

Massachusetts State Lottery Commission

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DATE: March 25, 2014

TIME: 10:00 a.m.

MEMBERS PRESENT: Steven Grossman, Treasurer and Receiver General,
Beth Boland, Commissioner
Tim McMahon, Commissioner
Martin Benison, Commissioner
Doug Levine, General Counsel and
designee for Andrea Cabral, Commissioner

ALSO PRESENT: Beth Bresnahan, Executive Director, Lottery
William Egan, General Counsel, Lottery
David Sweeney, Chief Financial Officer, Lottery
Cathy Judd-Stein, General Counsel, Treasury
Al Gordon, Assistant Treasurer, Director of Policy
Jon Carlisle, Director of Communication, Treasury
James McDonald, First Deputy Treasurer
Christian Teja, Communications and Marketing,
Lottery

State House Service: Colleen Quinn

I. Opening of Meeting:

Treasurer Grossman opened the meeting at 10:05 a.m.

II. Approval of Minutes from February 25, 2014

Treasurer Grossman asked the Commission to accept the minutes of the meeting from February 25, 2014. Commissioner Benison made a motion to accept the minutes of the meeting and Counselor Levine seconded the motion. The minutes were approved 5-0 at 10:05 a.m.

III. Executive Director's Report

- a. Sales update**
- b. Marketing update**

Executive Director Beth Bresnahan then delivered the Executive Director's Report (please reference the handout to provide the detailed sales data discussed). First, Director Bresnahan introduced Christian Teja as the new Assistant Director for Communications and Marketing. Director Bresnahan provided a brief overview of Mr. Teja's background.

Executive Director Bresnahan gave an update on Lottery sales noting that overall sales for February 2014 were up \$8 million as compared to February, 2013.

She discussed the decrease in the prize payout for the month compared to the previous year, see handout for details. Executive Director Bresnahan discussed the overall prize payout for the year being lower than the budgeted amount and from the previous year. Accordingly, she informed the Commission that the Lottery's net profit is \$46 million ahead of last year despite lagging sales. Treasurer Grossman and Commissioner Boland each made comments regarding the prize payout trend and comparisons to the previous year.

Executive Director Bresnahan then discussed the recent release of the new Red Sox ticket. She handed out marketing materials for the ticket and the opening day push for the ticket.

Executive Director Bresnahan discussed the planned release of a \$30 instant ticket in April. She explained how this year is the 40 year anniversary of the instant ticket and it made sense to release something new to recognize that development. She passed out materials covering the detailed history of the instant ticket. She also included information relative to the price points employed by the Massachusetts Lottery and the different price points sold by other state lotteries in the \$25, \$30 and \$50 price points.

Executive Director Bresnahan detailed the marketing efforts around the ticket. She discussed the prize payout for the game as the highest in Massachusetts Lottery history. Treasurer Grossman commented that this is the second highest payout for a game in the country, second to a game in Ohio. Treasurer Grossman also discussed how Massachusetts's overall prize payout was the highest in the industry.

Commissioner Boland commented on the marketing efforts detailed on page 6 of the report. Specifically, she mentioned the highest prize payout and the large prizes available in the second chance drawing attached to the game.

Executive Director Bresnahan discussed the expected net sales growth as compared to the \$10 and \$20 price point portfolio. She stated it was hoped that the \$30 ticket would generate \$125 million in incremental instant ticket sales.

Executive Director Bresnahan then discussed the April instant ticket releases and went over sales for the February releases. She then detailed sales in other parts of the portfolio.

She offered more detailed comments on the Lucky for Life game. She discussed the lack of a sustained advertising effort due to budget constraints as negatively

effecting game sales. Commissioner Boland asked how much more does the Lottery ideally need to sustain an advertising effort for the game. Executive Director Bresnahan estimated \$250,000 per quarter for the Lucky for Life game.

Executive Director Bresnahan concluded her presentation by discussing the remainder of the Lottery's portfolio of games and detailing net profits and gross sales fiscal year to date.

IV. Matters Requiring Massachusetts State Lottery Commission Approval

The Executive Director is authorized to enter into a contract amendment for Fiscal Year 2014 for the installation, purchase and repair of television monitors with the following company:

Valley Communications Systems, Inc.
20 First Avenue
Chicopee, MA

The maximum obligation assumed hereunder shall increase by two hundred twenty-five thousand dollars (\$225,000.00) to an amount not to exceed seven hundred twenty-five thousand dollars (\$725,000.00).

Counselor Egan introduced the vote to the Commission. Executive Director Bresnahan provided detail background for the vote by providing sales numbers and agent numbers for Keno and Jackpot Poker, the two monitor games. She then went over the details of the supporting memorandum found in the Commission book under tab 1.

Executive Director Bresnahan highlighted that during the first nine months of the fiscal year, Valley Communications has installed monitors at 120 KENO locations and 300 Jackpot Poker locations, as well as repaired and replaced equipment to maintain game operations at retailer locations statewide.

She informed the Commission that the Lottery would like to continue its KENO and Jackpot Poker expansion plans throughout the remainder of the fiscal year, as well as continue repairs necessary for the maintenance of current KENO agents.

Commissioner Boland made a motion to increase the maximum obligation under this contract by two hundred twenty-five thousand dollars (\$225,000.00) to seven hundred twenty-five thousand dollars (\$725,000). Commissioner Benison seconded the motion. Motion approved 5-0.

Treasurer Grossman asked for a motion to adjourn. Motion was made by Commissioner Boland and seconded by Counselor Levine. Motion approved 5-0 and meeting adjourned at 11:15 a.m.

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission March 2014 Commission meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Monthly Sales & Marketing Report Presented on: March 25, 2014"
3. Handouts regarding State offering certain price points.