

NEW HAMPSHIRE LOTTERY® COMMISSION
14 INTEGRA DRIVE, CONCORD, NEW HAMPSHIRE 03301
MINUTES OF COMMISSION MEETING
WEDNESDAY, DECEMBER 15, 2010 2:00 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
Jason Bond, Griffin, York & Krause, Inc.
Liz Steinhardt Pollock, Griffin, York & Krause, Inc.
Rose Longo-White, Griffin, York & Krause, Inc.
Travis York, Griffin, York & Krause, Inc.
Suzan Lehmann, Hinckley, Allen & Snyder
Jim Bouley, Dennehy & Bouley
John Papile, Intralot
Jim Brown, Intralot
Jeff Lipps, Intralot
Curtis Barry, The Dupont Group
Jonathan Chavez, Social Sphere, Inc.

Chairman Douglas convened the Commission meeting at 2:00 p.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

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

A brief discussion was held on scheduling a meeting for the Lottery Commissioners to meet with the Liquor Commissioners. Director McIntyre responded that he would provide the Commission with the proposed meeting dates recently received from the Liquor Commission.

2. SOCIAL SPHERE, INC.- PHASE ONE STUDY FINDINGS:

Jonathan Chavez from Social Sphere, Inc. presented phase one research findings. An overview was provided by Mr. Chavez of the three phases of the project. Phase I was a qualitative analysis that was conducted to obtain players perceptions of the New Hampshire Lottery through focus groups and intercept studies.

Mr. Chavez stated four focus groups were conducted, 183 in-store observations at ten retail locations and 100 intercept interviews with New Hampshire Lottery players in November and December. Details of the focus groups and interviews were provided. The main objectives of the focus groups were to understand the way NH Lottery players view the Lottery and place it in a context with their overall perception of entertainment and entertainment spending. Discussions of the focus groups covered primary areas including players' overall impressions of the New Hampshire Lottery; the experience and the brand; a comparison of the New Hampshire Lottery to other states, specifically the Massachusetts Lottery; the NH Lottery Replay program; the 10% gambling tax; and suggestions for improvements to on-line and instant games.

Mr. Chavez discussed key findings resulting from the focus groups relating to players' overall payout perceptions of New Hampshire Lottery games compared to other state lotteries, specifically the Massachusetts Lottery; the 10% state tax on winnings; Lottery revenue allocation benefits to Education; the Replay program and instant ticket design. A brief discussion was held on player feedback regarding the Replay program. Travis York of Griffin, York and Krause discussed possible improvements for Replay which could help address players' suggestions.

Mr. Chavez provided an overview of the observations and intercept interviews which were conducted on November 20th and November 29th at ten retail locations. To gain a better understanding of the dynamics behind lottery sales and the players at different types of locations, studies were conducted at top selling grocery stores, convenience stores and gas stations. A researcher observed & recorded customers' demographic information and purchasing behavior at each location, including lottery purchases, and point of sale placements within stores. Simultaneously another researcher conducted ten short interviews per location with players who bought lottery games. Some of the key findings from the interviews were that players were generally satisfied with the New Hampshire Lottery and they find the games fun to play and they are aware of the role the Lottery plays in funding state education. Mr. Chavez stated that the most commonly requested improvement heard for the New Hampshire Lottery was increasing the number of winning tickets. Players felt that the payout in instant tickets had declined in recent years, and that Massachusetts currently has a higher payout rate than New Hampshire, driving them to play in Massachusetts rather than NH.

Director McIntyre stated phase two of the research project will be a quantitative study conducted after January 1, 2011. The study will collect responses from approximately 1000 Replay members.

Mr. Chavez reported on the results of the observations noting that significant opportunities exist for in-store improvements relative to the placements of point of sale materials, lottery branding, jackpot signage, play stations and WinStations at certain

locations. Also briefly discussed were improved incentive programs for retailers that would benefit both the retailers and the Lottery.

A lengthy discussion was held on the Replay program and possible technological advancements for expanded communication with lottery players and offerings to players. The Commission emphasized the importance of the Replay database and continuing to find new ways to use the information to benefit the Lottery and increase sales. The Commission asked Director McIntyre to request an opinion from the Attorney General's Office regarding various uses of the Replay database.

3. ADVERTISING:

Maura McCann stated she did not have a Tri-State report to present, due to the cancellation of the December meeting. Ms. McCann stated the Tri-State Holiday Raffle promotion using expired, unclaimed prize money had begun and would run through December 25th. A total of 7,500 free raffle tickets have been awarded to players to date. Ms. McCann announced that enhancements to the Weekly Grand game were anticipated to be released by March, 2011. The "Double Draw Dollars" promotion for the Pick 3 and Pick 4 is scheduled to run from mid January through January 31st.

