

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

March 17, 2010

held at

555 Russell Road
Newington, CT 06111

Members: William F. Farrell, Chairman; Richard Antonetti; Edward F. Osswalt;
Gayle A. Russell.

Absent: Paul F. Pendergast.

Staff: Paul A. Young, Executive Director; Suzanne J. Alix; Donald Kleber;
Anne Stiber; Joseph Tontini; Frank Virnelli; Viola Pietrandrea;
William Ryan; Paul Reiman.

Guests: Lt. Louis Fusaro and Sgt. Jonathan Montey, Connecticut State Police
Casino Unit; James Birney and Donald Barberino of Autotote Enterprises,
Inc.

Call to Order: Chairman Farrell called the meeting to order at 10:30 a.m.

Approval of Minutes: On motion made by Mr. Antonetti, seconded by Mr. Osswalt and
unanimously voted, it was resolved that the Minutes of the January 14, 2010 meeting be
accepted as distributed.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will
take place at 10:30 a.m. on Tuesday, May 18, 2010 at Division Headquarters in
Newington.

Interim Reports

Gambling Regulation: Mr. Tontini reviewed the changes to the off-track betting hours of
operation since the Board's last meeting.

Mr. Tontini reviewed the letter received from Autotote Enterprises, Inc. (AEI) regarding a new off-track betting non-simulcasting facility in New London. AEI is requesting approval for this facility. The Division has received a letter from the City Council of New London authorizing the establishment of the facility. The Division recommends AEI's request be approved conditioned upon final approval by the Executive Director once the work is completed.

Mr. Tontini answered questions from the Board regarding the facility.

On motion made by Ms. Russell, seconded by Mr. Antonetti and unanimously voted it was:

“Resolved, That Autotote Enterprises, Inc.’s request to establish a non-simulcasting facility at 24 Eugene O’Neill Drive in the City of New London is granted.”

Update: Mr. Tontini provided the following update for the Board: Off-track betting – in December 2009 there were 26 track approvals and six track approvals in January 2010. He continued saying that like most gaming venues, Connecticut is showing a decline in the off-track betting product of just over 6%.

On January 27, 2010, Scientific Games, a parent company of AEI, entered into an agreement to sell the racing division to SportTech, a gaming company based in Liverpool, England. The Board of Directors from both companies approved the details however the closing will not take place for probably another 90 days.

Mr. Tontini noted that in January 2010, there was an article on MSNBC.com relative to the closing of seven greyhound tracks in 2009. Three of the greyhound tracks closed during the month of December 2009. Greyhound adoption groups are actively seeking homes for the greyhounds.

Lottery – there were four Instant games that received preliminary approval and one Instant game that received final approval for the month of December 2009. There was one Instant game that received preliminary approval and seven Instant games that received final approval during the month of January 2010.

Mohegan Sun – in December 2009 Mohegan Sun had 33 jackpots of \$25,000 or more and three that paid \$100,000 or more; one of which was a wide-area progressive jackpot that was won on December 26, 2009 for \$650,000. In January 2010 Mohegan Sun had 41

jackpots of \$25,000 or more; two jackpots paid \$100,000 or more and both jackpots were wide-area progressive jackpots.

As of the end of December 2009, Mohegan Sun had 6,704 slot machines on the floor and at the end of January 2010 Mohegan Sun had 6,420 slot machines on the floor.

Foxwoods: in December 2009, Foxwoods had 19 jackpots of \$25,000 or more and two jackpots that paid \$100,000 or more. There were two car/cash awards. In January 2010, Foxwoods had ten jackpots of \$25,000 or more and one wide area progress which paid \$1.8 million. At the end of December 2009, Foxwoods had 7,371 slot machines on the floor and at the end of January 2010 Foxwoods had 7,352 slot machines on the floor.

Integrity Assurance: Mr. Virnelli reported on the recent revenue projections meeting as follows: on March 9th, the Division's Revenue Projections Committee met and for each area that it regulates a discussion occurs regarding the sales handle and win for the current fiscal year as well as the next fiscal year. The Committee's projection for the lottery was total sales of \$998 million this year, which is slightly ahead of last year's projection of \$981 million. Most of the games are a little behind, with the exception of the Daily Numbers. The increase is due to the fact that this is the first full year of the Lucky for Life game and also the Mega Millions game started in Connecticut in February 2010. Mr. Virnelli said that because of these two games, the total sales should be up.

