

New Hampshire Lottery Commission
14 Integra Drive, Concord NH
Minutes of Commission Meeting
July 30, 2020 · 10:00 a.m.

Commissioners:

Debra Douglas, Chairman
Paul Holloway, Commissioner
J. Christopher Williams, Commissioner

Lottery staff in attendance:

Charles McIntyre	Kelley-Jaye Cleland	Valerie King	Lynda Plante
John Conforti	Jim Duris	Maura McCann	Carmela Nolin
Katie Brown			

Others in attendance:

Ryan Sahr, Intralot
Lyndlee Hayes, GYK Antler
Taylor Yianokopolos, GYK Antler

*Many attended by teleconference, and by the nature of that platform, not all participants are identifiable.

Chairman Douglas called the meeting to order at 10:05 a.m., which was held by Webex and telephone teleconference platforms, and attended remotely by Commissioner Williams, staff, and guests.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas sought a motion to accept the June 25, 2020 meeting minutes. Commissioner Holloway so moved, and was seconded by Commissioner Williams. All were in favor, meeting minutes approved unanimously.

2. FINANCIAL REPORTS

- a. Chief Financial Officer Jim Duris presented the June financial report. Instant and e-Instant ticket sales have increased over the same period last year, and sports betting is rebounding. Daily numbers and Fast Play have also contributed to growth year-to-date. Draw games Powerball and Mega Millions sales, however, are still down. Sports betting revenue, reported as net revenue, reached \$259 thousand for the month and \$2.2 million year to date.
- b. Lottery transfer to Education this month, which includes estimated revenues for June, was \$18.3 million, which brought our fiscal year total to \$98.3 million; this is behind the revenue plan, but the transfer of \$5 million from last year brought us to \$104 million versus the \$100.4 million plan for fiscal year 2020.
- c. Accounts Receivable are in line with projections; we are waiting on year end adjustment for June sales from Liquor, and the DraftKings funds transfer. Delinquent receivables decreased by a few thousand dollars with a payment from an old account; and expenses are generally in line with expectations. Advertising expenses are higher than the previous year due to accumulated and year end billings, which will be addressed with the vendor. Payroll expense is \$100 thousand over the previous year due to new hires and sales representative bonuses; and indirect costs were billed early in the fourth quarter and have settled for the year. Chairman Douglas asked

fees for support from the Department of Administrative Services and the Attorney General's office; every two years they true up the actual expense to what they estimated and bill the difference.

- d. There are final expenses that we are waiting on, such as OPEB (other post-employment benefits), retirement, and restricted deposits from MUSL and Tri-State after their audits are complete. This could affect the final numbers by several hundred thousand dollars; Mr. Duris feels that we could be looking at additional expenses.

3. SALES AND PRODUCT DEVELOPMENT

- a. Chief Product and Program Officer Kelley-Jaye Cleland informed the Commission of new employee Manoj Thadani, data analyst, on the digital and product team. He has already demonstrated his ability and is contributing to the efforts in Jay Lau's group.
- b. Ms. Cleland referred to the Sales and Product report. The first updates were for product launches.
 - Tri-State Gimme 5 moved to five draws per week on July 13; the increase in sales was 30%, far better than the projected 10% lift.
 - Our first \$20 Fast Play game was launched at the end of June. This progressive game is performing far above expectation, as well as accounting for more than half of the total Fast Play sales. Additional marketing efforts are going into signage and point of sale promotion.
 - Instant ticket sales have been more than \$6 million per week in 10 out of the last 14 weeks. This is not unique to New Hampshire, though Director McIntyre noted that unlike some states, we were monitoring our inventory and kept product flowing. Chairman Douglas asked about the availability of a \$25 ticket. Ms. Cleland confirmed that we do have an instant in that price point, but because of the rate of sales, we may have to introduce the next \$25 ticket in May, 2021.
 - Keno sales have bounced back to pre-COVID levels. With that increase, though, we are conscious of the health impact to crowded establishments, and our sales representatives are visiting and reminding retailers to follow safety protocols.
 - The first e-Instant game from new vendor Instant Win Gaming (IWG) launched on July 22. New Hampshire Cash Expander was a top three game on its first day and set a record of \$540 thousand in its first week. Our next release is an omni-channel (instant and e-Instant) called Halloween Extreme, scheduled for next month. Ms. Cleland noted that there is a tremendous effort across the Digital, Marketing, and Product teams in bringing these successes.
- c. The following product and program enhancements are planned for the late summer and fall:
 - Fast Play games will get refreshed for game launch in October.
 - New \$2, \$5, and \$10 instant tickets will be released at the beginning of August, with final prepping of The Big Spin, which is scheduled for late September/beginning of October, in step with our Tri-State partners.
 - iLottery will release another new e-Instant game called VIP Platinum.
 - Sports 603, the retail sports betting channel, is under development across software, marketing, and sales efforts. We have a well-known and respected consultant on board to assist in the project.
 - Omni-channel, as mentioned, will be a Halloween themed scratch ticket which will cross-promote the iLottery e-Instant game.

