

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

September 22, 2010

held at

555 Russell Road
Newington, CT

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 R. Kleber;
Anne K. Stiber; Joseph P. Tontini; Frank R. Virnelli; Viola Pietrandrea;
William Ryan; Paul Reiman; Deborah Joraskie; Michael Janusko;
Michelle Anderson; William Daley.

Guests: Fred Dupuis, Connecticut Lottery Corporation; Donald Barberino, Autotote Enterprises, Inc.; Lieutenant John Eckersley and Sgt. Jonathan Montey of the Connecticut State Police; Robert Tobin, Esq. and William R. Sweeney, Esq. of Tobin, Carberry Law Offices; Brooks Pierce and James Birney of Autotote Enterprises, Inc; Ian R. Penrose Chief Executive of Sportech.

Call to Order: Chairman Farrell called the meeting to order at 10:35 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 July 15, 2010 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, November 18, 2010 at Division headquarters in Newington.

Interim Reports

Gambling Regulation: Mr. Tontini noted that the Board has received a letter regarding changes to the off-track betting system since their last meeting and offered to answer questions, if any.

Mr. Tontini continued saying that Division received a request, dated September 15, 2010, from Autotote Enterprises, Inc. to establish a simulcast facility at 600 Main Street in the City of Willimantic, such authority to include Sunday wagering. The Division has received the Town of Windham's Certified Resolution that was adopted at their meeting held on July 20, 2010. The Division recommends approval of this request.

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

“Resolved, That Autotote Enterprises, Inc.'s request to establish a simulcast facility at 600 Main Street in the City of Willimantic, such authority to include Sunday wagering, and conditioned upon final approval by the Executive Director is approved.”

Update: Off-Track Betting – there were 11 track approvals for the month of June 2010 and for the month of July 2010 there were nine track approvals.

The Gaming Policy Board approved the New London simulcast site at its meeting on July 15, 2010. Work is progressing at this site and upon completion a walk-through will take place prior to final Division approval. The facility is expected to open in mid-October 2010.

The Manchester simulcast facility was also approved at the July 15, 2010 meeting. The Division did a final walk-through at the site and the facility opened to the public on August 25, 2010.

On September 12, 2010, the New York Comptroller approved an agreement to operated approximately 4,500 slot machines at the Aqueduct Thoroughbred Track in Queens, New York.

Lottery – there were five Instant games that received preliminary approval and six Instant games that received final approval for the month of June 2010. There were four Instant games that received preliminary approval and four Instant games that received final approval for the month of July 2010.

The Connecticut Lottery Corporation (CLC) deployed the first 200 Instant Ticket Vending Machines (ITVM) on September 12, 2010. The Division has been in contact with the CLC on a few issues regarding the machines being in the line of sight.

Mohegan Sun: In June 2010 Mohegan Sun had 15 jackpots that paid \$50,000 or more and three paid \$100,000 and there were no wide area progressive jackpots for the month. In July 2010 Mohegan Sun had 23 jackpots that paid \$50,000, six paid \$100,000 or more and there were four wide area progressive jackpots for the month.

For the months of June and July 2010 Mohegan Sun had 6,405 slot machines on the floor.

Foxwoods: In June 2010 Foxwoods had 31 jackpots that paid \$50,000 or more and eight that paid over \$100,000 or more. Also included in this number was one car/cash award. There were three wide area progressive jackpots for the same period. In July 2010 Foxwoods had 22 jackpots that paid \$50,000 or more and three jackpots that paid over \$100,000 or more; two were wide area progressive jackpots and one paid \$240,000.

As of the end of June 2010 Foxwoods had 7,173 slot machines on the floor and at the end of July 2010 Foxwoods had 7,127 slot machines on the floor. Mr. Tontini noted that the Division received a phone call from a representative at Foxwoods informing us that they are going to start reducing the number of slot machines. Approximately 900 slot machines will be taken off the floor, throughout the building, with a remaining count of 6,200. A brief discussion ensued on this matter.

