

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

May 18, 2010

held at

555 Russell Road
Newington, CT 06111

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

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

Guests: Sgt. Jonathan Montey; Det. Theodore Parker of the Connecticut State
Police; James Birney and Donald Barberino of Autotote Enterprises, Inc.
Paul W. Smith, Esq. and Domenic P. Alaimo (Freshwater Package Store).

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

Approval of Minutes: On motion made by Mr. Osswalt, seconded by Ms. Russell and
unanimously voted, it was resolved that the Minutes of the March 17, 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 Thursday, July 15, 2010 at Division Headquarters in
Newington.

Interim Reports

Gambling Regulation: Mr. Tontini noted that the Board has received the changes to the
off-track betting hours of operation since their last meeting.

Mr. Tontini continued saying that the Division has received two requests from Autotote
Enterprises, Inc. Autotote Enterprises, Inc. has requested permission to establish a non-
simulcast facility at 600 Main Street, Windham, Connecticut. He noted that the Town

Council has provided a certified resolution adopted by the Town Council of the Town of Windham on March 16, 2010. The Division recommends approval of this request.

On motion made by Mr. Antonetti, seconded by Mr. Pendergast, unanimously voted, it was:

“Resolved, That Autotote Enterprises, Inc.’s request to establish a non-simulcast facility at 600 Main Street, Windham, CT is granted.”

Autotote Enterprises, Inc. is also requesting permission to establish a non-simulcast facility at 103 Tolland Turnpike in the Town of Manchester Connecticut. The Board of Directors of the Town of Manchester has provided a certified resolution adopted by the Board of Directors on April 20, 2010.

On motion made by Mr. Osswalt, seconded by Mr. Pendergast, unanimously voted, it was:

“Resolved, That Autotote Enterprises, Inc.’s request to establish a non-simulcast facility at 103 Tolland Turnpike, Manchester, CT is granted.”

Update: Off-Track Betting -- there were six track approvals for the month of February 2010 and 11 track approvals for the month of March 2010.

Mr. Tontini noted that in January 2010 Scientific Games entered into an agreement to sell Scientific Games Racing Division to SportTech, a gaming company based in Liverpool, England. The deal is still pending.

Lottery: there were five Instant games that received preliminary approval and one Instant game that received final approval for the month of February 2010. There were 12 Instant Games that received preliminary approval and three Instant games that received final approval for the month of March 2010.

A new high tier claim center opened in New London in March 2010.

Mohegan Sun: In February 2010 Mohegan Sun had 50 jackpots of \$25,000 or more and six jackpots that paid \$100,000 or more. There were four wide area progressive jackpots for the same time period. In March 2010 Mohegan Sun had 35 jackpots of \$25,000 or more and one jackpot that paid \$100,000 or more.

As of the end of February 2010, Mohegan Sun had 6,316 slot machines on the floor and as of the end of March 2010 Mohegan Sun had 6,335 slot machines on the floor.

Foxwoods: In February 2010 Foxwoods had 30 jackpots of \$25,000 or more and three jackpots that paid \$100,000 or more. There were two car/cash awards at Foxwoods for the month of February 2010. In March 2010 Foxwoods had 14 jackpots of \$25,000 or more and one jackpot that paid \$100,000 or more. There was one wide area jackpot for the same time period.

As of the end of February 2010, Foxwoods had 7,305 slot machines on the floor and as of the end of March 2010 Foxwoods had 7,096 slot machines on the floor.

Integrity Assurance: Mr. Virnelli noted that the Board has received the financial reports for the month of March 2010 and offered to answer questions, if any.

Mr. Virnelli continued saying that last year there was legislation concerning the potential tax benefits on internet wagering. He said last year there were three companion bills that were introduced in the U.S. House of Representatives. There also was a bill in the U.S. Senate. The language provides what the Federal Regulation Taxation of internet gaming could look like. Basically, the U.S. Treasury Department would have oversight. The licensing requirements would be similar to the ones we have in Connecticut. Any individual convicted of an offense punishable by more than a year in prison would be ineligible to be licensed. The licensees would be required to have safeguards to prevent underage gambling. They would be required to collect taxes to prevent financial crime and to help prevent compulsive gambling, including having provisions for self-exclusion. The licenses would be valid for five years and renewable. The licensees would have to pay a fee to cover the cost of regulation. Also, a monthly fee would be required between 2% and 5%, depending upon the legislation, of the amount that is deposited with them to be wagered. Licensees could also be subject to civil penalties of up to \$100,000 involved in a violation or \$25,000. For those who do not get a license, there would be a penalty equal to 50% of monthly deposits.

State or tribal regulatory bodies could notify the Treasury Secretary of their desire and ability to license internet wagering operators. The Secretary would have 60 days to accept the request. Licensees would pay a five to six percent fee for the states and tribes. The states and tribes would be paid a pro rata share of that tax (based on deposits from residents of their jurisdiction). U.S. Treasury Secretary could rely on the state/tribe, but could also conduct a separate review.

