

Illinois Lottery Control Board
Open Meeting Minutes
December 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

On Friday, December 8, 2017, a regular meeting of the Lottery Control Board was held in Chicago at 122 S. Michigan Ave., 19th Floor. The following people attended:

Board Members:

- Jonathan “Blair” Garber
- Elba Aranda-Suh
- Haydee Olinger
- James Floyd

Illinois Lottery Staff:

- Gregory Smith, *Acting Director*
- Jayme Odom, *Chief of Staff*
- Annice Kelly, *General Counsel/Ethics Officer*
- Jason Schaumburg, *Communications Director*
- Carol Radwine, *Chief Financial Officer*
- Harold Mays, *Chief Operations & Technology Officer*
- Jessica White, *Deputy General Counsel*
- Rolanda Sudduth, *Senior Counsel*
- Joseph Weiss, *Director of Sales*
- Brooke Mayfield, *Lottery Control Board Secretary*

Northstar Staff:

- Michelle Tomao, *Chief Operations Officer & Vice President, Finance*
- Patrick Costaregni, *Chief Financial Officer*

Other Attendees:

- Kathy Gilroy, member of the public, Villa Park, Illinois
- Adam Barry, Camelot Global

CALL TO ORDER

Chairman Blair Garber welcomed attendees and called the meeting to order at 1:30 p.m. The roll call was taken, and it was noted that a quorum was present.

OLD BUSINESS

Approval of Minutes

Haydee Olinger moved to approve the minutes from the September 8, 2017, meeting. Board Member James Floyd seconded the motion, with a third from Elba Aranda-Suh and the Board unanimously approved the motion.

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NEW BUSINESS

Senior Counsel Rolanda Sudduth presented updates on the Lottery’s 4th quarter legal docket status, as there are no cases or matters currently set for a Lottery Administrative hearing:

- One old matter still pending in the Illinois Circuit Court for administrative review.
- The Department received a favorable recommendation in a hearing involving a lottery license denial.

DIRECTOR’S REPORT

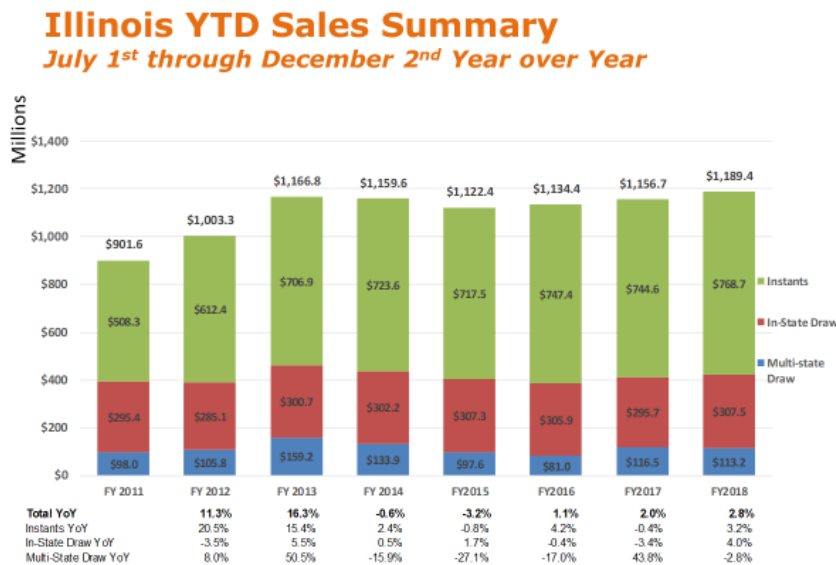
Sales and Marketing Update

Michelle Tomao, Chief Operations Office/Vice President Finance, Northstar Lottery Group, presented that overall sales are up 2.8 percent over the previous fiscal year.

Michelle Tomao, Northstar’s Chief Operations Officer & Vice President of Finance, summarized advertising and retail marketing.

Sales Performance Overview

Referencing the graph below, Tomao detailed the year-to-date sales summary to the Board.

