



REPORT ON THE WORK OF THE LOTTERY CONTROL BOARD

August 13, 2019 (20 ILCS 1605/7.8)

Respectfully submitted to:

Illinois Governor JB Pritzker

Senate President John J. Cullerton

Senate Republican Leader William E. Brady

House Speaker Michael J. Madigan

House Republican Leader Jim Durkin

The Illinois Lottery Control Board -- Background and Current Status

Illinois Lottery Law (20 ILCS 1605/6) created an independent board - the Lottery Control Board - consisting of five members appointed by the Governor with the advice and consent of the Senate. A chairman of the board is chosen annually from the membership of the board by a majority of the members of the board. Current members of the board:

Name	Term Expires	Board Member Since
Elba Aranda-Suh	July 1, 2017*	July 6, 2015
James Floyd	July 1, 2019*	March 20, 2017
Sarah Alter**		

*-Members serve until their successors are appointed and qualified

** -Pending Senate confirmation

The board currently does not have a chairman, and there are two vacancies on the board. Two members' nominations, Nimish Jani and Lori Yokoyama, were withdrawn in May.

The board is required to hold at least one meeting each quarter of the fiscal year, and all board meetings are open to the public pursuant to the Open Meetings Act. Meetings were held in Fiscal Year 2019 on: Dec. 5, 2018; Feb. 6, 2019; and May 15, 2019. A FY19 Q1 meeting of the board was cancelled because of a lack of quorum.

Legal Roundup

The Lottery Control Board is provided an update regarding all pending administrative hearings at each quarterly meeting.

In December, there were four (4) matters pending in the administrative hearing process, one (1) involving a player claim, one (1) involving a license denial and two (2) involving a retailer claim.

In February, the license denial hearing was continued for a later date, and a matter involving a retailer claim was settled and dismissed. The Board was also informed of an audit finding for the Lottery regarding cash transfers to the Common School Fund for the fiscal year ending June 30, 2018, as well as the new opinion on the Wire Act from the Department of Justice. The Board was assured the Lottery was closely monitoring the situation and taking all appropriate action to ensure compliance with all laws and regulations.

In May, the Lottery received a favorable recommendation from the Administrative Law Judge regarding the license denial, a favorable recommendation on a Motion for Summary Judgment

in the player claim denial and reached a settlement in agreement in a retailer claim and the matter was dismissed.

Advertising Roundup

The Lottery Control Board is provided an update regarding advertising at each quarterly meeting. The following advertising campaigns were presented to the Lottery Control Board in FY19:

- Multiplier Family; TV, radio, out of home, digital and point of sale (December 2018)
- Jackpot time campaign; TV, radio, digital, out of home, and point of sale (December 2018)
- Ticket for the Cure; digital and out of home (December 2018)
- Holiday campaign; TV, cinema, Digital, online video and out of home (December 2018)
- 10 Years of Cash; TV, radio, streaming audio, out of home, Waze, Speedway audio and point of sale (February 2019)
- Lucky 7s instant ticket family; TV, radio, streaming audio, out of home, Speedway audio and point of sale (May 2019)

Meeting Minutes

Here is a set of the last three approved meeting minutes:

Illinois Lottery Control Board
Open Meeting Minutes
June 6, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

On Wednesday, June 6, 2018 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:

- Haydee Olinger
- James Floyd
- Elba Aranda-Suh

Illinois Lottery Staff:

- Greg Smith, Director
- Annice Kelly, General Counsel/Ethics Officer
- Scott Gillard, Chief of Staff
- Jason Schaumburg, Communications Director
- Michael Gedzun, Investigator
- Jessica White, Deputy General Counsel
- Joe Weiss, Director of Sales
- Carol Radwine, Chief Financial Officer (via teleconference)
- Guadalupe Marin, Director's Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Colin Hadden, General Manager
- Jason Dolenga, VP of Marketing
- Keith Horton, General Counsel
- Tim Culhane, VP of Finance
- Wendy Abrams, Senior Advisor of Corporate Affairs

Other Attendees:

- Kathy Gilroy, member of the public

CALL TO ORDER/ROLL CALL

Board Chairman Haydee Olinger welcomed attendees and called the meeting to order at 1:28pm. Roll call was taken and a quorum was present.

OLD BUSINESS

APPROVAL OF MINUTES

Haydee Olinger moved to approve the minutes from February 26, 2018. Board member Elba Aranda-Suh seconded the motion and minutes were unanimously approved.

Illinois Lottery Control Board
Open Meeting Minutes
June 6, 2018
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NEW BUSINESS

LEGAL UPDATE

Jessica White, Deputy General Counsel presented legal updates for Lottery's 2nd quarter.

- Administrative hearing involving player resulted in favor of the department.
- Settlement was reached between retailer and department on money owed.

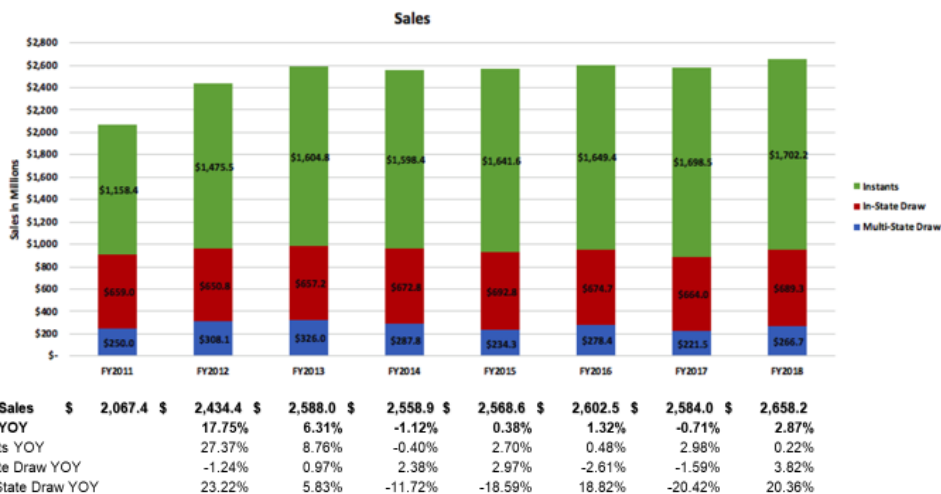
DIRECTOR'S REPORT

Sales and Marketing Update

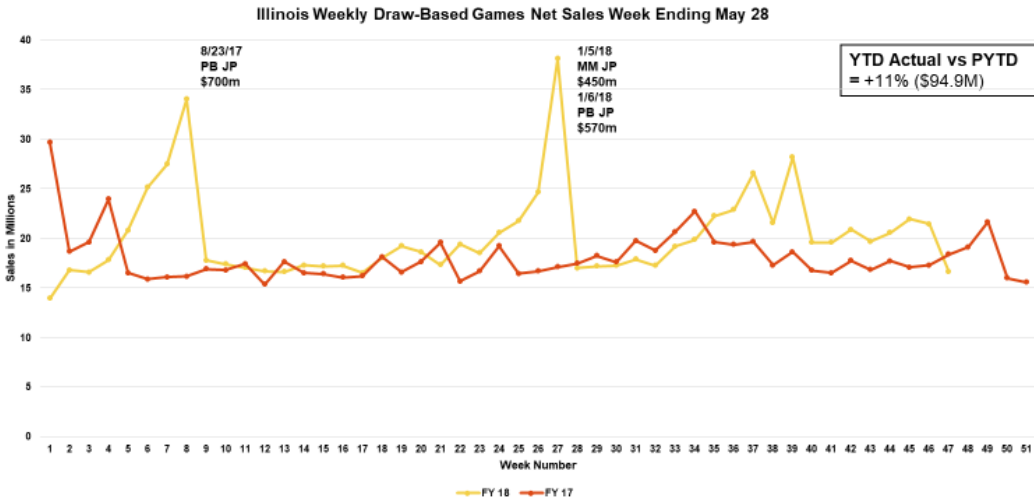
Sales Performance

Colin Hadden, General Manager for Camelot Illinois, presented breakdown of sales for Instant scratch, in-state sales draw and our multistate for dates below. He stated that overall year to date Lottery is 2.87% ahead in sales at the end of May. Multistate draws were up 26% from last year. In-State Draws are solid with 3.82 % up from last year. Scratch offs have been up and down throughout the year but have seen a spike with the Frenzy family.

