

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
WEDNESDAY, SEPTEMBER 22, 2010 1:30 PM

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
Irene Nadeau, On-line Games Manager
Len Mannino, Security Director
Mel Woodbury, Griffin, York & Krause
John Papile, Intralot
George Fotopoulos, Intralot
Liz Dimmick, Scientific Games (SGI)
Jim Bouley, Dennehy & Bouley
Curtis Barry, The Dupont Group

Chairman Douglas convened the Commission meeting at 1:30 p.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Commissioner Holloway made a motion, seconded by Chairman Douglas, to approve the September 7, 2010 commission meeting minutes. So voted, unanimous.

2. SECOND CHANCE DRAWINGS:

Director McIntyre requested Commission approval to phase out the second chance drawings for instant games connected through Replay which was adopted by the Commission primarily to allow the prizes to remain in the games as long as possible and not have them claimed early. Director McIntyre explained that the second chance drawings award one of the top prizes remaining in the game. The second chance drawings allow these particular games to be sold through and not be claimed early. The need to hold these second chance drawings is no longer as great because there are more top prizes in the games and there are longer print runs. Players have indicated they would prefer winning prizes in the games rather than a chance to win through a second chance drawing. Also, Robert Preston stated he had received player complaints that they did not have internet access to enter their second chance entries into Replay. Based on Director McIntyre's recommendation, Commissioner Holloway made a motion, seconded by Chairman Douglas to phase out the second chance drawings for instant games associated with Replay. So voted, unanimous.

3. FINANCIAL REPORT:

Georges Roy, Administrator III, stated that approximately \$5 million was transferred to Education yesterday. Mr. Roy stated currently net revenue was about \$3.3 million short of the \$77.7 million original budget projection. Mr. Roy stated an adjustment will be made to the FY11 budget probably to \$70 million which will be submitted next week. Mr. Roy announced a total of \$66,112,000 net revenue for FY10, pending any final adjustments made by the auditors.

A discussion was held on the various instant ticket price points. Director McIntyre suggested the \$30 price point be phased out and to strongly promote the \$20.00 price point. The ticket has been on sale for a long period of time and sales have been declining. Ms. McCann suggested a press release be issued to notify players of top prizes remaining in the \$30.00 instant game and that the game will eventually be pulled and to move sales. Director McIntyre suggested doing a retailer incentive program offering a bonus through a drawing when a retailer settles a book.

Commissioner Holloway expressed his concern over the significant decrease of approximately \$300,000 or 16% in liquor stores sales year to date and the potential loss of revenue to the lottery and ultimately to the state as a whole. Commissioner Holloway emphasized that the Liquor Stores are one of the Lottery's largest retailer accounts. A discussion was held on possible ways to improve sales such as more thorough lottery terminal training for clerks; increased awareness by the lottery sales staff to assist locations with decreased sales; retailer incentive programs; better placement of point of sale materials; additional meetings with liquor store managers; and speeding up the Liquor stores internal process for selling and redeeming lottery tickets. Chairman Douglas requested that this topic be tabled until the next commission meeting and an item be placed on the next commission meeting agenda for further discussion.

4. TRI-STATE REPORT:

Maura McCann stated the most recent Tri-State Lotto Commission meeting was held on September 10, 2010. Ms. McCann stated Jeff Walla of Berry, Dunn, McNeil & Parker made a presentation on the FY10 Tri-State Lotto audit. The Finance Committee reported at the meeting that revenues increased \$13.6 million or 21%. There were no significant audit adjustments; reclassifications, consistent with prior years, to reflect the current portion of the installment obligation at year end; and no passed adjustments. Ms. McCann stated that two controlled deficiencies were addressed: expense reimbursements may now be approved by Mary Cassani, CFO, or her designee and also addressed were investments held by trustee regarding procedures for reviewing the internal controls of the trustee in certain areas. The July financial report by Mary Cassani revealed that gross revenues through July, 2010 have

increased \$1.9 million as compared to last July. Net profit has increased from last year a little over \$1 million, approximately 65%.

The Marketing Committee discussed the 25 year anniversary promotion for the Megabucks Plus that ran from September 5th through September 18th. The next promotion will be the Tri-State holiday raffle which only Maine and New Hampshire are involved with. The committee recently completed the Tri-State Weekly Grand surveys in all three states seeking players' input for game enhancements. Jingle Bell Bucks will be the next Fast Play game to launch October 17th. The Tri-State Commission approved the expenditure to purchase new drawing balls.

Ms. McCann stated under other business the Tri-State Commission approved the Trademark contract extension for Tri-State with McLane, Graf, Raulerson & Middleton for a two year period capped at \$5,000 annually.

5. ADVERTISING:

Ms. McCann reported the FY 10 annual report had been reviewed and was awaiting copy for Commission review. Ms. McCann announced the Aerosmith drawing would be held at Lottery headquarters on Friday, November 19 at 1:00 p.m. to draw the winners for a Dirico motorcycle and 50 Aerosmith CDs. Plans for a holiday campaign is in the concept phase for the upcoming holiday. The campaign will include significant discounts offered for subscriptions purchased at retail locations, a Tri-State holiday raffle drawing from December 12-December 25, lottery gift cards, and a great line up of holiday instant tickets. Ms. McCann stated \$100,000 from the expired, unclaimed prize fund will be used to award prizes ranging from \$500 to \$25,000 for the Tri-State holiday raffle. Players who purchase a single \$5.00 or greater Tri-State ticket will receive a free raffle ticket for a drawing to be held in January.

Ms. McCann stated as of Thursday of this week, the subscription website will be updated to reflect the four games offering subscriptions, Powerball, Hot Lotto, Mega Millions and Megabucks Plus. Ms. McCann stated that as of November 1, 2010, lottery players who have purchased their subscriptions through a retailer would be able to register their subscriptions with the lottery on a separate subscription website, rather than mail into the Lottery. The Lottery hopes to communicate with these subscribers via email sometime in the future.

A brief discussion was held regarding decreased sales for Hot Lotto and Weekly Grand. Ms. McCann stated that a discussion will be held at the October Tri-State Commission meeting regarding the Weekly Grand survey results and hopefully a decision will be made on the Weekly Grand game.

Director McIntyre indicated that the Multi-State Lottery Association new game development group was in the process of researching a possible Powerball game change or offering a new national game. A discussion was held regarding whether legislation was needed.

Commissioner Holloway questioned whether the projected \$70 million net revenue for FY 11 was a viable amount since sales are lagging and taking into consideration the recent 10% gambling tax imposed on lottery winnings as well factors out of our control such as competition from neighboring states now selling Powerball. Director McIntyre responded with the rationale used for the \$70 million projection.

Commissioner Holloway inquired whether the marketing plan for this year had been finalized. Ms. McCann stated that it was in process and would be provided to the Commission shortly, but revisions were being made due to changes in games and the instant ticket program.

Robert Preston, displayed sample instant tickets to go on sale before the end of the year, one of them was the \$2.00 Jingle Bell Doubler holiday ticket. The \$3.00 Money Puzzle sales are up 3.53% over last year. Director McIntyre stated a benefit of the increased print run on the Money Puzzle and other instant games was that there will be less ticket stock for the sales representatives to pick up, which should ultimately free up their time to visit retailers more often and spend more time with them. Mr. Preston stated the \$5.00 Monopoly ticket was due to be delivered to Lottery next week with a new prize structure and the increased print run of 1 million tickets. Also a \$10.00 and \$20.00 ticket will be released soon.

6. OTHER BUSINESS:

INTRALOT- John Papile, of Intralot, provided an update to the Commission of matters since the September 7, 2010 Commission meeting. Mr. Papile reported that the issues with communications have been resolved and fixed. Terminal software upgrades - versions 38 and 41 have been released and installed at approximately 30% of the retailer base which have been monitored extensively 24 hours daily for 5 days. Mr. Papile stated positive feedback on the lottery terminal and instant ticket inventory had been received from Arthur Klemm regarding his Windham store.

Possible methods of improving continued retailer training of the new Intralot system were discussed. Larger in lane instant ticket dispensers are being reviewed for placement at the liquor stores. Mr. Papile stated the draft version of the Back Office System Training Manual and an agreed upon software release would be presented to lottery staff at the meeting later today. Mr. Papile announced that currently there was a sales increase of approximately \$85 per machine for the new WinStations as compared to the old instant ticket vending machines sales.

Intralot reported that beginning October 4th, the 200 top retailers will be able to use Tell Sell, a telemarketing system for instant game management provided by Intralot. A discussion was held on improving the placement of WinStations at many locations to bring more attention to them and help increase sales. Mr. Papile stated that approximately 55 retail locations that had experienced extreme terminal communication problems with 3G network have been converted to DSL. Mr. Papile stated that Fairpoint was approximately 40% through the process for qualifying the remaining 550 to 600 to receive DSL, with the anticipated network switch about mid November, 2010. Mr. Papile stated with the issues resolved, he was confident that 3G and satellite were very good communication sources.

RESEARCH- Director McIntyre stated that for many years most lotteries have had a research component to them. Intralot has agreed to enhance the research component. There will be three components to the first phase which will consist of focus groups, intercept studies and sales assessment. A sales assessment report will be presented by the Research company at the next Commission meeting. The focus group studies and intercept studies will be held the first week of November. Director McIntyre stated deliverables on both were expected about a month later.

Director McIntyre stated he had received a request by the Fiscal Committee to release the Attorney General's opinion on the PlayNowNH game. The Commission requested that the Director contact the Attorney General's office for their opinion. Director McIntyre stated he had received a memo from the Governor's office requesting that any proposed legislation for the next legislative session be filed by October 29, 2010. Commissioner Holloway suggested legislation moving toward more independence and repealing the 10% gambling tax.

Chairman Douglas made a motion, seconded by Commissioner Holloway, to schedule the next Commission meeting for October 27, 2010 at 10:30 a.m. So voted, unanimous.

Chairman Douglas made a motion, seconded by Commissioner Holloway, to adjourn the meeting at 3:14 p.m. So voted, unanimous.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner

