

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD NH
MINUTES OF COMMISSION MEETING
October 25, 2017, 9:30 a.m.

Commissioners:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner

Lottery staff in attendance:

| | | | |
|------------------|---------------------|------------------|------------------|
| Charles McIntyre | Kelley-Jaye Cleland | Cammy Nolin | Peter Rheaume |
| Cindy Baron | Sudhir Naik | RoseAnn Prescott | Stephen Johnston |
| Maura McCann | Katie Brown | Sandy Goulet | |

Others in attendance:

| | | |
|------------------------------|------------------------|---|
| Rose Longo-White, GYK Antler | Mike Shiavo | Nicholas Bonardi, Tri State Entertainment |
| Angela Streba, GYK Antler | Mike Schiano, MPC | Jim Bouley, Dennehy & Bouley |
| Teri Blouin, NH DAS | Colleen Hernandez, CBC | Randy Craft, Smartplay |

Chairman Douglas called the meeting to order at 9:43 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Holloway moved to approve the October 4, 2017 minutes; seconded by Chairman Douglas. So voted, unanimous.

Executive Director McIntyre addressed the absences of Valerie King, Director of Racing and Charitable Gaming, who was attending hearings at the State House; Deputy Director Lynda Plante, his designee for the Multi-State Lottery Association currently at a conference; and Ryan Sahr of Intralot, who has been called away on family business.

2. LOT 1100 RELATIVE TO KENO:

Chief Compliance Office Sudhir Naik sought the Commission's approval to submit the conditional response for Lot 1100 relative to Keno. There were very minor changes made to the Final Proposal as recommended by the Office of Legislative Services (OLS) counsel. Motion was made by Commissioner Holloway and seconded by Chairman Douglas to submit the conditional approval response to OLS. Following this unanimous vote, the submittal letter was signed by Chairman Douglas and the response was hand-delivered to OLS, which is expected to return their approval immediately.

Mr. Naik informed the Commission that the Legislature wants us to seek clarification on the Lottery's authority to request financial information from license applicants, and have assigned Senator Jay Kahn to work with us to that end.

Chairman Douglas thanked members of the agency for their participation in city council and public hearing meetings around the state in support of Keno.

Mr. Naik concluded by reporting to the Commissioners that at the next meeting, Ms. King will seek a motion to repeal the old Pari rules for Racing (a housekeeping measure); and motion to adopt new simulcast rules under Lot 8000 (a change in designation). Fantasy Sports rules should be ready for final proposal at the next Commission meeting, incorporating minor changes recently recommended by OLS. The rule will be heard at the December 21 JLCAR meeting. Director McIntyre reminded the Commission that the Fantasy Sports rule will not go into effect until 60 days after JLCAR approval, which will mean after the end of football season in which 80% of the fantasy sports activity occurs.

3. FINANCIAL REPORTS:

Chief Financial Officer Cindy Baron reported that the September books are closed, with a \$7 million profit for the month. Our year-to-date profit is at \$22.6 million, which is a surplus of \$2.9 million against the plan of \$19.7 million. The surplus is primarily due to the large Powerball and Mega Millions jackpots this summer. The Mega Millions game changes take effect this weekend; Commissioner Douglas asked Program Analyst Katie Brown if she is ready and happy with the status of the software, and Ms. Brown responded that she is and expects the change to go well.

Ms. Baron further reported that the year-to-date operating costs are just under \$200 thousand less than last year; salaries and benefits are down by about \$75 thousand, but retirement benefits are up by \$42 thousand. Advertising is down by \$171 thousand, but this is most like a timing issue and will level out when GYK bills us for new activity. She pointed to the accounting report and noted that all revenue from both Lottery and Racing and Charitable Gaming divisions are broken out in detail. There was discussion over the timing of some activity on the Racing detail, which appear to make our year-to-date numbers look behind. Mr. Naik explained that bingo license fees are now recorded as accrued receivables and therefore appears in fiscal year 2016. Other irregularities include the Rockingham Park closure and their prepayment of unclaimed tickets. Come June, revenues we will receive in fiscal 2019 will be reported in 2018; so the figures will level out. Ms. Baron concluded her report by noting that both divisions' income statements are included so the reports are "apples to apples."