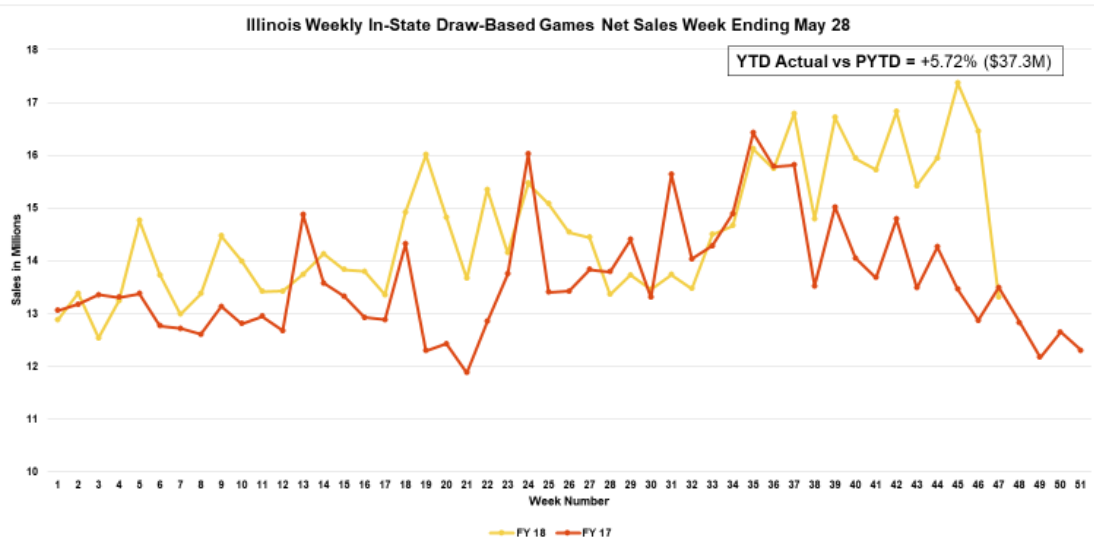
Illinois YTD Sales Summary - July 1 through May 28 Year over Year



Illinois Lottery Control Board
Open Meeting Minutes
June 6, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

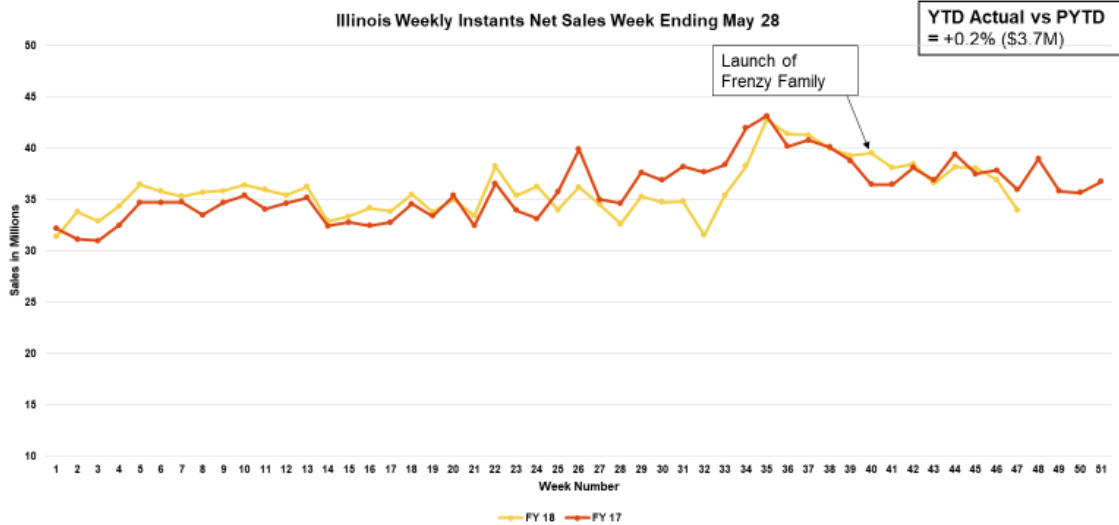


*Includes all draw-based games: Powerball, Mega Millions, Lucky Day Lotto, Lotto, Pick 3 and Pick 4

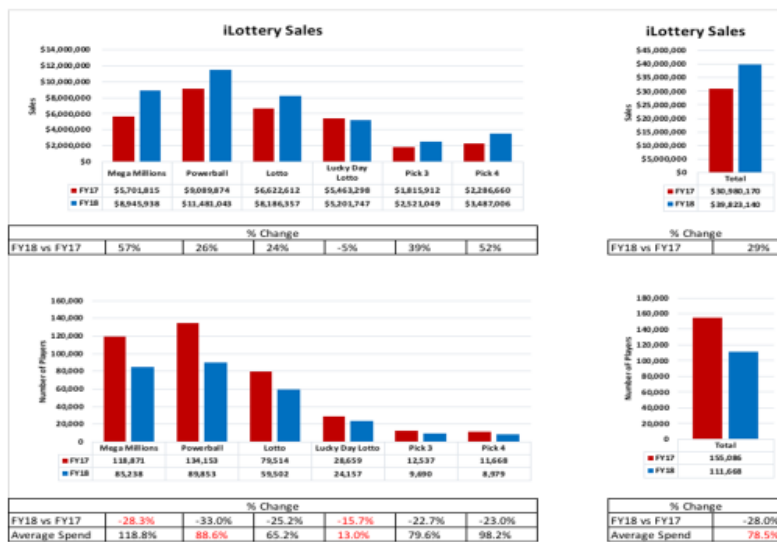


*Excludes Powerball and Mega Millions

Illinois Lottery Control Board
Open Meeting Minutes
June 6, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603



iLottery YTD Sales Summary - July 1 through May 28 Year over Year



Illinois Lottery Control Board
Open Meeting Minutes
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Advertising and Marketing

Colin Hadden introduced Jason Dolenga who is VP of Marketing with Camelot and who newly joined the team. Mr. Dolenga presented upcoming advertising and retail marketing for the Lottery.

March 2018: Instant Ticket Campaign

- Supported with point of sale in store, TV commercials and online video and ran from March 3rd through April 3, 2018.

March 2018: St. Patrick's Day Raffle

- Support included TV snipes, radio, digital, out- of -home, point of sale and experiential and ran February 9th through March 18, 2018.

April 2018: "Frenzy" Instant Ticket Support

- April launch of the "Frenzy" family was supported with a campaign that included TV commercials, online video and point of sale. This ran April 6th through May 16, 2018.

