

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
AUGUST 27, 2013 10:00 AM

PRESENT:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
Doug Scamman, Commissioner
Charles McIntyre, Executive Director
Diane Campbell, Administrative Assistant
Kassie Strong, Chief Financial Officer
Irene Nadeau, On-line Games Manager
Len Mannino, Security Director
Patrick Griffin, Griffin, York & Krause (GYK)
Robert Preston, Games Manager
Travis York, GYK
Rose Longo-White, GYK
Maura McCann, Marketing Director
Lynda Plante, Deputy Director
Jim Bouley, Dennehy & Bouley
John Papile, Intralot
Terry Patterson, Intralot
Curtis Barry, The Dupont Group
Jim Bouley, Dennehy & Bouley
Dennis Miller, Scientific Games
Ambika Jack, Scientific Games
Jonathan Chavez, SocialSphere

Chairman Douglas convened the Commission meeting at 10:00 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Scamman made a motion, seconded by Commissioner Holloway, to approve the July, 2013 commission meeting minutes. So voted, unanimous.

2. SOCIALSPHERE REPORT:

Jonathan Chavez of SocialSphere gave a summary presentation on a segmentation study conducted on behalf of the Lottery, with strong assistance provided by Scientific Games. An overview on research objectives and methodology was presented. The primary objective of the study was to understand the motivational factors that drive Lottery play among New Hampshire Lottery players. The study covered demographics, playing habits, attitudes and how these relate to the New Hampshire Lottery. The results can be used for new game development that best meets the Lottery's needs. The survey was conducted from

mid-May, 2013 through early June, 2013, during which approximately 2,000 New Hampshire players over the age of 18 were interviewed. The survey began with 86 general attitude questions, followed by 48 questions about views of the Lottery, then 68 questions specifically on instant tickets and preferred games; and finally questions about current levels of play and amounts spent.

Mr. Chavez explained that the study included two segmentations; one among Lottery players, and the other among all New Hampshire residents based on a broad set of 86 general life attitude questions. The information was then assessed to see how it cross lays with lottery play. When the segments were created, factors that drive segments such as demographics and play behavior patterns were included. A factor analysis and statistical analysis was performed relative to the 48 questions about the Lottery. Seven broad factors resulted that were used to create a segmentation based on scoring. There were four defined groups that were evaluated including the instant ticket playing evangelists; the Powerball first players; the occasional impulse players; and finally the jackpot chasers. A summary of key findings of these groups was provided.

Mr. Chavez stated seven factors were considered in the segmentation study as reasons for playing the Lottery - to play for fun, play for cash, play for prizes, play for large jackpots, play for smaller jackpots, impulsive players, and believing in the cause of supporting Education.

The top factors revealed in order of importance when buying instant tickets were the cost of the ticket, the amount of the top prize, and the number of ways to win.

Approximately 81% of players agreed that they like the idea of the Lottery supporting education.

Travis York, of GYK, stated that the ad agency was currently using the information obtained during the study through Replay and a marketing standpoint. A brief discussion was held on recent purchasing trends of lottery players.

Chairman Douglas requested that the Commission be provided with additional information resulting from the findings in the segmentation study based on geographic regions.

Director McIntyre introduced Dennis Miller and Ambika Jack of Scientific Games and stated that they played an important role with working in conjunction with SocialSphere on the segmentation study.

Patrick Griffin, of GYK, spoke about how instant ticket game improvements have helped to improve the New Hampshire Lottery's relevance to the consumer and increase sales over the past year. Director McIntyre indicated that some of the key factors attributed to the increased sales were implementing the retailer incentive program, store makeovers and the retailer commission incentives.

3. FINANCIAL REPORT:

Kassie Strong, Chief Financial Officer, reported on a sales comparison of Fiscal year 13 compared to Fiscal year 12. Ms. Strong stated that transfers on a cash basis were \$72.7 million. The plan was \$72 million. Unaudited highlights for FY13 included all revenues combined were approximately \$280,470,000 which is a \$24.6 million increase over FY12; prizes awarded were \$173.4 million, up \$14.5 million over last year; commissions paid to retailers were \$16.6 million, up \$1.8 million over last year; vendor fees were \$5.2 million, up \$380,000 over last year; and instant ticket fees for printing and shipping were \$2.2 million, up \$89,000. Instant ticket sales were up \$15.6 million. Instant tickets sales accounted for 68.6 % of overall sales. Ms. Strong announced that Tri-State game sales accounted for 7.5% of overall sales; multi-state lottery game sales accounted for 20.7% of overall sales; and Lucky for Life sales accounted for 2.8% of overall sales. Ms. Strong stated that administrative costs for FY13 increased by approximately \$390,000. Transfers to Education on an accrual basis are \$74,335,000, which was \$7.6 million more than FY12 or an 11.3% increase.