4. INTRALOT:

Kristen Paré of Intralot reported on behalf of Ryan Sahr that the Mega Millions change is ready for October 28, and Hot Lotto will end as well. They are preparing the software for Keno, and readying terminals for installation starting November 8. Lotto America is scheduled to launch on February 4 as the replacement of Hot Lotto, but other states will be joining it in November. Finally, Powerball will change on April 15 with a new "winner take all" option. Chairman Douglas asked if the delay in joining Lotto America will hurt us. Director McIntyre reported that there will be an expected deficit of \$70 thousand per week, but the new Mega Millions change should balance it out.

5. TRI-STATE:

Marketing Director Maura McCann offered a brief preview of the meeting scheduled for next week in Portsmouth. There will be presentations on Thursday by the New England Patriots organization, Intralot, Scientific Games, and Alchemy3. Work sessions will include revisiting Tri-State plans from last June and address what can still be accomplished this fiscal year as well as the next fiscal year. The regular Tri-State meeting will take place on Friday morning.

6. ADVERTISING:

Ms. McCann referred the Commission to the advertising report, which includes announcements for second chance drawings for the \$5 Patriots and \$2 Tiny House Big Money instant tickets, and changes for the Mega Millions game which takes place this weekend. The drawing for the Tiny House will take place on November 17 at 11:00 a.m., and we've received so many entries that we will be using the large drum to select the winner. The graphics for the end of Replay, holiday point of sale, and social media promotions were reviewed. We are on the cusp of television production for the new campaign, and scripts are being drafted.

Chairman Douglas asked how Keno efforts are progressing. Ms. McCann referred to the draft of new website pages, which is still under development. We are on the verge of placing orders for Keno promotional items and launching advertising. Product Development and Sales Director Kelley-Jaye Cleland reported that there are 566 eligible accounts in eleven cities, and of those 106 recruitment meetings have been booked or taken place, with between 30 and 40 more scheduled. We are at an 18% conversion rate, and are aiming for 25%. Director McIntyre commented that early adopters usually set the pace and expects that the interest will catch on. He believes that having 100 businesses lined up for the December 15 go-live date is achievable.

Commissioner Holloway inquired how many instant games we have in play right now. Ms. Cleland responded that it is between 50 and 60, including games where we have no stock in house. He asked about the performance of different price points and Ms. Cleland described \$2, \$5, and \$10 games, including both under-performers and top performers for each. Commissioner Holloway asked about the Mega Millions jackpot, as it is changing in a few weeks; Director McIntyre confirmed that the jackpot will roll over and/or reset at \$40 million with the start of the new game.

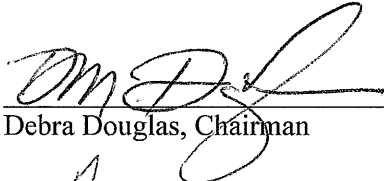
7. OTHER:

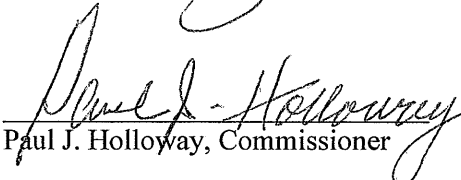
- a. Director McIntyre introduced several members of the Lottery staff: RoseAnn Prescott from accounting, Sandy Goulet from auditing, and Steve Johnston and Peter Rheaume from Racing and Charitable Gaming investigating.
- b. The Legislature is back in session and we are starting to receive fiscal note requests; the nature of these requests is confidential, so we are not at liberty to discuss them. However, one would impact us very negatively and we are monitoring it carefully.
- c. Chief Compliance Officer Sudhir Naik reported that the conditional approval response submitted to OLS has been accepted. Motion was sought to adopt the Final Proposal to Lot 1100 relative to Keno; so moved by Commissioner Holloway and second by Chairman Douglas. So voted, unanimous.

8. NEXT MEETING:

The next meetings will be as follows:
Thursday, November 16 at 9:30 a.m., and
Wednesday, December 13 at 9:30 a.m.

Motion to adjourn was made at 10:20 a.m. by Commissioner Holloway and seconded by Chairman Douglas; so voted, unanimous.


Debra Douglas, Chairman


Paul J. Holloway, Commissioner

Respectfully submitted, Cammy Nolin