Sportech: Attorney Robert Tobin of the law firm of Tobin Carberry in New London addressed the Board saying that he has been involved with the Off-Track Betting (OTB) system since it was acquired by Scientific Games back in 1993. He said today he is seeking approval of some exciting changes. Attorney Tobin thanked the staff of the Division for their help throughout the past months. He said this transaction today presents a combination of continuity in change. The continuity is that the OTB system will be run by exactly the same executives who have been running the OTB for many years. Scientific Games will continue to be involved after this transaction as a large shareholder in Sportech. He continued saying that while there is continuity, there will be change. Sportech will be establishing its United States Headquarters in New Haven. The racing side of the Scientific Games Division has been located in Georgia for many years, and the Connecticut OTB system has been part of that business. Attorney Tobin said executives of the company will be moving from Georgia to Connecticut. The business will grow as well in that new venues will continue to open.

Ian Penrose, Chief Executive Officer for Sportech, addressed the Board with a history of his background in the gaming industry. He stated that Sportech wants to create a strong vibrant OTB network, and Sportech is delighted with setting up their headquarters in Connecticut, where they will be bringing jobs into the state. Mr. Penrose concluded by thanking everyone for getting Sportech where it is today, after a very lengthy process.

Executive Director Young stated that everyone has been very cooperative with the Division. This is a daunting task in that Sportech needed to be licensed in three states, not just Connecticut. The cooperation and the willingness to work with the Division on these issues have been very much appreciated.

Mr. Brooks Pierce of Scientific Games addressed the Board echoing the statements regarding working with the Division. He said Scientific Games has been in Connecticut since 1993 and the Division has been very accommodating. The business has expanded and Scientific Games has been successful recently in opening additional locations in Connecticut, i.e. Manchester being the first one up and operating. Mr. Pierce said there is the capacity for a couple more licenses throughout the state. He said with Sportech, the Scientific Games Racing Division will represent approximately a third of Sportech, where with Scientific Games it was a much smaller Division. Mr. Pierce concluded saying that if this transaction ultimately gets approved, Sportech will be investing money in Connecticut and they also look forward to a long term relationship.

Attorney Tobin said that he has received a copy of the proposed resolution for the Gaming Policy Board. He stated that the transaction is scheduled to close on October 1, 2010. He asked for a brief recess to discuss with Division staff a few adjustments to the resolution. Attorney Tobin stated that in the resolution the license is referred as an Association license and it is an Affiliate license that would be issued to Sportech.

At this time the Board recessed for a brief discussion.

Executive Director Young said the Division is recommending the conditional approval of the Affiliate license. He said the Division has been working with all the parties concerned. This is an unusual transaction for the State of Connecticut in a sense that it is the first time dealing with a foreign entity purchasing one of its gambling enterprises. The Division is comfortable that the resolution allows the transaction to move forward.

Mr. Kleber thanked his staff, Deborah Joraskie, Bill Daley, Michelle Anderson, and Michael Janusko, for the work they have performed regarding this transaction. He briefly explained the background for processing the application. Some of the process included conversations with representatives from the United Kingdom about Sportech and the Division has been assured that they are a top notch firm. He said the State Police background checks will take a little bit longer than normal.

Chairman Farrell asked if Mr. Kleber has had conversations with his associates at the Scotland Yard. Mr. Kleber said he has had conversations with Scotland Yard.

Executive Director Young said that Sportech is a publicly traded company in the United Kingdom and as such they are not regulated by our own SEC. The Division has reached out to the SEC, have had discussions with them and have received glowing reports.

Executive Director Young noted that the Division has discussed with Sportech Division staff traveling to England for interviews with shareholders, etc.

