



**Meeting of the Board of Directors of the
Connecticut Lottery Corporation
MEETING TRANSCRIPTION**

Held on

Thursday, December 10, 2020 at 12:00 p.m.

via teleconference

Board Members Present: Robert Simmelkjaer, Board Chair; Patrick Birney; Wilfred Blanchette Jr.; Meghan Culmo; John Flores; James Heckman; Manny Langella; Patti Maroney; Margaret Morton; and Michael Thompson (all via teleconference).

Guest: Vanessa Rossitto, Blum Shapiro

Staff Members Present: Gregory Smith, President and CEO; Peter Donahue; Paul Granato; Matthew Stone; Mark Walerysiak; Tara Chozet; and Annmarie Daigle.

I. Welcome:

(R. Simmelkjaer): Good afternoon everyone, welcome. My name is Rob Simmelkjaer, I am the Board Chair of the Connecticut Lottery Corporation, calling this regularly scheduled meeting of the Board to order at 12:04 p.m. on Thursday, December 10th. This is our final meeting for 2020. We have a pretty full agenda today and before we get into it I'd like to turn it over to our General Counsel, Matt Stone, to discuss the rules of the meeting we are operating under.

(M. Stone): Thank you Mr. Chair. This is Matt Stone, we continue to operate under Governor Lamont's Executive Order regarding public access to meetings. There is no in-person public attendance for this meeting so we have the public listening in on their own phone line. That phone line will be taken out of the room when the Board goes into Executive Session and that line will be kept open and active and then brought back into the meeting room after the Executive Session. A reminder that speakers should identify themselves by name each time they speak, and this is particularly important for Board members when making motions, seconding motions, voting no or abstaining from a vote, so that the public knows which members took what actions. And finally, this meeting is being recorded, audio only, and we will post the recording transcript on our website after the meeting, which will serve as the meeting minutes. That is all, back to you Mr. Chair.

II. Finance Committee Report:

a. Blum Shapiro Report on CLC Audited Financial Statements for the year ended June 30, 2020:

(R. Simmelkjaer): Thank you very much. We are going to start today's meeting with the Finance Committee Report. We have Blum Shapiro here to give us a report on the audited financial statements for the year ended June 30, 2020. We wanted to give them a chance to present their report at the top of the meeting so they can then leave for the remainder of it. To introduce them, I am going to turn it over to Mr. Granato.

(P. Granato): Thank you Chairman Simmelkjaer. Good afternoon Board members, CLC staff, DCP and other guests. This is Paul Granato, Chief Financial Officer for the Lottery. I'd like to begin the meeting by introducing Blum Shapiro, our external auditors. They have completed their audit of the Financial Statements and will present the findings and conclusions to the Board today. Blum Shapiro worked entirely remotely – using technology similar to what we are utilizing today and we communicated and provided documents through a secure portal with Blum, so the pandemic and social distancing had little effect on the audit. On the call we are joined by Vanessa Rossitto, the partner on our account and the lead on our engagement. I'll turn it over to Vanessa who will go over the highlights.

(V. Rossitto): Good afternoon everyone, thank you Paul. This is Vanessa Rossitto, I am the engagement partner for the Lottery's audit. You have all received the financial statements and I have summarized the highlights of all of the deliverables into this presentation in the interest of time. I am going to go through it and if there are questions please hold until the end, that's probably the best way. We are going to talk about the engagement scope and reporting and the deliverables that were issued. I will go over some high level financial highlights and audit results. The two deliverables are the audited financial statements and the government auditing standards letter. You did receive the required communication, we call it the SAS 114 letter, which is a letter that is required by the AICPA, the Auditor's Communication with Those Charged with Governance. Then we will go over the very long list of upcoming GASB pronouncements.

So to go over the responsibilities in the audit, management has their responsibilities and we have our responsibilities. Management is really responsible for the financial statements, for their preparation and fair presentation in accordance with standards in the GAAP and also for internal controls, meaning the design, implementation and maintenance of those controls and that the financial statements are free from material misstatement whether from error or fraud. So our responsibilities are to express an opinion on the financial statements based on our audit and also to plan and perform our audit to provide reasonable assurance about whether the financial statements are free of material misstatement. So the term reasonable assurance means that we are using a risk assessment, a materiality assessment; we are not auditing every transaction of the corporation.

We have issued an opinion on the financial statements under standards general accepted in the United States of America and also Government Auditing Standards, and we've also issued a Government Auditing Standards letter, otherwise known as the Yellow Book Letter, and this letter is a report on internal controls over financial reporting and also compliance. The results of those deliverables were an unmodified or clean opinion, the highest form of opinion you can receive, meaning no significant deficiencies or material weaknesses were reported in internal control or financial reporting.

So a high level review of the financial results, to go over what transpired last year. This slide is looking at the Balance Sheet for the period 2020 compared to 2019 and we also have 2018 there as well. As far as your Assets, really nothing of note, the only thing that did change a little is Cash went down from the

prior year and that was really a result of timing. I believe your Investments were less in 2020 than 2019, those are investments with the State of Connecticut funds. There's a couple of other categories on the Balance Sheet for these financial statements other than Assets and Liabilities and Net Position. We also have a category called Deferred Outflow and Deferred Inflow. This is just for government accounting. Deferred Outflow is just what it means, an outflow that is going to happen but it is deferred, so it is an asset. This amount did increase from the prior year, this has to do with your pension liability and your OPEB liability that you have with the State of Connecticut – Other Post-Employment Benefit liabilities. Speaking of those, that's really the reason that your long-term liabilities increased from last year to this year. Last year they were about \$219 million and this year they were about \$237 million. Net Position was pretty static.

