

TRI-STATE LOTTO COMMISSION  
New Hampshire Lottery Commission  
Concord, NH

Friday, September 10, 2010, 10:30 a.m.

Present: New Hampshire: Debra Douglas, Chair; Charles McIntyre, Maura McCann, Irene Nadeau, Kassie Strong  
Vermont: Tom Scala, Vice Chair; Mary Cassani, Carole Lacasse  
Maine: Orland McPherson, Commissioner; Lisa Rodrigue, Michael Boardman,  
Guests: Darrell Frecker, Liz Dimmick with Scientific Games; Chris Nichols, Alex Crosby, Jen Cartmell with NL Partners; Rose Longo-White, Mel Woodbury with Griffin, York & Krause; Christen Pare, Jennifer Flanders, John Papile with Intralot; and Jeff Walla with Berry, Dunn, McNeil & Parker

The meeting was called to order at 10:35 a.m.

**ACCEPTANCE OF THE AUGUST 5, 2010 MINUTES**

A motion was made by Commissioner McPherson to accept the August 5, 2010 minutes as presented. Motion was seconded and voted in the affirmative.

**FINANCE COMMITTEE** – Mary Cassani

Jeff Walla with Berry, Dunn, McNeil & Parker provided a presentation on the FY10 Tri-State Lotto audit.

The company has issued an Unqualified Opinion on the Financial Statements and an Unqualified Opinion on the Internal Control Report over financial reporting and on compliance and other matters.

Audit Process and Timing: Conducted interim audit fieldwork in May 2010 and conducted final year end audit fieldwork in July 2010.

Overview of Financial Performance: Revenues increased \$13.6 million, or 21%; Operating expenses increased \$8.1 million, or 18%; and transfers to states increased \$5.5 million, or 26%.

Significant Audit Adjustments: 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.

Management letter comments: No material weaknesses or significant deficiencies, Two control deficiencies: a) Expense reimbursement – some reports tested were not signed indicating approval by commissioner. If designee is appointed to carry out this function this should be documented to demonstrate compliance with the approved policy. b) Investments held by trustee – currently there is no procedure in place to review the internal controls of the trustee in certain areas. This can be accomplished by obtaining the annual SAS 70 examination report from the trustee and reviewing the report to assure there are internal controls in place to assure cycles over initiating, recording, processing, summarizing and reporting of investment transactions have been tested by the service auditor. The auditors had a little difficulty obtaining this report from Peoples United (formerly the Chittenden Bank). This has since been discussed with Mary and the bank.

Other Matters: There were no disagreements with management during the course of the audit and the audit company received excellent cooperation from Mary Cassani and her team along with the individuals in New Hampshire and Maine during the local testing.

## MOTION

A motion was made that the Tri-State Lotto Commission delegates authority to Mary Cassani, Administrative Services Manager for the Vermont Lottery and Chairman of the Tri-State Finance Committee, to approve Tri-State travel expenses for the various commission staff. Motion was seconded and voted in the affirmative.

## July Financial Report Review:

Gross revenues through July 2010 have increased \$1.9 million or 39.20% compared to last July. Of this increase, Megabucks sales are up \$1.5million, or 63.10%; Daily Numbers sales are up \$351,000 or 22.95%; Weekly Grand sales are down \$16,000, or 2.28%; the Fast Play games are up \$9,277, or 6.39% from last year. There was an extra Saturday of sales this year.

Total expenses through July 2010 are up over last July \$882,421. This represents an increase in cost of sales and a decrease in operating

expenses which represents primarily a decrease in advertising and Battelle contract line items.

Net Profit increased from last year a little over a million dollars, or 65.06%.

Compared to what is budgeted, sales are ahead of forecast a total of \$120,000. We are ahead of forecast for Megabucks Plus and behind in all other games. Due to the increase in sales, cost of sales are also over budget by \$61,000. So far the total operating budgets have been under spent this year a total of \$209,874.

All contingency funds were in the positive at the end of July. There was \$801,000 in expired, unclaimed prizes at the end of July.

### **MARKETING AND PRODUCT DEVELOPMENT COMMITTEE** – Maura McCann

The committee has been quiet this past month.

The committee has been busy with the Tri-State Celebration. It started Sunday, September 5, and will run through Saturday, September 18. With the purchase of a Megabucks Plus ticket, players are eligible to win \$25 instantly. Maine and Vermont supported this promo with radio and point of sale and New Hampshire supported it with a television spot, radio and point-of-sale. New Hampshire's spots were played for the commission. Next month Maine and Vermont will share their radio spots. It was noted that the three states share their various advertising pieces.

Maine and New Hampshire will share their holiday promotion scheduled for December 12 – 25, 2010. In the past, instant cash prizes were awarded upon a Tri-State ticket purchase; however, this year plans are to produce a raffle ticket with the drawing to be held January 5, 2011. New Hampshire is planning on awarding \$100,000 worth of prizes and Maine will be awarding \$200,000.

The committee has just completed the Tri-State Weekly Grand surveys in all three states. New Hampshire received about 5,000 responses, Maine got 1,000 responses and Vermont got over 500 responses. Vermont and Maine players would like to see a weekly raffle promotion and the second choice was to change the \$5 win to a \$25 cash win. In New Hampshire, 60% of the respondents said they do not currently play the game. They said they would like the \$5 instant win changed to \$25 and the second choice would be the seasonal promotion. The committee will further review all the information received and will come to the October commission meeting with a recommendation for Weekly Grand

Jingle Bell Bucks will be the next Fast Play game and it is scheduled to begin October 17. This game is available in New Hampshire and Vermont. Staff is looking into what games to offer after Jingle Bell Bucks.

The Maine State Lottery is celebrating their 35 Anniversary September 29 in Augusta, Maine. They are expecting three to four thousand people to attend the festivities. New Hampshire is planning to ramp up for the holidays. They plan to offer a larger subscription discount to the four games they currently offer subscriptions to. They are also looking into the ability of having the players register their subscription via the web thus eliminating the step of mailing the subscriptions into the office.

#### **DRAW COMMITTEE** – Maura McCann

Maura brought before the commission the request to order seven sets of white ping pong drawing balls numbered zero through nine, number printed six times per ball and word printed beneath the number at a cost of \$153.00 per set for a total cost of \$1,071 plus shipping of \$40 for a total cost of \$1,111. The current balls have been used for about three years.

#### MOTION

A motion was made by Commissioner McPherson to authorize the expenditure of \$1,111 to purchase seven sets of white ping pong drawing balls to replace the sets currently being used. Motion was seconded and voted in the affirmative.

#### **OPERATIONS COMMITTEE** – Lisa Rodrigue

The committee has been conducting their monthly meetings via conference calling. New Hampshire and Vermont are working on their Fast Play games for the holidays and the committee has reviewed the preliminary results of the Weekly Grand survey. Megabucks Plus promotions are being reviewed. With the Weekly Grand tweak coming up, the committee will be busier.

#### **SCIENTIFIC GAMES** – Darrell Frecker

SG has done some of the background work for a lot of the items mentioned by Maura and Lisa. They were involved in the Weekly Grand survey and been involved in the holiday raffle. They've been involved in a number of non Tri-State things, i.e. Mega Millions testing regarding the megaplier.

**INTRALOT** – John Papile

Intralot has been working with the New Hampshire Lottery on the final specs for Jingle Bucks and the subscription promo.

**ACCEPTANCE OF THE COMMITTEE REPORTS**

Motion

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

**OTHER BUSINESS**

Committee Appointments for FY11: This will be acted upon at next month's meeting.

Trademark Contract with McLane, Graf, Raulerson and Middleton:  
Maura reported that this contract was issued in 2009 and there was an option for two one-year renewals. Maura requested that the commission renew the contract with the same company with a cap of \$5,000 annually and requested that the commission extend the contract for the two-year period.

MOTION

A motion was made by Commissioner McPherson to extend the Trademark Contract with McLane, Graf, Raulerson and Middleton for a two-year period at a cap of \$5,000 annually. Motion was seconded and voted in the affirmative.

A motion to adjourn was made at 11:15 a.m.

The next commission meeting is scheduled for October 7, 2010 at 9:30 a.m. at the York Harbor Inn in York Harbor, Maine.

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Debra Douglas, Chair