

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
WEDNESDAY, MARCH 2, 2011 10:00 AM

PRESENT:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
Charles McIntyre, Executive Director
Diane Campbell, Administrative Assistant
Maura McCann, Programs Information Officer
Georges Roy, Administrator III
Robert Preston, Games Manager
Len Mannino, Security Director
Liz Dimmick, Scientific Games
Travis York, Griffin, York & Krause, Inc. (GYK)
Rose Longo-White, Griffin, York & Krause, Inc.
Patrick Griffin, Griffin, York & Krause, Inc
Jim Bouley, Dennehy & Bouley
John Papile, Intralot
Terry Patterson, Intralot
Jay Lapine, Intralot
Byron Boothe, Intralot
Kristen Pare, Intralot

Chairman Douglas convened the Commission meeting at 10:02 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Holloway made a motion, seconded by Chairman Douglas, to approve the February, 2011 commission meeting minutes. So voted, unanimous.

2. FINANCIAL REPORT:

Georges Roy, Administrator III, stated Director McIntyre recently made a presentation to the House Finance full committee regarding the lottery's budget. Mr. Roy stated the detailed work on the Lottery's budget is pending review by Division II of the House Finance Committee.

Commissioner Holloway noted the consistently declining sales in the liquor stores. Director McIntyre stated a meeting was held with Liquor Commission last week and they agreed to the change. John Papile stated some samples were provided to the Liquor Commission over the last two days for them to test the UPC cashing bar code. Commissioner Holloway mentioned this had been discussed at the February Commission meeting and expressed his concern over the length of time it was taking to accomplish this.

John Papile stated the Liquor Commission had postponed two or three meetings, but a meeting was held last Friday. Robert Preston stated the Liquor Commission has approved a solution which Intralot presented in November of 2009. Mr. Preston stated the solution involved the way that they can scan the bar codes and enter it into their own system. Mr. Preston stated they were still waiting for the Liquor Commission to test the bar codes and present to their accounting department for acceptance. The Commission emphasized the importance of expediting this. Mr. Preston announced that a couple of meetings had been cancelled due to inclement weather travel conditions.

A brief discussion was held on the most recent weekly sales report. It was noted that Weekly Grand sales were down approximately \$4 million or 16%. Ms. McCann reported that the Weekly Grand game would be refreshed and relaunched on April 24th as the Weekly Grand Extra game. Rose Longo-White stated approximately \$246,000 in advertising funds had been set aside for the launch and maintenance of the Weekly Grand Extra. Commissioner Holloway expressed he would like to know if the advertising costs for the Weekly Grand Extra result in an increase in the game's sales and its cost effectiveness.

Chairman Douglas requested that the February 10th commission meeting minutes be amended to reflect the discussion that was held regarding the Liquor Commission. An update was provided on the \$10, \$20, and \$30 instant ticket games. The Commission encouraged advertising the fact that there was a \$1 million prize remaining in the \$30 instant game. Director McIntyre stated sales were going well for the recently released Granite State Black and Taxes Paid instant games.

A discussion was held on a comparison of Mega Millions and Powerball games and possible game changes. Director McIntyre stated last week New Hampshire ranked 5th highest per cap in Powerball sales in the nation. Jackpot alert advertising for jackpots over \$100 million was discussed.

Georges Roy provided the Commission with the amended SB 130. Mr. Roy stated the bill reads the tax would be repealed effective upon passage of the bill.

3. NEW ENGLAND PATRIOTS:

Director McIntyre stated he had been contacted by the sales department of the New England Patriots to see if New Hampshire would be interested in developing a New England Patriots instant ticket for sale. Director McIntyre stated that the proposed launch schedule of a New England Patriots ticket would immediately follow the Red Sox ticket's game end in the fall.

A discussion was held on possibly expanding the Tri-State games to include Tri-State instant products using licensed properties and the cost effectiveness of this. The Commission encouraged the Director to pursue this concept.

4. LOTTERY REGIONAL MEETING IN BRAINTREE:

Director McIntyre stated the New England Lottery Directors would be meeting in Braintree in mid March at the request of the Massachusetts Lottery Director to discuss possible regional game ideas. The Commission requested that a summary of the meeting be provided to the Commission.

5. LEGISLATIVE UPDATE:

Director McIntyre provided an update on the status of legislative bills pertaining to the lottery. Director McIntyre stated that SB130 regarding repealing the 10% tax on gambling winnings received a committee report of ought to pass. A brief discussion was held on HB 348 regarding the transfer of duties of the racing and charitable gaming commission to the lottery commission, and it was indicated that the bill would be studied further.

