

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

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held on Wednesday, February 10, 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  
Moffatt Burriss, Treasurer\*  
Marvin Quattlebaum  
Dr. Edward Keith  
Lisa Stevens  
Boykin Rose\*  
Nathaniel Spells, Sr.\*

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

The Vice Chairman called the meeting to order. (At the request of Chairman Madden, Vice Chairman Bailey chaired the meeting as he was present in Columbia.)

**Approval of Minutes**

On motion of Commissioner Keith, seconded by Commissioner Quattlebaum, the minutes of the November 10, 2009 meeting were unanimously approved.

**Reports**

**Marketing Report and Quarterly Advertising Review**

Jay Johnson, Interim Director of Marketing and Product Development, called the Commissioners attention to the DVDs containing all print advertising material, television and radio spots in this quarterly review which were provided in advance of the meeting in

---

\*These Commissioners participated via teleconference.

the meeting materials packet. The DVDs included:<sup>1</sup>

- Television Broadcast: Mega Millions® teaser “Draft,” “Scoop,” and “Power Lunch,” and a generic instant ticket - “Dominos”
- PID: Mega Millions® teaser
- Radio: Mega Millions® teaser, Powerball® “Play On,” and Palmetto Cash 5 - “6 Days a Week”
- Play station posters: Mega Millions®, Wheel of Fortune®, Game Odds, and “About Our Games”

One DVD also included: a Mega Millions® brochure, wallet card, ticket topper, and corrugated sign, a combined jackpot window sign for Powerball® and Mega Millions®, Wheel of Fortune® buckslip and wobblers, and a *Big League Baseball* play station writing surface.

No objection or concern was 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**

Mr. Dusty Rhodes, Director of Finance, reported gross revenue of \$492M for the first half of FY10 (July 2009 through December 2009). This amount is in line with the previous year during the same period of time. Since the printing of the meeting materials packet, the month of January 2010 closed. Total fiscal year gross sales through January 31, 2010, are approximately \$569M, an increase of \$5M from the previous fiscal year during the same period of time.

Through the first half of FY10, SCEL transferred \$133M to the Education Lottery Account (ELA), an increase of approximately \$9M from the previous fiscal year at the same point in time. The transfers represent 53 percent of the Board of Economic Advisors’ (BEA) estimate for FY10 of \$252.4M.

The percentage allocation of total revenue, “The Lottery Dollar,” for FY10, from July 1, 2009 through December 31, 2009, is distributed as follows:

- 61.7% Prizes
- 27.7% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.5% Gaming Costs (Vendor)
- 1.4% SCEL Internal Administrative Costs

---

<sup>1</sup> 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.”

- 0.7% Advertising

### **Quarterly Director's Update: Gaming System Update**

Johnny Genwright, Deputy Director of Gaming Systems, was recognized to present an update on the Mega Millions® game and draw operations since SCEL successfully launched the game on Sunday, January 31<sup>st</sup>. He reported that testing required the collaborative effort of SCEL staff, Intralot, Elysum, (the Internal Control System Vendor) and Battelle (the independent testing vendor). Although both Mega Millions® and Powerball® are fundamentally similar games, each has its own set of procedures for draws, closing, and reporting. SCEL now has four draws per week for multi-state games with the addition of Mega Millions®. Mrs. Bethea and Mr. Genwright thanked SCEL staff members Paula Perry, Senior Systems Analyst, and Veda Jeffcoat, Quality Assurance Systems Analyst, for their substantial efforts in ensuring a successful launch.

### **Executive Director's Report**

At the request of the Committee, on the first day of the 2010 Legislative Session, Mrs. Bethea appeared before the House Ways and Means Committee to provide a briefing on SCEL operations and revenue projections. The Chief Economist for the Board of Economic Advisors (BEA) also appeared. Several Committee members requested additional information concerning SCEL operations which was provided within two days. A request has been made by the Senate Finance Committee for a similar report when it begins hearings on the FY11 budget.

Mrs. Bethea highlighted the report of the Legislative Audit Council (LAC) which was released on February 2, 2010. The report fulfills the statutory requirement of the LAC to review SCEL's operations every three years. The audit began in January 2009. The report is best summarized in the first sentence of the audit findings, "Overall, we found that the lottery is well managed."

Scientific Games presented a 2009 State of the State to SCEL staff in December which compared South Carolina to the lottery industry as a whole. Mrs. Bethea briefly highlighted several items from the document included in the meeting packet. SCEL is currently ranked 6<sup>th</sup> in per capita sales and 6<sup>th</sup> in total game launches. In general, South Carolina sales for instant and online compared favorably to the trends within the industry for FY09 versus FY08. Finally, Mrs. Bethea reported the National Game is now being considered for the spring of 2011 rather than the fall of 2010 as was originally planned.

The Mega Match 6 game recently ended on December 29, 2009. Up to the point the game ended, the progressive jackpot had grown to more than \$1M. Since no jackpot-winning ticket was sold, any remaining net proceeds were transferred to the ELA as is done for all games after the redemption period ends. The loss of Mega Match 6 as well as other factors (such as the weather) may have been responsible for a slight dip in revenue in mid-January but overall, sales appear to have rebounded.

SCEL is now performing a in-depth analysis regarding the return on each product offering in order to determine when exactly a game breaks-even, when it can sustain

itself, and how a game may be improved in order to provide an optimal product mix for SCEL's players and ultimately increase net transfers to the ELA. Staff will keep the Board apprised of developments.

**Other Business**

There being no further business, the meeting was adjourned.

\_\_\_\_\_/s/\_\_\_\_\_  
Timothy E. Madden, Chairman

\_\_\_\_\_  
Marvin Quattlebaum, Secretary

As required by Section 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](http://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.