

TRI-STATE LOTTO COMMISSION
YORK HARBOR INN
YORK HARBOR, MAINE

OCTOBER 2, 2009, 9:30 A.M.

Present: **Maine:** Orland McPherson, Dan Gwadosky, Denise Garland, Michael Boardman, Lisa Rodrigue Rich Sperlazzi
New Hampshire: Richard Campbell, Rick Wisler, Maura McCann
Vermont: Tom Scala, Alan Yandow, Hadley Melendy, Mary Cassani (via teleconference) Carole Lacasse
NL Partners: Chris Nichols, Jennifer Cartmell
Griffin York & Krause: Rose Longo-White, Mel Woodbury
Scientific Games: Liz Dimmick, Mary Wdowin, Karl Fortman, Alan Lyman, Darrell Frecker, Doug Parker, Leslie Badger
Wall, Berry, Dunn, McNeil & Parker: Jeff Walla (via phone)

The meeting was called to order at 9:30 a.m.

ACCEPTANCE OF THE AUGUST 6 AND SEPTEMBER 18, 2009 MINUTES

A motion was made by Commissioner Campbell to accept the minutes for August 6 and September 18, 2009 as distributed. Motion was seconded and voted in the affirmative.

FY09 AUDIT REPORT BY JEFF WALLA, BERRY, DUNN, MCNEIL & PARKER

There was an unqualified opinion on the financial statement as well as a report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

Financial Highlights: Gross revenues for lottery gaming activities decreased by \$8,174,680, or 11.16%. Megabucks sales decreased \$6,482,984 and Pick3/Pick 4 sales increased by \$291,030. The Paycheck game ended in January 2009 and was replaced with the Weekly Grand game, which had sales of \$5,521,966. The Fast Play games had sales of \$2,854,513.

Total operating expenses for the year decreased by \$5,245,273, or 10.56%. Of this decrease, prize expenses decreased by \$4,832,133; agent commissions and bonuses decreased by \$340,075; vendor fees (facilities management fees) decreased by \$647,428; and other operating expenses increased by \$574,363. The total increase in general and administrative expenses was 14.83%. Non-operating income decreased by \$422,638, or 65.34%. This was due to the decline in interest rates.

Assets: The assets of the Commission are primarily cash, institutional investments, and winner investments. Total assets at June 30, 2009 of \$101,958,498 include restricted investments of \$89,478,625; institutional investments of \$5,912,791; and other operating assets, such as cash and cash equivalents, accounts receivable, and prepaid expenses of \$6,567,082.

Liabilities: The Commission's liabilities consist of operating liabilities, unearned revenue and obligations for payments of prizes to lottery winners. Total liabilities on June 30, 2009 of \$86,382,791 include long-term liabilities for prize obligations of \$64,752,325.

Net Assets: Net assets in the amount of \$15,575,707 include designated prize reserves in the amount of \$4,354,585. The decrease in net assets from the prior year of \$37,445 is due to the decrease in fair market value of the restricted investments held for winners on June 30, 2009 of \$287,445 and an additional \$250,000 of designated prize reserves from Pick 4 prize contingency.

There is no Management Letter this year.

FINANCE COMMITTEE REPORT – Denise Garland

The committee met September 29th via teleconference.

Procedures for processing winning jackpot tickets: The committee discussed the updated Grand Prize Election form and the Qualified Prize Option Advisory forms for Megabucks Plus and Weekly Grand. They discussed the procedures and liked the more detailed steps that were outlined. The procedures better explain the five-day rule for changing the name and the 60-day rule for the election form. Some other changes were discussed and have been incorporated.

Investments: The committee discussed what should be done with treasury strips that were purchased for the Megabucks Plus winner paid in cash. Another winner from August 1st has not yet made their option. We may be able to use these strips for that winner. If not, we will have to decide what to do with these strips. The options are to either hold them hoping rates go up, or cash them in now which will likely be at a loss. We should know very soon what option the August 1st winner will choose. Their 60-day option is over October 6th.

MARKETING COMMITTEE REPORT – Maura McCann

The Maine Lottery brought in their Hot Lotto spots (both radio and television) for the commission to hear/see. They are scheduled to start a week from Sunday. Next month New Hampshire will share their commercial spot for their Aerosmith instant scratch ticket. All three states are gearing up for the holidays.

DEVELOPMENT COMMITTEE REPORT – Lisa Rodrigue

The committee has begun looking into a replacement game for Weekly Grand. Plans are to have a game all ready to be implemented when the system is ready which would be in 18 to 24 months.

A \$2.00 Fast Play game, Bingo, was discussed. The system does not allow for two different price points at one time in this game.

A Promotion Schedule for this fiscal year has been developed. Lisa expressed her thanks to everyone for bringing forward the various information discussed at yesterday's meeting. It was a very productive meeting.

DRAW COMMITTEE –Maura McCann
Nothing to report at this time.

OPERATIONS COMMITTEE – Lisa Rodrigue
This committee is made up of Sylvia Buzzell, Irene Nadeau and Lisa Rodrigue. Sylvia Buzzell has agreed to chair the committee. Plans are to have a conference call meeting next week. Thank you, Sylvia, for taking on the chair position of this committee.

The states are done with the SRSs and will be testing the Pick 3/Pick 4 changes. Maine is testing Hot Lotto as well. Maine will continue to offer the Fast Play game.

SCIENTIFIC GAMES – Doug Parker
SG is on track with the Pick 3/Pick 4 software release for all three states. Vermont has completed SG's QC and site testing and they are currently in UAT testing; Maine is ready for site testing to start next week now that Hot Lotto has been completed; New Hampshire is also on schedule, although slightly later than the other two states because the release also includes subscriptions through the terminal functionality. This was a larger more complex release. It appears all releases are on schedule and it looks like everything is in good shape.

ACCEPTANCE OF REPORTS

A motion was made by Commissioner Scala to accept the reports as presented. Motion was seconded and voted in the affirmative.

OTHER BUSINESS

It was noted that this may, or may not, be Rich Sperlazzi's last meeting as he is retiring the end of November. We all wish Rich good luck and good health. We certainly will miss him.

OTHER BUSINESS

There was no action on the Pick 3/Pick 4 Rules as the copies in the packet were incomplete. They will be acted upon at next month's meeting.

The next meeting is scheduled for November 6 at 10:30 a.m. at the New Hampshire Lottery Commission in Concord, NH.

A motion to adjourn was made at 10:08 a.m.

Orland McPherson, Chair