May/June 2018: Wonka Instant Ticket Support

- *Willy Wonka* instant ticket is supported with a campaign that included TV commercials, online video and point of sale and will run May 3rd through June 21, 2018.
- Includes a second chance draw for chance to win \$1 billion

Coming Soon: June Instant Tickets:

- *\$10-Break the Bank*, (gigantic ticket with interesting way of highlighted in store), *\$5- Money Match*, *\$3- Red Ribbon Cash*, *\$2- Triple Play*, *\$1- Fruity Fortune* (whimsical ticket that is like games people play on their phone)

Coming Soon: July Instant Tickets:

- *\$20-Illinois Millions* (celebrating Illinois Bicentennial), *\$3-Special Olympics*, *\$2- Double Your Luck*, *\$1- Win Pigs Fly*

Responsible Gaming

Colin Hadden highlighted some of the responsible play initiatives which include communications, retailer and employee training and explained that this is a huge priority and foundation for Lottery's business in building trust and transparency with players and stakeholders. March was Problem Awareness and Gambling month and below were some statistics just in communications.

- Social media campaign increased responsible gaming landing page views by 554% through March 19, totaling more than 8000. Social media reach over 10,000 on Facebook and more than 3700 on Twitter.
- Retailer training is to be hosted on point of sale terminal with animation and voiceover both in English and Spanish

Illinois Lottery Control Board
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- Employee training consisted of Problem gambling and awareness and Gamgard training which is a tool which measures the risk associated with games
- Stakeholder Outreach consisted of renewed membership with the following organizations: Illinois Alliance on Problem Gambling, Illinois Council on Problem Gambling, National Council on Problem Gambling and World Lottery Association.

Board Member Arandah-Suh thanked Colin Hadden on the movement and enhancement on the responsible gaming compliance. She also inquired about the Veterans specialty ticket and asked if it was still in rotation. Colin Hadden, responded that it usually comes out toward the end of the year either in November or December.

Finance & Operation

Carol Radwine, Chief Financial Officer presented 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 (05/30/18)	\$642,735,000



Illinois Lottery Control Board
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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 05/31/18, the Lottery has transferred \$47.6 Million for these causes.

Ticket/Cause	Lifetime Amount Transferred
Veterans Cash (veterans causes)	\$15,067,792
Ticket for the Cure (breast cancer research and treatment)	\$12,591,292
MS Project (multiple sclerosis research and treatment)	\$ 9,324,860
Red Ribbon Cash (HIV/AIDS research and treatment)	\$ 7,672,320
Special Olympics (state and Chicago organizations)	\$ 2,983,713



Finance

For the Quarter Ended March 31, 2018

- The weekly sweeps of Lottery retailers netted \$341,092,344.80 in revenues to the State Lottery Fund during the 3rd quarter of FY2018.

For the Quarter Ended March 31, 2018	
Cash Balance carried forward from last quarter	\$ 146.2M
Receipts into the fund this quarter	\$ 343.3M
Expenditures from the fund this quarter	(\$363.2M)
Cash Balance at the end of the quarter	\$ 126.3M
Expenditures/Transfers made this quarter	\$ 363.2M
Vouchers paid this quarter	\$ 52.5M
Prizes paid this quarter	\$ 142.5M
Transfers made this quarter	\$ 168.2M



Illinois Lottery Control Board
Open Meeting Minutes
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Operations Update

Director Greg Smith provided updates on staff, private manager transition and operations.

Staff Update-Chicago& Springfield

- Scott Gillard, Chief of Staff
- Guadalupe Marin, Administrative Assistant to the Director
- Larry Johnson, Deputy Chief of Security (Springfield)
- Karen Blumhagen, Instant Tickets Product Manager(Springfield)
- Continuing to fill positions for our claim centers around the state

Private Manager transition and operations:

- Camelot doing most of their hiring and taking over services, duties and key tasks
- Milestone schedule implemented for check and balances between both companies which includes annual business plan, technology transition, and new gaming system. Once completed and proven satisfactory between both companies a certificate of completion will be issued and end the transition.
- Since last session Lottery received one-year extension to sell tickets online-iLottery
- Picked up two more specialty tickets benefitting police memorials and homelessness
- Statute was picked up allowing certain prizewinners to claim in privacy and anonymity on winnings over \$250,000
- Director explained about payments to capital projects which is last place money goes after paying Common School Fund and beneficiary tickets

Board Chairman Haydee Ollinger asked if there was a deliberate effort to ensure the human story on grant recipients of specialty tickets and not just ticket sales. Director Smith explained that there was a launch event very next day for the Red Ribbon cash ticket that supports HIV and Aids and that there would be more media emphasis in doing a check ceremony with recipients.

ADJOURNMENT

Chairman Ollinger requested a motion to adjourn. Board member Aranda-Suh gave the motion and Board member Floyd seconded the motion which was unanimously approved. Chairperson Ollinger adjourned the meeting at 2:30pm.

Respectfully submitted,

Nora Iniguez
Lottery Control Board Secretary

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
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On Wednesday, December 5, 2018 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:

- James Floyd
- Lori Yokoyama
- Nimish Jani
- Elba Aranda-Suh

Illinois Lottery Staff:

- Harold Mays, Acting Director
- Carol Radwine, Chief Financial Officer (via video conference)
- Jessica White, Interim Acting General Counsel
- Rolanda Sudduth, Senior Counsel
- Jason Schaumburg, Communications Director
- Joe Weiss, Director of Sales
- Guadalupe Marin, Director's Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Counsel
- Jason Dolenga VP of Marketing (via teleconference)
- Wendy Abrams, Senior Advisor of Corporate Affairs
- Tim Culhane, VP of Finance
- Keary Fath, VP Retail Sales

Other Attendees:

- Kathy Gilroy, member of the public

CALL TO ORDER/ROLL CALL

Board member James Floyd called the meeting to order at 1:33pm. Roll call was taken and quorum was present. Mr. Floyd welcomed attendees and new board members Lori Yokoyama and Nimish Jani. Lori Yokoyama is the principal and managing partner of Yokoyama & Associates. Nimish Jani, is a trustee of the Schaumburg Township, aid to Cook County Commissioner and part of the Asian American Employment Advisory Council.

PUBLIC COMMENT

NONE

OLD BUSINESS

- *APPROVAL OF MINUTES*
James Floyd moved to approve the meeting minutes from June 6, 2018. Board member Elba Aranda-Suh seconded the motion and minutes were approved.