6. INTRALOT REPORT:

John Papile of Intralot stated three proposals had been received for the SAS 70 contract and the name of the preferred company will be presented to Georges Roy next week for review. Mr. Papile announced that as of last Monday, there were a total of 1415 Microlots and 328 WinStations at retailer locations. There are currently 1260 active retailers. Mr. Papile stated last week was the third consecutive week of instant sales exceeding \$3 million, making it the 12th time for instant ticket sales to exceed \$3 million since July 1, 2010.

Sales are doing well and are comparable for the Taxes Paid and Granite State Black instant games. Mr. Papile stated the best selling instant game since January 1, 2011 has been the \$3.00 Money Puzzle with over 6,000 books settled. Another popular game has been the Monopoly game.

Mr. Papile stated last week versus last year, the Lottery paid out \$300,000 more in prizes, \$260,000 of which were instant game prizes. Weekly overall sales year to date were up 12%; Powerball sales were up 44%, and MegaMillions sales were up 28%. Mr. Papile stated the Lottery headquarter's sales were up over last year by approximately \$40,000-\$50,000. Director McIntyre gave positive recognition of Julie's job performance in the sales office.

Mr. Papile stated the Fairpoint conversion was completed and they have been asked to evaluate the remaining retailers for DSL qualification. Mr. Papile stated the number of retailers using VSAT communications have been reduced from approximately 300 to 151. The goal is convert others from satellite to DSL. Weekly Grand Extra and Break the Bank

will be in the Lottery user acceptance testing on April 3rd.

7. TRI-STATE REPORT:

Maura McCann stated there was no Tri-State report since the NH Commission meeting was held after the last Tri-State meeting and the March 4th Tri-State meeting was cancelled.

8. ADVERTISING:

Ms. McCann provided an update on the status of the New Hampshire Lottery's street sign to be installed on Manchester Street. The necessary paperwork was submitted to the City Council and the Lottery may know their decision by March 14th. Advertising is currently running for the Taxes Paid and Granite State Black instant tickets. An upcoming instant ticket called \$100,000 Cash will go on sale this Monday supported by advertising the following week. Ms. McCann distributed an advertising graphic for display on the lottery's website and on applicable point of sale materials. The advertisement will be used to relay information on lottery revenue percentages allocated for prizes, education, administrative expenses, retailer commissions and other cost of sales.

Patrick Griffin of GYK advertising firm stated a comprehensive budget plan for the next fiscal year would be presented to the Commission at its April or May meeting. Mr. Griffin stated the plan had been developed as a result of discussions held during a recent planning session. The plan includes budget tied to sales, marketing initiatives by game and goals for the new fiscal year.

Ms. McCann stated that the Replay website will be offering 250 Replay points to a sampling of players who complete a 15 minute survey. Commissioner Holloway expressed his interest in obtaining the results of the survey but also requested that the ad agency provide him with the number of individuals who begin the survey, but do not complete it.

A discussion was held on the Replay database. Travis York of GYK stated approximately 241,000 individuals have registered on the Replay site. Commissioner Holloway stressed the importance of the Lottery being able to prove the value of the Replay program to the Lottery and its cost effectiveness, since it has been in existence for a number of years. Mr. York stated that Replay activity continues to increase with over ¼ million tickets being replayed a week. Recent discussions have been held regarding the ability to segment the database more aggressively, in an effort to push offers to Replay members. These offers, such as coupons and give-a-ways, would have some financial motivation and some return to the Lottery. Mr. York stated that between 17%-20% of all Lottery revenue is

being replayed by players through the Replay website. Possibilities for offering incentives to players through Replay were reviewed.

A discussion was held on possible joint promotional efforts with the Liquor Commission. Commissioner Holloway reminded the Lottery staff present to meet with the Liquor Commission on a monthly basis.

9. NEXT MEETING:

Chairman Douglas made a motion, seconded by Commissioner Holloway, to schedule the next Commission meeting on April 14, 2011 at 10:00 a.m. So voted, unanimous. Chairman Douglas stated that the primary purpose of the April 14th meeting would be to discuss the advertising campaign.

A brief discussion was held on an upcoming meeting with the New Hampshire Motor Speedway (NHMS) and possible topics for discussion. Potential opportunities for the Lottery including lottery ticket sales, signage, and collaborative promotions will hopefully be discussed at the meeting. Mr. York stated they clearly would like the New Hampshire Lottery to be a sponsor at the track.

Commissioner Holloway made a motion, seconded by Chairman Douglas, to move into non-public session at 12:15 p.m. to discuss the confidential responses to the audit. A roll call vote was taken. Commissioner Holloway stated "I", and Chairman Douglas stated "I". So voted, unanimous. The non-public session concluded at 1:15 p.m.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner