

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS SPECIAL MEETING MINUTES
May 30, 2018
9:00 a.m.**

The Board of Commissioners of the South Carolina Education Lottery (SCEL) held a special meeting on Wednesday, May 30, 2018, at 9:00 a.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following members, representing a quorum, participating:

Sam Litchfield, Chairman	Otis Morris
Dr. Edward Keith, Vice Chairman	Buck Limehouse
Bo Russell	Mickey Renner

The Chairman called the meeting to order. The Chairman then recognized Mr. Tim Madden, of Nelson, Mullins, Riley, & Scarborough Law Firm, to report on activity resulting from the Board's motion adopted January 23 of this year.¹

Mr. Madden explained the timeline that occurred after SCEL hired Gaming Laboratories International (GLI) and stated that GLI has completed its independent review and has issued a report. Mr. Madden thanked Hogan Brown, Executive Director, Dolly Garfield, Senior Legal Services Manager and Jorge Bravo, IT Director, for their extraordinary efforts in assisting the process and stated that the GLI Report had been carefully vetted. Mr. Madden stated GLI had prepared two reports: a redacted copy and an un-redacted copy.

Mr. Madden also informed the Board of two pending lawsuits against SCEL and Intralot since the December 25, 2017, Holiday Cash Add-A-Play Game incident. One suit is in Sumter County and the other is in Richland County. Both lawsuits are styled as "class actions". He stated that the Richland County Circuit Court held a hearing on SCEL's motion to dismiss the action last Thursday and that the court had taken the matter under advisement. He further stated that a hearing will be held in Sumter in the upcoming week where SCEL will ask the Court to dismiss that pending class action suit as well. Mr. Madden concluded his report and stated he would be happy to provide legal advice in executive session.

Commissioner Limehouse moved to go into Executive Session, which was seconded by Commissioner Morris. The Chairman then stated that the Board would go into Executive Session as authorized in South Carolina Code of Laws § 30-4-70(a) (2) for the specific purpose to discuss

¹ On January 23, 2018, the Board directed staff "to take all appropriate measures under SCEL's contract with Intralot to obtain an independent review to be conducted by Gaming Laboratories International (GLI) to investigate any and all aspects of the Holiday Cash Add-A-Play Game and specifically what caused the game to function as it did on December 25, 2017,"

and receive legal advice pertaining to: 1) the independent review of the Holiday Cash Add-A-Play Game conducted by GLI; 2) the South Carolina Lottery Act; 3) related pending litigation and 4) any potential claims from and against any party. The Board unanimously approved the motion.

The Chairman stated that the meeting had returned to open session. The Chairman stated the executive session was held in accordance with the adopted motion, no other business was discussed, and no actions were taken in executive session.

Commissioner Russell moved that the Board adopt the following report and findings as to the issuing, production, and printing of Holiday Cash Add-A-Play tickets depicting nine tree symbols sold between the hours of 5:51 pm and 7:53 pm on December 25, 2017. The report is as follows:

The Board previously engaged Gaming Laboratories International LLC (GLI), an established Industry expert to independently review and analyze the incident that occurred on December 25, 2017, regarding the Holiday Cash Add-A-Play game. GLI conducted the independent, impartial analysis as requested in accordance with industry standards. GLI reported the facts learned in its investigation in a thorough, unbiased written report. All Holiday Cash Add-A-Play tickets issued, produced and/or printed on December 25, 2017, which depict nine tree symbols were issued, produced and/or printed in error for the reasons stated in the written report produced by GLI.

The errors in issuing, producing, and/or printing the tickets which depict nine tree symbols include, but are not limited to flawed software and source code which, when implemented, caused the game to operate outside the parameters of the game specifications, including the creation of:

- tickets outside of the fixed number of plays available to be sold (six million); and
- invalid tickets; and
- invalid tickets incorrectly being recognized as winning tickets; and
- an excessive number of top-award tickets; and
- an excessive concentration of top-award tickets.

Additional errors occurred due to inadequate and incomplete testing by vendor Intralot, resulting from the failure to implement best industry practices.

South Carolina statutory law and the regulations previously adopted by the Board, all of which govern the payment of prizes, are clear and unambiguous that no prize shall be paid for any ticket which issued, produced or printed in error. To pay any of the Holiday Cash Add-A-Play tickets depicting nine tree symbols sold between the hours of 5:51 pm and 7:53 pm on December 25, 2017, would violate South Carolina law.

Due to the finding that payment of the tickets would be a clear violation of law, the Board's previously adopted Ticket Complaint Procedures (adopted December 29, 2004) are suspended for and shall not apply to any Holiday Cash Add-A-Play tickets depicting nine tree symbols sold between the hours of 5:51 pm and 7:53 pm on December 25, 2017. If any player possesses evidence which was not considered by or available to GLI regarding the reason the Holiday Cash Add-A-Play ticket depicting nine tree symbols held by the player was issued, produced or printed, the player may submit such evidence to the Executive Director.

Therefore, no prize shall be paid for any Holiday Cash Add-A-Play tickets depicting nine tree symbols sold between the hours of 5:51 pm and 7:53 pm on December 25, 2017. Any holder of one of these tickets is entitled to a refund upon submission of the original ticket to the Executive Director. Any further review sought by a player must be sought in accordance with §59-150-300(A).

Commissioner Morris seconded the motion. The Board unanimously approved the motion. The Chairman noted that Commissioner Munson had delivered his proxy to Commissioner Limehouse. Commissioner Limehouse reaffirmed that Commissioner Munson delivered his proxy² to Commissioner Limehouse to vote as he (Limehouse) voted. The Chairman recognized Mr. Brown who stated that SCEL would have information posted on its website for anyone who wants to seek a refund on the purchase price of his/her Holiday Cash Add-A-Play ticket(s).

Adjournment

Commissioner Keith, seconded by Commissioner Morris, moved to adjourn. The Board adjourned the meeting.

The next regular meeting of the Board is scheduled for August 8, 2018.

/s/
Sam Litchfield, Chairman

/s/
Keith Munson, Secretary/Treasurer

SCEL posted notification for this emergency meeting at its administrative offices, 1333 Main Street in Columbia. As provided in the Board Bylaws, SCEL also posted the meeting notice and agenda on its website (sceducationlottery.com), and sent via electronic mail transmission pursuant to requests made by individuals, media outlets and other organizations. These notifications included the time, date, place, and agenda of the meeting.

² The proxy was submitted in accordance with the bylaws and it is maintained in the Board files for this meeting.