

**NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
SEPTEMBER 11, 2014 9:30 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
Len Mannino, Security Director
Lynda Plante, Deputy Director
Katie Brown, Business Systems Analyst
Kelley-Jaye Rosberg, Games Manager
Maura McCann, Marketing Director
Kristen Pare', Intralot
Rose-Longo White, GYK Antler
Travis York, GYK Antler
Patrick Griffin, GYK Antler
Curtis Barry, The Dupont Group

Chairman Douglas convened the Commission meeting at 9:30 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Scamman made a motion, seconded by Commissioner Holloway, to approve the August 14, 2014 commission meeting minutes. So voted, unanimous.

2. COMMISSION APPROVAL OF RETAILER INCENTIVES:

Director McIntyre presented to the Commission the updated retailer incentive policy which included the Monopoly Millionaire's Club game. The Monopoly Millionaire's Club game has a proposed launch date of October 19. Commissioner Scamman made a motion, seconded by Commissioner Holloway, to adopt the updated retailer incentive policy. So voted, unanimous.

3. COMMISSION APPROVAL OF NEW DRAFT LEGISLATION:

Director McIntyre stated he had forwarded draft language to the New Hampshire Grocer's Association for their review of a proposed statute change regarding increasing the cap on the retailer bonus from 1% of the jackpot prize capped at \$30,000 to 1% of the jackpot prize capped at \$75,000. This change would allow New Hampshire's retailer incentives to be more consistent with the retailer incentives offered in other states. Director McIntyre requested that the Commission's approval of this proposed legislative change be tabled until the next Commission meeting, as the draft was pending review and approvals before being presented to the Commission for their approval.

4. COMMISSION VOTE TO ADOPT Sw 203-205 & Sw 212 RULES OF PRACTICE AND PROCEDURE:

Commissioner Scamman made a motion, seconded by Commissioner Holloway, to adopt Sw 203-205 and Sw 212 Rules of Practice and Procedure. So voted, unanimous.

5. COMMISSION VOTE TO APPROVE THE OBJECTION RESPONSE FOR Sw 300 RULES FOR SALES AGENTS:

Director McIntyre updated the Commission on the Joint Legislative Committee on Administrative Rules' (JLCAR) preliminary objection to the final proposal for Sw 300 Rules for Sales Agents. A discussion was held on the section of the rules pertaining to the sales agents' compliance with the Americans with Disabilities Act access requirements. Director McIntyre stated the Attorney General's office had reviewed the Sw 300 objection response. Commissioner Holloway made a motion, seconded by Commissioner Scamman, to approve the objection response for Sw 300 Rules for Sales Agents. So voted, unanimous.

6. COMMISSION VOTE TO APPROVE THE CONDITIONAL APPROVAL RESPONSE FOR Sw 600 RULES FOR PRIZE CLAIMS:

Commissioner Scamman made a motion, seconded by Commissioner Holloway, to approve the conditional approval response for Sw 600 Rules for Prize Claims. So voted, unanimous.

7. FINANCIAL REPORT:

Kassie Strong, Chief Financial Officer, stated that the June 2014 financials were still pending Legislative Budget Assistant audit approval. A discussion was held on the Fiscal year 2014 year end Statement of Income and Expenses balance sheet. Ms. Strong stated that sales were down approximately 1.3% from last year. Net Profit was down approximately

\$1.9 million below last year. Ms. Strong stated the FY 14 net profit was \$72.5 million, but since there was a carryover, the net profit transfer amount was actually \$73.8 million. Director McIntyre stated the FY14 budgeted revenue amount was \$75.3 million. Ms. Strong stated that total operating expenses were up slightly by 1.1% due to the Gaming Regulatory Oversight Authority (GROA) contract consultant fees; revenues were down 1.3%; and the cost of sales expenses were down 1.4%. It was noted that there was a significant savings in courier expenses.

A discussion was held on the expired, unclaimed prize money. Ms. Strong reviewed her report reflecting purges for the year. Ms. Strong stated that the expired, unclaimed prize money goes to the bottom line, for most of the games except the Tri-State games. The expired, unclaimed prize money from Tri-State games must be returned each year to the players through promotions. Ms. McCann reported that approximately \$400,000 in expired, unclaimed funds would be returned through promotions to the New Hampshire players in the coming year. Ms. Strong referred to the Balance sheet ending June 30, 2014, and stated that there was a decrease in the cash equivalent of \$6.4 million from last year to this year, which was the result of high prize liabilities last year. The high prize liabilities were due to high sales from large Powerball jackpots in fiscal year 2013.

Director McIntyre updated the Commission on the upcoming game changes to the Lucky for Life game, effective January 15, 2015. Director McIntyre stated these changes would affect the prize liability percentage by decreasing it from approximately 7% to 2%. Ms. Strong distributed the State's Monthly Revenue Focus report for the past fiscal year to the Commission.