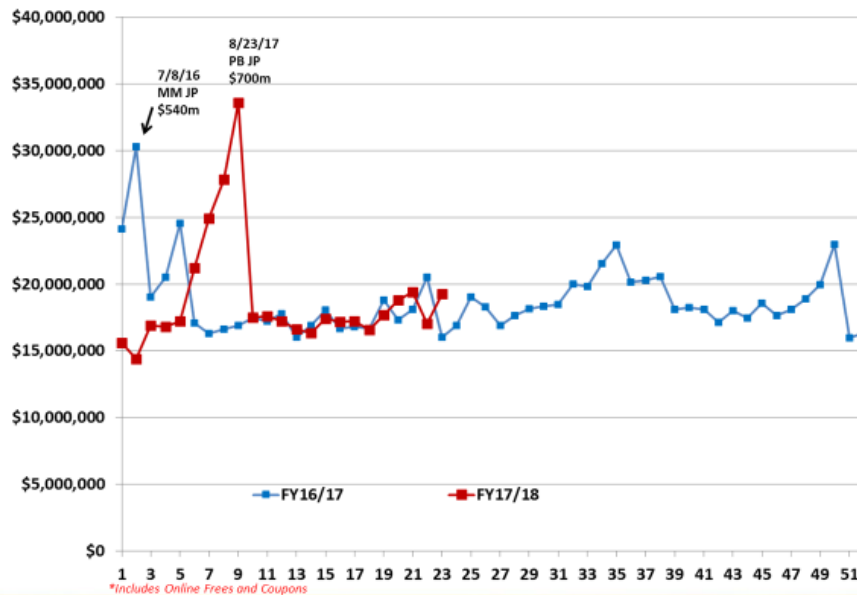


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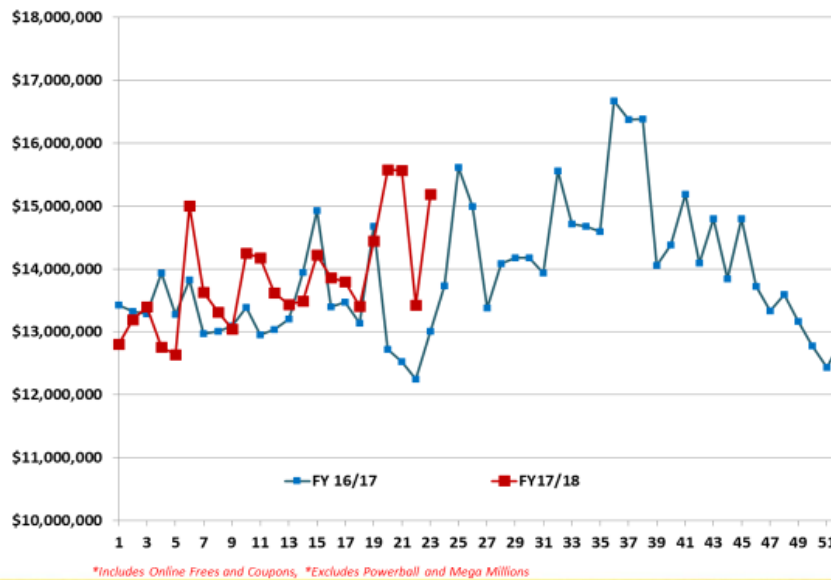
iLottery Sales

Tomao detailed iLottery sales information to the Board, using the below graphs to illustrate sales and registered user data. She also stated that the online games are up 2.1 percent due to Pick 3 and Fireball, which are performing well this fiscal year.