Mr. Virnelli said this year the Committee is predicting, for the first time, to cross the billion dollar threshold in sales.

Off-Track Betting – projections for the OTB system's handle this year is \$190 million which about 6-1/2% less than last year.

Charitable Games – projections for this year are about \$38.9 million, down about 5% compared to last year.

Foxwoods casino is on-track to win \$660 million from its slot machines this year, which down 6.8% from the \$708 million is won last year.

Mohegan Sun casino should win about \$740 million this fiscal year, which is a 7.8% drop from 2009.

Charitable Games: Mrs. Pietrandrea provided an update on Charitable Games activity for the months of December and January as follows:

During December, a \$.50 sealed ticket game, ‘Sapphires & 7’s (Game #116), sold out. On December 22nd, a letter was sent to sealed ticket permittees to notify them that this game had sold out, as well as to inform them of the introduction of a new \$.50 sealed ticket game, ‘Tin Can Alley’ (Game #125). Each ‘Tin Can Alley’ ticket may feature prizes up to \$175.00, and each game packet will net an organization \$460.00.

On January 29, 2010, the Division was notified that the sealed ticket contract had been awarded to Arrow International, Inc. of Cleveland, Ohio. The term of the contract is January 8, 2010 through January 8, 2015, with an option to extend the contract for an additional five year period. Now that the sealed ticket contract has been awarded, we have been in contact with Arrow International, Inc. in order to set in motion the process of designing and ordering new sealed ticket games. We anticipate ordering six new games prior to the end of the fiscal year.

Security and Licensing: Mr. Kleber noted that the Board has received the security and licensing reports for the months of December 2009, January and February 2010 and offered to answer questions, if any. He continued saying that he has distributed the reports received from the Connecticut State Police for those same three months.

Mr. Antonetti questioned an incident concerning a weapon offense. Lt. Fusaro said he was not certain of the details of that incident, but offered to obtain the information.

Chairman Farrell asked that in the future if a weapon is involved in an incident, that the report indicate the type of weapon. Lt. Fusaro spoke briefly on a new program instituted recently with the Chiefs of Police from both Tribes and the Connecticut State Police pertaining to response to hazardous situations. He said there are strategies in place and reaction techniques to handle any type of incident.

Mr. Kleber said the Division’s investigation continues into the thefts, late last year, at the off-track betting facilities.

He continued saying the Licensing Section is in the process of lottery renewals and from the licensing aspect the Section is ahead of where it was in previous years. This program ends March 31st.

Chairman Farrell asked the status of the cooperation with the Connecticut State Police in processing background investigations. Mr. Kleber said the Division works closely with the State Police on a regular basis and everything is fine. Mr. Kleber mentioned the new procedures, discussed previously, regarding licensing at the casinos. The new procedures that have been implemented allow completion in a timely matter.

The AFIS procedures are being rewritten and the Division will see equal improvement in this area over the course of the year.

The Mega Millions program is now in Connecticut and this program has an effect on the Security Unit as it pertains to the drawings. New procedures were implemented with this program as well.

Chairman Farrell asked if staffing is adequate with the new procedures. Executive Director Young stated the Division continues to have discussions with the Department of Administrative Services (DAS) regarding this issue. The Division is currently preparing a White Paper pointing out that the Division would save money if it were able to hire an extra employee rather than creating overtime. A brief discussion ensued regarding the scheduling of personnel and overtime requirements as it pertains to the coverage of the lottery drawings.

Mr. Kleber also noted that the Security Unit, working closely with the Connecticut Lottery Corporation (CLC), is responsible for all the new Instant games that come forth for testing at the laboratory of the Connecticut State Police. The CLC's business plan has changed somewhat in that the Division is more responsive, working closely with them to ensure that the launch date of the tickets are accurate, that the Division is receiving the tickets in time from the print vendor and that there is an adequate timeframe for the laboratory to conduct its testing thoroughly prior to the launch date of the game(s).

Mr. Kleber concluded by noting that the Division is playing a large role in the licensing of SportTech, the purchase previously mentioned by Mr. Tontini. The licensing process not only involves the entity itself as well as its directors and managing staff, but also includes who the investing individuals are into the company. This licensing aspect creates a unique experience for the Division because most it is with the United Kingdom (UK), which requires more time.

Administrative Hearings: Mrs. Stiber noted that the Board received the hearing reports for the months of December 2009, January and February 2010 as well as the Freedom of Information reports for the same period.

Mrs. Stiber continued with an update of items previously mentioned at the last meeting. At the Board's last meeting it was mentioned that a hearing took place regarding the West Haven Elks matter, however no decision had been rendered. Since that time a decision has been made whereby the West Haven Elks entered into a Consent Decree allowing them to sell sealed tickets. However, the matter concerning the former Member-in-Charge will be proceeding to a Show Cause Hearing for possible revocation of his permit.

Mrs. Stiber said she and Paul Young attended a meeting with the Freedom of Information Commission to argue over the issue of the Division's decision not to release the first draft of the gaming study report provided by Spectrum Gaming.

A Brief was filed and the Division is awaiting the decision of the Hearing Officer who will issue a recommendation to the Freedom of Information Commission. She stated she will inform the Board upon receipt of the decision.

Mrs. Stiber concluded by requesting the Board schedule a time and date to hear the appeal of Mr. Nam Tae Hwang, d/b/a Deli Mart. There was general consensus to hear the appeal after the next scheduled Board meeting on May 18, 2010.

Executive Director's Report: Executive Director Young provided the following report to the Board: With respect to the legislature, there are several bills proceeding through the system -- one which received much publicity is Keno. The Public Safety and Security Committee held a public hearing as well as an information hearing on the Keno bill. The Division testified at both sessions. At the informational hearing the Division addressed the Division's perception of Keno in the state of Connecticut. The position of the Division is that Keno is a lottery game that has already been approved, twice, to be played in Connecticut at each one of the casinos. The Division has a variety of correspondence from both casinos; Foxwoods dating back into 1992 where the letters are clear Keno is played as a lottery game. The Division's letters to the casinos are also very clear stating that the Division gave permission to the casinos to play Keno, a lottery game. Both casinos have always filed their Standard of Operations of Management (SOM) under the lottery section of the Compact. In 1996, when Mohegan Sun came on board, Mohegan Sun requested and received permission to play Keno, as a lottery game, under the lottery section of the Compact. The Division believes it is a clear cut situation that Keno is a lottery game.

He continued saying that both Tribes had representatives at the hearings and both Tribes suggested that Keno is not that clear, in that it might be considered a table game. It was also mentioned that Keno could even be considered a video facsimile.

The Governor has a securitization plan that includes the revenue stream from a Keno game, which would equate to about \$400 million, part of her \$1.2 billion plan. Should the legislature approve that plan, which currently is in the Finance Committee, the Connecticut State Lottery would probably initiate Keno.

Executive Director Young said he is not certain what the Tribes will do, however he has made it clear to the Governor and anyone that has inquired, that the Tribes cannot stop their payments to the State.

Executive Director Young stated that the Division has testified against the Keno bill in the public hearing of the bill, for two reasons: (1) the Division felt the bill is not necessary, and (2) more importantly the Division believes that should the bill move forward, it forever changes the way the lottery will operate. The present statute, 12-806, is clear in that the CLC is supposed to be entrepreneurial and develop new games. The way the Keno bill is written, the Division believes that the CLC going forward will have to obtain approval from the legislature for new on-line games.

He continued saying that the Division has a bill going in the system, the “Fifty-Fifty” bill, which would create a new approach from the charitable organizations in that they would need a permit from the Division hold a 50/50 raffle.

A change has been made to the Teacup Raffle bill as a result of an organization that was cited by the Division. He briefly explained the changes.

Executive Director Young stated that another bill in the process is one that would require lottery winners to be scanned through the Department of Revenue Services for delinquent tax purposes. Another bill in the process is one requiring approval to mail raffle tickets. The Division believes it has stopped this bill, in that mailing raffle tickets is against the U.S. Postal Regulations.

Executive Director Young concluded saying the Division has been very busy with the legislative session, and will keep the Board apprised as it proceeds.

Adjournment: On motion made by Mr. Antonetti, seconded by Ms. Russell and unanimously voted, the meeting adjourned at 11:15 a.m.

Respectfully submitted,

Suzanne J. Alix, Secretary
Gaming Policy Board