This next slide shows your Revenue and Expenses and really as the whole state shut down because of the pandemic, I think the results were pretty good considering. Revenues, Total Operating Revenues, you had an increase in Instant Sales of \$20 million and an increase Online Sales of \$18 million, and then you had a decrease in Multi-State Revenue of about \$69 million so overall revenues were down about \$29 million from the prior year. Costs and Expenses were pretty much consistent from year to year and then your Change in Net Position was down due to the revenues being down. You had a payment to the State of Connecticut General Fund of \$347.7 million and some other payments that you are required to make to the Chronic Gamblers' Fund and the Office of Policy and Management. You did have a decrease in Net Position of about \$6 million from last year.

Moving on to the Required Audit Communications, again this was a separate document that was issued, I'm going to summarize some of the highlights. In your financial statements the significant accounting policies are described in Note 1 to the financial statements. This year there were no new GASB Standards adopted, in fact they delayed the implementation of a number of standards due to the pandemic. All financial statements have management estimates. We are required to communicate to those charged with governance which estimates are in your financial statements. In the Lottery's financial statements, management is estimating the useful lives of capital assets in order to calculate depreciation, so we look at those useful lives and make sure that they are close to what they were last year, that there is nothing that stands out. The Net Pension and OPEB Liability contained in your financial statement is an estimate. Both of those are State of Connecticut plans and based upon the assumptions created by the management of the state. And Revenue Recognition – Instant Tickets, fifty percent of the revenue recognition of the instant tickets that are opened, is the management's estimate.

Then further on to the Required Auditor Communication, there were no difficulties that we encountered, no disagreements with management or uncorrected misstatements. Blum Shapiro is independent of the Connecticut Lottery and management did not consult with another accounting firm for a second opinion.

Last but not least is the two pages of upcoming GASB Standards. I will just talk about the ones that will impact the Lottery. Next year we probably won't have anything to consider but in 2022 there is Statement 87 which has to do with Leases. This is basically requiring the Lottery to account for any operating leases on the Balance Sheet just like a capital lease would be recorded, so I would say we need to start talking about this sooner rather than later as it will take a while to inventory everything and do amortization schedules. In 2023 there is a similar standard with respect to subscription-based IT arrangements, so any software agreements that you have are going to be treated similarly to the operating and capital leases. Right now you're just paying for those as a period expense, those will have to be recorded on the Balance Sheet as an asset and liability. So the plan is to meet with Paul and his team and inventory all of these

arrangements, the leases, the IT, the software, see where we stand, if they are material enough to implement the standard and then we'll be ahead of the game. Our contact information is here if you have any questions, please feel free to reach out to us. And I'll just mirror the comments that Paul said earlier; you were all very agreeable and amenable to doing everything electronic and I think everything went very smoothly. It was one of the first audits we did at Blum Shapiro virtually, so hats off to everyone involved.

(R. Simmelkjaer): Thank you very much. This is Rob Simmelkjaer, Board Chair. Paul do you have anything you'd like to add before we go into Executive Session potentially with Blum Shapiro?

(P. Granato): This is Paul Granato. No, I do not have anything else to add. I'd like to again thank Vanessa and her team for sharing the results of the audit and getting it done so timely.

(R. Simmelkjaer): Thank you very much Paul. At this time on the agenda we have item B which is an Executive Session in which management will leave, the public will leave and we'll have an opportunity for just the Board and Blum Shapiro to have an exchange and ask questions in the absence of management. We are going to go ahead and take that option. Can I have a motion from the Board to go into Executive Session?

(M. Morton): Peg Morton, so moved.

(M. Langella): Second, Manny Langella.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Ok, we will go into Executive Session at 12:20 p.m.

b. Executive Session: Blum Shapiro

[Executive Session: Blum Shapiro]

III. Approval of October 8, 2020 Board Meeting Minutes:

[Ms. Maroney left the meeting at 12:31 p.m.]

(R. Simmelkjaer): Thank you very much. This is Rob Simmelkjaer, Board Chair. We are back in public session at 12:31 p.m. No votes or actions were taken in our conversation with Blum Shapiro. Vanessa Rossitto has also left the meeting, so that concludes that portion of the meeting. With that, we'll move on to Item III on the agenda which is approval of the Board meeting minutes from the October 8, 2020 Board Meeting. Can I get a motion please?

(W. Blanchette): Blanchette, so moved.

(M. Langella): Second, Manny Langella.

(R. Simmelkjaer): Thank you very much; all those in favor?

(All, except for Mr. Birney): Aye.

(P. Birney): Abstain, Patrick Birney.

(R. Simmelkjaer): Any opposed? The minutes are approved with Mr. Birney abstaining.