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

NEW BUSINESS

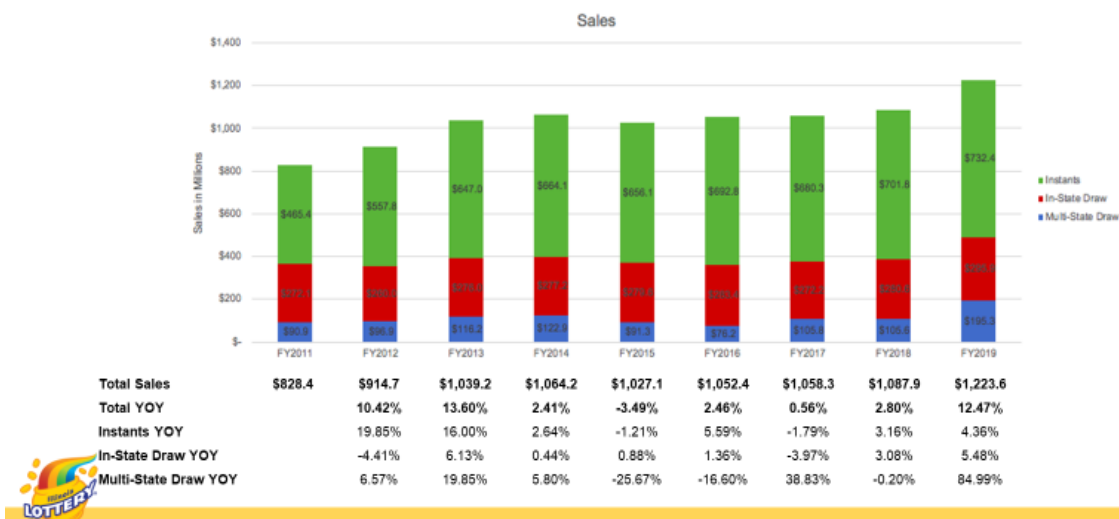
- ELECT NEW LOTTERY CONTROL BOARD CHAIRMAN**
 Both board members Jani and Yokoyama nominated themselves. Jani stated he has retail experience and Yokoyama stated she has legal, professional and social board experience. Board member James Floyd moved to elect new Lottery Control Board chairman at next meeting. Elba Arandah-Suh seconded the motion and all approved.
- SCHEDULE QUARTERLY MEETINGS FOR CALENDAR YEAR 2019**
 Board member Lori Yokoyama motioned for next meeting to be held on Wednesday, February 6, 2019 at 1:30pm. James Floyd seconded the motion and all members approved.
- LEGAL UPDATE**
 Rolanda Sudduth presented to board members status on four outstanding hearings.

DIRECTORS REPORT

- SALES UPDATE**
 Tim Culhane presented several charts of year to date sales summaries from July 1st through November 19, 2018. First chart showing incline in total sales from 2.8% FY2018 to 12.47% FY2019.

Illinois YTD Sales Summary

July 1st through November 19th (Year over Year)



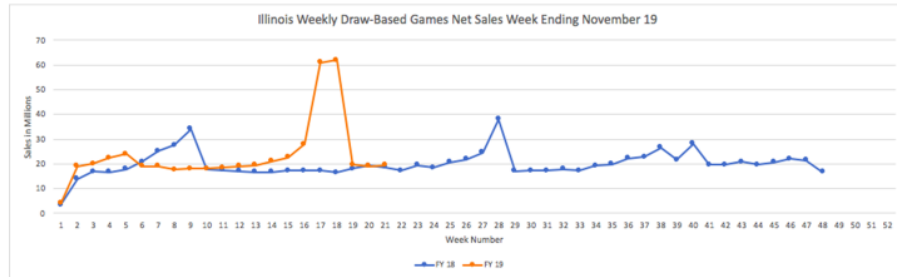
The FY19 increase was the result of a surge in sales in the month of October for a near world record jackpot rollover of \$1.5 Billion for the Mega Millions. Illinois Lottery announced that

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

October 2018 were highest monthly sales in draw-based games in department's history up 9.9 percent from previous record set in January 2016.

Illinois YTD Sales Summary | Draw-Based Games

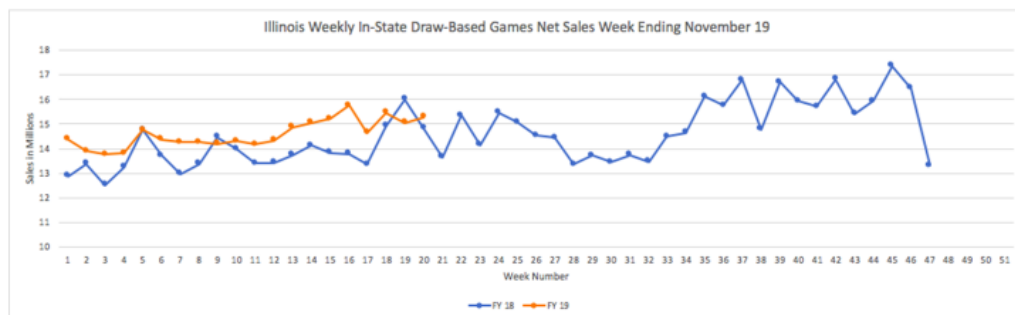
July 1 through November 19



*Includes all draw-based games: Powerball, Mega Millions, Lucky Day Lotto, Lotto, Pick 3 and Pick 4

Illinois YTD Sales Summary | In-State Draw-Based Games

July 1 through November 19

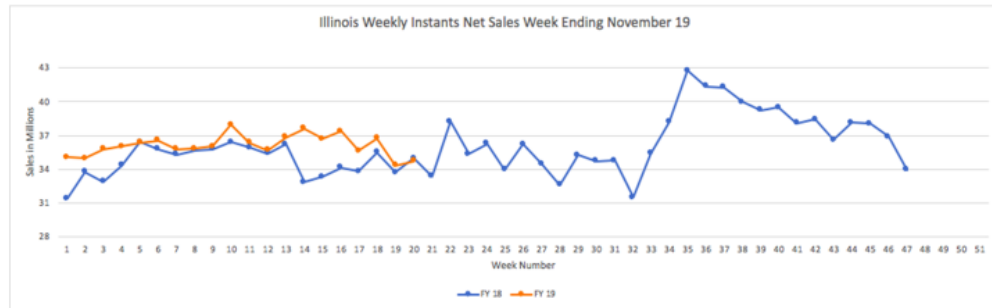


*Excludes Powerball and Mega Millions

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

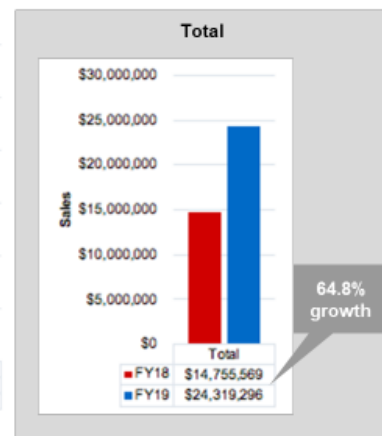
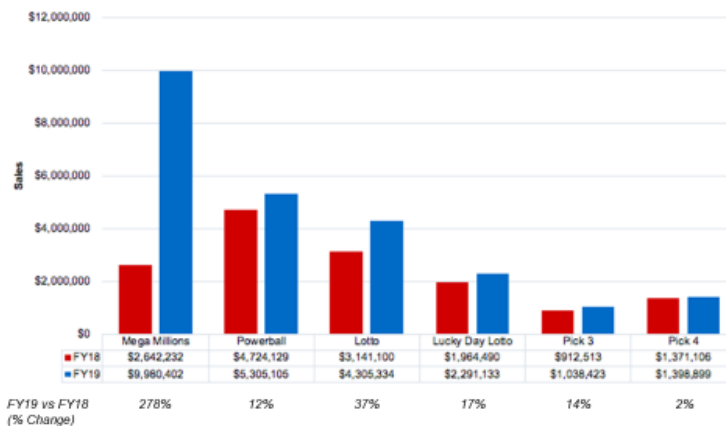
Illinois YTD Sales Summary | Instant Games

