

VIRGINIA LOTTERY
Board Meeting
October 30, 2025

The Virginia Lottery Board met on October 30, 2025, at 9:30 a.m. at Lottery Headquarters in Richmond, Va. A livestream link to the meeting was available on the Virginia Regulatory Town Hall website. A video recording of the meeting can be viewed here:

<https://youtu.be/TRzDPncr0rE>

MEMBERS PRESENT: Ferhan Hamid, Chairman
Adam Tolbert, Vice Chairman
Jonathan Comer
Orrin Gallop
Charles King
Scott Price
Rebecca Tres

STAFF PRESENT: Khalid R. Jones, Executive Director
Amy Dilworth, General Counsel
Ray Dunkle, Deputy Executive Director of Gaming Compliance
Scott Kenyon, Deputy Executive Director of Marketing
Tony Russell, Deputy Executive Director of ITS and Operations
Jennifer Mullen, Deputy Executive Director of Communications
and Customer Relations
Meir Amar, Chief Technology Officer
Tom Seaman, Economic Research Manager
Jo Murphy, Executive Assistant

Mr. Hamid, chairman, presided, and Jo Murphy was the recording secretary.

CALL TO ORDER

Mr. Hamid called the meeting to order and noted that a quorum was present.

GAMING COMPLIANCE COMMITTEE REPORT

Mr. Comer said that the Gaming Compliance Committee met on September 18, 2025. During the meeting, Mr. Dunkle provided a Gaming Compliance update; most of the update took place during the closed portion of the meeting.

On motion duly made by Mr. Comer and seconded by Chief Gallop, the minutes from the Gaming Compliance Committee meeting held on May 20, 2025, were approved as recommended by the committee.

On motion duly made by Mr. Comer and seconded by Chief Gallop, the revisions to the Gaming Compliance Committee charter were approved as recommended by the committee.

OPERATIONS COMMITTEE REPORT

Mr. Tolbert said that the Operations Committee met on September 18, 2025. He provided a brief overview of the meeting.

On motion duly made by Mr. Tolbert and seconded by Mr. Comer, the minutes from the Operations Committee meeting held on May 20, 2025, were approved as recommended by the committee.

On motion duly made by Mr. Tolbert and seconded by Chief Gallop, the revisions to the Operations Committee charter were approved as recommended by the committee.

On motion duly made by Mr. Tolbert and seconded by Mr. Price, the FY26 Internal Audit Plan dated September 18, 2025, was approved as recommended by the committee.

MINUTES OF LAST MEETING

On motion duly made by Mr. Price and seconded by Mr. Comer, the minutes from the regular Board meeting held on July 30, 2025, were approved as distributed.

DIRECTOR'S REPORT

Mr. Jones welcomed new Board members: Mr. King and Ms. Tres.

Mr. Jones started off his report with a quote from Jon Kabat-Zinn.

Mr. Jones provided a snapshot of the first-quarter numbers. Overall profits are up about 1%. Draw games and iLottery are up. The big concern is scratchers. He said that they are down about 6%, and, because scratchers make up such a large share of profits, and they are sold only at brick-and-mortar retailers, the decline in scratcher sales has a significant impact. He said that the decline is an early sign of a long-term trend that we cannot ignore. Mr. Jones said that there is more competition now than ever with casinos and sports betting plus whatever new gambling forms could show up next. He said that the Lottery is not the only game in town anymore. He also said that we must plan for a world that looks different than the one we have been used to since 1987.

Mr. Jones recognized Deputy Executive Director of Finance and Operations Deborah Courtney, who is retiring after 37 years. Ms. Courtney was unable to attend today's meeting, but he acknowledged that she has been a huge part of the finance operations and a national leader in the Mega Millions consortium.

Mr. Jones said that a big part of the future is redefining retail. Currently, 78% of our 5,300 retailers are convenience stores. There is a whole world of social establishments, bars,

DIRECTOR'S REPORT (continued)

restaurants and entertainment spaces where lottery has not traditionally been. He said that we want to add 1,000 new non-C-store retailers by 2030. Mr. Sawyer's team is out in the field building those relationships. Mr. Jones said that we attended the QSR Evolution Conference, a quick-service restaurant conference, for the first time and had promising conversations with brands that have never seen themselves as potential Lottery retailers.

