were up 4.3% compared to budget and 2.7% compared to last year.

Overall sales were up by 1.1% compared to budget or 2.4% compared to last year.

General Fund transfers were down -6.2% compared to budget, or -4.9% compared to last year, again as a result of the higher than normal prize expenses for the quarter.

The Lottery continues to work hard on advertising campaigns and plans to release new commercials and games for spring. The "I Love Lucy" campaign will launch on February 14th.

The Connecticut Super Draw game sold out at the end of December, and we were happy to present the top prize to a family from Goshen.

This concluded the President's Report.

III. Committee Reports:

Finance:

Mr. Morgan expressed support for the Lottery's efforts and stated that sales were steady and strong, despite economic challenges and recent weather conditions. Prize expense increased during the new year as a result of winner claims in Play 3 and Play 4 games. Barring the unusual prize expenses, the Lottery likely would have achieved General Fund projections. Mr. Morgan then asked Mr. Sheftel to present the Financial Report for the quarter ended December 31, 2010. Mr. Sheftel gave a brief report, as follows:

Net sales for the quarter were up by \$3.3 million or 0.7%. Mr. Sheftel noted that this number did not include the Connecticut Super Draw game. Prize expense for the quarter was also up by \$6.1 million, or 2.0%. The total cost of sales was up by \$6.5 million, or 1.9% and transfers to the General Fund, to-date, were \$135 million, a decrease of -\$6.4 million or -4.5%. This concluded Mr. Sheftel's report.

Games & Marketing:

Acting Chairman Mattison reported that the Games and Marketing Committee had met late in 2010 to review sales performance and to discuss new games initiatives, which would be reviewed further in today's Executive Session.

Personnel:

Ms. Racz reported that the Personnel Committee held two meetings since the December 2, 2010 Board meeting. The Committee continues to move forward to fill the Vice President of Marketing and Sales position left open as a result of Mr. Sternburg's resignation.

IV. Executive Session:

At 2:00 p.m., Acting Chairman Mattison called for a motion to enter into Executive Session to discuss: new games initiatives; Personnel Search Committee report and draft Attorney/Client communications. He invited Ms. Noble, Ms. Turner and Ms. Patterson to remain for the new game initiatives portion of Executive Session. He invited Ms. Noble, Ms. Cady, Ms. Turner and Ms. Mehigen (former Director of Human Resources, CLC) to remain for the Executive Session addressing the Personnel Search committee report and Ms. Noble, Ms. Porto, Ms. Turner and Mr. McCormack to remain for the Attorney/Client, pending claims and litigation portion of Executive Session.

On motion made by Mr. Stauffer, seconded by Mr. Birney, the Board moved into Executive Session.

The Board reconvened in regular session at 2:50 p.m. Acting Chairman Mattison stated that no votes or actions had taken place during Executive Session.

V. Set Aside Program:

Acting Chairman Mattison reported that discussions had taken place concerning the Lottery's participation in the state's set aside program, and that the Lottery is continuing to move forward in a positive way to address its minority business relationships and participation. Ms. Noble, Mr. Mattison, Mr. Morgan and Mr. Birney will attend a meeting on Thursday, February 17th with Dr. Fred McKinney, President of the Greater New England Minority Development Council.

VI. Old Business:

None.

VII. New Business:

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

“Resolved, That the Board of Directors of the Connecticut Lottery Corporation endorses the Lottery's observance of and participation in Problem Gambling Awareness Week in Connecticut, from March 6 through March 12, 2011.”

Mr. Mattison suggested Committee appointments for the two new Board Members:

Ms. Pierre was asked to sit on the Personnel and Games Committees; Mr. Dakers was asked to sit on the Finance and Audit Committees.

VIII. Next Scheduled Board Meeting Date:

The next Board of Directors meeting will be held March 24, 2011. However, Acting Chairman Mattison stated that the Board meetings scheduled for March 24, 2011 and May 19, 2011 were subject to change.

IX. Adjournment:

On motion made by Mr. Stauffer, seconded by Mr. Birney, and unanimously approved, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,

Barbara Porto
Corporation Secretary

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