Illinois Weekly Online Games Net Sales Week Ending 12/02/2017

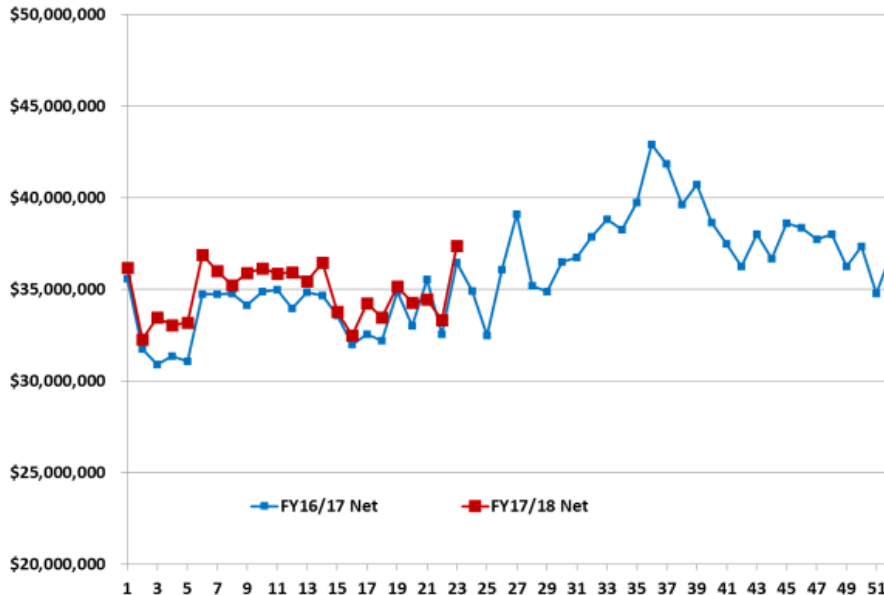


Illinois Weekly In-State Online Games Net Sales W.E. 12/2/2017 FY



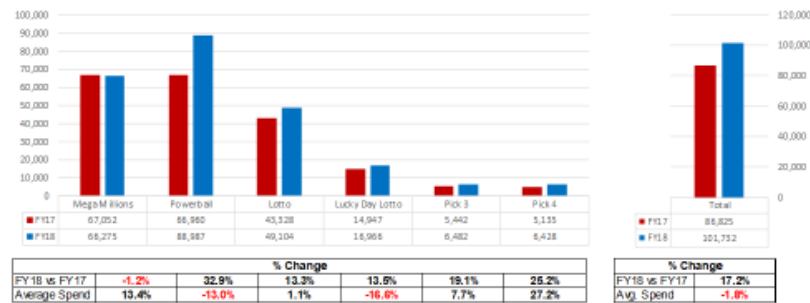
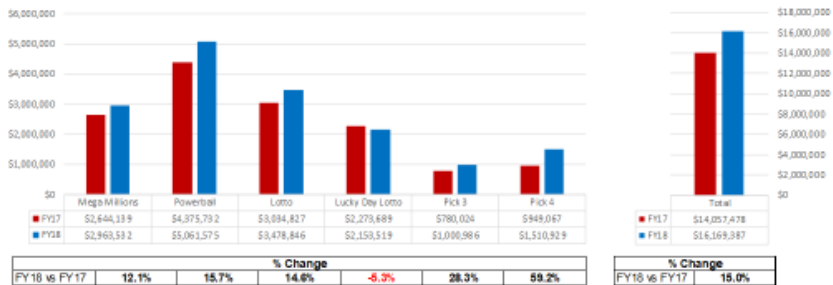
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Illinois Weekly Sales – Settlements Week Ending 12/02/2017



Source: Business Intelligence, Settlements 8 NORTHSTAR CONFIDENTIAL

FY18 vs FY17 Comparison



Tomao detailed average spend was down 1.8 percent and percent change from 2017 was up 17.2 percent, with Mega Millions being slightly behind due to the game change that took place in the fall.

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Advertising and Retail Marketing

Ms. Tomao spoke to the Board about the past, current and upcoming advertising and retail marketing for the Lottery.

October 2017: Ticket For The Cure

- The October ticket was supported with a campaign that included audio, digital, OOH and print.
- The paid campaign run dates were 10/06/2017 through 11/06/17

October 2017: Mega Millions Game-change

- The Mega Millions game-change was supported with a campaign that included audio, digital, OOH, print and TV snipes.
- The campaign run dates were 10/28/17 through 11/12/17.

November 2017: Mega Millions Promotion

- The Mega Millions promotion was supported with a campaign that included audio, digital, OOH, print and TV snipes.
- The campaign run dates were 11/12/17 through 11/18/17.

November 2017: Holiday

- The Mega Millions promotion was supported with a campaign that included radio, digital, OOH and TV elements.
- The campaign began with radio on 11/13/17, the rest of the campaign will run 11/25/17 through 1/14/18.

Coming Soon: January through February

- January Instant Campaign
 - Campaign timing: January into February
 - Supported by TV
- St. Patrick's Day Millionaire Raffle
 - Campaign timing: February into March
 - Supported by TV snipes, radio, digital, and OOH

Responsible Gaming

Tomao gave a summary of Responsible Gaming practices. Tomao further explained the processes of different awareness on responsible gaming throughout the state, including explanations on print ads and their consistency.

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Tomao then let Illinois Lottery Acting Director, Greg Smith, explain that he joined State Senator Sue Rezin, Ottawa Mayor Robert Eschbach and Board President Marty Ricconi, at the ribbon-cutting for a new Reading Oasis at the offices of Youth Services Bureau of Illinois Valley in Ottawa, Illinois. The Lottery and Scholastic Books jointly sponsored the creation of the Reading Oasis for the facility, which serves as a family unification site for parents working to regain custody of their children from foster care. The site has more than 1,800 books for children ages K through 8th grade, as well as bookshelves, chairs, and audio-visual materials. This site is one of two co-sponsored by the Illinois Lottery and Scholastic Books. The second site, at the Boys and Girls Club in Danville, Illinois, is scheduled to open later this month.

Responsible Gaming in Every Aspect of Lottery Operations

* Responsible Gaming messages included on all our communications throughout the year

| RG Campaign Calendar | July | August | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | March | April | May | June |
|----------------------------|------|--------|-------|------|------|------|------|------|-------|-------|-----|------|
| Website | | | | | | | | | | | | |
| ESMM In-Store Slides | | | | | | | | | | | | |
| Digital Billboard Slides | | | | | | | | | | | | |
| Print Ads | | | | | | | | | | | | |
| Press Release | | | | | | | | | | | | |
| Ticket & Play Slip Message | | | | | | | | | | | | |
| Point-of-Sale Materials | | | | | | | | | | | | |
| Retailer Focus | | | | | | | | | | | | |
| Social Media | | | | | | | | | | | | |

ESMM Slide Show and Social Ad



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Print Ad



Finance Update

Chief Financial Officer, Carol Radwine, presented the charts below with details on:

- Common School Fund transfers
- Special causes
- Retailer sweeps/State Lottery Fund

Finance

Common School Fund Transfers

- Per statute, the Illinois Lottery must transfer revenues into the Common School Fund (CSF) at a specified rate, pegged to inflation.

| CSF Transfers | |
|---|------------------|
| FY 2014 | \$668,100,000 |
| FY 2015 | \$678,550,000 |
| FY 2016 | \$691,550,000 |
| FY 2017 | \$705,625,000 |
| FY 2018 (planned) | \$718,750,000 |
| Total Transfers – All Fiscal Years To Date (11/30/17) | \$19,950,508,265 |

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Finance

Special Causes

- The IL Legislature has mandated the Lottery produce and sell tickets for special causes. For each ticket below, 100% of profits are transferred to agencies to distribute. At 10/31/17, the Lottery has transferred \$44.9 Million for these causes.

| Ticket/Cause | Lifetime Amount Transferred |
|--|-----------------------------|
| Veterans Cash <small>(veterans causes)</small> | \$14,094,002 |
| Ticket for the Cure <small>(breast cancer research and treatment)</small> | \$12,123,910 |
| MS Project <small>(multiple sclerosis research and treatment)</small> | \$ 8,941,895 |
| Red Ribbon Cash <small>(HIV/AIDS research and treatment)</small> | \$ 7,621,901 |
| Special Olympics <small>(state and Chicago organizations)</small> | \$ 2,081,139 |

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Finance

For the Quarter Ended September 30, 2017

- The weekly sweeps of Lottery retailers netted \$311,893,227 in revenues to the State Lottery Fund during the 1st quarter of FY2018.

| For the Quarter Ended September 30, 2017 | |
|--|-------------|
| Cash Balance carried forward from last quarter | \$ 77.8 M |
| Receipts into the fund this quarter | \$ 551.8 M |
| Expenditures from the fund this quarter | (\$500.4 M) |
| Cash Balance at the end of the quarter | \$ 129.2 M |
| | |
| Expenditures/Transfers made this quarter | \$ 500.4 M |
| Vouchers paid this quarter | \$ 17.6 M |
| Prizes paid this quarter | \$ 329.4 M |
| Transfers made this quarter | \$ 153.4 M |

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Operations Update

- General Headquarters Update
 - Transition into Camelot Illinois becoming the full-time manager still moving forward
 - Lottery team took a trip to Ohio to see new Gaming vendor
- Staff Updates
 - Carol Radwine was brought in to fill the Chief Financial Officer position
 - Mike Porter is providing the agency with transition project assistance

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Private Management Update

Director Smith updated the Board on the private management procurement process for the Lottery, stating that a private management agreement with Camelot Illinois was executed on October 13, 2017. Camelot Illinois will assume Phase One private management responsibilities on January 2, 2018 and Phase Two responsibilities on April 2, 2018. A technical transition will take place over the next twelve months.

Public Comment

Board Chair, Blair Garber, noted to the board there were no requests to speak beforehand and time permitting he would take public comment before adjournment, and reminded the room that public comment must be confirmed in advance.

With time permitting member of the public Kathy Gilroy of Villa Park, Illinois, spoke to the board on several topics. Ms. Gilroy stated she should not need to notify the agency prior to speaking at a meeting citing the Open Meetings Act. Ms. Gilroy then addressed her ongoing concern of mandated language on Illinois Lottery advertisements. Ms. Gilroy also stated her concern of a Casino awarding players Lottery Tickets as prizes. Ms. Gilroy then asked the Board to force a stop to Queen of Hearts Raffles taking place across the state.

When Ms. Gilroy was finished speaking, Chairman Garber asked Deputy General Counsel, Jessica White, to address the Open Meetings Act and its policies. White stated that the act allows public comments, but also allows the board to create reasonable parameters for public comment, which we've done in our bylaws published on the website.

Addressing public comment, Lottery Chief of Staff, Jayme Odom, stated that the private manager has an attorney on staff that inspects every ad and disclaimer. Odom went on to say different advertisements have different appropriate disclaimers and that the Lottery takes its mission very seriously.

ADJOURNMENT

Chairman Garber requested a motion to adjourn. Board Member Olinger moved to close the meeting, and Board Member Floyd seconded the motion, which was unanimously approved. Chairman Garber adjourned the meeting at 2:21 p.m.

Respectfully submitted,

Brooke Mayfield
Lottery Control Board Secretary