IV. Lottery Report:

(R. Simmelkjaer): Before we get into the reports, I believe I need to make a motion to add an item to Executive Session, is that correct Matt?

(M. Stone): This is Matt Stone; that is correct.

(R. Simmelkjaer): Ok, great. This is Rob Simmelkjaer. I would like to make a motion to add one item to our Executive Session, right now we have an update on current litigation and I would like to add an item which is a discussion of legislative strategy.

(M. Thompson): Michael Thompson, so moved.

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? None. Ok, great. Thank you very much. Before we get into the Lottery Report section, we'd like to take some time right now to recognize Mr. Patrick Birney, who is leaving the Board after today's meeting. I am obviously quite new and can say a few words and then would like to open it up to the other members of the Board. Pat has been a Board member here for over ten years, served as Vice Chair, and also more than ably filling in as Chair in the absence of a Chair for a period of a year and a half before I joined the Board earlier this year. In my short time on the Board, not only has Pat been supportive and helpful to me in helping me learn the ropes of the Lottery, learn how the Board operates, but I've also seen the respect that Pat has from the other members of the Board, from the staff, from everyone involved with the Connecticut Lottery. I want to really thank Pat for his tremendous service to the Connecticut Lottery, to this Board, and to the people of the State of Connecticut for his leadership during what has not always been a turbulence free period of time for the Lottery. Pat has been a steady hand and a stabilizing influence on the Board, so on behalf of everyone on the Board I really want to thank you for your incredible service. With that, I'll pass it to Greg to give his perspective from a staff point of view and then we'll let the other Board members speak as well.

(G. Smith): Thank you, this is Greg Smith. I have a little over a couple years' experience working with Mr. Birney, I met him when I was being interviewed for this job and on that day I found him focused and interested, and that has not changed. He has remained that way and I know that he and I worked very closely when I came on and in his stewardship of the Board I found him very engaged and also very helpful. That was something that I appreciated, your guidance and participation – we can't thank you enough, and the state actually helps limit our ability to thank you. We have an award for you, recognition for your service here, for 13 years on the Connecticut Lottery Board, so thank you very much, it's been a pleasure and I hope we stay in touch beyond your years of service here.

(P. Birney): Thank you very much. Believe it or not I actually prepared something, I wasn't sure if there'd be an official send off and I'll choke up if I don't go by a script. I was wondering if I could just read something into the record with your indulgences?

(R. Simmelkjaer): Absolutely.

(P. Birney): Thanks. As many of you know I have gratefully served as the Senate Republican appointee to the Connecticut Lottery Corporation since October of 2007. During that time I have remained steadfast in the pride I have felt for the immense contributions that the Lottery has made to the State of Connecticut

through its staff, its management and its Board, with special thanks to Mike and Peg who have been with me through most of the ride, some of which as Greg and Rob have mentioned, were bumpy. Since 2007 the Connecticut Lottery Corporation has transferred over \$4.6 billion to the State of Connecticut General Fund including a record \$371 million in fiscal year 2019. This non-tax revenue has been used to support valuable services and programs including public health, libraries, public safety, education and more. I am equally pleased to have been on the Board when the Lottery expanded its game portfolio to include Mega Millions, when it launched Lucky for Life, which went on to become its own multi-state game, and the successful launch of Keno – three critical components of the Lottery’s revenue success over the last 13 years. A special thank you to Senate Republican Leader Fasano, my appointing authority, for permitting me to serve the State of Connecticut, the Connecticut Lottery Corporation, and the Senate Republicans for the last 13 years. Through this time, I have always appreciated the ability to independently execute my fiduciary and statutory duties for the benefit of the corporation. A final thanks to Greg Smith. Greg, the Lottery was fortunate to have hired you in 2018; your experience is unparalleled and you’re a heck of a teacher too. I believe the Lottery is in good hands as it continues its online migration and the quest for new revenue. Thank you. And thank you, Rob, I appreciate the opportunity.

(R. Simmelkjaer): Thank you very much Pat. I’d like to recognize any Board members now who would like to say anything. Manny, I see your hand?

(M. Langella): Patrick, I just wanted to say thank you as well. I think you were one of the first conversations that I had when I joined here and I’m relatively new so I definitely appreciate you taking the time to share your knowledge, to help with my ramp-up, and it’s my firm belief that through your guidance we are where we are here today, I appreciate that as well, and best of luck to you.

(P. Birney): Thank you Manny.

(R. Simmelkjaer): Will Blanchette.

(W. Blanchette): I just want to say thanks for the guidance you gave me and sailing that ship through a very dark night. Congratulations, good health and good luck.

(P. Birney): Thanks Will.

(R. Simmelkjaer): Jim Heckman.

(J. Heckman): I’d also like to say thank you to Patrick for guiding me through the beginning when I started here about four years ago, he’s always been someone I could talk through what’s going on and how to address it and also not disparaging me when I’ve had my own other independent thoughts on certain things so, thank you.

(P. Birney): Thank you.

(R. Simmelkjaer): Thank you very much Jim. Of course, Mr. Thompson.