July 1 through November 19



iLottery YTD Sales Summary

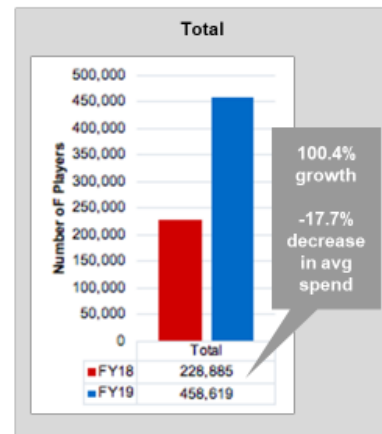
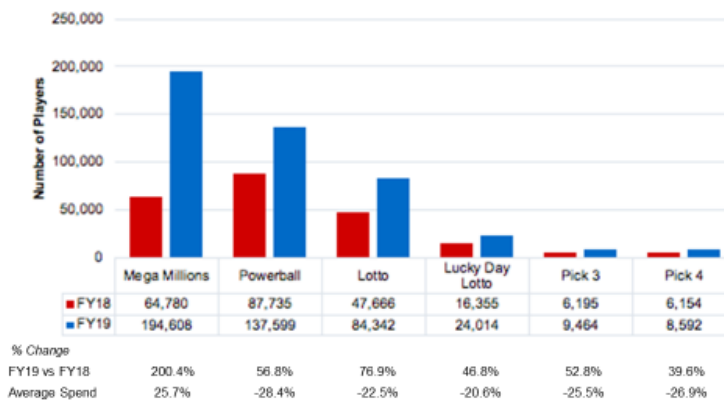
July 1 through November 19 (Year over Year)



Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

iLottery Number of Players

July 1 through November 19 (Year over Year)



- **ADVERTISING AND MARKETING**

Keary Fath presented power point slides to board members showcasing advertising for instant, draw based games and experiential.

September 2018:

INSTANT- Multiplier Campaign, "It's like wishing for multiple wishes." Supported with TV, radio, out of home, point of sale, and digital.

DRAW-Jackpot Time Campaign for Powerball on air through end of October. Instead of saying what would you do with all that money, now using tag of "How would you spend all that time?" "Fill up another passport."

EXPERIENTIAL-PPOS Retailer Roadshow to roll out new equipment.

October 2018:

INSTANT-Carolyn Adams Ticket for the Cure was supported by Springfield board up through November, digital and social media support and digital out of home boards (10/08-11/4). Multiplier campaign running until end of October.

DRAW-Jackpot Time Campaign on air through end of October.

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

EXPERIENTIAL- Ticket for the Cure events included: Carolyn Adams Casino Night, Beyond October Community Education Event, Lincoln park Zoo Adults Night Out, sold tickets at Millennium Park.

Near world record Mega Millions Jackpot roll incentives:

October Mega Millions Roll - Community Engagement



1. **Chicago, Oct. 12:** 548 tickets given away for \$548 million jackpot
2. **Springfield, Oct. 16:** 654 tickets given away for \$667 million jackpot
3. **Quad Cities, Oct. 18:** 970 tickets given away for \$1 billion jackpot
4. **Rockford, Oct. 19:** 1,000 tickets given away for \$1 billion jackpot
5. **Chicago, Oct. 19:** 970 tickets given away for \$1 billion jackpot
6. **Collinsville, Oct. 23:** 1,600 tickets given away for \$1.6 billion jackpot



News conference with Illinois Lottery Acting Director Harold Mays on Oct. 23

Generated more than 300 media mentions with an estimated reach of 35 million impressions in outlets in Illinois and beyond.



November/December 2018:

INSTANT-Holiday campaign “Give the gift of possibilities” launched on 11/12 supported by TV, cinema, on line video, digital, point of sale, and out of home and with **#InstantJoy** sweepstakes. Holiday commercial leaning more on pulling on the heart strings instead of humor.

DRAW-transitioned to Jackpot (MM 120Million) (How would you spend all that time?)

EXPERIENTIAL-holiday experiential activation included Lights Festival Lane (11/16-11/17), Mag Mile Holiday Parade, (11/17), Millennium Park Hot Chocolate Buffet (11/18), Aragon Ballroom Concert Series (11/29-12/9),

COMING SOON: December Instant tickets include: *Hot \$1000's*, *Super 7's*, *Amethyst 7's* *Emerald 10's*.

- **RESPONSIBLE GAMING-Wendy Abrams**

Corporate Social Responsibility:

1. Goals are to help raise awareness of risks of underage lottery play during the holiday season and educate parents on dangers of buying lottery tickets for children. This consisted of news release, social media, website banner, and paid advertising.

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

2. Responsible play brochures are available in retail stores which includes tips on how to play smart and resources for problem gambling.
3. Gamres Research was conducted using PPS (Positive Play Scale) which is designed to measure four positive gambling related behaviors and beliefs which include, honesty and control, pre-commitment, personal responsibility, and gambling literacy. It was concluded that most Illinois players were in the high positive play categories demonstrating that they engage in responsible behaviors and have a good understanding about how to play responsibly. Players did score low on gambling literacy which is an extent to which the player has an accurate understanding about the nature of gambling.
4. New play campaign in development to address low levels of gambling literacy based on Gamres research, Be **Smart, Play Smart.** This will include six core messages that will be used for delivery: **Be Smart**-know how games work and your odds of winning, **Game of Chance**-lottery games are a game of chance, strictly for entertainment not a source of income, **Play for fun**, not for money-never spend more than you can afford, **Stick to a budget**-be aware of how much time you spend playing, **Take a break**-Always be honest about your game play, **Adults Only**- Lottery games are not for minors. Never give ticket to anyone under the age of 18.

- **FINANCE**

Carol Radwine, Lottery CFO presented charts with details on Common School Transfers, Special Causes, Retailer Sweeps and State Lottery Fund.

Finance | Common School Fund

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	\$ 718,750,000
FY 2019 Planned	\$ 731,250,000
Total Transfers – All Fiscal Years To Date (11/30/18)	\$20,673,926,265



CONFIDENTIAL

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
122 S. Michigan Ave., 19th floor, Chicago, IL 60603

Finance | Special Causes

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 09/30/18, the Lottery has transferred \$48.8 Million for these causes.

Ticket/Cause	Lifetime Amount Transferred
Veterans Cash (veterans causes)	\$15,067,291
Ticket for the Cure (breast cancer research and treatment)	\$12,615,845
MS Project (multiple sclerosis research and treatment)	\$ 9,565,941
Red Ribbon Cash (HIV/AIDS research and treatment)	\$ 8,109,882
Special Olympics (state and Chicago organizations)	\$ 3,421,960



CONFIDENTIAL

Finance | End of Quarter

For the Quarter Ended September 30, 2018

- The weekly sweeps of Lottery retailers netted \$308,758,389 in revenues to the State Lottery Fund during the 1st quarter of FY2019

For the Quarter Ended September 30, 2018	
Cash Balance carried forward from last quarter	\$ 66.0 M
Receipts into the fund this quarter	\$ 309.6 M
Expenditures from the fund this quarter	(\$277.2 M)
Cash Balance at the end of the quarter	\$ 98.4 M
Expenditures/Transfers made this quarter	\$ 277.2 M
Vouchers paid this quarter	\$ 51.8 M
Prizes paid this quarter	\$ 69.1 M
Transfers made this quarter	\$ 156.3 M



CONFIDENTIAL

- OPERATIONS-Harold Mays**

Illinois Lottery Control Board
Open Meeting Minutes
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Staff update: **Separations include-** Greg Smith, Director, Eric Albrecht, Legislative Liaison, Helen Kim, Agency Procurement Officer, Annice Kelly, General Counsel.

Hires- no new hires, Jessica White, Deputy General Counsel, was named Interim Acting General Counsel to replace Annice Kelly. Harold Mays, Chief of Operations and Technology was named Acting Director to replace Greg Smith.

Legislative Update-agenda proposed for review for Spring session includes authority to expand the sale of all our games on the internet, extending current iLottery language to 2028 and requesting a continuing appropriation to allow us to pay players if there was ever a budget impasse again. Also, we are attempting to clean up language in the Lottery Law that needs to be updated and clarified. Law was passed allowing certain prizewinners to claim in privacy and anonymity on winnings over \$250,000 although identification can be requested via FOIA.

Audit update-FY18 Financial Compliance audit being conducted by the OAG is closing out. Final report expected to be issued in new year. We have not received preliminary report of potential findings yet.

Specialty Tickets Update-Legislation was passed last year to add 2 new specialty causes, State Police Memorial Ticket with a late Spring launch and a ticket that will support homelessness prevention programs is in early development.

- **PRIVATE MANAGEMENT**

Transitioning Update:

Business- Full transition of core Private Manager business responsibilities has been largely achieved. These are internal Camelot business functions in areas of Operations, Facilities, Procurement, commercial (Retail, Marketing,) internal HR and compliance.

Technical-Full technology transition taking place which includes replacing our CGS, ICS, Instant Ticket Management system, iLottery platform, and website . Retailers will also be receiving new sales terminals, vending machines and point of sale equipment. Targeted completion expected in January.

Questions and comments by Board Members:

Nimish Jani stated that mom and pop operations are having a tough time with the actual online training of new equipment and the feasibility of getting to locations of where it is being held. It was stated that there are multiple locations for training and that digital training will eventually be available. 86% of retailers had already attended training. He also asked if he can bring retailers to a board meeting. He was told he can since it is an open meeting.

Illinois Lottery Control Board
Open Meeting Minutes
December 5, 2018
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Elba Aranda-Suh asked if the elimination of the instant ticket *Loteria* was a financial decision since it had good ticket sales. This ticket was initiated by our previous private manager Northstar and Camelot did not have licensing rights.

Lori Yokoyama asked about targeting the Asian market. Jason Dolenga states that Lottery is trying to be more diverse in its advertising and promotions.

ADJOURNMENT

James Floyd thanked everyone for their attendance especially to the new board members. James Floyd gave the motion to adjourn the meeting. Elba Aranda-Suh seconded the motion and it was unanimously approved. Meeting adjourned at 2:28pm.

Respectfully submitted,

Nora Iniguez
Lottery Control Board Secretary

Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

On Wednesday, February 6, 2019, 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:

- Elba Aranda-Suh
- Nimish Jani
- Lori Yokoyama

Illinois Lottery Staff:

- Harold Mays, Acting Director
- Cornell Wilson III, General Counsel
- Jessica White, Deputy General Counsel
- Carol Radwine, Chief Financial Officer (via video conference)
- Amber Chappell, Finance Manager (via video conference)
- Scott Gillard, Chief of Staff
- Jason Schaumburg, Communications Director
- Joe Weiss, Sales Manager
- Guadalupe Marin, Director's Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Colin Hadden, General Manager
- Keith Horton, General Counsel
- Kelsey Young, Director of Business Planning
- Tim Culhane, VP of Finance
- Gareth Moore, VP of Marketing

Other Attendees:

- Kathy Gilroy, member of the public
- Paul Haberstad, member of the public

CALL TO ORDER/ROLL CALL

Since the Lottery Control Board presently does not have a Chairman, the Lottery Director has asked the General Counsel to conduct the meeting. General Counsel, Cornell Wilson called the meeting to order at 1:35 p.m. and conducted a roll call. A quorum was present. Lottery and Camelot staff and guests stated their names and titles for the record.

Public Comment

None

OLD BUSINESS

- *Approval of Minutes*
Cornell Wilson asked for motion to approve meeting minutes from last meeting. Board member Nimish Jani moved the motion to approve the meeting minutes from December 5, 2018, and board member Yokoyama seconded the motion. All were in favor, and minutes were approved.

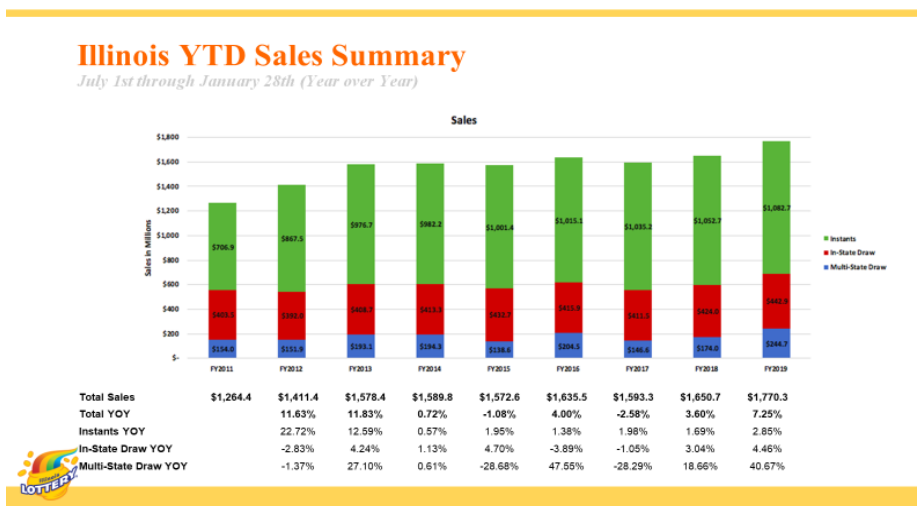
Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

NEW BUSINESS

- ***Elect New Lottery Control Board Chairman***
Cornell Wilson stated that board member James Floyd was not present, and that election of chairman can be postponed. Board member Aranda-Suh moved to postpone election and board member Jani seconded the motion. All were in favor to postpone election of Board Chairman.
- ***Schedule Quarterly Meetings for Calendar Year 2019***
Cornell Wilson asked for motion to approve remainder of meeting dates:
May 8, 2019, August 21, 2019, and November 6, 2019 all at 1:30 p.m.
Board member Jani moved to approve motion, and board member Yokoyama seconded. All were in favor, and the dates were approved.
- ***Legal Update***
 1. The Auditor General issued an audit finding for Lottery regarding cash transfers to the Common School Fund for the fiscal year ending June 30, 2018. Lottery is working with the governor's office and inquiring to ask for support of its interpretation of its statutes and rules. Lottery will keep board members posted.
 2. The Dept. of Justice gave an opinion on its interpretation of the Wire Act. This threatens iLottery and all online gaming activities, which may affect the Gaming and Racing Boards. Lottery is closely monitoring this with Camelot and the other states involved, making sure all parties involved are notified. Lottery is taking appropriate action to make sure we are in compliance with all the laws.
 3. Administrative hearing regarding a placement of a lottery machine was held and is being continued. Another hearing was held and settled.

DIRECTOR'S REPORT

- ***Sales Performance***
Tim Culhane referenced the graphs below on a year-to-date summary of sales. Year-to date is at \$1.77B, up \$119.6M over prior year and has grown 7.25 percent year over year.