Mr. Jones said that we recently had the huge Powerball jackpot run up to \$1.8 billion, and it brought in record weekly sales and strong profits. But those runs also highlight jackpot fatigue. A \$500 million jackpot does not move people the way it did 10 years ago. Sales at the same jackpot levels are now less than half of what they used to be. He said that we cannot rely on big jackpots to carry us forever.

Mr. Jones said that we also are pushing hard on technology and AI. Our AI Strategy and Steering Committee is up and running with a clear focus on efficiency, modernization and innovation. About 200 employees are in the pilot, and 95% have already used at least one AI tool.

Mr. Jones provided an update on responsible gaming. He said that we are focusing on younger audiences and new play behaviors. We are designing mindful interruptions - moments in digital play where the player pauses, interacts with a responsible-gaming message and then continues only after engaging with the content. It is the kind of shift we hope becomes as automatic as buckling a seatbelt. Of course, we continue our award-winning campaigns around preventing gifting to minors.

Mr. Jones said that we also are tracking the rise of gaming influencers and unregulated apps that target younger players. They promise impossible odds and guaranteed wins, and we are working with sister agencies to push back and protect consumers.

On the regulatory side, Mr. Jones said that we are preparing a full review of our casino regulations now that we are five years in. We also are exploring joining a national exclusion database, finalizing Virginia's own involuntary-exclusion program and staying deeply involved in sports betting integrity groups. Recent scandals in the NBA®, including alleged game manipulation, are reminders that we need to stay ahead of these issues. If we need to restrict certain betting markets, we will.

Mr. Jones said that we are watching the rapid expansion of prediction markets especially as major platforms are entering that space. We consider many of these to be sports betting in disguise, and we want to ensure the legal marketplace is protected.

Mr. Jones ended his report with a quote from Maya Angelou: "Nothing will work unless you do." He said that everything that he has talked about depends on us putting in the work, and we will.

DIRECTOR'S REPORT (continued)

Chief Gallop asked if Mr. Jones thinks the drop in scratcher sales is becoming a critical issue. He also asked if younger players are just not as interested in scratchers compared to older players.

Mr. Jones said that, yes, younger players engage less with scratchers. But the Marketing team has done well introducing licensed games that attract broader audiences like the Skee-Ball® ticket that launched in May 2024. He said that it performed well even with younger players. Mr. Jones said there is not going to be a single scratcher product that suddenly brings everyone back.

Chief Gallop asked if the declining scratcher interest could be an issue of jackpot fatigue.

Mr. Jones said that is part of it. He said that we are seeing the same thing with jackpots. Once players experience enormous numbers, their expectations reset, and you must keep going bigger. Mr. Jones said that it is not unique to us; it is the psychology of big wins.

BOARD ISSUES

Financial Report

Mr. Jones provided the financial update. He noted that scratcher sales remain a concern. Other product categories continue to perform well. Powerball is up significantly year over year due to the recent \$1.8 billion jackpot run, and Mega Millions is now climbing with its current run into the mid-\$700 million range. These jackpot swings are normal and vary quarter to quarter.

Mr. Jones emphasized that this is our first meaningful jackpot cycle under the new \$5 Mega Millions structure, which includes adjusted odds and enhanced lower-tier prizes. This run will give us clearer insight into how players respond to the change. If the data shows a need for further adjustments, we are prepared to advocate for them and understand that any multistate changes take time, which is typically around 18 months from approval to market. Mr. Jones reviewed long-term trends showing that jackpot games fluctuate widely year to year, scratcher performance has historically been more stable.

Mr. Jones said that, in terms of expense ratios, prize payouts remain consistent across categories. Daily numbers-games payouts were higher this quarter due to player wins, which affects profit but also reinforces player confidence. Retailer compensation remains steady at 5% of sales plus the 1% cashing bonus. Mr. Jones said that we are exploring ways to drive more value through cashless products that support the cashing bonus. Operating expenses remain well below our 10% authorization and continue to reflect disciplined cost management.