(M. Thompson): Thanks Mr. Chairman. Patrick it’s been a long ride, I think you’re absolutely right it’s been 13 years for you, you started when you were 25, it’s unbelievable. Patrick, it’s been a pleasure to work with you, to get to know you. You’ve done much more for lottery than I think very many people understand, the work you’ve done behind the scenes particularly over the last couple of years, when you stepped in and were helping to take control of this Board until Rob came, was just tremendous and some difficult days I’m sure. I know you spent a great deal of time and effort thinking about the Lottery and you took your job very seriously, even up until this morning, making recommendations on how the Board

can do theirs' better. It's been a pleasure to get to know you, I appreciate everything you've done, I have a great deal of respect for you, you've become a friend and I look forward to hopefully spending more time together with you along the way. Congratulations and thanks very much for everything you did.

(P. Birney): Thank you.

(R. Simmelkjaer): This is Rob, I hope you'll still take our calls if and when things come up.

(P. Birney): Indeed.

(M. Morton): I'd like to say something, this is Peg. Patrick's been here a long time, I was here when he got here – I was 10 – I've seen a lot of Board Chairs and have participated on many boards and I must say that Pat's a star. Patrick, you are held in high regard, you've pulled us through a bunch of stuff, and I deeply appreciated it, you were there, you were honest, straight forward, and you will be sorely missed.

(P. Birney): Thanks Peg.

(R. Simmelkjaer): Thanks, we really appreciate that. Anyone else?

(M. Culmo): This is Meg, sorry I am in the car for a bit but I just wanted to say thank you to Patrick for everything you did, you were so valuable in so many ways; we will miss you and I wish you all the best.

(P. Birney): Thanks Meg.

(R. Simmelkjaer): Thank you Meg, is there anyone else I haven't seen?

(J. Flores): This is John, I want to wish you the best Patrick in working, I know you are very dedicated; so when can you buy a lottery ticket?

(P. Birney): I know exactly what ticket I'm going to buy John. Right now I move that we get back to business.

a. Financial Report:

(R. Simmelkjaer): Thank you all. With that we will move on to the Lottery Report, starting with the Financial Report from Mr. Granato. I know we heard about the audit earlier but will turn it to you if you have other items you'd like to address.

(P. Granato): Thank you Mr. Chair. Again this is Paul Granato, Chief Financial Officer. On slide 3 which should be on your screen right now, we have the results for November 2020. Total sales in November were \$108.9 million – up \$3.4 million compared to budget and up \$5.0 million compared to prior year. Sales averaged \$3.6 million per day in November. The daily number games, which are drawn twice each day, continue to see double digit growth over budget and prior year, and the instant tickets portfolio continues to outperform budget and prior year. On the next slide, prize expense in the month of November was 60.5% compared to the budgeted amount at 62.5%. The variance is mostly attributable to the daily number games which had a 40% payout during the month of November. These games are designed to payout at 50%. This is normal and expected that these variances occur as our drawings are random. Also the variance is more pronounced as we are looking at a short sample of a one-month period.

There were no other significant variances on the commissions, gaming system fees, marketing and production expenses. Total operating expenses were \$1.9 million and totaled 1.7% of sales. Operating expenses were under budget by \$200,000 and \$500,000 less than prior year. Most of the variance is attributable to lower salary and benefit expense as a result of fewer employees. Transfers to the General Fund totaled \$31.8 million – and 29.2% of sales revenue returned to the General Fund. That's on an increasing trend.

Looking at year-to-date, our total sales were \$582.9 million. Sales revenue is up \$53.3 million compared to budget, that's up 10%, and up \$60.6 million compared to prior year, up 11.5%.

The sales increase is due to strong performance from instant tickets, up nearly \$30 million compared to budget and prior year. The daily games continued their impressive performance this year up approximately \$20 million from budget and prior year. And Keno continues to perform solidly, up \$1.8 million compared to budget and nearly \$5 million compared to prior year. These three products account for 86.1% of our sales through November year-to-date. These games are not influenced by jackpot amounts, like Powerball and Mega Millions. The multistate games continue to perform below expectations. The multistate games added \$40.5 million in revenue compared to \$43.1 million in prior year – but fell \$13.5 million below budget. These games continue to be impacted by low draw sales, low jackpot amounts and very low annuity rates. On a bright note, both jackpots are approximately \$277 million and we are beginning to see a small increase in sales as those jackpots begin to grow.

Sales averaged \$3.8 million per day compared to \$3.4 million in the prior year. On the next slide, prize expense year-to-date through November was 60.9% compared to the budgeted amount at 62.5%. The variance is mostly attributable to the daily number games which had a 43.6% payout through November. These games are designed to payout at 50%. The Lottery benefited from the lower prize payouts on the daily number games in both the current and prior year. Retailer commissions at \$32.5 million, and gaming system fees at \$6.5 million were commensurate with the sales increase.

Marketing expenses totaled \$5 million through the first five months of the fiscal year which is approximately \$1.1 million below budget. Most of the variance is attributable to timing of production commercials and the launch of our add-on for our daily games called Wild Ball.

Production expenses were \$2.7 million in both current and prior year. Production expenses primarily relate to the design, delivery and distribution of instant tickets. The Lottery generated nearly \$30 million in higher instant tickets sales through November but kept production costs flat due in part to lower contractual costs for instant tickets with our primary vendor. Gross profit was \$181.1 million through November 2020 or 31.1% of sales. Total operating expenses were \$10.1 million or 1.7% of sales, lower than the 2.1% anticipated in the budget and prior year. Operating costs declined chiefly due to lower salary and benefit costs due to fewer staff positions, and lower legal expenses in the current year.