- The expanded retailer incentive program (RSA 284:21-h, II(d)) is in the planning stages, and a timeline, communications, and work plan will follow in the coming months.
 - To incentivize retailers to order, activate, and sell new games, a monthly contest was developed to award one retailer per territory with a book of tickets. This will roll out either in the second quarter of fiscal year 2021, or first quarter of the new calendar year. Chairman Douglas asked how many territories are in the state: Ms. Cleland responded that there are twelve, plus a Keno representative, and each territory contains approximately the same number of retailers. In follow up discussion, the rotation and maintenance of the Lottery fleet was acknowledged, with compliments to its management by Eric Prescott, Facilities and Fleet Operations Manager.
 - iLottery programs are in the works by groups across Lottery, GYK Antler, NeoPollard, IWG, and Intralot, including winners' tickers, game promotions, auto-renewal, and Gimme 5 on iLottery.
- d. Ms. Cleland presented updated details about the Lottery Sales Representative (LSR) bonus program, including a report of the year's bonus activity, actual sales data, and the economic impact during the pandemic. Ultimately, our sales weigh in on planning and projections. As previously noted, only four of the last fourteen weeks fell below \$6 million in instant sales; and we will launch at least one, and possibly two \$20 tickets, as well as a new \$25 game in the next year. With those considerations and sales trends nation- and worldwide, she and Director McIntyre re-evaluated the program and therefore recommend a bonus at a rate of 12% single, and 19.2% for double bonus. Director McIntyre further expounded that the sales are expected to remain at these levels based on data across the globe; and to keep the bonus program at 5% would cause a credibility issue to Legislature. Commissioner Holloway moved to approve the bonus as recommended, seconded by Chairman Douglas. All were in favor, the motion carried. Chairman Douglas acknowledged that she was not in favor of this initially, but given trends and projections, now understands the rationale. Ms. Cleland agreed, and noted that an incredible amount of consideration was put into this program; and the annual goal is always based on achievable targets, whether in prosperous or lean years. The bonus is separate from and in addition to each LSR's base pay, which is not impacted in any way by the program; additionally, they are aware of and understand the proposed rate for FY 2021. Chief Operating Officer Lynda Plante noted the salary range for the LSR team to illustrate their base pay.

4. MARKETING

- a. Marketing Director Maura McCann presented the June/July marketing report. She noted the 48 hour quarantine for claims and mail has dropped to 24 hours, and that was reflected on our website for visitors and claimants. Our new mask requirement was also shared with vendors and guests, as well as our efforts to work with customers and provide the best service we can in processing their winnings.
- b. Gimme 5, as noted, has been very successful with the expansion to five drawings per week.
- c. New Hampshire participated in Lottery Week this month, despite the pandemic. It gives us an opportunity to remind players where the money goes and celebrates our retailers. Most importantly, we thank our players through fun promotions on social media, featuring a partnership with Hannaford and Shaw's to give away grocery gift cards.
- d. iLottery advertising continues to attract new players and keep current players happy. A recent big iLottery player's win was highlighted to acquire new customers through an offer for first time

depositors. The response was enthusiastic, so we hope to use a similar approach with new winners in the future.

- e. Our press mentions were tied to a press release and interview Director McIntyre did with WMUR on sports betting; and his comments were picked up around the country. He also spoke on air on a local radio station about Lottery and sports, noting how much he enjoys the subject.
- f. The responsible gambling public service announcement has completed filming, and requires a professional voiceover to complete the spot. Ms. McCann expects that we will have the finished product by the next meeting, and she is very moved by the outcome.
- g. Ms. McCann noted that outside the normal scope of marketing, all aspects of Lottery are adapting and working together. Ms. Cleland added her compliments for Lottery's Claims department in servicing our customers in a completely different, but highly efficient way during the pandemic.
- h. Upcoming events include the annual School Bus Race, which Chairman Douglas will participate in; and DraftKings' sports book retail location soft launches in the coming month or two. Ribbon cuttings will follow later in September.


6. OTHER

Chief Compliance Officer John Conforti and Director McIntyre noted that our new Director of Sports Betting, Daniel (Danny) Maloney, will join the team on August 14. Mr. Maloney earned a Master of Laws in gaming regulation and licensing, making him uniquely qualified to direct the program.

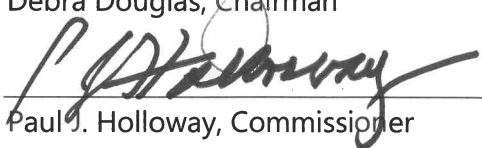
7. NEXT MEETING

The next meeting will be held on August 27 at 10:00 a.m. in Concord, with limited personnel in attendance, and staff and guests joining by teleconference.

Chairman Douglas entertained a motion to adjourn, which was made by Commissioner Holloway and seconded by Commissioner Williams. All in favor, motion carried and the meeting was adjourned at 11:28 a.m.



Debra Douglas, Chairman



Paul J. Holloway, Commissioner

Respectfully submitted, Carmela Nolin