

## General & Administrative

- 1) On the VIL website, we found a copy of the audited financials for the fiscal year ending September 30, 2017. Please provide copies of the financials for years ending September 30, 2018 and September 30, 2019.

A copy of the Virgin Islands Lottery (VIL) Audited Financial Statements for 2018 is attached. VIL is presently being audited for 2019.

- 2) For how long has the current regular prospectus for the VIL Game been in force? When was it last changed? What were the main changes? What effect did those changes have on ticket sales? What prompts the current review?

The regular prospectus has been in place for at least 20 years. The VIL has no records which would provide any sales data before and after the change for that far back. Lower sales numbers related to Covid and legal and illegal competition has prompted this RFP.

- 3) III D on page 13 of the RFP requires occurrence insurance coverage. My broker has indicated that there are no known markets for occurrence coverage for professional liability for actuaries. How can the requirement of claims-made coverage be relaxed or eliminated?

This requirement can be eliminated. We will post an addendum to this effect.

- 4) IV B on page 14 of the RFP requires a Virgin Islands business license. We presume that there are no major obstacles in obtaining such a license. Is our presumption correct?

Yes, there is a requirement to have a V. I. business license. If there's any major impediment, VIL can assist.

### **Attachment A**

- 1) What are the numbers in column 1? Do these numbers indicate different fortnightly draws?

The numbers in column 1 represent the amount of drawings for the year.

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- 2) How are the averages in column 2 calculated?

The averages in column 2 are calculated as follows: Total Sales/number of days in the drawing.

- 3) Periods 14 to 18 of this year show large increases in total sales. Periods 13 to 17 show large decreases in average sales. These periods are marked as Covid 19 periods. Why has Covid 19 had these effects?

Prior to Covid19, the VI Lottery had bi weekly drawings. As a result of Covid VIL was forced to have monthly drawings in order to meet or surpass 40% of our sales.

### **Attachment B**

- 1) We assume that this attachment describes the current arrangement, not the proposed one. Is this correct?

Yes, this is the current arrangement.

- 2) What do “approximations” and “triple terminal” on this attachment mean? Also, what are the numbers 1 2 33 in the first column?

Approximation is a terminology that represents the number before and after the major prizes (i.e. if a ticket plays first prize with a number 12444, the approximation would be 12443 and 12445.) Triple terminal is the last 3 digits in the major prizes where in a customer can win a prize that varies.

- 3) How are the prizes allocated? For example, can we assume that the first number drawn determines which sheet will be allocated the prize of \$ 175,000? How are the other prizes allocated?

The prizes are drawn through a Random Number Generator Terminal. The numbers drawn by the RNG machine allocate all winning prizes.

- 4) Does this schedule of prizes depend on sales? For example, if sales doubled, would the number of prizes double? If sales halved, would the number of prizes halve?

No, the schedule of prizes does not depend on sales.

- 5) Attachment B shows a total pay-out of \$704,300. Is this pay-out decided before the draw? For example, are players promised before the draw that the first prize will be \$ 175,000?

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This is the maximum that can be paid out if all the winning tickets were sold. If it's a regular drawing it is known that the first prize value is \$175,000.

- 6) Attachment B shows the breakeven number of sales as 30,662. What do you think are the major risks that would cause sales to fall below this level?

Covid, player apathy, increased legal and illegal competition.

- 7) Please describe any studies that have been carried out for you which show what influences your buyer behavior. No studies have been conducted. VIL has done non-scientific verbal surveys of customers and dealers who have consistently indicated that they would like to see an increase in the top 4 prizes which would encourage them to play more. A survey likely needs to be conducted to better understand players/dealers opinions related to this. VIL recommends using a scientific study, focus groups and also a local survey of our dealers and customers.

For example, would you expect an increase in the first prize in the regular drawing from \$ 175,000 to \$ 200,000 to lead to a significant increase in sales or no increase in sales? Yes. What would you expect to happen if 1,000 prizes of \$ 30 were replaced with one prize of \$ 30,000? VIL believes that would not help our product sales. It is likely VIL can probably reduce the number by half on the \$30 terminal prizes.

- 8) How do ticket purchasers get to find out about the prizes on offer?

Presently, the prospectus is printed on the back of the tickets and it's also on the V. I. Lottery's website.

- 9) How do we reconcile the total prize money of \$704,000 in Attachment B with the total sales per fortnight of \$300,000 - \$ 400,000 in Attachment A?

Prizes are paid out when they are claimed. Out of the \$300,000 - \$400,000 in sales not all might be winning tickets.

- 10) What flexibility do you have to change the number of sheets printed? What flexibility do you have to change the number of pieces on a sheet?

There is no flexibility. The current prospectus is based from the number of sheets and pieces.

**VIL LOTTERY GAME & TECHNICAL QUESTIONS**

- 1) The RFP provides an overview of its product offerings including instant games (at 5 different price points) and terminal-generated games (of which there are 9 types). However, the RFP (see Section D - Scope of Services) seems to focus exclusively on the Virgin Islands Lottery Game (i.e., 1 of the 9 types of the terminal-generated games). Is this consulting project limited to just the Virgin Islands Lottery Game, or is it broader, so as to include some of the other games described in the RFP?

At this point, the consulting work for the RFP is limited to The Virgin Islands Lottery Game.

- 2) We would like to see a more detailed, complete description of the Virgin Islands Lottery Game than is contained in the three brief paragraphs on p.6 of the RFP. It seems like the current description was written more for those who are already familiar with the game than those who have no prior familiarity or experience playing it. For example, what are the explicit gaming differences between players who buy an entire sheet (of 20 or 25 tickets) and those who only purchase an individual ticket, with respect to price, payout, and the prize-sharing mechanism alluded to when one only buys individual tickets? There is a partial explanation of these differences given, but we would appreciate a more complete overview. We are happy to have this discussion by conference call, if that would help?

A player who buys a full sheet of ticket (20 or 25 pieces) will win the entire prize versus a player who does not. The policy related to the game is attached hereto. I hope this is helpful

- 3) We are also not sure whether a player gets to choose their own numbers, or if they have to accept the numbers that are on the sheet (or individual tickets from the sheet)? Also, are all the sheets distinct (with completely randomized numbers), or do some of the sheets, by design, have a complete set of matching numbers to other sheets? We were also confused by the statement: "A player's ticket number choice is limited by the available pool of tickets that are printed," despite there being a fixed number of numerical choices: 34,000 for the Ordinary Drawing (or 40,000 for the Extra-Ordinary Drawing).

The sheets are chronologically numbered from 00001 to 34000. The sheet that has the numbers 00001 has 25 tickets that are valid for the number 00001. Hence if a player buys the entire sheet and the ticket number 00001 is drawn as the top prize ticket, he will win the grand prize himself. If he has 20 individual tickets that are ticket number 0001, he wins 80% of the grand prize and so forth. A player may choose their own numbers, however, the numbers may be limited by what any individual dealer or seller has when the player purchases the ticket. Example; A player approaches dealer A. Dealer A has purchased 100 Virgin

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Islands Lottery Game sheets from the VIL to resell. The dealer purchased sheets 00001 to 00100. Is this instance, the player could ask for ticket number 00099 or 00013 and so forth. So yes, a player has the ability to select their own numbers, but those numbers may be a limited portion of the game numbers depending on when or from whom they purchase the ticket.

- 4) Also, when you talk about the payout percentage assumptions being 90% (Ordinary) and 84% (Extra-Ordinary), are these borne out by the actual experience of players, or would the actual payout percentages be significantly lower due to the fact that some players buy only individual tickets and thus have to share their winnings with others? In other words, if the players do not play the game optimally by buying the full sheets, does the House get to keep a greater share of the payout?

The payout percentages are based on the prospectus if all the prizes are sold. If all the prizes aren't sold the payout percentage will be less.

- 5) Does the scope of this project extend to other lotteries outside the Virgin Islands (for comparative purposes)? At the top of p.9, you indicate that there is gaming competition from Puerto Rico, New York State, and other Caribbean Islands; also, on p.12 (under 5. Work Plan and Final Report), you indicate that a proposed work plan would establish metrics relating to measures from other lotteries. If so, will we need access to the internal workings of these 'other lotteries' that would not necessarily be publicly available?

The scope only includes the Virgin Islands Lottery Game. To the extent information is needed about other states or jurisdictions, the VIL can provide that to the extent it is available through relevant trade organizations. Some of the competition for the lottery is via illegal lottery game/ticket sales. The VIL can provide some insight to the successful bidder, but actual sales and data may be anecdotal at best.