

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

On Friday, September 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
- Haydee Olinger
- James Floyd

Illinois Lottery Staff:

- Gregory Smith, *Acting Director*
- Jayme Odom, *Chief of Staff*
- Harold Mays, *Chief Operations & Technology Officer*
- Chris Gallo, *Communications Director*
- 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*
- Jay Rivara, *Vice President, Technology and Operations*

Other Attendees:

- Kathy Gilroy, member of the public, Villa Park, Illinois
- Paul Gieberstock, member of the public, Paul Geiberstock and Company
- Adam Barry, Camelot Global

CALL TO ORDER

Chairman Blair Garber welcomed attendees and called the meeting to order at 1:32 p.m. The roll call was taken, and it was noted that a quorum was present.

PUBLIC COMMENT

Kathy Gilroy addressed the Board regarding Lottery Law provisions 20 ILCS 1605/16. She voiced specific concerns regarding an advertisement in the Naperville Ribfest magazine, and a second ad from an unknown source. Ms. Gilroy then expressed her concerns over an article published by the Chicago Tribune regarding Ms. Ruth Soukup, which is an ongoing legal matter. Ms. Gilroy’s final remarks were aimed towards the iLottery pilot program, its extensions, and her concerns over Camelot being granted a potential contract as the new private manager.

The Board agreed to review the materials surrounding Ms. Gilroy’s concerns.

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OLD BUSINESS

Approval of Minutes

Haydee Olinger moved to approve the minutes from the June 8, 2017, meeting. Board Member James Floyd seconded the motion, and the Board unanimously approved the motion.

NEW BUSINESS

Senior Counsel Rolanda Sudduth presented updates on the Lottery's 3rd quarter legal docket status, as there are no cases or matters currently set for a Lottery Administrative hearing:

- One matter pending before the Cook County Circuit Court for review of Administrative Law Judge's recommendation.
- Waiting for recommendations from the ALJ for matter involving a license denial.
- The Department received a favorable recommendation in a matter involving an unpaid Lottery debt and license denial.

DIRECTOR'S REPORT

Sales and Marketing Update

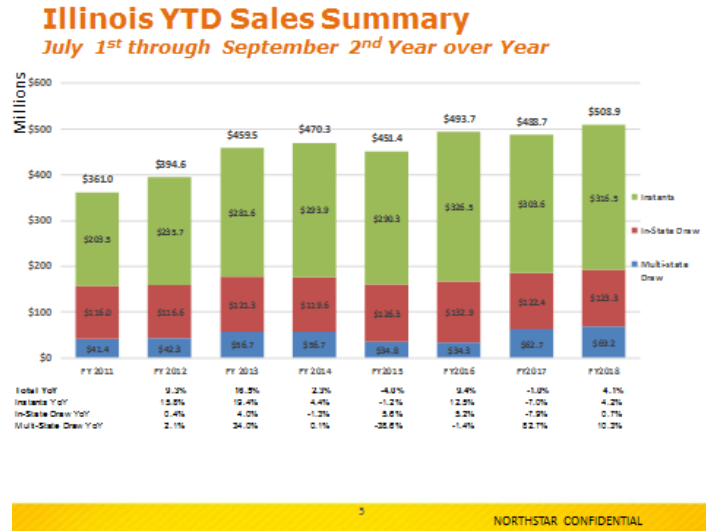
Jay Rivara, Vice President of Operations and Technology, Northstar Lottery Group, presented that overall sales are up 4.1 percent over the previous fiscal year, which was expected due to this year's \$700 million Powerball jackpot and the \$393 million Mega Millions jackpot. Instant tickets sales are about \$13 million ahead of last year with state draw games ahead by \$10 million.