Mr. Jones said that profits for FY26 Q1 are approximately \$2 million above FY25 Q1; FY24 Q1 remains an outlier due to exceptional jackpot activity. Overall, our multiyear trend still reflects healthy growth.

BOARD ISSUES (continued)

Mr. Jones reviewed gaming tax collections. Sports betting wagers have exceeded \$1.5 billion fiscal year to date and generated nearly \$33 million for Virginia's General Fund. Casino tax structures were explained including the tiered Adjusted Gaming Revenue (AGR) system and distributions to localities and the Problem Gambling Treatment and Support Fund. First quarter tax data for HR Bristol, Portsmouth and Caesars Virginia Danville (Caesars Virginia) was presented.

Chief Gallop asked when we can confidently say that the increased cost of the Mega Millions ticket has had no effect on Mega Millions.

Mr. Jones confirmed that Mega Millions' performance will become clearer as this jackpot run develops.

Mr. Comer asked if the Board could get historical casino comparisons going forward. Mr. Jones said that, though casinos continue to be in a growth phase, we will prepare charts to show year-over-year trends and start-date context.

Gaming Compliance Update

Mr. Dunkle provided an update on sports betting. He said that there are currently 14 approved operators, but two operators are nonoperational, and one operator stopped accepting wagers on July 1, 2025.

Mr. Dunkle provided an update on sports betting supplier renewals and vendor renewals for CY25.

Mr. Dunkle provided the market share by operator.

Mr. Hamid asked whether a casino operator partnered with a sports book could risk its Virginia license if that partner becomes involved in sports-related prediction markets. He said that Boyd Gaming recently sold its stake in a prediction-market company (FanDuel®) but still maintains a partnership.

Mr. Jones said that the issue is currently unresolved and is being actively evaluated. He said that we are assessing where prediction markets fit and specifically whether they fall under sports betting. He said that questions remain as to: What activities are prediction market operators engaging in, do these activities overlap with anything Virginia regulates, and could involvement create conflicts for regulated entities? He said that industry experts argue that prediction markets are commodities contracts that are regulated federally by the CFTC and are not sports betting. Mr. Jones said that states are struggling with this because there is significant ongoing litigation nationally around prediction markets.

BOARD ISSUES (continued)

Mr. Hamid requested an update at the next Gaming Compliance Committee meeting on prediction-market litigation and regulatory approaches in other states.

Mr. Dunkle provided an update on casinos. He shared the status of service permits and supplier permits as of September 30, 2025.

Mr. Dunkle provided an update on HR Bristol. He said that, during the last quarter, his department approved 12 scheduled projects, which involved 272 slot machines, and one table project involving five tables. He also said that his team is continuing to work with HR Bristol on day-to-day operations.

Mr. Dunkle provided an update on Rivers. He said that, during the last quarter, his department approved nine scheduled projects, which involved 149 slot machines, and one table project involving seven tables. He also said that his team is continuing to work with Rivers on day-to-day operations. The hotel is scheduled to open in 2027.

Mr. Dunkle provided an update on Caesars Virginia. He said that, during the last quarter, his department approved 12 scheduled projects, which involved 277 slot machines, and two table projects consisting of 27 tables. He also said that his team is continuing to work with Caesars Virginia on day-to-day operations.

Mr. Dunkle provided an update on the Norfolk casino. The licensing review meeting with the Board took place on October 29, 2025. He said that gaming floor installations are underway. A test day is scheduled for November 5, 2025. Construction on the permanent casino is underway. Mr. Dunkle said that his team is conducting weekly meetings with the Norfolk team to complete necessary reviews and approvals prior to the opening of the temporary casino.

Mr. Dunkle provided an update on the Petersburg casino. He said that the Casino Operator application has been submitted, reviewed and deemed complete. The Licensing and Investigative teams are actively working on all parts of the application. Biweekly meetings are being conducted with the Petersburg team. Mr. Dunkle said that his team has been actively working with the Petersburg team during the receipt of gaming equipment and machines.

Mr. Dunkle provided an update on the Voluntary Exclusion Program (VEP). Since the inception of the program in 2021, there have been a total of 2,131 enrollees. That total includes a number of enrollees that are now inactive.