Through November 30, we transferred \$170.7 million or 29.3% of sales. General Fund transfers are up \$19.4 million compared to prior year and \$30.5 million compared to budget.

Earlier in the meeting, we heard the results from fiscal year 2020. Fiscal year 2020 was our second best year ever in terms of sales and General Fund transfers. Each year we try to beat our prior year results. Since our inception in February 1972, nearly 49 years ago, the CLC published increased sales in 39 of those years, 80% of the time, and the CLC published higher returns to the State of Connecticut General Fund in 36 of those years, 73% of the time. While we strive to improve on prior year performance, that is not always possible, but we do have an impressive track record. Having said that, we certainly are on pace for a fantastic and record-breaking year. That concludes my report. I am happy to answer any questions.

(R. Simmelkjaer): Thank you very much, we appreciate that. This is Rob Simmelkjaer, does anyone have any questions for Paul?

(P. Birney): This is Patrick Birney, I don't have any questions but just a comment. In our Finance Committee meeting a few weeks back we went a little bit deeper in terms of the revenue drivers and these numbers are just unbelievable to me and I've been looking at financial statements for a long time here. One thing that struck me is that we're concerned about the fraternal, and the pandemic that would impact fraternal and our Keno numbers but the numbers, even the Keno numbers are up. I just want to commend Greg, Paul, the staff; I think you're on track for a hell of a year, and without the multistate games.

(P. Granato): Yes we are.

(R. Simmelkjaer): Thank you. Are there any other questions, comments? Hearing none. Excellent report, thank you very much.

b. Marketing Report:

(R. Simmelkjaer): Ok. We'll move on to the next item on the agenda, the Marketing Report, Mr. Donahue.

(P. Donahue): Good afternoon Chairman Simmelkjaer, members of the Board, this is Pete Donahue, Senior Director of Marketing. I will take you through the Marketing update, I'll expand on the sales numbers, take you through a deeper dive into some of the games, and then wrap up with some of what's new and next. Taking a look at All Games, comparing the numbers year-over-year as well as against budget we see some very impressive numbers. As Paul mentioned we're up over \$60 million over fiscal year 2020 and \$55 million over budget. Even more important and equally impressive are the returns to the General Fund that support the good causes throughout the State of Connecticut, \$20 million over fiscal year 2020 and \$30 million over budget. One thing that we wanted to look at, while the numbers are impressive as we reach our half way point through the year, we need to make sure we look at the trends. While the sales are still higher year-over-year in most games, and they are still increasing on some games, they are increasing at a bit of a declining rate so it is important not to jump to projecting doubling the numbers that we've seen so far to date, especially with the COVID restrictions increasing and some increasing uncertainty out there.

Taking a look at just a few games, you can see that the orange line represents this year and it is starting to approach the line that represents fiscal year 2020. Back in July we were seeing scratch sales weeks showing double digit increases and even over 20% at times, those numbers have been normalizing and shown as the lines converge a bit. Same trend for Cash5 and other games. We will of course continue to monitor the sales and support our portfolio with more great scratch games, draw games enhancements and promotions. Keeping all that in mind, let's drill down into some individual game performance. Very good numbers overall on the instant side supported by a very strong holiday ticket mix and lots of variety out there for players to choose from. Over \$30 million ahead of fiscal year 2020 and budget. I added this slide last time and I'm going to keep it in our report moving forward so you can see the year-over-year comparison broken down by price point. At a quick glance you can see that in general the \$1s, the \$2s and the \$3s are down slightly; the \$5s and the \$10s are up a bit, and the bulk of the growth is coming from the \$20s and \$30s; but that is just a really cool snapshot to show you how this ebbs and flows and if you look back over the course of the year, we are of course always looking at that and seeing what we can learn from these findings. Our national jackpot games, as Paul mentioned, they are gaining some momentum on both Powerball and Mega Millions, the jackpots are eerily similar at \$276 million and \$277 million. Sales year-over-year are still soft but gaining ground as those jackpots continue to rise. We of course analyze sales versus jackpot and see softer sales as a result of slower jackpot growth. Just a note, both are in their 25th roll of these current jackpots and they are lower than comparable runs, for reasons that Paul mentioned in his report.

(R. Simmelkjaer): Quick question on the Powerball and Mega – this is Rob – when does the increased drawing frequency kick in for Powerball?

(G. Smith): That is not planned to occur until August of 2021.

(R. Simmelkjaer): Ok, so not this fiscal, got it.