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

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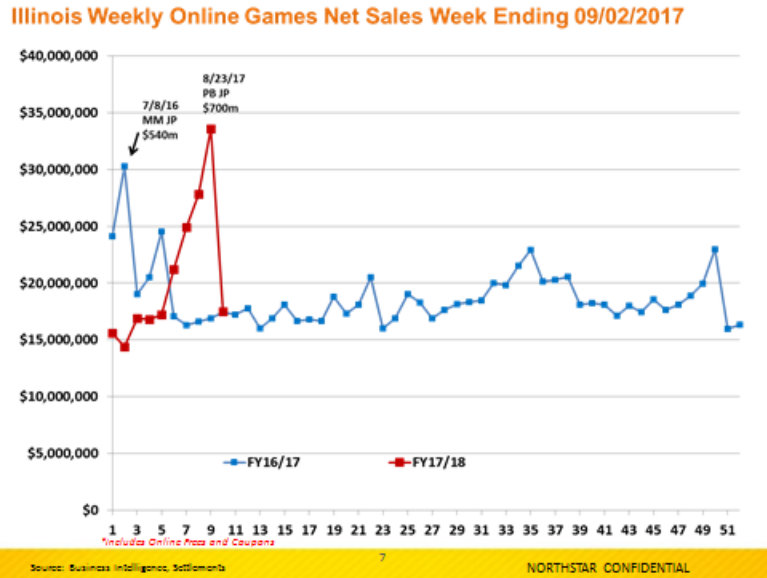
Sales Performance Overview

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



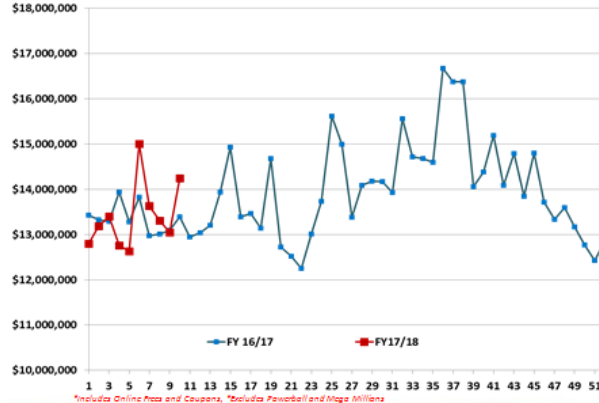
iLottery Sales

Rivara detailed iLottery sales information to the Board, using the below graphs to illustrate sales and registered user data.



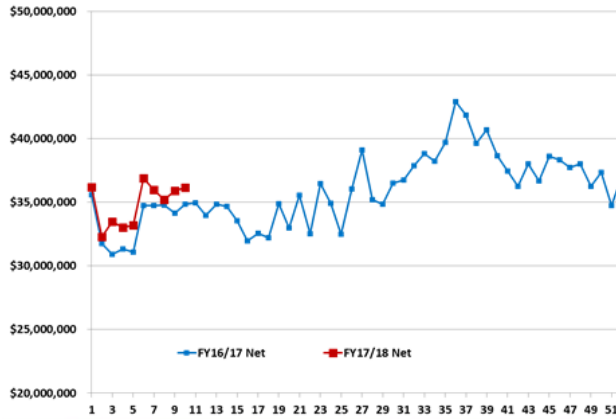
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Illinois Weekly In-State Online Games Net Sales
 W.E. 9/2/2017 FY



Source: Business Intelligence, Settlements NORTHSTAR CONFIDENTIAL

Illinois Weekly Sales – Settlements Week Ending 09/02/2017



Source: Business Intelligence, Settlements NORTHSTAR CONFIDENTIAL

FY18 vs FY17 YTD Comparison



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Advertising and Retail Marketing

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

July 2017: July 10 to August 10

- The new July ticket was supported with a campaign that included television and POS

August 2017: August 6 to August 12

- The Lotto promotion was supported with a campaign that included digital, OOH, radio, and POS

Coming Soon: September through December

- Lotto/LDL Campaign
 - Campaign timing: September through October
 - Supported by digital and radio
- Lucky Day Lotto “Double Days” Promo
 - Promotion timing: September
 - Supported by print, TV snips, radio, digital, and OOH
- Ticket For The Cure
 - Campaign timing: October
 - Supported by audio, digital, OOH, and print
- Mega Millions Game Change & Promo
 - Game Change timing: Late October
 - Promotion timing: Mid-November
 - Paid media channels TBD
- Holiday & 2nd Chance Promotion
 - Campaign timing: Late November through December
 - Paid media channels TBD

Responsible Gaming

Tomao gave a summary of Responsible Gaming practices. Tomao stated the Illinois Lottery is a member of the World Lottery Association, and that a recertification for WLA Level 3 was granted in the spring of 2017. Tomao further explained the processes of different awareness on responsible gaming throughout the state, including explanations on print ads and their consistency.

