

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
April 19, 2017, 9:30 a.m.

Commissioners:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
David Gelin, Commissioner

Lottery staff in attendance:

Charles McIntyre	Cindy Baron	Holly Jenness	Valerie King	Cammy Nolin
Lynda Plante	Katie Brown	Stephen Johnston	Maura McCann	Julie O'Brien

Others in attendance:

Rose Longo-White, GYK Antler	Ryan Gloddy, Casablanca Casino	Teri Blouin, NH DAS
Travis York, GYK Antler	Hal DeLarsy, IGT	Jeremy Kyzer, Scientific Games
Ashley Spicer, GYK Antler	Kurt Mathias, Boston Billiard Club	Randee Kerns, Diamond Game
Ryan Sahr, Intralot	Sue Mathias, Boston Billiard Club	Mike McLaughlin, Capitol Insights Group
Kristen Paré, Intralot		

Chairman Douglas called the Commission meeting to order at 9:34 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Gelin moved to approve the March 9, 2017 minutes as submitted; seconded by Commissioner Holloway. So voted, unanimous.

2. FINANCIAL:

Chief Financial Officer Cindy Baron referred to the financial reports for March. Lottery will transfer \$6.9M and Racing and Charitable Gaming (RCG) will transfer \$301K to the Education Trust Fund on April 20. Year to date, Lottery has transferred \$54.4M against the revenue plan of \$56.5M, for a variance of \$2M. Ms. Baron provided a graph illustrating the comparison of Powerball sales over the last three years; we are tracking behind the record sales of 2016, however we are tracking ahead of 2015 sales. RCG has transferred \$2.4M against a projection of \$1.88 year to date, so we are ahead by about half a million dollars. Instant ticket prize liability of \$371K has expired in the month of March. While this goes to the bottom line, there is always liability that rolls from month to month.

Commissioner Holloway noted that the last twelve weeks of sales have been behind year to date, and asked why the sales are down with the \$5, \$10, and \$25 games. Director of Sales and Product Development Kelley-Jaye Cleland responded that she expects the sales to rebound with the launch of a new \$25 game. There are new \$1 games coming, but we are avoiding flooding the market all at once. The current \$2 games are not good performers, so a more strategic approach will be taken going forward. Commissioner Gelin inquired if we have considered eliminating the lower tier tickets. Director McIntyre explained that those price points are important, especially for attracting new players; and comparatively, New Hampshire bucks the national trend in high \$1-\$2 ticket sales. Commissioner Holloway asked what is happening with Liquor sales, as they have pulled ahead year to date. Ms. Cleland acknowledged the team effort in building relationships with the commission; the focus of sales and marketing team; increased promotions with Liquor; and taking a holistic, collaborative approach.

Commissioner Holloway asked if there are any new games coming. Ms. Cleland described the double-sided and extended play games, which are both doing extremely well. She believes our success will lie in offering the right variety of games and honing in on the theme of play that appeals to our players by price point.

3. DIAMOND GAME:

Mike McLaughlin, an attorney in Concord representing Diamond Game, and Randee Kerns, Director of Business Development and Compliance for Diamond Game, presented a proposal for a pilot program that would place 100 of Diamond's Instant Ticket Vending Machines (ITVMs) in 33 venues not currently served by the Lottery, namely bars and taverns (handouts provided). The ITVMs would dispense instant "lottery" tickets, and are currently approved for use by RCG Division to dispense Lucky 7 tickets. Attorney McLaughlin promoted the proposal stating it would: (1) Increase ticket sales; (2) Not impact current vendors (because they don't currently serve these venues); (3) Increase food and beverage sales, and thereby increase the room and meals taxes paid to the state; (4) Attract younger players; (5) Be low labor/highly productive; (6) Displace "grey machines" with an "honest" and "safe" Lottery product. The ITVM has its own server (in New Hampshire) that would not interface with the Lottery's (BOS) system. Diamond estimates that the pilot would gross \$4.3M, but how those funds would get split up would depend on negotiations between the lottery, manufacturer, distributor, and location. Diamond requested that the Commission vote to start working on the details for a pilot program, which would go live in about 6 months, and would be reviewed after one year.