Ms. Strong stated that for FY 14, \$6.4 million was transferred in July and would have actually recorded as \$6.7 million, but \$250,000 was allocated for the Gambling Regulatory Oversight Committee. The Lottery was notified by the Comptrollers office that the Lottery must increase its FY14 budgeted revenue projection by \$2.2 million to a total of \$75.3 million.

A discussion was held on fiscal year to date sales comparisons reflected in the most recent weekly sales report. It was noted that Megabucks Plus and Mega Millions sales were decreasing significantly, while most of the games' sales showed an increase. Robert Preston stated that the \$1.00 instant ticket price point had been declining over the past three years, so the plans were to cut back on the print run and introduce more new \$1.00 instant tickets.

Chairman Douglas requested an action item for Kassie Strong to provide the Commission with a status update on new Tri-State financials.

4. INTRALOT REPORT:

John Papile of Intralot reported that new play slips for the September 16 Lucky for Life game changes were being distributed to the lottery retailers. Mr. Papile stated a Megabucks Plus promotion will run the week of October 27. Expired, unclaimed Tri-State prize monies will be used for the random cash awards during the promotion. Mr. Papile stated the software specifications were being finalized for three new Fast Play games for January, 2014 and a new progressive game for next spring.

5. TRI-STATE REPORT:

Maura McCann stated that the Product Development Group will be reviewing products from various vendors and making a recommendation for a new product at the October meeting. Ms. McCann stated the Megabucks Plus promotion titled "Monster Cash Week" will run in October which will offer random cash awards to players purchasing Megabucks Plus tickets.

Ms. McCann stated that yearly maintenance had been performed on the draw equipment. An updated draw policies and procedures manual was distributed at the August 9 Tri-State Commission meeting. Ms. McCann stated that consideration was being given to hiring an outside firm to assist with User Acceptance Testing for testing with new games, promotions, and game changes in Maine, New Hampshire and Vermont.

The next Tri-State Commission meeting will be held in Maine on October 11.

6. ADVERTISING:

Ms. McCann reviewed some of the highlights of the August, 2013 marketing initiatives. An update was provided on media highlights from a recent top prize win for the Gimme 5 game and a top prize and second tier prize win for the Lucky 4 Life game.

Ms. McCann stated the Set for Life final drawing will be held on September 22 at the New Hampshire Motor Speedway right before the Sylvania 300 NASCAR Sprint Cup Race. The five finalists have been contacted and will have a chance to win lottery prizes of \$25,000 to \$100,000 a year for life. Ms. McCann updated the Commission on promotional plans for the September 22 event.

Ms. McCann presented a rough spot of a new Powerball television commercial to run during high Powerball jackpot advertising. Pat Griffin provided a Replay update stating there were approximately 274,191 registrants of whom approximately 195,642 were active registrants who opt in to receive our newsletters, emails, winning numbers and jackpot

information on a regular basis. Mr. Griffin stated that weekly reviews indicate the average time of engagement of players spending time on the Replay site is about 10 minutes 16 seconds. Mr. Griffin indicated that the 10 minutes of time was very impressive. A discussion was held on ways to use the Replay database to maximize its benefit to the Lottery. The results from SocialSphere will be helpful when conducting player surveys through Replay.

A recent meeting was held to discuss promotional plans and funding for the New Hampshire Lottery's 50th anniversary celebration.

7. OTHER BUSINESS:

Director McIntyre stated he would be making a presentation on September 6 to a Legislative subcommittee regarding Massachusetts Keno sales. Director McIntyre reviewed a map of Keno sales of the top ten retailers in Massachusetts. Three of these border New Hampshire while the remaining seven are within a 15 minute drive of the New Hampshire border. The reports cover Fiscal Year 13 and 2013 year to date. Approximately 3% of the sales of Keno in Massachusetts are to New Hampshire citizens, constituting approximately \$25 million in gross sales. Director McIntyre stated keno research would be conducted through a survey on the Replay website. Suggestions were made for the survey.

Director McIntyre presented the New Hampshire Lottery's Comprehensive Annual Financial Report award for excellence in financial reporting for Fiscal Year 2012 to Kassie Strong, Chief Financial Officer.

8. NEXT MEETING:

Commissioner Holloway made a motion, seconded by Commissioner Scamman, to schedule the next NH Commission meeting for September 25, 2013 at 10:00 a.m. So voted, unanimous. Commissioner Holloway made a motion, seconded by Commissioner Scamman, to go into a non-public session to discuss a personnel matter. So voted, unanimous. A roll call vote was taken. Chairman Douglas stated "Aye". Commissioner Scamman stated "Aye". Commissioner Holloway stated "Aye". No commission action was taken during the non-public session. So voted, unanimous.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner

Doug Scamman, Commissioner