Mr. Osswalt said he would move to adopt the resolution that has been provided to the Board with the following amendments: in the “now therefore” clause, there seems to be some confusion in the nature of the conditional license the Board is issuing Sportech this morning. He said he recommends the “now therefore” clause to read as follows: Sportech is granted a conditional license pursuant to the Connecticut General Statutes subject to the following express conditions. In the “condition” clauses, specific reference to clause #5, in view of the discussion concerning the time completion for the Connecticut State Police, Mr. Osswalt said it is never a good idea to put time limits on completion of investigations. The Board wants comprehensive and thorough investigations and that takes time. Mr. Osswalt suggested the deletion of “successful completion”, at the beginning of the sentence, to “commencement of Connecticut State Police background investigations” which contemplates that the Connecticut State Police will be in a position to launch those investigations, not to complete them. With respect to condition #7, suggest it be removed due to the concern of the expiration date in that particular clause.

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

“Resolved, That the Board accept the above noted amendments to the proposed Sportech purchase of Scientific Games Racing resolution.”

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

“Resolved, That the resolution concerning the Sportech purchase of Scientific Games Racing, attached hereto as ‘Attachment A’ is approved with amendments as noted.”

Integrity Assurance: Mr. Virnelli said he has a report concerning revenue trends. Executive Director Young asked if the Board would prefer to have this item taken up at the next meeting due to time commitments today of two Board Members. There was general consensus to postpone the report until the next meeting.

Chairman Farrell suggested that Mr. Virnelli’s report be forwarded to the Board along with a copy of the revised resolution concerning Sportech.

Charitable Games: Ms. Pietrandrea provided the following report for the Board: During the month of June, the Division received the results concerning six sealed ticket games that had been tested by Engel Game Testing of Bismarck, ND. Each of the games had met the Connecticut Standards and the applicable NAGRA Standards, with the exception of randomization for several of the games. There were various discussions between the testing company, the ticket manufacturer and the Division regarding the issue. With additional

testing of the tickets and a review of various testing methods and reports, it was determined that the winners were randomly distributed throughout a packet of tickets. The games were, therefore, found to be acceptable and were approved for sale by the Division to the permittees.

On Wednesday, July 21, 2010, correspondence was mailed to bingo and sealed ticket permittees informing them that their current permits would expire as of September 30, 2010. In order to prepare for the next operating year, the organizations were reminded to submit their renewal applications in a timely manner in order to avoid interruption in current activity. Each bingo and sealed ticket permittee was provided with a renewal application, which contained all information currently on file for the organization. The organizations were instructed to simply update any obsolete or incorrect information prior to submitting the application to Charitable Games for issuance of a permit.

Security & Licensing: Mr. Kleber noted that the Board has received the security and licensing reports and offered to answer questions, if any.

He continued saying that a significant amount of the Unit's time has been taken up by Sportech.

Mr. Kleber explained a problem which happened on August 27, 2010 with the Mid-Day Play Four drawing whereby a malfunction with the chamber in one of the machines occurred during the drawing.

Administrative Hearings: Mrs. Stiber noted that the Board has received the hearing reports as well as the Freedom of Information requests.

Mrs. Stiber reported that the lottery regulations as well as the Parent-Teacher Association (PTA) regulations were approved by the Governor's office. The next step is to schedule a public hearing which will probably take place during the month of October 2010.

The Amnesty Program for Lottery Agents will begin October 1, 2010 and continue through the end of the year. The Division will notify all eligible agents within the next two weeks of the program.

Executive Director's Report: Executive Director Young stated that the Instant Ticket Vending Machines are all working and both the Division and the CLC are monitoring them as well.

He continued saying that he and staff members attended the New England Gaming Summit held at Mohegan Sun on Monday and Tuesday. He said he would report more on this topic at the next scheduled Board Meeting.

Chairman Farrell said that the Board has received the Division's response to Marvin Steinberg's recent letter pertaining to the recent gaming study.

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

“Resolved, That the Division's response to Marvin Steinberg's letter to the Gaming Policy Board dated September 13, 2010 be forwarded to him.”

Adjournment: On motion made by Mr. Antonetti, seconded by Ms. Russell unanimously voted, the meeting adjourned at 11:45 p.m.

Respectfully submitted,

Suzanne J. Alix, Secretary
Gaming Policy Board

Attachments (2)