*Responsible Gaming messages included on all communications throughout the year

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**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 & Playlip Message													
Point-of-Sale Materials													
Retailer Focus													
Social Media													

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ESMM Slide Show and Social Ad



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Print Ad

Signing your ticket is the first step in claiming your prize. Buy it. Sign it. Claim it!

SIGN YOUR TICKET IS ALWAYS LOTTERY

For more information, resources, and tips about responsible gaming, please visit illinoislottery.com. Play the Illinois Lottery.

Play responsibly. Matter of a state law. Lottery games are available at retail outlets only. For more information, call 1-800-252-0775 or visit illinoislottery.com.

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Finance Update

Lottery Acting Director Greg Smith 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 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	\$19,682,098,265

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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. To date, the Lottery has transferred over \$44 Million for these causes.

Ticket/Cause	Lifetime Amount Transferred
Veterans Cash <small>(veterans causes)</small>	\$14,045,842
Ticket for the Cure <small>(breast cancer research and treatment)</small>	\$12,024,578
MS Project <small>(multiple sclerosis research and treatment)</small>	\$7,292,623
Red Ribbon Cash <small>(HIV/AIDS research and treatment)</small>	\$8,893,658
Special Olympics <small>(state and Chicago organizations)</small>	\$2,044,751

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Finance

For the Quarter Ended June 30, 2017

*The weekly sweeps of Lottery retailers netted \$310,908,824 in revenues to the State Lottery Fund during the 4th Quarter of 2017.

For the Quarter Ended June 30, 2017	
Cash Balance carried forward from last quarter	\$ 139.9 M
Receipts into the fund this quarter	\$ 314.1 M
Expenditures from the fund this quarter	(\$376.2 M)
Cash Balance at the end of the quarter	\$ 77.8 M
Expenditures/Transfers made this quarter	\$ 376.2 M
Vouchers paid this quarter	\$ 54.7 M
Prizes paid this quarter	\$ 112.7 M
Transfers made this quarter	\$ 208.8 M

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Operations Update

- Staff Updates
 - Acting Director Smith introduced new and oncoming staff members to the Board, detailing their positions with the Lottery.

Private Management Update

Director Smith updated the Board on the private management procurement process for the Lottery. The State has designated Camelot Illinois as the Final offeror and a public hearing was held on August 7th. Smith then explained the next steps to finalize the contract terms, receive approval from the Chief Procurement Office, sign the Notice of Award and complete the protest period. If all steps are successful, a contract can then be signed. The Illinois Lottery and its current private manager, Northstar Lottery Group, and the Project Management Office (GLI) continue to document processes in anticipation of potential private manager and supplier transitions. Northstar will continue to provide all management services until a new private manager is in place.

Camelot Illinois Introduction

Adam Barry of Camelot Global introduced himself to the board and gave a summary of the company, stating that Camelot is one of the world's leading private lottery companies. He also informed the board of Camelot's plan to transform and grow the Lottery to create long-term and sustainable benefits for the people of Illinois. Barry detailed Camelot's track record, stating they use innovative and responsible plans for growth while ensuring a commitment to transparency, diversity, and social responsibility.

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ADJOURNMENT

Chairman Garber requested a motion to adjourn. Board Member Olinger moved to close the meeting, and Board Member Aranda-Suh seconded the motion, which was unanimously approved. Chairman Garber adjourned the meeting at 2:16 p.m.

Respectfully submitted,

Brooke Mayfield
Lottery Control Board Secretary