

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING
MINUTES
February 8, 2012
10 A.M.**

The Board of Commissioners of the South Carolina Education Lottery held a meeting on Wednesday, February 8, 2012, at 10 a.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following members participating:

Tim Madden, Chairman
Moffatt Burriss, Treasurer
Sam Litchfield, Secretary
Dr. Edward Keith
Karen Ballentine
Peter Bristow
Nancy Latham
Lee Edwards

The Chairman called the meeting to order.

Approval of Minutes

On motion of Commissioner Burriss, seconded by Commissioner Keith, the November 10, 2011, Board minutes were unanimously approved.

Nominating Committee Report

The Nominating Committee met on February 6, 2012. The minutes were distributed to the Board and Commissioner Bristow, Chair of the Committee, outlined the work of the Committee. By consensus, the Committee reported the following slate of officers to the Board for its consideration: Tim Madden, Chairman; Dr. Edward Keith, Vice Chairman; Moffatt Burriss, Treasurer; Sam Litchfield, Secretary; and Nancy Latham, Executive Committee, Member at Large.

Election of Officers

After a brief discussion, the Board unanimously approved the recommendation of the Nominating Committee and elected the candidates presented.

Reports

Marketing Report and Quarterly Advertising Review

Jay Johnson, Director of Marketing and Product Development, reviewed the advertising material presented to the Board in advance of the meeting. One DVD for this quarterly review¹ included:

- Television Broadcast: SCEL Messaging (10th Anniversary, Must be 18, Sign it Now, and Play Responsibly), \$2 Powerball®, Holiday 2011, Powerball® Jackpot (Silver Screen), and Diamond Millionaire; and
- Play Information Display: \$2 Powerball®, Holiday Cash Add-A-Play, Holiday 2011, and Diamond Millionaire.

The \$2 Powerball® (and Power Play®) play station poster, buck slip, wallet card, ticket topper, window poster, t-shirt, jacket, and outdoor digital billboard were presented on the second DVD. The Diamond Millionaire and Holiday play station posters, writing surface display (with Holiday Cash Add-A-Play), ticket topper, and outdoor digital billboard are also included. Finally, the DVD presented the February games play station poster, Palmetto Cash 5 and Crazy 8's Add-A-Play writing surface displays, and the Wheel of Fortune® Second-Chance Draw #1 outdoor digital billboard.

No objections or concerns were expressed regarding the advertising materials submitted to the Commissioners for review. It was therefore the consensus of the Board that SCEL's past advertising and proposed concepts for major media campaigns did not and do not target, with the intent to exploit, specific ethnic groups or economic classes of people, and that the content is accurate and not misleading.

Financial Update

The Chairman recognized Dale Rhodes, Director of Finance. Fiscal year to date, approximately \$158M has been transferred to the Education Lottery Account (ELA); more than 60% of the total Board of Economic Advisors' (BEA) estimate for FY12.

The allocation of total revenue, from July 1 – January 31, 2012, was:

- 63.1% Prizes
- 26.5% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.5% Gaming Costs (Vendor Costs and Supplies)
- 1.2% SCEL Internal Administrative Costs
- 0.7% Advertising

Executive Director's Report

Mrs. Bethea expressed her appreciation to the Board for participating in SCEL's 10th Anniversary celebration on January 6th. The focus of the celebration was on SCEL's

¹SCEL's enabling legislation requires a quarterly review by the Board of "all past lottery advertising and proposed concepts for major media campaigns to ensure that the advertising did not and does not target with the intent to exploit specific ethnic groups or economic classes of people, and that the content is accurate and not misleading."

stakeholders by highlighting the \$2.6 billion transferred to the ELA and more than one million scholarships awarded. The media coverage was extensive and very favorable.

The new Powerball® game launched on January 15th. Although it is too early to establish a trend, initial sales indicate players are responding positively to the new “More, Bigger, Better” Powerball® game.

In January, the House Ways and Means Committee asked Mrs. Bethea to appear, along with other agencies. She provided information on lottery operations and anticipated net proceeds which should meet or exceed the BEA’s \$252M forecast for FY12.

SCEL’s banking contract was awarded in November 2011 to Wells Fargo and conversion was completed on December 31st. The procurement of insurance brokerage services and a policy for Directors and Officer’s Liability Insurance should be awarded in the next few weeks. Staff is also preparing a solicitation for media placement services with an estimated annual value of approximately \$200K. Since the contract value exceeds \$50K,² Mrs. Bethea requested Board approval to move forward. There was no objection.³

Beginning this January, SCEL implemented a new holiday schedule designed to meet the needs and expectations of our retailer network. SCEL will be closed on Memorial Day, Independence Day, Labor Day, Thanksgiving Day (and the day after), and the Christmas holidays observed by the State. New Year’s Day, Martin Luther King, Jr. Day, President’s Day, Confederate Memorial Day, and Veterans Day are “floating holidays” taken at the option of the employee with the supervisor’s approval.

Mrs. Bethea reported on the recent use of SCEL’s draw studio marketed by our media placement and studio production vendors to the major networks and others as “Studio on Main.” The use of the studio during January generated revenue of approximately \$25K, which matched the revenue expected for the entire fiscal year.

Internet gaming legislation (I-gaming) is still pending in Congress and remains a challenge for the lottery industry. Internet gaming could change the long-held view that gaming issues are reserved to state regulation. NASPL and individual lotteries continue to work with Congress to explain the position of the industry.

In response to questions from Commissioner Litchfield, Mrs. Bethea asked Mr. Rhodes, Director of Finance, Bethany Parler, Director of Audit Services, and Laura Collins, Staff Liaison to the Board, to develop a new report for the Board to replace the financial data currently presented in the weekly report. This report will be provided on a monthly basis, once the books are closed, to provide a more accurate depiction of performance and to match revenues and expenses to transfers to the ELA. Mrs. Bethea presented the new format to the Board for comment while Mrs. Parler explained the underlying methodology used in

²Pursuant to the policy of Board adopted August 27, 2002, a Request for Proposals in excess of \$50,000 requires the approval by the Board.

³ Final approval of solicitation of this contract will be presented at the May 9, 2012 Board meeting.

compiling the report and provided information regarding relationships among revenue, expense, and transfer categories.

There was no objection to moving to monthly financial updates. Commissioners were asked to provide any additional feedback on the reports prior to the next meeting.

FOIA Review and Legal Advice

Hogan Brown, Director of Legal Services, was recognized to provide an overview of the application of the Freedom of Information Act (FOIA) to meetings, records, and documents created or maintained by Commissioners. Mr. Brown explained the interrelation between SCEL’s record retention policy (adopted pursuant to statute) and requests for public records made under FOIA.

Other Business

Discussion of Role of Board and Communications between Board and Staff

Chairman Madden blended the FOIA presentation regarding meetings and records retention with the Commissioners’ discussion of the Board’s role of adopting policy and overseeing SCEL operations. Mrs. Bethea was asked to assist the Board in planning and developing a meeting structure for Standing Committee meetings. Mrs. Bethea will present options for discussion at the May Board meeting.

As to communications with staff, since SCEL’s governing structure follows the private corporate model, the Chairman suggested, and the Board agreed, the best practice would be to channel requests for information or assistance through Mrs. Bethea or Ms. Collins.

There being no further business, the meeting was adjourned.

/s/
Timothy E. Madden, Chairman

Sam Litchfield, Secretary

As required by § 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Board Bylaws, the meeting notice and agenda were also posted on the SCEL website (sceducationlottery.com), and sent via facsimile transmission pursuant to requests made by media outlets and other organizations. These notifications included the time, date, place, and agenda of the meeting.