Each state or tribe could go the other way and elect to not allow internet wagering. The chief executive of a state or tribe would have 90 days from passage to notify the Treasury that it would limit internet wagering. There also would be opportunities to opt in or out after that initial 90-day period. It appears that a tribe could allow internet wagers even if its reservation is within a state that opts out.

Charitable Games: Ms. Pietrandrea provided the following update on the Charitable Games activity for the months of February and March 2010.

During February, staff began discussions with the Division's new sealed ticket vendor, Arrow International, Inc., in order to begin the process of designing and ordering new sealed ticket games. Initially, three games were chosen, which included: Jackpot Deluxe, which will be a \$2.00 per ticket game, Wild Black Cherry, which will be a \$1.00 per ticket game and Fun Money, which will be a \$.50 per ticket game. At the request of Bob Stancik, Vice President of Marketing for Arrow, sample items were transmitted to him, which included packaging labels, working papers, a sample sealed ticket flyer, and another flyer from one of our most recent games. Also provided were the prize structures for the new games the Division intended to order. Mr. Stancik was able to use this material as a guide when developing the working papers and other necessary items for the first order of sealed tickets. Once the first three games were underway, the Division began to develop the next three sealed ticket games the Division intended to purchase, which included: Silver Express, which will be a \$.50 per ticket game, Ice Cool Bucks, which will be a \$1.00 per ticket game and Money Trail, which will be a \$.50 per ticket game. The Division expects to receive delivery of the sealed tickets during the month of May.

Ms. Pietrandrea continued saying that on March 3rd, she and Theresa Sheehan, Associate Accounts Examiner, met with Jeff Lysek, Ink Sales Manager for Arrow International, Inc. Mr. Lysek is the regional manager for the northeast section of the country, so he requested the meeting in order to be able to introduce himself, as well as to become familiar with the types of sealed ticket games Charitable Games has offered in the past. Mr. Lysek would like to examine sealed ticket sales activity within the state and then provide assistance in developing a plan to help increase sales by the Division's permittees. He intends to touch base with us within another month or so in order to discuss these plans further.

Security & Licensing: Mr. Kleber noted that the Board has received the reports for the months of March and April 2010.

Mr. Kleber provided the following update: the Security Unit has recently completed the process for the lottery agent renewals. Approximately 2700 lottery agent license renewals were completed on time.

The Division has experienced an increase in the Instant games being processed by the Connecticut Lottery Corporation.

Continuation of work continues with the SportTek purchase by Scientific Games. The Division is working with the states of Maine and New Jersey who are also involved with the purchase. The background investigations will be forwarded to the Connecticut State Police for completion of all companies and managing parties.

The Integrity Assurance Unit is developing an IT licensing system. The goal is to make all licensing across the board web based and the first phase will deal with the lottery aspect.

The casino licensing is also being revamped. Meetings have been held with both casinos and will continue in this area.

Chairman Farrell asked the status of the background checks. Mr. Kleber said the numbers very good and regular meetings are held with the Connecticut State Police.

Chairman Farrell asked that the minutes reflect a special thank you to Judge Danaher for all his cooperation with the Division during his tenure as Commissioner of the Department of Public Safety.

Administrative Hearings: Mrs. Stiber noted that the Board has received the monthly reports for the month of April 2010 and offered to answer questions, if any.

Mrs. Stiber also noted that the Division is awaiting approval from the Office of Policy and Management as well as the Governor's office on the lottery regulations.

A meeting was held at the Freedom of Information Commission concerning an appeal by Marvin Steinberg requesting a copy of the draft gaming study report performed by Spectrum Gaming. The Commission ruled that the Division will provide Dr. Steinberg a copy of the draft report.

Executive Director's Report: Executive Director Young provided the following report for the Board: the legislative session has concluded and several bills have passed and are awaiting the Governor's signature. One bill that passed concerns the ability of a non-

profit organization to advertise through the use of lawn signs. The signs must meet the requirements of the local zoning board.

The charitable organizations will also be allowed to advertise on their web sites.

Another bill that passed involves the way the regulatory costs of the Connecticut Lottery Corporation will be paid. The Division will submit its costs to the Office of Policy and Management and they in turn will bill the Connecticut Lottery Corporation.

The amnesty bill is awaiting the Governor's signature. This bill deals with the delinquent lottery agents whereby their participation in the program will reduce by 50% the amount of interest owed the Division. The Division will receive the money and turn it over to the General Fund. During the months June and July 2010 the delinquent agents will be notified of this program.

As mentioned previously, SportTek is possibly the new vendor for off-track betting. The principles have met here at the Division a number of times. The Division's dealings with SportTek have been very good and they have indicated that they will be keeping the entire management team in place with no anticipated changes. SportTek is into internet gaming however they do understand that it is not allowed in the United States.