(P. Donahue): Any other questions on that slide? Moving on to Keno, as Mr. Birney mentioned, this is one of the stars in our portfolio. It continues to do very well. We wanted to also give you a snapshot of a fantastic slide prepared by Paul's team. As you can see, sales are strong. As I mentioned last time that big dip was right at the height of the pandemic, but Keno snapped back very strong. I also wanted to note that the Marketing team is working on a really fantastic and fun advertising campaign to support the next product cycle of Keno. We are looking forward to sharing that with you when it's complete, it is going to be a lot of fun. The Daily Games continue to perform very strongly, those numbers are increasing at a slower rate compared to earlier in the year but still really strong. We covered a lot of ground looking back at what has happened but the Marketing team and my task is also to look forward to support our continued growth. This is a snapshot of an outdoor billboard that you will see. These games have launched just this week; very nice graphics and a cohesive theme for this family of games called the 'jewels' collection, with the standout headline, 'dazzling top prizes'. Each of these games has a very similar look and they are tied together. They also have a standout prize in their respective price point. This family of games will be supported with outdoors, we will run a radio spot, and we will tag our Live Big spot in January. As you know we are adding Wild Ball to the mix for Play 3 and Play 4 and here is a visual of the Wild Ball bouncing through to announce the addition of Wild Ball. You'll never see that in an accounting slide. Adding the new feature is going to offer our players the option to create more winning combinations, this is going to launch in February of 2021. We are well into the planning of creative, POS and retailer messaging and we look forward to big results as this feature has been launched in many other states and they've seen great successes.

We can't stop there, we need to look even further down the road because planning is so essential. For those of you that might not know, on February 15, 2022, the Connecticut Lottery will turn 50 years old. That is quite a milestone with only our neighbors to the north in New Hampshire already reaching it and only a handful of other lotteries that will join us in celebrating this milestone in 2022. We have been absolutely laser-focused on this in quarter two already; as you can see on the right is a logo that was designed by one of our internal graphic designers who is incredibly talented. We were provided with a whole slew of logos and anyone of them would have been fantastic but this is the one we settled on. We love it because it prominently displays the '50' and it also gives a nod to our original money tree logo. We really love the elegance of this logo, we have a couple of different treatments of it depending on how we need to use it, on products, POS, absolutely love it. We are really looking forward to it, with so much planning to do with products, promotions, advertising and events, we are going to be super busy but I can assure you my team is up for the challenge and we will make it a huge success. With that I say Happy Holidays, stay tuned and will turn it over to Mr. Smith.

(R. Simmelkjaer): Thank you Pete, very nice. I like the logo. Any questions for Pete on the Marketing Report?

(J. Flores): This is John Flores, I was wondering are we going to have a specific game commemorating the 50th anniversary that you'll only be able to buy that year?

(P. Donahue): Right now we are planning multiple products in celebration of the 50th anniversary, there will of course be scratch tickets that will prominently display that logo. Right now we are thinking of a family of scratch games and also how to add Fast Play and some other products into the mix, to properly address all products, that is nicely taking shape and we've had some discussions with Greg and will be presenting the full product plan to him shortly. But yes, definitely some products to give a nod to the 50th.

(J. Flores): Thank you.

c. President's Report:

(R. Simmelkjaer): Any other questions? Ok, we'll turn it back to you Greg for the President's Report.

(G. Smith): This is Greg, I have some brief comments for you. Regarding sales and profits; at a time when good news can be as simple as 'our business is still open' or 'no one is sick with COVID', here we are reporting that business is better than normal. It's kind of an unusual situation to be in. Simply put, it seems a little strange to have such good news when good news can be scarce. When many of us are recalibrating our expectations on various things – 'I can't do this' or 'we should cut back on this' it's probably the small victories that keep us going. And when I think of lottery, it's probably why lottery is doing well, because we do provide a lot of small victories on things. Yes we have some very large prizes but it's the little things that are kind of keeping us rolling right now. Pete's line graph early in his presentation clearly shows that we are beating last year each week except for that one week last October, which had its reasons. However the gap continues to narrow. We are still ahead of last year, we continue to maintain that, it's part of my work that causes me to say we are about to start competing against a very strong December through February and if we are even able to equal those sales I will be thrilled. We had some great growth last year in those months and if we meet those I'll be thrilled; if we beat those I won't even know what to say. Looking a little further ahead, last May and June were some really strong recovery months for us after our sales dipped down during the beginning of the pandemic. So again, we will be up against some really strong numbers. The point is, we continue to do well but if we are able to beat last year ongoing week-over-week, the sky is the limit on those numbers. But it is also nice to have a lead at this point in time in case all we're doing is meeting it or slightly falling short. I think those are mindsets that I want you to see, where things are going good, love the lead we have, hope we can keep it. The numbers are fantastic.

I don't have much to report in terms of completed tasks, other than to say a lot of work is going on right and we have a lot in progress but not a lot that is at a finish line or at a reporting state. A few items to note, in November we held our annual milestone employee awards ceremony; we had over 100 participants on that Zoom meeting, it was kind of remarkable that almost all of our employees could be available virtually for that. We also added some recent retirees to that event; folks who ended their careers with the Lottery less-than-ceremoniously during the pandemic. Another point, we were again nominated for local company of the year, by a vendor, through the Greater New England Minority Supplier Development Council. We did not win that award this year as we have in recent years, but again it was an honor to be nominated nonetheless. An upcoming important item for us is that on December 30, 2020 we are expecting to receive our Gaming System proposals for the RFP that we have out, so that should be a very exciting thing for us. It is a lot of work once those notebooks hit our desks but it is on the horizon and we look forward to seeing that. I am going to wrap up my comments by saying that at this point we are assessing or evaluating various efforts or projects and once we have made some decisions on them, I will have more to show and tell. I will stop there and turn it over to any questions.

