

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

July 28, 2011

at

555 Russell Road
Newington, CT 06111

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

Staff: William M. Rubenstein, Commissioner; Michelle Seagull, Deputy Commissioner;
Mike Elliott, Kenneth A. Flatto, Director; Donna Rector, Secretary; Donald R.
Kleber; Viola Pietrandrea; Anne K. Stiber; Joseph P. Tontini; Frank R. Virnelli;
William Ryan.

Guests: Frank Chesky, Sportech; Adam Osmond; Lt. Eckersley and Sgt. Todd Harbeck,
Connecticut State Police.

Call to Order: Chairman Farrell called the meeting to order at 10:02 a.m.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will be held on
September 28, 2011 tentatively scheduled at this location. The meeting previously scheduled for
September 15, 2011 has been cancelled.

Approval of Minutes: On motion made by Mr. Antonetti, seconded by Mr. Pendergast and
unanimously voted, it was resolved that the Minutes of the May 26, 2011 meeting be accepted as
distributed.

Agenda Business: Chairman Farrell introduced the new Department of Consumer Protection
Commissioner, William Rubenstein and welcomes him to the Gaming Policy Board Room.

Commissioner Rubenstein announced that the old Division of Special Revenue has been
consolidated into the Department of Consumer Protection as of July 1, 2011 and he has now
assumed the duties of what was the Division of Special Revenue. He is very proud to serve as
Ex Officio member on the Gaming Policy Board. He stated that they have been working on the
transition well before July 1st and the Division is now the Gaming Division within the
Department of Consumer Protection and it will operate like it has before. Commissioner

Rubenstein also mentioned that Ken Flatto is now the Director of the Gaming Division and will be the primary interface on a lot of the matters you will be dealing with.

Commissioner Rubenstein is happy to be here and to learn a lot more about work of the Board and issues that are confronting us.

Chairman Farrell welcome Commissioner Rubenstein and wished him the very best.

Director's Report :

Ken Flatto stated the merger has taken effect. He also noted that they worked hard on putting together forms, website information and all the various things the agency needs for the public. Director Flatto introduces the Commissioner's Deputy, Michelle Seagull. Mr. Flatto outlined new initiatives including e-licensing and Charitable Game Regulation updates.

Interim Reports

Gambling Regulation/Mr. Tontini

Update: Off-Track Betting – there were 12 track approvals completed in the month of April 2011 and there were 11 track approvals completed for the month of May 2011.

Mr. Tontini noted that there is still a decline in the OTB handle of approximately \$7 million or 3.6%. The last few months have been better and are tracking after nine months around a 6% loss and finalize at around 3%. With the winter weather there were a lot of closings but also opened 3 new facilities this past year which has also helped at least maintain where they were.

The Belmont Stakes was run on June 11, 2011. Belmont winner was "Ruler on Ice," Kentucky Derby winner "Animal Kingdom," and the Preakness winner "Shackelford." The Belmont did very well compared to the prior year. Connecticut facilities were up over \$300,000.00 about 16% over last year which was a very positive sign.

Chairman Farrell asked how they are functioning? Mr. Tontini stated all operational and all simulcasting. New London and Willimantic were the most recent ones. First months 150,000-160,000 month building up their clientele. Manchester is about double that.

Mr. Osswalt asked Mr. Tontini if he's been able to ascertain if there has been any cannibalization of the handle as a result of the 3 opening of the OTB parlors or is there marginal increase and what is it? Mr. Tontini stated that yes there's always cannibalization particularly Manchester will affect Hartford, there are impacts and it's kind of early to say because they are still busy. He noted that after a year of operation he will have a better idea on what is permanent cannibalization.

Mr. Osswalt: Do you see a marginal increase in the handle overall? Mr. Tontini stated they definitely change the trend which was much further downwards and still downwards but less so. For this fiscal year ending you're looking at a \$7,000,000.00 down 190 down to 183 still down with additional facilities but must give them time to build up.

Chairman Farrell noted that it was a very bad winter which contributes in somewhat plus the fact that the economy is a little bit on the questionable status.

Lottery:

Seven Instant games received preliminary approval during the month of April 2011. Five Instant games received preliminary approval and six Instant games received final approval during the month of May 2011.

The Connecticut Lottery Corporation is continuing with their second Super Draw which took place on April 5, 2011 and ended on July 3, 2011. There were a total of 265,808 tickets, they were short 9,192.

Mohegan Sun:

For the month of April 2011, Mohegan Sun had 7 jackpots that paid \$50,000 or more; one of them is a wide-area progressive jackpot that paid over \$100,000.00. For the month of May 2011 Mohegan Sun had 8 jackpots that paid \$50,000 or more and one of them was a wide-area progressive jackpot that paid \$120,000.00.

As of the end of April 2011 Mohegan Sun had a total of 6,367 slot machines on the floor and at the end of May 2011 Mohegan Sun had 6,368 slot machines on the floor.

Foxwoods:

For the month of April 2011 Foxwoods had 19 cash jackpots which paid over \$25,000 and there were no wide-area progressive jackpots for that month. For the month of May 2011 Foxwoods had 33 jackpots of \$25,000 or more and there were four wide-area jackpots for the month.

Mr. Tontini also mentioned the July 20, 2011 letter from him that gave the updates of the hours for the OTB system primarily for the triple-crown races.

Integrity Assurance:

Mr. Virnelli said he just wanted to point out that despite the economy, the gaming entities in the state held their own during FY 2011. Foxwoods win was down only 0.3% for the year and, thanks to Free Slot Play, actually contributed 2.8% more to the State than the previous year.

Mohegan Sun's win was down just 4%, its contribution just 2.3%. The Connecticut Lottery Corporation's sales exceeded \$1 billion for the first time and transferred a record amount to the General Fund. OTB's handle and contribution to state revenue were down less than 4%. Overall, the state received more from gaming in FY 2011 than FY 2010.

Mr. Virnelli summarized the status of several out-of-state lottery programs.

Charitable Games:

Ms. Pietrandrea provided the Board with the following update on the Charitable Games activity for the months of May and June.

Application forms, letterhead and routine correspondence had to be modified to reflect the new name of the agency. In addition, correspondence was sent to all registrants, permittees and municipal officials in order to inform them of the consolidation, as well as of any other statutory changes concerning charitable gaming activities.

On June 17, 2011 a letter was sent to sealed ticket permittees to inform them of the introduction of a new \$.50 sealed ticket game. "Money Trail" (Game #132). Each "Money Trail" ticket may feature prizes up to \$170.00, and each game packet will net an organization \$464.00. This was the last game we had in stock that had yet to be put on sale. We currently have 12 different games on sale to permittees.

Ms. Russell mentioned to Viola that when reading the minutes from the last meeting would it be feasible to give us a report at the next meeting about the examples of things that the field inspectors found in the past. "I think they had found problems in the past that we won't find going forward." Viola said she could provide violations and money amounts embezzled. Ms. Russell said that would be helpful. Viola will have a report for the next meeting.

Mr. Antonetti asked about the integrity investigation of mismanagement with this privatization, will there be regulations to make sure that the integrity of the operation would be upheld?

Commissioner Rubenstein stated that we maintain regulatory authority in this area and we'll be promulgating regulations and deal with the distributors and the manufacturers both those regulations will come before you for review. We will have dialog over whether they are sufficient and adequate to meet any of your concerns.

Mr. Antonetti mentioned that we have had those problems in the past.

Mr. Flatto made the comment that when Viola's unit does get any knowledge of or implication of an issue obviously we have investigators in our unit that would be assigned if there is any potential fraudulent situation.

Mr. Antonetti voiced that's his primary concern is integrity in budget cutting. To have field investigators out there is vital to the integrity of gambling in the State of Connecticut. We have to be very cautious when we start cutting.

Mr. Rubenstein told the Board that he is fully committed as the overseer of this division to having a secure environment and integrity in gaming. The task to maintain what we do is challenging. Our mission is to reassess every operation that we do; how we've done things in the past and figure it out to do it smarter with less resource but get it done so games are secure with and public has confidence and there is fairness in the system. He shares your commitment to providing the regulatory oversight of this industry.

Mr. Osswalt asked to provide a timetable for the promulgation of the new sealed ticket mix.

Mr. Rubenstein stated that we have a couple of regulatory things that need to happen before, used sealed tickets being one of them. In the Charitable Game area, there is a new authorization for golf ball drop games which we will have to implement by regulation as well, that's one of our priorities. In regard to sealed tickets because the new process won't come into place at least until beginning of 2012, we have some time.

Mr. Osswalt asked about the review of Lottery Regulation revisions. Do you have a timetable on those?

Mr. Rubenstein answered, that he is familiar that this has been pending and that there is a current draft that staff has felt comfortable with.

Mr. Flatto stated that a few months ago he had conversations with the President of the Connecticut Lottery Corporation and exchanged information. A draft that staff had put together earlier last year was sent to CLC to take a look at. Our goal is to by the end of this summer hopefully to have final draft reviews.

Mr. Osswalt stated that previously there was a very cumbersome process where we had to submit proposed regulations and get approvals from a number of offices before we could begin the public hearing process.

Mr. Rubenstein said that the process is still in place. The regulations when they are signed off by the department get presented both to the governor upon approval there it will get published in the Connecticut Law Journal and notice for a public hearing thereafter will get promulgated and provided then to the General Assembly to the regulation review committee who can either approve or disapprove.

Security/Licensing:

Mr. Kleber thanked the board for their support and confidence it has shown in him and his staff over the past five years. He also noted that the Division has the complete cooperation of the Connecticut State Police and their relationship which has never been better.

Chairman Farrell asked if the State Police will still work closely with us with less staff? Mr. Kleber has no indication that anything has changed.

Mr. Kleber said the Board has received the security/licensing reports for the months of May 2011 and June 2011 and offered to answer questions, if any. Update on Working on e-licensing CAVU, we have a member of staff members in training to bring lottery retailers into e-licensing. At this point in time we do hope that in the future we will be more web-based.

We continue working with our contract with the Connecticut State Police laboratory as they do testing for Instant tickets. Our preference to stay within the state to see if there is a way to would meet the financial constraints of lottery in terms of having pay for the instant ticket testing and meet with the labs manpower.

Connecticut Lottery Super Draw on July 4th went off without any problems. This is the only draw game that uses random number generator most of our draw games uses the traditional lottery ping pong balls.

Beginning of this year we began a program working with the Hartford Police Department on Quality of Life.

Mr. Pendergast: If you could characterize the evolution of your time here, what is it like and where are we today?

Mr. Kleber ensured that at the licensing standpoint, we have automated a lot of our processes which eliminated a lot of manpower. He brought in the AFIS system to integrate with the casinos.

Chairman Farrell asked Lt. Eckersley to stand and asked if the relationship between the Division and the Connecticut State Police is still on good terms. Lt. Eckersley replied, absolutely.

Administrative Hearings:

Anne Stiber gave the hearing report for the month of June. There is no freedom of Information Report this month there were no requests for the month.

Mr. Hector Soto was originally scheduled for Appeal. He subsequently obtained legal counsel. We did receive a written brief and in the packet we received there was some fairly significant new information and because of this new information, this appeal would be handed back to the hearing officer to reopen the hearing. Subsequently if a recommendation to continue revocation is made, it will be going back before the Board.

Regulations: Staff is currently working on looking at the technical corrections that need to be made to reflect the fact that we are now part of the Department of Consumer Protection. Once done with the technical corrections for all our regulations we are going to move on to the management level and look at more of the policy issues.

Ms. Stiber said the Board needs to schedule an appeal for the September 28, 2011 Board Meeting for Mir Sabbir Ahmed, doing business as Twin Stop, for an appeal of a Lottery license replication.

New Business: Mr. Antonetti asked if the state could offer Keno? What are your views on the lottery division moving into Keno? Why we have never pushed harder on that source of revenue?

Mr. Rubenstein answered that he looks forward to getting educated more but ultimately it's the general assembly and the governor's policy setting to do concluded that he has more to learn on the subject.

Adjournment: On motion made by Chairman Farrell and seconded by Mr. Antonetti and unanimously voted, the meeting adjourned at 11:01 a.m.

Respectfully submitted,

Donna Rector, Secretary
Gaming Policy Board