

Massachusetts State Lottery Commission

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STEVEN GROSSMAN

~~Treasurer and Receiver General~~

PAUL STERNBURG

~~Executive Director~~

DATE: April 23, 2013

TIME: 10:00 a.m.

PLACE: Office of the Treasurer and Receiver General
12th Floor
One Ashburton Place
Boston, MA

MEMBERS PRESENT: James MacDonald, First Deputy Treasurer; Designee of Steven Grossman, Treasurer and Receiver General, Chair
Martin Benison, Commissioner
Beth Boland, Commissioner
Tim McMahon, Commissioner
Elizabeth Nadzo, General Counsel,
Designee of Andrea Cabral, Commissioner

ALSO PRESENT: Paul Sternburg, Executive Director, Lottery
William Egan, General Counsel, Lottery
Beth Bresnahan, Assistant Executive Director of Marketing and Communications, Lottery
Jean Caron, Executive Assistant to the Director, Lottery
Cathy Judd-Stein, Assistant Executive Director of Policy and Special Counsel, Lottery
David Sweeney, Chief Financial Officer, Lottery
Elizabeth Pottier, Internal Auditor, Lottery
Jamey Tesler, General Counsel, Treasury
Al Gordon, Deputy Treasurer for Policy, Treasury
Matt DiFrancesco, Assistant Director of Operations, Lottery
Jeff Rogato, Manager of Telecommunications, Lottery
Robert Frasca

1.0 Opening of the Meeting

First Deputy Treasurer MacDonald, designee of Treasurer Grossman, opened the meeting at 10:06 a.m. and offered Treasurer Grossman's regrets that he could not be at the meeting as he is attending the funeral of MIT Police Officer Sean Collier. First Deputy Treasurer MacDonald then asked the attendees of the Commission meeting to observe a moment of silence to honor the victims of the Boston Marathon bombings.

2.0 Acceptance of the Minutes of the Meeting of March 26, 2013

First Deputy Treasurer MacDonald asked the Commission to accept the minutes of March 26, 2013. Commissioner Boland made a motion to accept the minutes of the meeting and Elizabeth Nadzo, General Counsel and Designee of Commissioner Cabral seconded the motion. The minutes were unanimously approved 5-0 at 10:07 a.m.

3.0 EXECUTIVE DIRECTOR REPORT

Director Sternburg presented the Executive Director's report for March (Please reference the handout).

Director Sternburg gave an update on Lottery sales noting the sales were down \$30 million in Mega Millions as compared to March 2012 due to the world record-breaking \$656 million Mega Millions jackpot last year. The prize payout was 71.9% as compared to March 2012 when it was 68.3%. The 3.6% increase in payout caused our overall net profit to drop \$55.4 million behind last year's record-setting pace.

Director Sternburg reviewed April's Instant Ticket release of Cadillac Riches which sold \$8,044,900 for the first 13 days of sales. He also reviewed the \$10,000,000 Hold'em Poker Tournament that took place April 6, 2013 at the TD Garden. The Lottery awarded \$14 million in prizes, including a \$10 million Grand Prize which was awarded to Eugene Condon, Jr. of East Falmouth.

Director Sternburg finished with a review of sales for each of the Lottery games and finished with Revenue results.

4.0 LOTTERY REFORM SCORECARD

Governance: The Massachusetts Gaming Commission asked the Lottery for thoughts with regard to the impact of expanded gaming on the Lottery. Director Sternburg and his staff will be meeting with Judge McHugh and Enrique Zuniga from the Mass Gaming Commission next week to discuss the Gaming Commissions proposed regulations and criteria for applicant evaluation.

Operations: Director Sternburg executed the Compliance and Internal Audit's Policy and Procedure for Investigations of lost or stolen MSLC assets.

5.0 Votes presented to the Commission

- 5.1 For the reasons of allowing the transition to a new second monitor game, the Executive Director is authorized to enter into a contract extension on a month to month basis up to three months for the purchase of the license software and graphics with the following company:

Tournament One
700 Canal Street
Boston, MA

The maximum obligation under the contract with Tournament One shall not exceed forty-two thousand, seven hundred and fifty dollars (\$42,750.00).

Counselor Egan explained that the current contract expires May 18, 2013. Director Sternburg said the poker game was ready to go. The game software has been tested. It will be ready in late May at the earliest. The Race Game will then go away. The three (3) months will cover the time until the end of the Race Game.

First Deputy Treasurer MacDonald asked for a motion to authorize the Executive Director to enter into a contract extension on a month to month basis up to three months for the purchase of the license software and graphics with Tournament One. Motion was made by Commissioner Benison and seconded by Commissioner McMahon at 10:26 a.m. Motion approved 5-0.

- 5.2 For the reasons set forth in the attached supporting documents dated April 22, 2013, the Executive Director is authorized to enter into a one-year contract for the purchase of devices and services to establish a wireless gateway for the new player activated terminals with the following firm for agent network services:

Verizon
Boston

This authorization is made from a state-wide contract ITT46. Verizon is the current provider for agent communications network services.

The maximum obligation assumed under the one-year contract shall not exceed one hundred sixty-nine thousand, five hundred forty-six and 64/100 dollars (\$169,546.64).

Director Sternburg explained that this was a type of connection necessary for the new PAT's. Assistant Director of Operations Matt DiFrancesco explained that this is a wireless connection different from the one used for the terminals. This is a designed application to meet our requirements as well as software / hardware support. This was competitively put out to bid allowing the network to stay intact and all Lottery departments involved were very satisfied with their efforts.

First Deputy Treasurer MacDonald asked for a motion to authorize the Executive Director to enter into a one-year contract for the purchase of devices and services to establish a wireless gateway for the new player activated terminals with Verizon. Motion was made by Commissioner Benison and seconded by Counselor Nadzo at 10:30 a.m. Motion approved 5-0.

First Deputy Treasurer MacDonald asked for a motion to convene in executive session to allow the Commission to discuss the litigation position of the Commission because an open meeting may have a detrimental effect on the future litigation position of the Commission. This exception to the open meeting law is found in Massachusetts General Laws c. 30A, §21(a)(3).

The motion was made by Commissioner Boland and seconded by Counselor Elizabeth Nadzo, designee for Commissioner Cabral at 10:31 a.m. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Counselor Elizabeth Nadzo, designee for Commissioner Cabral: yes; Commissioner Benison: yes and First Deputy Treasurer MacDonald: yes. Motion approved 5-0.

The Commission reconvened at 10:57 a.m. with a motion to adjourn being made by Commissioner Boland and seconded by Commissioner Benison. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Counselor Elizabeth

Nadzo, designee for Commissioner Cabral: yes; Commissioner Benison: yes and First Deputy Treasurer MacDonald: yes. Motion approved 5-0.

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission April 2013 Commission meeting".
2. Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg April 23, 2013".
3. Video from \$10,000,000 HOLD'EM POKER Tournament