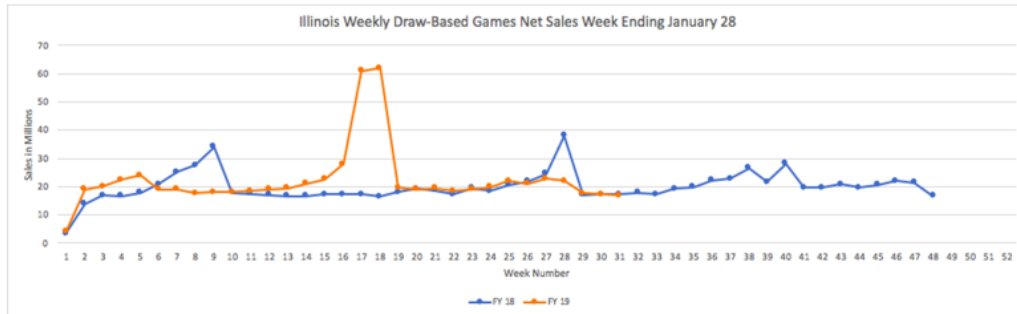


Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Weeks 8, 9 and 10 in blue last year had large PB roll, which was excess of \$750M
Weeks 15-19 in orange this year had large roll in MM.
Weeks 27-28 of last year we had roll in PB and MM. Overall, draw-based games were up \$89.6M over year.

Illinois YTD Sales Summary | Draw-Based Games

July 1 through January 28

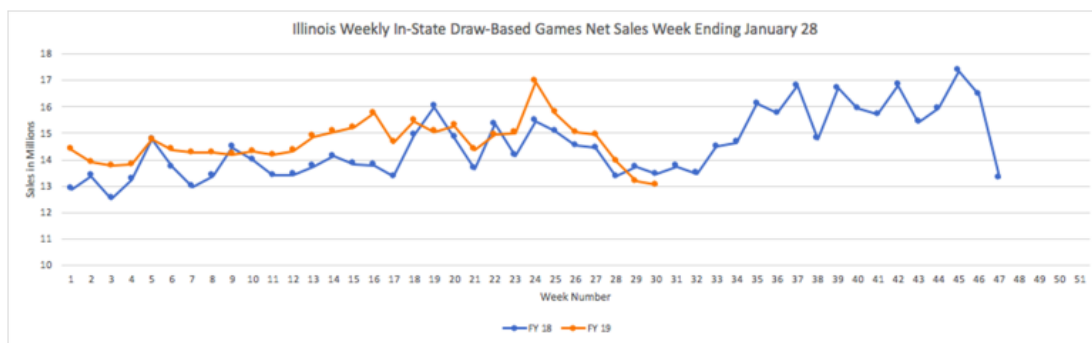


*Includes all draw-based games: Powerball, Mega Millions, Lucky Day Lotto, Lotto, Pick 3 and Pick 4

This chart excludes MM and PB games which are multi-state games. Sales are consistently higher year over year. Nice performance over all portfolio of games.

Illinois YTD Sales Summary | In-State Draw-Based Games

July 1 through January 28



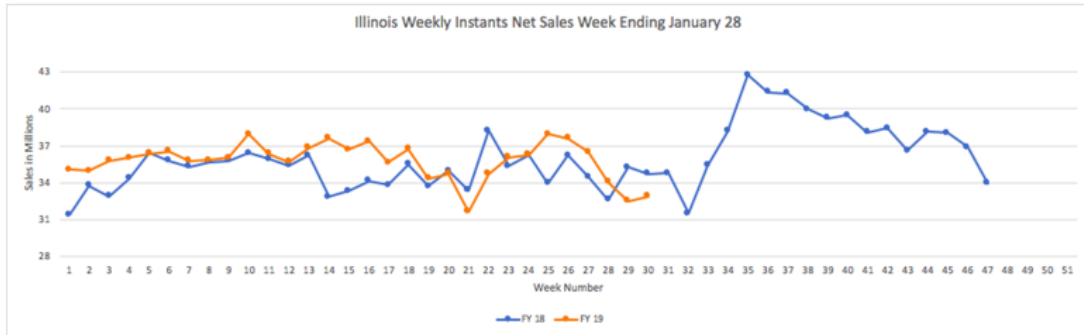
*Excludes Powerball and Mega Millions

Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Instant sales are up \$30M year over year.

Illinois YTD Sales Summary | Instant Games

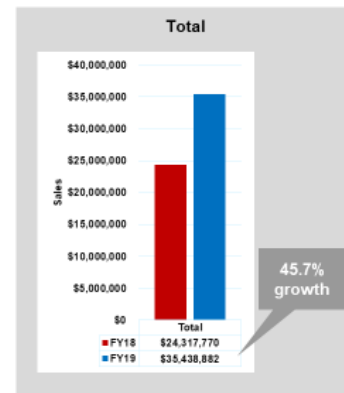
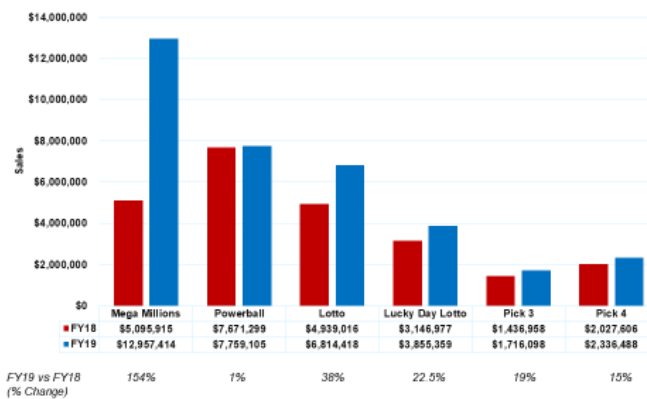
July 1 through January 28



iLottery sales have had 45.7 growth (\$11.1M) year over year. MM big driver this year with large rollover in October.

iLottery YTD Sales Summary

July 1 through January 31 (Year over Year)

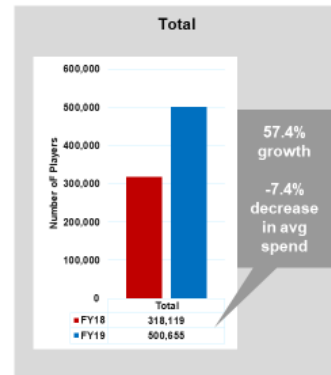
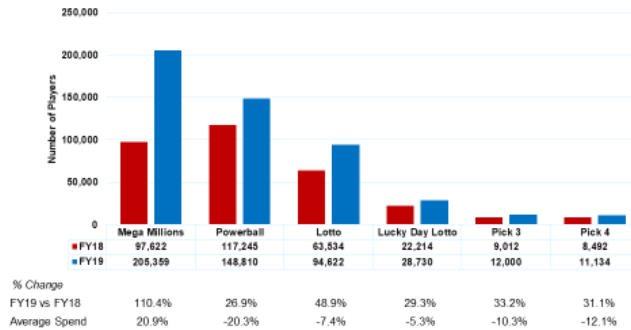


Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

57.4 % growth in players year to date. Slight decrease in average spend since people only signed up to play when jackpot was high and didn't play again.

iLottery Number of Players

July 1 through January 31 (Year over Year)



- Advertising and Marketing-** Gareth Moore presented the charts below to board members.
 - Instant-**focus on gifting, which drew sales up in this month.
 - Draw-**focus on jackpot amount, making easier to read, new tag of “how would you spend all that time instead of spending “all that money.”
 - Experiential-**series of concerts, won by draw entry, increase community activation

December 2018:

INSTANT	DRAW	EXPERIENTIAL / OTHER
- Holiday campaign was in market for all of December - TV (GM and HM), Cinema, OLV, Digital, POS and OOH  	- Batch 2 Jackpot “Time” creative in market - Majority of media weight will be Jackpot focused until March - Instant go live  	- Aragon Ballroom Concert Series (11/29 - 12/9) - Impressions: 22,500 - Engagements: 4,500 #InstantJoy sweepstakes - Impressions: 948,808 - Engagements: 42,128 - Entries: 306  



Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Instant-launch of new \$1 & \$2 tickets with goal of trying to drive performance. Cold weather in January affected sales.

Draw-positive results in brand and purchase impact.

Experiential-none.

January 2019:

INSTANT	DRAW	EXPERIENTIAL
10 Years of Cash (\$1 and \$2 annuity instant tickets) - Support includes: - POS - TV and radio integrations - Terrestrial radio, streaming audio - OOH (CTA, Trivision, Circle K) - Mobile targeting (Waze) - Speedway audio	- Batch 2 Jackpot "Time" creative in market - Majority of media weight will be Jackpot focused until March Instant's go live 	No experiential events were held in January

Two new tickets launching on February 7th. Anticipating strong performance on \$10 ticket.

Coming Soon: February Instant Tickets



- Responsible Gaming**

Keith Horton states that there is a new player education campaign to increase gambling literacy. Gamres research showed that there is room for improvement in this area. Five different concepts are in the works but have not been finalized. Campaign will include new website content and paid advertising.

Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Corporate Social Responsibility | Player Education

- New player education campaign aims to increase gambling literacy
- Prompted by Gamres research conducted last summer
- Campaign includes new website content and paid advertising and will also leverage internal assets like social media, web promotion and retail messages
- "Be Smart, Play Smart" tagline will replace "Play Responsibly"
- Gamres research will be conducted again to determine potential impact of campaign



- **Finance**

Carol Radwine, Lottery CFO, presented charts with details on Common School Fund transfers, Special Causes and 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.

Common School Fund Transfers	
FY 2014	\$ 668,100,000
FY 2015	\$ 678,550,000
FY 2016	\$ 691,550,000
FY 2017	\$ 705,625,000
FY 2018	\$ 718,750,000
FY 2019 Planned	\$ 731,250,000
Total Transfers – All Fiscal Years To Date (01/31/19)	\$ 20,797,946,265



Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

There was a Veterans ticket launch in 2nd quarter of this fiscal year, which increased Veterans cash and all the causes have increased amounts from last report.

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 11/30/2018, the Lottery has transferred \$49.2 Million for these causes.

Ticket/Cause	Lifetime Amount Transferred
Veterans Cash (veterans causes)	\$ 15,263,331
Ticket for the Cure (breast cancer research and treatment)	\$ 12,751,337
MS Project (multiple sclerosis research and treatment)	\$ 9,584,827
Red Ribbon Cash (HIV/AIDS research and treatment)	\$ 8,155,038
Special Olympics (state and Chicago organizations)	\$ 3,475,877



Receipts into the fund during the quarter were \$75M more than first quarter of the year due to large MM and PB rollovers in October.

Finance | For the Quarter Ended December 31, 2018

- The weekly sweeps of Lottery retailers netted \$386,049,794.44 in revenues to the State Lottery Fund during the 2nd quarter of FY2019.

For the Quarter Ended December 31, 2018	
Cash Balance carried forward from last quarter	\$ 98.4 M
Receipts into the fund this quarter	\$ 385.9 M
Expenditures from the fund this quarter	\$ (\$345.6 M)
Cash Balance at the end of the quarter	\$ 138.7 M
Expenditures/Transfers made this quarter	\$ 345.6 M
Vouchers paid this quarter	\$ 45.1 M
Prizes paid this quarter	\$ 112.8 M
Transfers made this quarter	\$ 187.7 M



- Operations & Private Management**

Staff Update:

Acting Director Harold Mays states that there have been no separations since the last meeting. Cornell Wilson III is our new General Counsel, replacing Jessica White, who served briefly in an

Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

interim role. Cornell came from the governor's office and stated that he is glad to be here with a great staff and enjoys working with Camelot.

Acting Director gave an overview of our progress with our technological transition which includes:

- Very comprehensive update of all our external equipment and internal systems that support lottery, which include CGS, ICS, Instant Ticket Management System, iLottery platform, website, and mobile app.
- Full retail refresh with new sales terminals, vending machines and point of sale equipment.
- Transition completion targeted for February to allow for additional testing and successful transition. The director emphasized on how important this transition is affecting Lottery, our retailers, and our players. Update will be given on how transition went on next date.
- Camelot, the Lottery, and our vendor partners have done stellar job and the director would like to recognize their efforts.

Legislative-Preparing agenda for spring session which includes authority to expand sale of all our games on the internet along with ability to introduce new games

- Extend current iLottery language for our DBG to 2028.
- Request to continue appropriation to allow us to pay players if there was ever a budget impasse again.
- Clean up language in the Lottery Law that needs to be updated and clarified.

Audit - Two material findings on our FY18 financial compliance report:

- CSF overpayment due to timing year end true up of operating expenses and net income calculation. Needs legislative action to correct.
- Repeat finding regarding capital project 2009 deficit which cannot be resolved with legislative action.

Specialty Tickets:

- The Lottery has seven specialty tickets in our portfolio MS, HIV, Breast Cancer, Veterans, Special Olympics, Police Memorial, and Homeless Prevention (in early development) which is almost 15 % of our portfolio.
- Special Olympics ticket will be introduced in April and new Police Memorial ticket in May
- We continue to receive several new requests each year
- Veterans and Breast Cancer oldest and highest total revenue.

Illinois Lottery Control Board
Open Meeting Minutes
February 06, 2019
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

DOJ Opinion Reversal in context:

In 2011, Illinois sought and received an opinion from the Dept of Justice on the Wire Act and whether it was applicable to in state online selling of Lottery. The opinion issued affirmed that the Wire Act only restricted interstate sports betting online. In December 2018 , the DOJ reversed that opinion and expanded the restriction to all forms of interstate betting online, including Lottery.

Questions and comments by Board Members:

- Board member Lori Yokoyama asked the acting director if there is a discussion amongst state lotteries getting together and possibly filing a lawsuit regarding the DOJ opinion reversal. The acting director stated the we deal with two organizations, 1). NASPL-North American Association of State & Provincial Lotteries and 2). MUSL-Multi State Lottery Association, which are being very proactive in working with the states. We have numerous communications from them on defining a specific industry position to start to build a defense against the opinion. They have taken steps to work with each state and give them all the information that is available.
- Board member Yokoyama asked if this recent decision is retroactive since most states in the last 7-8 years have invested quite a bit of money to get online. Cornell Wilson said Deputy Attorney General Rod Rosenstein has issued a 90-day stay for any potential enforcement and that any state should not rely on the old opinion letter going forward. Attorney Generals for New Jersey and Pennsylvania issued a joint letter to DOJ to withdraw the opinion.

ADJOURNMENT

Cornell Wilson gave the motion to adjourn meeting with business concluded. Board member Jani seconded the motion and it was unanimously approved. Meeting was adjourned at 2:15pm.

Respectfully submitted,

Nora Iniguez
Lottery Control Board Secretary