Mr. Dunkle said that, as of July 18, 2025, 1,955 individuals are enrolled in the program. He also provided a breakdown of enrollees by gender. Mr. Dunkle shared the median number of days that pass between when a patrons have had their terms expire and then reapplied. For the benefit

BOARD ISSUES (continued)

of the new Board members, he explained the variety of ways to sign up for the VEP. Lastly, he shared a map showing active VEP enrollees across Virginia.

Mr. Hamid asked for further clarification on the use of technology as it relates to responsible gaming.

Mr. Jones explained that the Lottery uses industry-standard technology to identify betting behavior and potential problem gambling; the technology is similar to what operators use. Mr. Dunkle added that the Lottery's program aims to improve data accuracy and offer better ID verification, clearer photos and stronger know your customer processes to give operators higher-quality information. Mr. Dunkle said that his team is exploring outside partners to enhance those capabilities.

Mr. Hamid suggested that Carolyn Hawley, President of the Virginia Council on Problem Gambling, present at a future Board or committee meeting. She has done so in the past.

Chief Gallop asked if the exclusion-program participant data is analyzed for patterns. Mr. Dunkle responded that, though that kind of analysis is possible, they do not do that analysis because of privacy concerns. Much of the detailed behavioral data stays with the operators.

Mr. Jones emphasized that operators are responsible for monitoring gambling behavior and engaging patrons appropriately, and the agency works with them to ensure responsible gaming practices, which includes the use of AI.

Communications Update

Ms. Mullen provided an update on the responsible gaming message. She said that our paid-media campaign runs in March for National Problem Gambling Awareness Month. This year, however, we took a different approach. Knowing how significant football wagering is and recognizing that men ages 18 to 34 are a rapidly growing group of gamblers, we increased our budget and extended our campaign from November 1, 2025, through March 31, 2026. Ms. Mullen said that there will be more frequent digital messaging across platforms such as Sports Illustrated®, ESPN® and YouTube®.

Ms. Mullen said that, as we head into the holiday season, we also are reminding Virginians that Lottery and scratcher tickets make great gifts but only for adults 18 and older. Instead of broadly targeting all Virginians as in past years, we are focusing on adults ages 35 to 60 - those most likely to be parents or grandparents buying stocking stuffers. To support that message, we created a new spot this year called "Scratchers for Kids-Scratch That Idea."

Ms. Mullen shared the video of the spot.

BOARD ISSUES (continued)

Ms. Mullen provided an update on the messaging around the Lottery's support of Virginia K-12 public education. She provided a quick overview for the benefit of the two new Board members. She went on to say that, this year, a new component has been added: the Teacher's Lounge Makeover. The messaging for the new initiative ran from September 8, 2025, through October 3, 2025. She said that 12,000 entries were received, which included submissions from nearly 1,700 unique schools. That figure represents about 75% of all Virginia K-12 public schools. With that level of engagement, we are already thinking about how to expand the initiative next year.

Ms. Mullen provided an update on the recent Powerball jackpot run. The jackpot rolled for 42 drawings from early June 2025 to early September 2025 and eventually reached an estimated \$1.8 billion value. At that level, media coverage really takes off, and the excitement grows.

Ms. Mullen shared a video montage of the jackpot coverage. She said that the jackpot run gave us great opportunities to reinforce messaging about responsible gaming and our support for Virginia K-12 public education.

Lastly, Ms. Mullen highlighted the story of a \$150,000 winner who donated her entire prize to charity. The story spread worldwide.

Appointment of Nominating Committee

Lottery regulations require the Board to elect a chairman and vice chairman at the first meeting of the year. Mr. Hamid appointed Chief Gallop and Mr. Comer to serve on the Nominating Committee. They will develop a slate of officers and committee members to be presented to the Board at the January 2026 meeting.

Mr. Hamid appointed Ms. Tres to the Gaming Compliance Committee, and he appointed Mr. King to the Operations Committee. He said that the charters need to be updated at the next committee meeting to reflect these changes.

