

TRI-STATE LOTTO COMMISSION

Commission Meeting Minutes

New Hampshire Lottery Headquarters – Concord, NH

August 13, 2021

PRESENT: New Hampshire: John Conforti, Chief Compliance Officer, proxy for Commissioner Douglas; Maura McCann, Kelley-Jaye Cleland, Jim Duris, Lynda Plante, and Carmela Nolin
Maine: Julie Sheehan, Chairman; Gregg Mineo, Director; and Lisa Rodrigue
Vermont: Ed Flanagan, Commissioner; Sabina Haskell, Deputy Commissioner; Sylvia Buzzell; and Brian Evans
Jeremy Kyzer, Calvin Rinck, and Darrel Frecker of Scientific Games; Jennifer Wankling and Byron Peterson of PollardBanknote; Fivi Rondiri of Alchemy3; Steve Mason of Fuselideas; Taylor Yianokopolos and Hayden Stills with GYK Antler; and Matthew Benoit of IGT

Chairman Sheehan called the meeting to order at 10:01 a.m. via Teams videoconference. No changes were requested to the agenda, and a quorum was confirmed.

1. ACCEPTANCE OF MINUTES FROM JUNE 11, 2021

Motion was made by Commissioner Flanagan to accept the June 11, 2021, meeting minutes as submitted. So voted, unanimous.

2. FINANCE COMMITTEE

Financial Report

- Finance Chair Sylvia Buzzell presented the year-end report for Fiscal Year 2021. Gross revenues for FY21 were higher than forecast by \$16.1 million. Fast Play made up most of the revenue growth at \$13.1 million. Megabucks sales were lower than forecast by \$1.18 million, Gimme 5 sales were up \$1.40 million and Pick3/Pick4 were up \$1.58 million and \$1.21 million respectively. As a result of the increased sales, cost of sales were higher than forecast \$12.95 million. Operating expenses were lower than forecast as ad spending was down \$1.34 million and the RFP consulting costs in Vermont dropped \$696 thousand.
- Net profit for FY21 was above forecast by \$5.31 million, again owing to increased Fast Play sales and lower operating expenses. Sales for FY21 were \$17.74 million higher than FY20, due to increases in Fast Play sales of \$13.45 million, Gimme 5 of \$1.84 million, Pick 3 of \$1.36 million, and Pick 4 of \$1.25 million. Cost of sales also were higher \$13.98 million as a direct result of increase in sales. Operating expense were up \$866 thousand, due to an increase in advertising expenses of \$782 thousand and \$100 in licensing fees for Maine's Patriots Fast Play game. Net profit for FY21 was higher than last year \$2.8 million.
- There was \$2.86 million in Expired Unclaimed Prizes at the end of the fiscal year. The Gimme 5 low tier contingency fund was brought to a \$0 balance after transferring \$45,818 guaranteed top prize fund. The top prize fund is now at \$639,747; Pick 3 and Pick 4 were both below 50% of their thresholds of \$700 thousand and \$1.4 million respectively, so funds were transferred from the Megabucks jackpot contingency fund to bring the daily numbers funds to 50% of their thresholds. The Megabucks fund was at \$2,699,990 as of June 30, 2021. Vermont had a Megabucks winner this week and the winner has chosen the cash option, so we are covered. Commissioner Flanagan inquired whether the Gimme 5

contingency is always in the negative. Ms. Buzzell confirmed that it had been earlier in the year, but as of July, it is in the positive \$9,300.

- The audit team was on site in mid-July and there is one final exhibit and footnote for the financial statements to provide. Intralot's SOC report is to be done in August, which should put us on track for a final report in September. Ms. Buzzell asked if the Commission wants to meet earlier than the November meeting to present the audit as the three states will need the results to complete their individual annual reports. After discussion, we will keep it fluid based on the components being finished.

US Bank Investment Transition

Jim Duris presented an update on the investment portfolio management agreement. Mr. Conforti assisted in drafting our agreement and we're working through final negotiations. Bank representatives are eager to begin working with us, and suggest the Commission alter the benchmarks and consider moving to exchange-traded funds (ETFs) rather than individual bonds; they are a lower-cost, lower-fee item. Mr. Duris recommended that the Commission have a discussion prior to agreeing to the change; it was unanimously decided to meet when the audit is complete to have this review. Mr. Duris has consulted with Mr. Conforti and would like to inform the other banks that submitted their proposals that they were not chosen. Chairman Sheehan and Commissioner Flanagan agreed with Mr. Conforti's assertion that this is sufficient and Mr. Duris will go ahead and reach out to the other banks.

DRAW REPORT

Ms. McCann reported that there are new Megabucks balls on order, which is a line-item expense and the cost for three new sets is \$2,664.00. And she thanked the three vendors for their patience as we had to change the method we sent draw reports to them due to phone line issues. Ms. McCann concluded that she will schedule a preventive maintenance on draw machines.

MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

- Lisa Rodrigue introduced Tim Menzia, Director of Marketing Research from Scientific Games, who gave the results of the Megabucks player survey. The study had a large sample of 7,900 participants; most play at least once a week and they love it because it's a local game. Non-players find the jackpot is not big enough and it's not easy enough to win. Of the concepts suggested to players, the addition of a multiplier was the most popular; and second was to leave the game as it is. Mr. Menzia suggested that the non-player responses present opportunities to develop strategies to win over those customers. Ms. Rodrigue noted that the committee will work with Scientific Games to drill down with this data and develop a plan that will be shared at the November Tri-State meeting.
- The Big Spin final event is coming up in a few weeks on September 4. The finalists will compete on the mini stage, and the wheel will be shipped and calibrated a few days prior to the event. Rules and policies as well as personnel are being lined up for the event, especially in terms of compliance.

- Ms. Rodrigue requested a motion to use the Unclaimed Expired prize money to fund this and other events through the year. More than usual is requested this year, because the potential total prizes at The Big Spin is \$1.25 million. That, plus \$450 thousand in rolled-over funds from FY21 brings the request for FY22 to \$1.7 million. Ms. Rodrigue added that if the full \$1.25 million is not won, the states would like to pro-rate and divide any remaining balance up to \$500 thousand to fund promotions throughout the year. Commissioner Flanagan moved to use \$1.7 million to fund The Big Spin and promotions through the fiscal year. Chairman Sheehan seconded, and Mr. Conforti, proxy for Commissioner Douglas, voted in favor. Motion passed unanimously.
- The next Tri-State instant ticket is Big Country Cash; she sent the contract to the Commission for their review. Tickets are planned to go on sale in January of 2022, four winners for each drawing will bring a guest and tour with the band in the fall of 2022 and spring of 2023.. Chairman Sheehan has approved the contract, and the committee will be working on it with Alchemy3 over the next few months.
- The November meeting will be on the 5th in Maine; plans are coming together and will be shared with the participants and presenting vendors in the coming weeks.

3. ACCEPTANCE OF COMMITTEE REPORTS

Chairman Sheehan requested a motion to accept the committee reports. Commissioner Flanagan so moved, and Mr. Conforti seconded; motion passed unanimously.

Julie Sheehan, Chairman

Ed Flanagan, Commissioner

Respectfully submitted, Carmela Nolin