The Division was recently audited for the years 2006-2007-2008 by the State Auditors. A number of small issues were found but no major concerns. The final audit will be shared with the Gaming Policy Board, possibly within the next 30-60 days.

Keno was not passed this legislative session. The General Assembly did not move forward and the Connecticut Lottery Corporation does not intend to move forward at this time. Both Tribes feel that Keno would impact them.

Memorandum of Understanding (MOU) – ICE: The Federal government has chosen to create a task for the whole state of Connecticut that might look immigration matters, especially as it relates to the gaming industry. The Division has been asked to be a participant. This Memorandum of Understanding (MOU) gives us the authority to move forward with this matter. The MOU has been reviewed by the Office of the Attorney General and they have approved it. Once approved by the Board the document will be executed.

On motion made by Mr. Pendergast, seconded by Mr. Antonetti unanimously voted, it was:

“Resolved, That the Memorandum of Understanding between Immigration and Customs Enforcement Authority and the State of Connecticut is approved.”

Executive Director Young explained the next Memorandum of Understanding is with the State of Maine which allows the Division to share information with the State of Maine and vice versa relative to the investigation of SportTek. The Office of the Attorney General has also reviewed and approved this MOU.

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

“Resolved, That the Memorandum of Understanding between State of Maine and the State of Connecticut is approved.”

Declaratory Ruling: The Division was asked to look at the interest charged to the lottery agents, one of which is the Freshwater Package Store. This Declaratory Ruling was prepared by the Division and is seeking the approval of the Gaming Policy Board. Executive Director noted that there are representatives of Freshwater Package Store who would like to address the Board.

Attorney Paul W. Smith, representing Freshwater Package Store, introduced Domenic Alaimo, President of Freshwater Package Store. Attorney Smith briefly presented a synopsis in opposition to the proposed findings made as a result of the administrative hearing held at the Division. Attorney Smith referred to C.G.S. 12-569 as it deals with compounding interest in that it would make a significant difference in what his client would owe the Division. He briefly explained his figures to the Board.

Attorney Stiber said the Division stands by the proposed Declaratory Ruling.

Mr. Osswalt asked if the Declaratory Ruling is a long-standing interpretation that the Division has adopted. Attorney Stiber said that, to her knowledge, it has always been the interpretation of the Division. Mr. Osswalt asked if he was correct in understanding that the interpretation of the statute to permit compounding interest was not adopted to address the Freshwater Package Store. Attorney Stiber said all lottery agents have always had compounding interest assessed.

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

“Resolved, that the Gaming Policy Board adopt the Declaratory Ruling as presented.”

Mr. Osswalt stated that he is not unsympathetic to the position of Freshwater Package, however with the longstanding interpretation of the statute, the Board should give deference to the Division’s interpretation, whether or not a court will do so in the future. He said perhaps Freshwater Package Store could take advantage of the proposed/pending statute that was alluded to in the report, which is why he moved adoption of the Ruling.

New Business: Mr. Tontini said the Division received a request from Autotote Enterprises, Inc. for approval of the expansion of the Torrington simulcast. He requests the Board amend the agenda to consider this request.

On motion made by Mr. Antonetti, seconded by Mr. Osswalt unanimously voted, it was:

“Resolved, that the agenda be amended to include the request submitted by Autotote Enterprises, Inc. as it pertains to the Torrington off-track betting facility.”

Mr. Tontini reviewed the request by Autotote Enterprises, Inc. for the expansion of the Torrington simulcast facility at 131 Water Street, in the City of Torrington, Connecticut pursuant to the terms of Section 12-571a(b) and 12-572(a) of the Connecticut General Statutes, such authority to include Sunday wagering. Mr. Tontini said the Division has received letters from the Mayor and City Planner for the City of Torrington approving this proposal. The Division recommends approval of the request.

On motion made by Mr. Antonetti, seconded by Mr. Pendergast unanimously voted, it was:

“Resolved, the request of Autotote Enterprises, Inc.’s expansion of the Torrington simulcast facility at 131 Water Street in the City of Torrington, Connecticut, pursuant to the terms of Section 12-571a(b) and 12-572(a) C.G.S., such authority to include Sunday wagering, is approved.”

At this time, 11:15 a.m., the Board recessed to hearing the appeal of Nam Tae Hwang, d/b/a/ Deli Mart.

The Board resumed its meeting and recorded the following resolution:

On motion made by Mr. Antonetti, seconded by Mr. Pendergast unanimously voted, it was:

“Resolved, the Board moves to uphold the Hearing Officer’s decision to revoke the license of the Petitioner, Nam Tae Hwang.”

Adjournment: On motion made by Mr. Pendergast, seconded by Mr. Antonetti unanimously voted, the meeting adjourned at 11:50 a.m.

Respectfully submitted,

Suzanne J. Alix, Secretary
Gaming Policy Board