

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING
MINUTES
November 2, 2010
10 A.M.**

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held on Tuesday, November 2, 2010, at 10 a.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following Commissioners participating:

Tim Madden, Chairman
Jimmy Bailey, Vice Chairman*
Dr. Edward Keith
Lisa Stevens*
Nate Spells, Sr. *
Sam Litchfield

Commissioner Quattlebaum was unable to participate due to a scheduling conflict.

The Chairman called the meeting to order and welcomed Sam Litchfield, a new Board member appointed by the Senate President *Pro Tempore*.

Approval of Minutes

On motion of Commissioner Bailey, seconded by Commissioner Spells, the Board unanimously approved the minutes of the August 11, 2010, meeting.

Election of Officers

Board bylaws provide for the election of officers in the fourth quarter of each calendar year. Current officers are: Tim Madden, Chairman; Jimmy Bailey, Jr., Vice Chairman; Moffatt Burriss, Treasurer; Marvin Quattlebaum, Secretary; and Dr. Edward Keith, Executive Committee, Member-At-Large. The floor was opened for nominations.

Motion Adopted

Commissioner Bailey moved to re-elect the current slate of officers for another term. Commissioner Spells seconded the motion, which was unanimously adopted.

*These Commissioners participated via teleconference.

Reports

Executive Committee Report

The Chairman asked Paula Harper Bethea, Executive Director, to present the items discussed at the October 6, 2010, meeting of the Executive Committee. Mrs. Bethea explained the evolution of Palmetto Cash 5 from a two-day a week draw to the current six-day a week draw schedule. Subject to final approval by the Board, staff was authorized to move forward. The first Sunday draw could begin on December 5, 2010. Staff will continue to evaluate the overall performance of Palmetto Cash 5.

Pick 3 play options have not changed since the game was introduced more than eight years ago. Focus groups and players have expressed a desire to “refresh” the game by adding new features. Subject to final approval by the Board, staff was authorized to move forward to add “front pair” and “back pair” play style option used by other lotteries. The “front pair” and “back pair” option could be available at the end of January, 2011.

Motion Adopted

Commissioner Bailey moved to ratify the Executive Committee’s decision to authorize an additional draw date for Palmetto Cash 5 as well as the Pick 3 enhancements. The motion was unanimously approved.

Marketing Report and Quarterly Advertising Review

Jay Johnson, Director of Marketing and Product Development, reviewed the print advertising material provided in the meeting materials packet which was sent in advance of the meeting. Two DVDs for this quarterly review included:¹

- Television Broadcast: Carolina Millionaire Raffle – Early Bird, Carolina Millionaire Raffle – Final Draw, Branding – “Give and Take,” Branding – “Clean Up,” and Branding – “True Winners”
- Player Information Display: Play Responsibly, Beneficiary 2010, Add-A-Play®, Carolina Millionaire Raffle – Early Bird, Carolina Millionaire Raffle – Final Draw, and Mega Millions® with Megaplier®
- Play Station Poster: Carolina Millionaire Raffle Early Bird Drawing, Carolina Millionaire Raffle
- Radio: Carolina Millionaire Raffle, Play Responsibly, and Branding – “Give and Take”

The other DVD included: a Combined Outdoor Jackpot Billboard of Powerball®/Mega Millions®, Carolina Millionaire Raffle buck slip and ticket topper, a “New Games,” “Mega Millions with Megaplier®,” and a “New \$10 Ticket” play station writing surface.

¹ SCEL’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.”

Mr. Johnson presented a “Behind the Draw” video showing the measures taken to ensure the security and integrity of the daily drawings (Pick 3, Pick 4, Palmetto Cash 5) at SCEL’s “Studio on Main.” The video was created in-house and is accessible via SCEL’s website.

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

Dale M. Rhodes, Director of Finance, was recognized to brief the Board. Gross revenue for the first quarter of FY11 (July 1, 2010 through September 30, 2010) is down by approximately \$11M from the last fiscal year during the same period of time. FY11 instant sales are \$1M above and online sales are \$11.9M below the first quarter of FY10.

Year to date (through October 23) instant sales are approximately \$6M above and online sales are \$11.4M below FY11 projections. Overall, sales are \$5.5M below FY11 projections. The decrease in online sales is primarily due to the decrease in Powerball® sales.

SCEL transferred \$64.1M to the Education Lottery Account (ELA) through the first quarter in FY11, compared to \$63.7M in the first quarter of FY10.

The percentage allocation of total revenue (The Lottery Dollar) for the first quarter of FY11 was:

- 61.9% Prizes
- 27.1% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.6% Gaming Costs (Vendor)
- 1.5% SCEL Internal Administrative Costs
- 0.9% Advertising

Executive Director’s Report

Prior to her report, the Chairman announced Mrs. Bethea’s recent election to two prominent positions within the lottery industry: Vice Chair of the Multi-State Lottery Association (MUSL) Marketing Committee and the Region II member of the Executive Committee, North American Association of State and Provincial Lotteries (NASPL). He also acknowledged the 2010 Global Vision Award Mrs. Bethea received from the Columbia World Affairs Council. This organization is a private, nonprofit, nonpartisan organization that provides members the opportunity to interact with key figures within the Midlands growing international community to promote development and common interests. The Chairman and members of the Board congratulated Mrs. Bethea on her most recent achievements and her exemplary performance as an ambassador for SCEL.

Mrs. Bethea thanked SCEL employees for the hard work necessary to hold “retailer rallies” throughout the state. The events, which are conducted every other year, are designed to acknowledge the essential role retailers play in SCEL’s success and to provide helpful information ranging from licensure to sales promotions. Mrs. Bethea also announced that the United Way campaign recently began with a fundraising breakfast, hosted by the Directors. It will conclude with a “SCEL Bay” auction where employees donate time or goods which are open for bid with all proceeds going to the United Way.

Staff continues to monitor sales of the two multi-jurisdictional, jackpot-driven games: Mega Millions® and Powerball®. The population added when Mega Millions state began selling Powerball (and vice versa) appears to be causing jackpots to be hit with greater frequency. Mrs. Bethea was recently in Chicago for a MUSL meeting to discuss research on increasing Powerball® price point. Potential changes to the game, including an analysis of the matrix and the odds are also being discussed. Mrs. Bethea will keep the Board apprised as this research progresses.

Mrs. Bethea reiterated staff’s commitment to meeting the Board of Economic Advisor’s (BEA’s) transfer forecast of \$252.4M through cost containment and stabilizing sales.

Other Business

The Chairman will disseminate a 2011 calendar with potential meeting dates for the Board.²

There being no further business, the meeting was adjourned.

_____/s/_____
Timothy E. Madden, Chairman

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.

² Subsequent to the meeting, the Chairman established the following meeting schedule for 2011: February 9th; May 11th; August 10th; and November 9th. It is anticipated that each meeting will be held at 10:00 a.m. in the first-floor conference room at 1333 Main Street, Columbia, South Carolina.