

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
MONDAY, OCTOBER 25, 2010 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
Kassie Strong, Chief Accountant
Irene Nadeau, On-line Games Manager
Len Mannino, Security Director
Travis York, Griffin, York & Krause, Inc.
Pat Griffin, Griffin, York & Krause, Inc.
Liz Steinhardt Pollock, Griffin, York & Krause, Inc.
Rose Longo-White, Griffin, York & Krause, Inc.
Michael McLaughlin, Shaheen & Gordon
John Della Volpe, SocialSphere, Inc.
Jonathan Chavez, SocialSphere, Inc.
Kristen Pare, Intralot
Ed Dupont, The Dupont Group

Chairman Douglas convened the Commission meeting at 10:05 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Holloway made a motion, seconded by Chairman Douglas, to approve the September 22, 2010 commission meeting minutes. So voted, unanimous.

2. SALES ASSESSMENT REPORT-Phase One of Market Research:

John Della Volpe and Jonathan Chavez of Social Sphere presented the first phase of market research to the Commission. Mr. Della Volpe stated that over the past several weeks, they had begun the first of several phases of market research for the New Hampshire Lottery Commission. An overview was provided of the larger research project during Fiscal Year 2011, which included a tentative schedule for focus group studies, intercept interviews, benchmark surveys of New Hampshire lottery players and an instant ticket and point of sales research study. The report presented was a baseline sales assessment of the current state of the New Hampshire Lottery and an analysis of sales data for the past four fiscal years.

Mr. Chavez reported on the NH Lottery historic growth comparable to the Maine and Vermont Lotteries. The growth pattern of per capita lottery sales has been extremely similar in the three states especially from 1980 to 2009. Massachusetts ranks almost the highest in per capita sales due to an approximate 72% average instant ticket prize payout. New Hampshire ranks in the top ten in the United States for their per capita instant ticket sales. Connecticut has increased sales by adding new price points, and phasing out the non-standard price points.

The report indicated online sales growth for New Hampshire, but remaining relatively flat in the other New England states. Mr. Chavez emphasized that the vast majority of recent sales growth comes from instant ticket sales. Approximately 85% of New Hampshire's long term sales growth since 1996 has come from increases in sales of instant tickets.

Mr. Della Volpe stated that the instant ticket play experience is very different from the online play experience. Approximately 25% of the time when an instant ticket game is played there is a winning ticket, a higher percentage than with online tickets. Mr. Della Volpe stated the data indicated the New Hampshire lottery players are very sophisticated in terms of where they choose to spend their money and approximately 71% of their purchases are the instant tickets. Mr. Chavez reported that a per capita sales comparison revealed New Hampshire's instant sales were comparable to some of the top ten lotteries in the country, but their online sales lag.

New Hampshire Lottery's performance over the past few decades has been almost exactly in line with the other New England states (excluding Massachusetts). A Fiscal Year 2010 per capita sales comparison among the ten largest cities in New Hampshire revealed that Concord and Salem had the strongest sales, with the New Hampshire towns near the Massachusetts border showing the effect of Powerball sales in Massachusetts.

A discussion was held on the noticeable declining lottery sales in the liquor stores, shown in the recent reports. The Commission expressed their concern over this and emphasized that the lottery needs to focus more on improving this matter, since liquor store lottery sales represent one of the larger accounts with the New Hampshire Lottery Commission. Possibilities for promotions and incentives were briefly touched upon.

Mr. Chavez discussed the payout ratio as it related to increased instant ticket sales. The study revealed that the matrices of tickets in high performing states had consistent qualities, namely that the percent of the prize pool devoted to each tier of prizes was consistent on all tickets at a give price point, and tickets at higher price points devoted a higher percentage of prizes to mid-size and large prizes.

3. ADVERTISING- Marketing Plan:

Patrick Griffin and Travis York of Griffin, York and Krause, Inc. reported on the advertising agency's marketing plan for the remaining fiscal year. Mr. Griffin stated the marketing program will emphasize the fact that the Lottery has changed for the better in a number of ways, change in price points, increased payouts, ticket design, more ways to win, and others. The New Hampshire Lottery will be offering for the first time an instant ticket, "Cash Spectacular", giving players a chance to win \$ 1 million in cash and having the highest payout percentage of 75.01% to date in New Hampshire. The soft launch sale date will be November 19th during the Aerosmith Dirico motorcycle drawing held at the Lottery and the ticket will go on sale statewide on December 6th.

Mr. Griffin stated some of the marketing initiatives for this year will be to build a stronger relationship with lottery retailers; to promote and expand the subscription program within the retail channel; to increase overall sales; offering coupons in late winter or early spring through direct mail such as ValPak; recapture instant ticket sales; conduct research and surveys; instant ticket campaigns; holiday subscription campaigns; holiday raffle drawing; and relaunch Weekly Grand product.

A summary of existing programs and media costs remaining for this fiscal year was provided.

4. FINANCIAL REPORT:

Georges Roy, Administrator III, reported \$77.7 million was the estimated budgeted revenue for FY 11. Mr. Roy announced that a proposed revised revenue estimate of \$70 million was submitted by the October 15th deadline, in compliance with the Governor's budget process. Mr. Roy stated the Lottery was preparing its response to the Governor's requested 95% budget reduction. The Fleet Policy Reduction Plan was submitted by the Director, in compliance with the requested 6% expense reduction in FY 11 and FY12.

5. TRI-STATE REPORT:

Maura McCann stated the Finance Committee reported that Tri-State gross revenues through August had decreased approximately \$900,000 or 7% as compared to the previous August. All contingency funds were in the positive at the end of August, 2010. Ms. McCann stated a discussion was held at the October 7th Tri-State Commission meeting regarding proposed game enhancements to the Weekly Grand game. Ms. McCann stated the preferred enhancement resulting from a player survey was to discontinue the \$5.00 instant win feature and using those prize monies to fund a weekly raffle drawing award. New Fast Play games offered only in Vermont and New Hampshire games were discussed. An update was provided on possible changes to the Powerball and Mega Millions games.

6. OTHER BUSINESS:

Director McIntyre requested that the Commission move into Executive Session for the purpose of discussing pending litigation which effects the Lottery Commission and also to discuss personnel implications for the requested 95% budget from the Governor's office. Commissioner Holloway made a motion, seconded by Chairman Douglas, to move into an Executive Session and to not reconvene the Commission meeting thereafter. A roll call vote was taken, Commissioner Holloway, yes and Chairman Douglas, yes. The Executive Session concluded approximately 1:00 p.m. with no Commission votes taken.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner