

Minutes of the Lottery Advisory Commission
October 2, 2012

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 10:00 a.m. – 10:40 a.m., on Tuesday, October 2, 2012. Representing the Commission were Mr. Mike Rud (Chairman) and Representative Dwight Wrangham. Representative Lois Delmore, Senator Lonnie Laffen, and Mr. Russ Hanson participated by telephone. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopy, sales and marketing manager, Ms. Julie Thompson, security officer, Mr. Rob Yost, accountant/budget specialist, and Ms. Missy Reich, administrative staff officer. Also in attendance was Ms. Leslie Darfler, general manager for North Dakota, Scientific Games International.

Approval of Minutes

Commissioner Delmore made a motion to approve the draft minutes of the July 9, 2012 meeting. Commissioner Wrangham seconded the motion. The motion passed 5-0.

Overview of Revenues and Expenses for the Fiscal Year Ended June 30, 2012 and Sales Activity Through August 2012 (unaudited)

Mr. Yost provided an overview of the fiscal ended June 30, 2012. Ticket sales increased \$3,041,206 or 13.22% and other operating revenue increased \$461,403 compared to last fiscal year. Major factors contributing to the increase in ticket sales included an increase in the number of high Powerball and Mega Millions jackpot runs, the Mega Millions jackpot reaching \$656 million, and the Powerball game change increasing the price to \$2. The increase in other operating revenue was the result of two unclaimed grand prizes won in other states. Based on sales, the unclaimed grand prizes were returned to the participating lotteries. North Dakota received \$464,000.

Operating expenses increased \$1,807,885 or 10.59% compared to last fiscal year. The increase in operating expenses was primarily due to the direct incremental relation to the increase in ticket sales.

Ticket sales for July and August 2012 increased \$587,509 or 15.55% compared to July and August 2011.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopy provided an overview of marketing activity. The Lottery awarded a contract for production and media placement of radio commercials to A&B Advertising, LLC of St. Paul, Minnesota (Weather Eye Radio Network). The contract is a one-year term starting July 1, 2012 through June 30, 2013 with the option to extend for an additional six months or renew the contract for a maximum of two additional one year periods.

The Instant 10 promotion ran August 5 through September 1. A qualifying purchase was four plays of Powerball with Power Play for \$12. With the qualifying purchase, players had a chance to instantly win \$10. Powerball sales increased 15% during the promotion. The Lottery spent \$42,400 on promotion costs that included point-of-sale materials, production costs, radio, Facebook ads, online ads, and prize expenses.

The Lottery's Facebook page currently has 2,049 fans or likes. The Twitter account has 254 followers.

The Sizzling September subscription promotion ran September 1 through September 30. The promotion provided subscribers an opportunity to save up to 10% on all Hot Lotto subscriptions purchased online. During the promotion, 40 new Hot Lotto subscriptions were purchased totaling \$2,339. This was a 111% increase in Hot Lotto subscription sales compared to August.

The Get in it to Win it subscription promotion began September 6 and it will end on March 7, 2013. Every month active subscribers are entered into a drawing. Subscribers receive one entry for every active subscription they hold. There will be three different prizes awarded each month valued at \$500 for first place, \$200 for second place, and \$50 for third place. The prize budget for this promotion is \$4,500 along with an allocation of approximately \$15,000 for Weather Eye Radio advertising.

The Lottery is planning to conduct player research/survey. The last time player research was conducted was 2007. The estimated cost for the research/survey is \$28,000. The Commission provided consensus for the Lottery to move forward with the research/survey.

The Cash Dash promotion will begin November 4 and run through December 1. The qualifying purchase (\$9) is a one of each of the lottery games with the multipliers (Powerball with Power Play, Mega Millions with Megaplier, Hot Lotto with Triple Sizzler, Wild Card 2, and 2by2). With the qualifying purchase, a player has a chance to instantly win \$5, \$20, \$100, or \$500. The budget is \$30,000 for prize expenses and \$60,000 for point-of-sale materials, production costs, radio, television, Facebook ads, and online ads.

The Holiday Subscription Discount promotion will run December 1 through December 31. The promotion will provide subscribers, both new and current to save up to 10% on all lottery subscriptions. Discounts will be offered online or at Lottery retailer locations (when an application is generated from the lottery terminal and submitted to the Lottery with payment). The budget for this promotion is approximately \$6,000 for point-of-sale materials, radio, Lottery website, Facebook, Twitter, and email.

The Wild Card 2 promotion, One Wild Deal will begin January 13, 2013 and coincide with the game change set to begin the same day. Players making a qualifying purchase of a \$5 Wild Card 2 quick pick ticket will receive a \$1 Wild Card 2 quick pick ticket for free. The budget is \$12,000 for prize expenses and \$15,000 for point-of-sale materials, radio, and on-line ad.

Final Approval of the Proposed Administrative Rules for the Wild Card 2 Game Changes (Effective January 13, 2013)

Ms. Thompson indicated there were no written or oral comments submitted and no changes to the proposed administrative rules. Commissioner Delmore made a motion to final approve the proposed administrative rules for the Wild Card 2 game changes. Commissioner Wrangham seconded the motion. The motion passed 5-0. The recommendation will be presented to Attorney General Stenehjem for final approval.

Omnibus Items

Mr. Miller reported the Lottery is in the process of drafting a Request for Information (RFI) for an online gaming system and service's provider. The purpose of the RFI is to solicit information from vendors related to converting and updating the Lottery's online gaming system. The Lottery will consider the vendor responses in developing the Request for Proposal (RFP). The current online gaming system

contract with Scientific Games International ends on March 24, 2014. The Lottery plans to issue the RFI in October and the RFP in the spring of 2013.

The Hot Lotto group is in the process of making changes to the Hot Lotto game. Depending on the implementation date for the Hot Lotto re-launch, it may be necessary for the Lottery Advisory Commission to have a special meeting late in October or early November to approve the proposed draft rule changes.

Mr. Miller will be attending and setting up a display booth at the North Dakota Petroleum Marketer's Convention and Trade Show on October 24 in Fargo.

The Office of the State Auditor began the Lottery's financial audit for the period ending June 30, 2012. They are planning to be on site at the Lottery office from one to two weeks. The opinion from the auditors should be issued in mid-December.

Ms. Reich reported on retailers and subscriptions. All 400 retailers have renewed their lottery license. Subscriptions sales for the fiscal year 2012 were \$554,114, an increase of \$208,826. Factors contributing to the increase in subscription sales were the Powerball game change increasing the price to \$2 and 535 new subscriptions for the fiscal year 2012. There are currently 2,794 active subscriptions and 2,143 active subscribers.

Adjournment

Commissioner Delmore made a motion to adjourn. Commissioner Wrangham seconded the motion. The motion passed 5-0. Meeting adjourned at 10:40 a.m.