PUBLIC COMMENT

Mr. Hamid provided the public comment guidelines. Noah Goodall with Open Book Research provided public comment. He also provided the Board members with a handout entitled "The Federal Threat to Virginia Sports Betting - Prediction Markets and the CFTC." Mr. Goodall warned that prediction markets could undermine Virginia's gambling regulations and eliminate the state's \$80 million in annual sports betting tax revenue. He said that basic data checks, not advanced AI, can identify high-risk gambling behavior and cautioned that influencers and new streaming platforms are normalizing gambling for younger audiences. Mr. Goodall said that federally approved prediction markets would override Virginia's compliance rules and

BOARD ISSUES (continued)

self-exclusion programs, which could shift betting to federally regulated apps. He urged partnering with states that are challenging federal approaches and engaging federal Senate Agriculture Committee members who oversee relevant regulators.

OTHER BUSINESS

Mr. Hamid said that the next regular meeting of the Board will take place in January 2026 on a date to be determined. Additionally, based on conversations with Mr. Jones, a special meeting also will be required in January 2026 to consider the Petersburg casino application.

BOARD MEMBERS' OPEN DISCUSSION

Ms. Tres introduced herself. She is a CPA located in the Richmond area. Mr. King introduced himself. He said that he spent 47 years working in higher education across three institutions. For the past 26 years, he has been associated with James Madison University. He currently serves on the State Council for Higher Education Board and was recently appointed to the Virginia Sports Hall of Fame Board.

Mr. Hamid said that he and Chief Gallop recently attended a gaming conference. One of the big themes was artificial intelligence. He asked what we were doing internally re: AI.

Mr. Amar said that the organization is piloting several AI tools, including Microsoft Copilot®, which about 200 employees are already using to save time on tasks such as gathering data and consolidating files. Leaders emphasize that effective AI adoption starts small and must align with core business pillars: people, process and technology. Additional tools, such as Microsoft's Security Copilot®, are being explored to streamline work such as reviewing security logs by producing concise summaries instead of lengthy reports. Mr. Amar said that, as AI evolves, different departments will gain access.

Mr. Hamid said that we are facing several ongoing and emerging issues. As he finds relevant articles, he will share them with the Board for discussion at committee meetings or Board meetings. He said that it is important that we stay informed in this fast-moving industry and understand its impact on the commonwealth. Mr. Hamid commended Mr. Jones for his forward-thinking presentation. He also said that meeting players where they are is exactly the right approach, and he appreciates that.

CLOSED MEETING

Mr. Price made the following motion, which was seconded by Chief Gallop.

In accordance with the provisions of Section 2.2-3712 of the Code of Virginia, I move that the Board convene a closed meeting for the purpose of discussion, consideration, or review of:

Pursuant to subdivision A 17 of Section 2.2-3711, matters relating to specific lottery game design, prize structure and odds of winning; and matters related to proprietary lottery game information excluded from disclosure under subdivision 11 of Section 2.2-3705.7; and

discussion of records protected under subdivision 2 of Section 2.2-3705.7, prepared for the Office of the Governor for deliberative use.

RECONVENED MEETING

Following its closed meeting, the Board reconvened in open session. Mr. Tolbert read the following certification for the closed meeting:

WHEREAS, the Virginia Lottery Board has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law and the motion by which the closed meeting was convened;

NOW, THEREFORE, BE IT RESOLVED that the Virginia Lottery Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the Board.

By roll call, all members in the room voted in the affirmative that the certification was accurate as read.

On motion duly made by Chief Gallop and seconded by Mr. Tolbert, the prize structure range adjustment was approved as presented.

On motion duly made by Chief Gallop and seconded by Mr. Tolbert, the updated prize structure and odds for MILLIONAIRE FOR LIFE™ were approved as presented.

RECONVENED MEETING (continued)

On motion duly made by Chief Gallop and seconded by Mr. Tolbert, the prize structures and odds for Jetpack Dash and Boulder Run were approved as presented.

On motion duly made by Chief Gallop and seconded by Mr. Tolbert, the Board accepts, as presented in the closed meeting, the proposed updates for the revenue projections and transfers to the Lottery Proceeds Fund for Fiscal Year 2026, and for each year of the 2026-2028 biennium. The projections will be forwarded to the governor.

ADJOURNMENT

There being no further business to come before the Board, the chairman declared the meeting adjourned.

Khalid R. Jones, Secretary

Ferhan Hamid, Chairman