



Minutes of the Board Meeting

Held on

Thursday, December 12, 2019
at 12:00 p.m.,

at the

Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members:

Patrick Birney, Vice Chair; Wilfred Blanchette Jr.; John Flores; James Heckman; Manny Langella; Patti Maroney; Margaret Morton; and Michael Thompson (via teleconference).

Staff Members:

Greg Smith, President & CEO; Peter Donahue; Paul Granato; Michael Hunter; Annmarie Daigle; and Bryan Figueroa.

Guests:

Stephen Fogerty, Halloran and Sage LLP

Call to Order:

Mr. Birney called the meeting to order at 12:07 p.m.

I. Welcome & Pledge of Allegiance:

Vice Chair Birney welcomed the Board members and thanked them for attending today's meeting. He offered thanks to Ms. Natasha Pierre for her many years of service to the CLC Board and as Chair of the Personnel Committee. He then introduced Mr. Wilfred Blanchette, a newly-appointed Board member, as the current Chair of the Personnel Committee.

II. Approval of the October 10, 2019 Board Meeting Minutes:

On a motion made by Mr. Flores and seconded by Mr. Heckman, it was:

"Resolved, that the Board hereby approves the October 10, 2019 Board meeting minutes".

The motion passed with Vice Chair Birney abstaining.

III. Lottery Report:

a. Financial Report:

Using sales charts, Mr. Paul Granato, Chief Financial Officer, provided a brief report for the period ending September 30, 2019. All sales figures are unaudited.

Financial highlights included \$310 million in net sales for the period, up \$1.1 million from the previous year. Mr. Granato noted that a lower prize expense, \$187.2 million compared to \$189.6 million last year, brings the General Fund transfer for the period to \$91.1 million, \$5 million ahead of last year.

b. Review of Sales Performance:

Mr. Peter Donahue, Senior Director of Marketing, provided sales results for the fiscal year-to-date period ended November 30, 2019. Mr. Donahue highlighted Connecticut games, which are up approximately \$9 million to budget, with Keno and Lotto performing exceptionally well. He noted that the multi-state games, Powerball, Mega Millions and Lucky for Life are down approximately 35% collectively below budget, mostly due to jackpot spikes in late 2018.

c. President's Report:

Mr. Smith thanked Ms. Natasha Pierre for her many years of dedicated service on the CLC Board of Directors. He also noted that Ms. Theresa Scott, Acting Director of Sales, would be retiring at the end of this year with 20 years of service to the lottery. He thanked Ms. Scott for her service and wished them both well.

Mr. Smith reported that the CLC received a 2019 Certificate of Excellence in Ethics Compliance by the Office of State Ethics. He also noted recent efforts with CLC's Annual Give a Toy, Not a Ticket responsible gambling holiday campaign benefitting Connecticut Children's Medical Center while spreading the message that lottery tickets are not suitable gifts for children. In its sixth year, the campaign grows stronger each year.

Mr. Smith was pleased to report that CLC's Live Big marketing campaign won a recent award from industry peers and he proceeded to show the commercial. He also noted that the Marketing Department is actively working with DCP and Scientific Games on the development of the FastPlay game, which is moving forward as planned and expected to launch in April 2020.

Mr. Smith reported on plans for the upcoming legislative session which include both sports betting and ilottery, as well as recent meetings with the Office of Policy and Management and Quasi-Public Agencies.

This concluded the Lottery Report.

IV. Committee Reports:

a. Executive Committee:

Mr. Birney stated that the Executive Committee met on December 6, 2019 primarily in Executive Session to receive a report of the Task Force regarding the Draft Investigative Report.

b. Audit Committee:

Mr. Thompson stated that the Audit Committee has met twice since the last Board Meeting, including earlier today, primarily in Executive Session to discuss pending claims and litigation, civil suits and CHRO matters.

c. Legislative and Games Committee:

Ms. Morton reported that the Legislative and Games Committee met in early November to review and approve Fast Play game rules which will be discussed later today. The draft legislative agenda was also discussed at that meeting.

d. Personnel Committee:

Mr. Blanchette reported that the Personnel Committee met earlier today to review the Draft Managerial Compensation Plan Proposal, which will be voted on later today.

e. Task Force:

Mr. Smith reported that the Task Force Committee has received a final draft investigative report to be presented to the full Board at today's meeting. He also noted that the Task Force's work is coming to a close, except for any remaining administrative purposes that may be necessary.

V. Executive Session

At 12:33 p.m., on motion made by Ms. Morton and seconded by Ms. Maroney, the Board moved to Executive Session to discuss:

- a. Task Force Draft Final Investigative Report
- b. Draft Managerial Compensation Plan Proposal
- c. Pending Claims and Litigation: Civil Suits and CHRO Matters

Mr. Smith and Mr. Fogerty were invited to stay for Executive Session.

Mr. Fogerty left the meeting at 1:30 p.m.

The Board reconvened in regular session at 1:49 p.m. with Mr. Birney noting that no votes or actions were taken in Executive Session.

VI. New Business:

a. Review and Possible Action: Board Meeting Schedule for 2020:

On a motion by Ms. Morton, seconded Ms. Maroney, and unanimously approved, it was:

Resolved, that after due consideration the Board of Directors hereby adopts the Board Meeting Schedule for 2020 as presented.

b. Review and Possible Action: Fast Play Game Rules:

On a motion by Ms. Morton, seconded by Mr. Blanchette, and unanimously approved, it was:

Resolved, that after due consideration and based on the recommendation of the Legislative and Games Committee, the Board of Directors hereby approves the Official Fast Play Game Rules, understanding that we plan to begin sales of the games in April, 2020. Resolved, further, that any necessary changes to the rules will be brought before the Legislative and Games Committee & Board of Directors prior to any sale of the games.

c. Review and Possible Action: Task Force Draft Investigative Report:

After a brief discussion, on a motion by Ms. Morton, seconded by Ms. Maroney, and unanimously approved, it was:

Resolved, the Board of Directors accepts the investigative report of the Task Force prepared by Halloran and Sage LLP. This completes the assignment requested of the Task Force members and the CLC President in August, 2019. The Task Force is essentially dissolved at

this time, except for any remaining administrative purposes that may be necessary.

At this time, Mr. Thompson indicated that he, as well as other members of the Audit Committee were not aware of the contract with eMerchantbroker LLC, referenced in Section 4 of the Task Force Report, until the May 2017 Audit Committee Meeting, after the contract had been terminated. Mr. Birney echoed his statement, and he offered his thanks to Ms. Capps, Mr. Langella and Ms. Maroney for their efforts in expediting the work of the Task Force.

d. Review and Possible Action: Draft Managerial Compensation Plan Proposal:

Ms. Morton took this opportunity to acknowledge the CLC's recent ethics compliance, outstanding sales results, and clean audit opinion and Mr. Blanchette noted that the proposed salary increase is justifiable as it helps to address compression. He also noted that the current individuals had nothing to do with the difficulties of the last 3 to 5 years and everything to do with helping to set the corporation out on the right path. Mr. Birney concurred.

On a motion by Mr. Blanchette and seconded by Ms. Morton, it was:

Resolved, that after due consideration and based on the recommendation of the Personnel Committee, the Board of Directors hereby adopts the FY20 Managerial Compensation Plan Proposal. The increase would be effective the first pay period in January, 2020.

Mr. Heckman voted against the proposal.

VII. Adjournment:

On motion made by Mr. Birney and seconded by Mr. Flores, the meeting adjourned at 1:59 p.m.

Respectfully Submitted,

Annmarie Daigle
CT Lottery Corporation