Chairman Douglas asked why Lottery was not able to use this device to sell Lottery tickets when they are being used to sell Lucky 7 tickets. Attorney McLaughlin responded by citing an independent legal opinion that concluded that Lottery was within their legal rights to use these devices. Commissioner Gelinias then asked if the reviewer had seen the contrasting opinion from the Attorney General's office; this led to a discussion of the legality of such devices including those approved in New Hampshire for Lucky 7 tickets. Executive Director McIntyre indicated that he would seek an opinion from the AG's office on this matter.

Commissioner Holloway asked if we had the right to do a pilot. The conclusion was that a pilot would need to be done through a Request for Proposal (RFP) or contract so that all vendors had an equal opportunity to submit a proposal. Executive Director McIntyre suggested that prior to issuing an RFP, that the agency should approach the (Joint) Fiscal Committee with the concept. Commissioner Holloway also asked if politically this was a good time to do this. Executive Director McIntyre indicated that it was not a good time, to which Attorney McLaughlin agreed that budget season was not a good time, but felt this should not prohibit moving forward with developing a plan/concept.

Commissioner Holloway made a motion to move ahead with formulating a concept; seconded by Commissioner Gelinias, who emphasized that he wishes to see progress on a monthly basis and approach Fiscal after the budget process is complete, and amended his motion to that effect. The motion was voted and approved unanimously. Director McIntyre will draft language for the specifications for the Commission's approval, and will get an opinion regarding the legality of the Lucky 7 ticket dispensing devices.

4. INTRALOT:

General Manager Ryan Sahr reported that Intralot is working to adjust Mega Millions game changes which include a wider matrix of numbers and a choice to play for "just the jackpot," which is a state-by-state option and will require specific programming and play slip changes. This goes live on October 28; and Ryan thinks this will revitalize the game. Chairman Douglas inquired who is driving this change, and Director McIntyre explained that several states are behind it, with Georgia pushing the "just the jackpot" option. The QR code play slip program for Fast Play will launch next month, but there is a delay in getting the slips, so the full launch will be in June. He reported that the Pick3/Pick 4 promotion was very successful this year, with sales up 18.4% over last year.

Chairman Douglas had a sample of the Gold Castle game from New York which includes a 3-D online/mobile component launched by QR code. There was great interest in this new gameplay, and Commissioner Gelinias asked when we can expect to see this launch in New Hampshire. Director McIntyre explained that the instant ticket vendor and the separate software vendor could not reach agreement, therefore it is not happening soon. However, implementing a QR code to launch an electronic game is a gain in

efficiency. Specifically, it helps us offer a new way to play Fast Play games without taking up real estate within the instant ticket vending machines.

5. ADVERTISING:

Marketing Director Maura McCann referred the Commission to the advertising report for April.

- a. Powerball turns 25 this year, and a sample of the anniversary year logo was distributed in her report. The logo is up on the website, and any time in the next year we promote or advertise that game, that design will be used. New Hampshire has been part of Powerball for 22 years.
- b. The Quick Card display was shown to the Commission, which included several pads of tear-off tickets with bar codes. The tickets each represent a different Fast Play game, are scanned at the WinStation (the player either purchasing off a credit or having inserted money first), or purchased at the counter by a clerk scanning the ticket similar to a play slip. The retailers will need to be trained, but the expectation is this will streamline transactions and increase sales of the game, which is already on the rise from last year. Chairman Douglas asked why the game is growing so quickly. Ms. Cleland and Director McIntyre responded that it services the demographic that wishes to have instant results rather than wait for a drawing game like Powerball. Ms. Cleland added that we are responding to that enthusiasm by putting a lot more support into the product.
- c. Granite State Gold and the Gold Rush family of instant games launch on May 1, and the supporting advertising pieces and point of sale displays were shown. There has already been great positive feedback on social media, and a companion Facebook application promoting the game will include a chance to win tickets in June once the game is fully ensconced on sale in the marketplace.
- d. Ms. McCann reported that the Powerball Power Cruise promotion has concluded and the fifteen winners were assigned their staterooms on the ship. They will be setting sail in January.