Commissioner Holloway asked Director McIntyre if there was a way for the Lottery to incentivize the liquor store employees to ask their store customers if they would like to purchase a lottery ticket. Director McIntyre responded with a few ideas and stated that he would like to consider offering a program that would be ongoing. Commissioner Holloway emphasized that the reason for implementing an incentive program would be to increase the steadily declining lottery sales trends at the Liquor Stores over the past two years. It was noted that lottery sales at the liquor stores were down \$82,587 from the same period last year. Director McIntyre stated he would continue to meet with Commissioner Mollica from the Liquor Commission to discuss this and he was hopeful an agreement and solution would be reached soon, to be effective after November, 2014. A brief update was provided on radio jackpot alerts and lottery advertising in the liquor stores. Commissioner Holloway emphasized the importance of the liquor stores having the ability to advertise the games' large jackpots over their audio system. The advertising agency indicated they would contact the appropriate Liquor Commission representatives to discuss the matter further, as the audio messaging subject was brought up about a year ago. Commissioner Holloway stressed the need for reversing the significantly declining lottery sales trends at the Liquor stores, and

indicated that it would be in the State's best interests for the liquor stores to work together with the Lottery to maximize revenue to the State, especially since the Liquor stores were also operated by the State of New Hampshire.

A brief discussion was held on the significant negative impact that the Market Basket boycott has had on lottery sales over the past six weeks. The Commission commented positively on Arthur T. DeMoulas and the resolution of the matter.

8. INTRALOT REPORT:

Kristen Pare' of Intralot reported that Release # 4 software was currently in New Hampshire quality assurance testing. Included in the release software were Monopoly, the new customer display unit, and four Fast Play games. Ms. Pare' stated that the 100% Tell Sell has been underway since August 11, and has been successful with positive feedback received from the retailers.

Ms. Pare' stated that currently Intralot had installed 28 of the first 50 new 32" LED Player Advertising Displays. The MicroLot Terminal and Base Wraps were received and field deployment began last week, with an estimated completion date of October 27, 2014.

Ms. Pare' reported that the new Customer Display Unit deploy would begin on October 20, 2014. The first shipment of Microlot paper would arrive in two weeks to the Intralot warehouse for storage in their new secure cage.

9. ADVERTISING:

Ms. McCann discussed the September 2014 Advertising and Marketing Initiatives report with the Commission. Ms. McCann stated that the New Hampshire Lottery and the New Hampshire Motor Speedway (NHMS) presented Jon Van De Car, the automotive and welding instructor of Merrimack High School, with the "All Star Educator" award at the high school on September 8, 2014. As the winner, Mr. Van De Car's school received a \$2,500 donation and another \$500 donation to his favorite school program. There were also ten runner-up prizes of \$250 awarded to "All Stars" as part of this promotion. The New Hampshire Lottery and the NHMS will honor Jon Van De Car with a VIP experience on September 21 at the Sylvania 300 NASCAR Sprint Cup Series race.

Ms. McCann announced a Lucky for Life promotion was scheduled for September 21 through October 4. The upcoming promotion will offer players a random chance to win \$100 instantly over the two week period, when they purchase a single \$8 or greater Lucky for Life ticket.

Ms. McCann updated the Commission on numerous second chance drawings that have been held as part of the Lottery's 50th Anniversary Promotion, including the \$1 Million Tax Free drawing, the \$2 Wheel of Fortune drawing, the \$10 Caesars drawing, the \$1,000 Lucky Summer Giveaway drawing, and the \$5 Red Sox drawing. The new \$5 Patriots instant ticket kick-off promotion was held on Wednesday, August 27 at the Seashell Stage in Hampton Beach. The final event, "We've Invented Lucky \$50,000 Giveaway!" to celebrate the Lottery's 50th anniversary is tomorrow, September 12. At this event, players who purchase a \$25 Granite Millions ticket will get a \$5 scratch ticket free and also players who purchase a \$10 Caesars instant ticket will get a \$2 scratch ticket free. Ms. McCann reported on the planned festivities for the event.

Travis York of GYK Antler stated three potential concepts will be presented to the Lottery for a new creative theme to be incorporated into the advertising. Mr. York stated that beginning mid-September 2014, all survey questions that correlated to the Social Sphere data would be incorporated into the Replay digital platform. This will result in Replay members being given a choice to answer a series of questions when they log onto the Replay site, and they will be awarded points for answering the questions. Mr. York updated the Commission on some of the enhancements and promotions that were planned for the Replay website.

10. NEXT MEETING:

Chairman Douglas made a motion, seconded by Commissioner Holloway, to schedule the next Commission meeting for October 9, 2014 at 9:30 a.m. So voted, unanimous.

Commissioner Holloway made a motion, seconded by Commissioner Scamman, to adjourn the commission meeting at 10:55 a.m. So voted, unanimous.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner

Doug Scamman, Commissioner