(R. Simmelkjaer): Thanks Greg. Questions from the Board? Alright moving on. Thank you Greg.

V. Committee Reports:

a. Executive Committee:

(R. Simmelkjaer): So moving to the Committee Reports. I will start off with a report on the Executive Committee Special Meeting. We met on November 12, 2020. We had a brief discussion with Greg about new management positions at CLC, had an update on Powerball and the changes expected there including

the increase in drawing frequency, discussed some changes to the work of the field sales staff given what is going on with increased transmission of COVID in the community, and we set a schedule for the 2021 meetings as well as an Executive Session to discuss some pending claims and litigation as well as one contractual matter.

b. Audit Committee:

(R. Simmelkjaer): Let's move on to the Audit Committee, Mr. Thompson.

(M. Thompson): Thank you Mr. Chair, this is Michael Thompson. The Audit Committee last met on December 1st and Greg spoke to us about the status of the compliance audit which is now complete for fiscal 2018 and 2019. No report is issued yet but that should be forthcoming shortly. We also talked about the disaster recovery facilities and how they've been used once or twice recently, particularly how the Lottery was able to clean the Rocky Hill facility after a small COVID stint and were back within a day; the disaster recovery facilities are being used very efficiently and it was good to hear that update. We also discussed having a regular Audit Committee meeting schedule, it provides more structure during the course of the year and gives us more flexibility to address issues as they arise. We will put together that schedule and have that available for the Board at some point soon. We also went into Executive Session to discuss the pending claims and litigation and a contractual matter as well; that is on the agenda for today as well. And that is my report.

c. Finance Committee:

(R. Simmelkjaer): Thank you. We'll go to Finance now.

(P. Granato): This is CFO Paul Granato, I will give the report for Ms. Maroney. The Finance Committee met on Friday, November 20th. The Committee met with the external auditors to review the audited financial statements and the results of the audit, similar to the presentation that the Board received today. The Committee also received the quarterly report of credit ratings for our insurance companies – noting no significant changes from the prior report. The Committee also reviewed Keno reports by trade style noting that we had 796 locations with a Keno monitor that sold Keno during the quarter ending September 30. That represented 27% of all locations and they combined for 73% of Keno sales. The Committee reviewed the October and year-to-date financial statements, the Board received an up-to-date snapshot of those results today. That concludes the report of the Finance Committee, Mr. Chair.

(R. Simmelkjaer): Very good, thank you Paul.

d. Legislative & Games Committee:

(R. Simmelkjaer): And lastly the Legislative & Games Committee, Ms. Morton.

(M. Morton): Thank you. The Legislative & Games Committee met on December 7th at which time we discussed the proposed changes to the Play 3 Day and Night Game Rules and the Play 4 Day and Night Game Rules. I'll ask Greg if he would like to go through those for us. We also discussed a regular schedule for our meetings, I think that will be helpful for us going forward as far as planning. And we also discussed to a degree, the upcoming legislative session. Greg do you want to touch base on the changes to the rules?

(G. Smith): This is Greg Smith, I am happy to do that now, or we can do that when we get to the voting item later in the meeting. Mr. Chair, I'll leave that to you?

(R. Simmelkjaer): We can cover it during the voting item. Thank you.

(M. Morton): Ok then that is my report.

VI. Review and Approval of Board Meeting Schedule for 2021:

(R. Simmelkjaer): Ok then we will move on to the next item on the agenda which is the review and approval of the Board schedule for 2021. The purpose of this is to have a schedule well in advance so that we can have flexibility in terms of the agendas. Has everyone had a chance to see the schedule that was sent out by Annmarie? If everyone is in agreement, I'll ask for a motion to approve the Board Meeting Schedule for 2021?

(M. Morton): Peg Morton, so moved.

(M. Culmo): Meg Culmo, second.

(R. Simmelkjaer): All those in favor of approving?

(All): Aye.

(R. Simmelkjaer): Opposed? Abstentions? Ok, thank you very much, that is approved.

VII. Discussion and Action, if any, regarding Play 3 and Play 4 Game Rules:

(R. Simmelkjaer): Ok then we will move on to the next item which is the discussion and action regarding the Play 3 and Play 4 game rules. Greg, I'll turn it over to you.

(G. Smith): Thank you this is Greg Smith again. Just some background for you, our original plan was to launch the game changes in November so we had you approve changes in August. Then when we realized the game change was not possible in November and it was going to be further into 2021, so we decided to do some additional improvements to the game rules above and beyond what the Board had already approved and that caused this color coding approach to show you what was already approved and some new editing and information for you, some by the CLC legal staff and some recommended by the Department of Consumer Protection. We standardized these rules across these four games, improved some definitions and shifted some language around. The Wild Ball and the pairs betting changes that you've already approved are in place and the modifications that were presented to the Legislative and Games Committee earlier this week are in this document. Each game does need to be treated individually for voting, but the changes are very consistent across all four game rules.

(R. Simmelkjaer): Ok, any questions on this? I know this has already been reviewed in depth by the Legislative & Games Committee but has everyone reviewed them? Peg, I think the motions would be yours to make on this.

(G. Smith): Mr. Chair, this is Greg Smith. If it is of benefit to the Board members by virtue of people being on Zoom, I have the resolution for each of these in front of me and would be happy to read it.

(R. Simmelkjaer): That's fine.

(G. Smith): I'll proceed with the resolutions now: Resolved, that, after due consideration, and on the recommendation of the Legislative & Games Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the Play 3 Day game rules changes as presented.

(P. Birney): So moved, Patrick Birney.

(M. Thompson): Michael Thompson, second.

(R. Simmelkjaer): Thank you. All in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? The motion is approved. Next Greg?

(G. Smith): Resolved, that, after due consideration, and on the recommendation of the Legislative & Games Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the Play 3 Night game rules changes as presented.

(P. Birney): So moved, Patrick Birney.

(J. Flores): John Flores, second.

(R. Simmelkjaer): Thank you. All in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? The motion carries.

(G. Smith): Ok, number three. Resolved, that, after due consideration, and on the recommendation of the Legislative & Games Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the Play 4 Day game rules changes as presented.

(P. Birney): So moved, Patrick Birney.

(J. Heckman): Jim Heckman, second.

(R. Simmelkjaer): All in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? The motion carries. Greg?

(G. Smith): Last one. Resolved, that, after due consideration, and on the recommendation of the Legislative & Games Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the Play 4 Night game rules changes as presented.

(P. Birney): So moved, Patrick Birney.

(J. Flores): John Flores, second.

(R. Simmelkjaer): Thank you. All in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? The motion carries. Thank you everyone for your work on that project.

VIII. Discussion and Action, if any, regarding Management Compensation:

(R. Simmelkjaer): Next up we have the item regarding management compensation. This is a resolution that has been discussed at previous meetings. I don't know if Board Members feel the need for a refresher or not on what this entails but Greg, I will give you the opportunity to briefly summarize what we are looking at here regarding this management compensation.

(G. Smith): This is Greg Smith. Knowing that the Board approved at its last meeting a management compensation plan, we also brought forward this recommendation to award eligible members of the management team, per that compensation plan, a \$1,000 incentive payment based on their performance in

fiscal 2020 and also the additional work effort that went into working our way through the pandemic with all of the adjustments and changes to process and management that was incumbent on us to keep operating through that time.

(R. Simmelkjaer): Thank you. Greg, please remind us how many management members there are.

(G. Smith): There are a total of approximately 30 management positions in the company, some of those are new so a manager will need to have been with the company for six months of that fiscal period to be eligible, so it will not be all 30.

(R. Simmelkjaer): Ok thank you. I know there was obviously some discussion on this, my point of view on this is given the performance of the Lottery that we've just talked about and we've just seen the audited financial report from the last fiscal year, and given the challenges we've seen outside of the Lottery's control, the performance was clearly very strong and just in fairness to the non-union members of the management staff who have not had this kind of incentive in some time, I support this as a way to recognize the very hard work under difficult circumstances of the management team. Any other questions or comments from the Board before I read this resolution? Alright, hearing none I'll read this resolution:

Resolved, that the Connecticut Lottery Corporation's Board of Directors hereby approves the proposed manager incentive payment for fiscal year 2020, based on the recommendation of the Connecticut Lottery Corporation's Personnel Committee at its October 6, 2020, meeting, and in accordance with the Manager Compensation Plan approved by the Board of Directors at its October 8, 2020 meeting.

(R. Simmelkjaer): Do I have a motion?

(W. Blanchette): Blanchette, moved.

(R. Simmelkjaer): A second?

(M. Thompson): Michael Thompson, second.

(R. Simmelkjaer): All in those favor?

(All except Mr. Flores and Mr. Heckman): Aye.

(R. Simmelkjaer): All those opposed?

(J. Heckman): Nay, Heckman.

(R. Simmelkjaer): Ok, any others? Abstentions?

(J. Flores): John Flores.

(R. Simmelkjaer): Abstention from Mr. Flores. The motion carries. Thank you very much. Next we have a couple of items for Executive Session, can I have a motion to go into Executive Session?

(J. Flores): So moved, John Flores.

(M. Culmo): Second, Meg Culmo.

(R. Simmelkjaer): Thank you, all those in favor?

(All): Aye.

(R. Simmelkjaer): Thank you. We are in Executive Session at 1:24 p.m. Greg, who would you like to invite?

(G. Smith): It will be myself and Matt Stone.

IX. Executive Session:

[Executive Session]

X. Discussion and Action, if any, on items discussed during Executive Session:

(R. Simmelkjaer): Thank you. We are back in public session at 2:05 p.m. No actions or votes were taken during the Executive Session.

XI. Adjournment:

(R. Simmelkjaer): With that we have reached the end of our agenda. Can I have a motion to adjourn?

(P. Birney): Patrick Birney, so moved.

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Any abstentions? Thank you very much, we'll adjourn at 2:05 p.m. Again, Patrick Birney, thank you very much, best of luck to you, and please keep in touch. Everyone, happy holidays, I hope the rest of your year is healthy, happy and safe. Happy New Year and we'll see everyone in 2021. Thank you.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
CT Lottery Corporation