6. TRI-STATE:

- a. Ms. McCann reported that the Vermont legislature overturned the governor's executive order abolishing the lottery commission and placing it under the jurisdiction of their liquor commission. However, a legislative committee is tasked with studying the viability of a merger of the two agencies which may be taken up sometime next year. They are now searching for a director, and have had over 100 resumes submitted for consideration. The next Tri-State meeting will take place in Vermont on June 1 and 2. The first day will be with vendors, planning for the coming year's sales and developing four to eight strategies. The regular meeting will take place on June 2. Items that are up for discussion for Tri-State are the invitation by the Patriots to participate in a New England-wide raffle, the changes to Mega Millions, and other matters.
- b. Shaw's Supermarkets requested that we print "closed aisle" signs for their checkout lanes. Travis Emerson, Retailer Relations Manager, proposed sharing production costs by including a link to Shaw's online ordering service, and they declined. We therefore took the opportunity to promote Lottery by directing patrons to purchase tickets at the service desk and WinStation vending machine since we are absorbing the cost.
- c. The poignant problem gambling public service announcement produced by the Maine and Vermont lotteries, which New Hampshire will also broadcast, was shown to the Commission. The final ad will be revised with a much smaller NH Lottery logo, and larger contact information for the New Hampshire Council on Problem Gambling. The advertisement (radio and television) will air as a public service announcement at no cost to the lottery. Ms. McCann also showed the newly-updated This Magic Moment Megabucks ad.

- d. Travis York of GYK Antler reiterated the observation that we have good momentum going with advertising. The new \$25 ticket has positive buzz using social media, and historically this is a great opportunity to use such platforms to advertise new products.
- e. Director McIntyre reported that the People for the Ethical Treatment of Animals (PETA) would like to talk to him regarding the use of a live, captive bear in one of the Chuck McLuck advertisements.


7. OTHER:

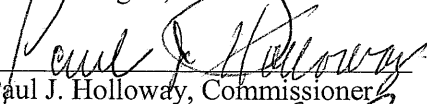
- a. Rockingham Venture, Inc. requested the return of their \$300,000 cash bond pursuant to RSA 248:18, plus interest, totaling over \$301,700. Commissioner Gelinias moved to authorize the refund, seconded by Commissioner Holloway. So voted, unanimous, and will be transacted by New Hampshire Treasury.
- b. The Request for Proposal for instant ticket printing services has concluded after the exhaustive evaluation by the RFP committee comprised of Director McIntyre, Ms. Cleland, Ms. King, and Lottery Sales Representative James Downey. Following site visits to vendor headquarters in three states, RFP scoring resulted in the committee's recommendation to select Scientific Games for primary print services, and IGT selected as secondary provider. The attributes of both companies were discussed, including their capabilities in design, creativity, security, and innovation. The contracts with each vendor will be effective upon Governor and Council approval, beginning July 1. Commissioner Gelinias moved to adopt the committee's recommendation of contracting with Scientific Games as 80% provider, and IGT as 20% provider. Commissioner Holloway seconded, and motion passed unanimously. Director McIntyre recognized Jeremy Kizer of Scientific Games and Hal DeLarsey of IGT who were in attendance. He concluded by praising the RFP committee for the tremendous amount of work devoted to reviewing the submissions, brainstorming, and traveling, all in addition to their regular workloads.
- c. Director McIntyre introduced two Lottery Sales representatives in attendance, Julie O'Brien and Holly Jenness, and commended them on their work in their territories.
- d. Ms. Cleland demonstrated the Golden Luck online game, a component of the Gold Rush family. This game is just for fun; there are no prizes, but does allow players to post their initials on a leaderboard. Some minor bugs are still being worked out, but will allow us to track which games (\$1, \$2, \$5, or \$10) players are launching from. She also described the Granite State Gold \$25 ticket, as it is the largest ticket we've produced, and will include payout of five top prizes of \$2M.

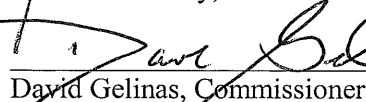
8. NEXT MEETINGS:

- The next meeting will take place on April 24, 2017 at 2:00 p.m. to accommodate voting to approve the Advertising Request for Proposal.
- The May meeting will take place on May 16 at 9:30 a.m.
- June meeting is tentatively set for June 21 at 9:30 a.m.

Commissioner Holloway moved to adjourn and Commissioner Gelinias seconded. Chairman Douglas called the meeting to a close at 11:37 a.m.


Debra Douglas, Chairman


Paul J. Holloway, Commissioner


David Gelinias, Commissioner