

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
JANUARY 8, 2015 9:30 AM

PRESENT:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
David Gelinas, Commissioner
Charles McIntyre, Executive Director
Diane Campbell, Administrative Assistant
Lynda Plante, Deputy Director
Katie Brown, Business Systems Analyst
Kassie Strong, Chief Financial Officer
Maura McCann, Marketing Director
Kelley-Jaye Rosberg, Games Manager
John Papile, Intralot
Rose-Longo White, GYK
Travis York, GYK
Curtis Barry, The Dupont Group
Jim Bouley, Dennehy & Bouley

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

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Holloway made a motion, seconded by Commissioner Gelinas, to approve the December 5, 2014 commission meeting minutes. So voted, unanimous.

2. FINANCIAL REPORT:

Kassie Strong, Chief Financial Officer, stated that the December transfer to Education for November profit was \$4.2 million, which was \$2 million under the month's budget plan of \$6.2 million. The power outages during the Thanksgiving snow storm really had a negative effect on sales. Ms. Strong reported year to date gross revenues through November were up \$1.4 million; instants sales were up \$7.7 million; Powerball was down \$6.9 million; Mega Millions was up \$1.3 million; Multi-State Lottery games combined were down \$5.4 million; Tri-State games were down \$266,000; and Lucky for Life was down \$712,000. A discussion was held on the Powerball and Mega Millions games. Director McIntyre stated that New Hampshire currently ranked fourth nationwide in Powerball per capita sales and fifteenth in Mega Millions per capita sales. Director McIntyre stated that the Lucky for Life game would be changing as of January 27, 2015. Ms. Strong provided an update on the expired, unclaimed prize fund. A brief discussion was held on the suspension of the Monopoly Millionaires' Club game.

Cost of sales expenses were up \$3.3 million, most of which was prizes and the remainder being instant tickets. Prizes as a percent of sales were up 4.2% due to the increase in instant sales and the decrease in Powerball sales, plus the addition of the new \$25 instant ticket price point. Administrative expenses were down \$300,000. Year to date net profit was \$28.3 million, down \$1.6 million from last year. Transfers year to date were \$28.4 million. Budget plan year to date was \$29.8 million. Year to date we are under budget plan \$1.4 million for transfers to the Education Trust Fund. Budget update: Ms. Strong stated the Governor had reduced the Lottery's current FY2015 budget by \$378,764. Director McIntyre stated that budget meetings for the New Hampshire Lottery for Fiscal Years 2016 and 2017 were underway.

Commissioner Holloway expressed his continued concern over the declining Lottery sales at the liquor stores. Commissioner Holloway noted that the sales at the liquor stores were continuing to trail behind the previous year sales, as they were down \$209,000 as of December 13, 2014, and as of January 3, they were down \$175,000 year to date.

3. INTRALOT REPORT:

John Papile of Intralot stated that software testing was underway for the upcoming Lucky for Life game change at the end of January, 2015, along with testing for the four new Fast Play games. Mr. Papile stated that terminal wraps were near completion. Mr. Papile provided an update on the status of the new jackpot signs which had been ordered. Intralot received the Lottery's approval for the April release of a new progressive Fast Play game with a \$1, \$2 and \$5 price point. Mr. Papile reported that \$20 million in instant tickets were shipped this December as compared to \$13 million the previous December. Mr. Papile commended the Lottery's warehouse personnel for their efficiency with shipping during the busy holiday season. Commissioner Holloway stated he had received feedback from the general public regarding their disappointment with the removal of the electronic billboard along 95 North, which advertised the Powerball and Mega Millions jackpots. This was not done at the request of the Lottery. A discussion was held on the importance of having the billboards along Interstate 93 and Interstate 95 and in prime highly visible locations to advertise the current jackpots, as this type of jackpot alert advertising helps to increase sales. Travis York of GYK stated he would speak to his media team to discuss options for billboard advertising and to identify potential locations for new billboard(s).

4. TRI-STATE REPORT:

Maura McCann stated the last Tri-State Commission meeting was held on December 12, 2014. Ms. McCann stated that the Happy \$20 '15 Giveaway promotion began January 4 and would run through January 10. The promotion offered to players who purchase a single four (\$4) or more Megabucks ticket a random chance to instantly win \$20. The promotion has been successful thus far with the \$20 wins spread throughout New

Hampshire. Ms. McCann announced that the Pick 3/Pick 4 promotion was scheduled for May, 2015, offering doubling of prizes. The Grocery Grill Giveaway promotion was planned for July, awarding a grill and grocery package every day for the 31 days in July. Plans were underway for the 30 year anniversary promotion of the Tri-State Megabucks game to be held in September. The Tri-State Commission voted to approve the two year advertising contract extension with GYK.

A discussion was held on the expired, unclaimed prize fund for the Gimme 5 game. Ms. McCann updated the Commission on the Disaster Recovery Plan and the recent generator failure due to the Thanksgiving evening storm. A regular scheduled maintenance program was recommended for optimum performance.

5. ADVERTISING:

Ms. McCann reviewed the January 2015 Advertising and Marketing Initiatives with the Commission. Ms. McCann updated the Commission on the new header graphics that were currently on the Lottery's website. The new \$1 "scratch n sniff" "I Heart Bacon" bacon-scented instant ticket went on sale January 5 and events were planned this month to help promote the new game. January bitmap advertising on the bottom of online tickets was discussed, and this type of advertising helps to promote the games and current promotions. The \$5 Margaritaville scratch ticket went on sale January 5 in New Hampshire and Maine, which offers a second chance draw feature through entry on a designated second chance website listed on the back of the ticket.

Ms. McCann updated the Commission on the upcoming Lucky for Life game re-launch with a total of 17 participating states, with the last drawing for the current game format being Monday, January 26, 2015. The new Lucky for Life game goes on sale on Tuesday, January 27 with the first drawing under the new format on Thursday, January 29.

Travis York of GYK discussed the effects that the State's budget reduction for Lottery would have on advertising. Mr. York updated the Commission on advertising plans for this year. Mr. York pointed out that two significant trends have resulted from the shifts in advertising, as instant sales have continued to increase and the audience has broadened. Commissioner Holloway requested to GYK that the advertising, especially from January through March, reinforce the total amount of money that the New Hampshire Lottery has contributed to Education since its inception.

6. NEXT MEETING:

Chairman Douglas made a motion, seconded by Commissioner Holloway, to schedule the next Commission meeting for February 6, 2015 at 9:30 a.m. So voted, unanimous.

Commissioner Holloway made a motion, seconded by Commissioner Gelinias, to adjourn the commission meeting at 10:48 a.m. So voted, unanimous.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner

David Gelinias, Commissioner