Increased radio and television advertising is being done to promote the holiday games and additional discounts for subscriptions.

4. REQUEST OPINION OF ATTORNEY GENERAL REGARDING RSA 284:21-h:

Director McIntyre suggested that an opinion be requested from the Attorney General for an interpretation of RSA 284:21-h. Director McIntyre indicated he had reviewed the language within the statute and felt it was broad in the ability to incentivize retailers for sales performance. A discussion was held on reviewing the possibility of increasing a retailer's compensation rate based on the amount of sales and what the current incentive program allows.

5. LIQUOR COMMISSION MEETING:

Chairman Douglas confirmed there would be a Lottery Commissioners meeting with the Liquor Commissioners at the Liquor Commission on Storrs Street on December 28, 2010 at 2:00 p.m.

6. INTRALOT REPORT:

John Papile stated that as of today there were a total of 1192 active retailers with 1370 Microlot terminals. Mr. Papile stated that Microlot terminals have been installed in every lane but two lanes in the Liquor Stores in New Hampshire, except for Liquor Store #4 in Hooksett which currently is dealing with an electrical issue. Mr. Papile stated that the Microlots have been installed in 19 Rite Aid stores out of the 60 total scheduled for installation. Those 19 Rite Aid stores have sold \$8,200 in instant tickets. The top three locations are the Concord South Street store, Concord Fort Eddy store and the Pittsfield Rite Aid.

Mr. Papile stated that 379 jackpot signs had been installed at retailer locations, with 10 left to be installed this week. All communications have been installed at the Rite Aid locations, 51 using DSL; 8 using 3G; and 1 using Vsat. Mr. Papile stated 24 instant games can be replenished on the TelSel and IPredict systems, 13 of which are the games with the new bar codes.

Mr. Papile announced four holiday games were currently on sale, with one being sold out in the warehouse. About 10,000 packs of The Yule Win, Holiday 2010 and New Year Tripler are scheduled for distribution within the next week. Mr. Papile stated he had not received any calls from retailers running out of tickets, and about 700 retailers are on TelSel or about 50% of the base.

Mr. Papile provided an update on the new \$20 Cash Spectacular instant game's sales. A total of 249 books were settled by the end of the first week of sales and 151 books have been settled so far this week. Mr. Papile stated the sales figures and amount of books settled for this new game, offering a chance to win \$1 million in cash, was a positive reflection on the game.

Mr. Papile reported weekly instant sales for the past two weeks have been over \$3,000,000, which is the first time on instants since August. Mr. Papile stated instant tickets had been shipped through TelSel, totaling worth \$3.2 million in October; \$8.5 million in November; \$5 million to date for December; with December 14th being the highest shipping day valued at \$1,005,550.

Mr. Papile stated the #1 ranked WinStation store is a Market Basket in Salem which has sold 52,653 tickets through their Winstation valued at \$176,741 since July 1, 2010. The #10 ranked WinStation store is a Hess station in Salem which has sold \$134,328 worth of tickets through their WinStation for the same period.

Mr. Papile stated as of today, a total of 298 installed WinStations and another 50 WinStations remaining for installation at Rite Aids, have sold 3,400,000 tickets worth \$11.7 million since July 1, 2010. Mr. Papile stated advertising plans were in process to bring

awareness of on-line ticket purchases from the WinStations. Mr. Papile introduced Jim Brown as Intralot's Operations Manager and Jeff Lipps, as Intralot's Operations Coordinator. Mr. Papile commended Fairpoint with DSL employment. Mr. Papile stated that he expected the lottery terminal communication network would consist of only 10% VSAT by mid January.

7. FINANCIAL REPORT:

Georges Roy, Administrator III, presented to the Commission, copies of the Governor's budget, prior to the 95% reduction. A brief discussion was held on the Lottery's proposed budget for the next biennium and the budget process. Mr. Roy stated a total of five fiscal notes for Legislative Service Requests had been prepared and forwarded to the Commission.

Mr. Roy stated that an estimated \$4.6 million net profit for November would be transferred to Education on Friday.

Chairman Holloway made a motion, seconded by Chairman Douglas, to adjourn the Commission meeting at 4:20 p.m. and to move into non-public session to receive counsel from their attorney. So voted, unanimous.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner