

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS SPECIAL MEETING MINUTES
January 23, 2018
10:00 a.m.**

The Board of Commissioners of the South Carolina Education Lottery held a special meeting on Tuesday, January 23, 2018, at 10 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
Dr. Edward Keith, Vice Chairman
Keith Munson, Secretary/Treasurer
Bo Russell

Otis Morris
Buck Limehouse
Mickey Renner

The Chairman called the meeting to order. The Chairman then recognized Ms. Dolly Garfield, Senior Legal Services Manager, to update the Board on the investigation of the Holiday Cash Add-A-Play Game since its December 29, 2017, emergency meeting. Ms. Garfield stated:

This report is an update on the activity and efforts regarding the Holiday Cash Add-A-Play tickets sold on December 25, 2017.

Upon the motion adopted on December 29, 2017 by the Board, an amount of \$19.6 million dollars was set aside that was believed to be the equivalent of the outstanding amount of potential claims resulting from numerous tickets displaying nine Christmas trees printed the evening of December 25, 2017. The SCEL staff was also directed to continue legal research and the ongoing investigation, including seeking further cooperation from the Lottery's vendor, Intralot.

As a result of the Board's directive, the SCEL staff has worked diligently, but has thus far received little progress in obtaining the information needed from Intralot. We are missing fundamental information about the nature of the error, including among several issues, the sales and validation of substantially more winning tickets than the game specifications provided.

After concluding the last Board meeting, it became apparent that the amount of claims were not correlating properly with the number of wagers. The SCEL staff concluded that the claims initially reported by Intralot were based on the number of tickets sold rather than the number of plays, i.e., wagers. A ticket can contain up to a total of five plays. In less than a two-hour time span (5:51 P.M. - 7:53 P.M., not including the routine 15-minute draw break when sales were not available), over 42,000 tickets were sold, and nearly 71,000 plays were actually purchased. We estimate the amount of potential claims increased from \$19.6 million dollars to approximately

\$35.5 million dollars. Of that amount, over \$1.7 million dollars of claims were redeemed in the retail outlets during the nearly two-hour period the tickets were printed before the game was closed by Intralot. If all of the remaining tickets were to be paid, the payout would be an additional \$33.8 million dollars.

To protect the integrity of the lottery and its players, SCEL has engaged in an emergency procurement to obtain the services of Gaming Laboratories International (GLI) from New Jersey to conduct a full, independent review of the game programming error. GLI offers world-class testing, certification, and professional services to the global gaming industry. The contract between SCEL and Intralot provides for such an audit.

SCEL informed Intralot on January 5th of its contract with GLI as well the information GLI would need for an independent review. It has been repeatedly relayed to Intralot that the SCEL Board of Commissioners cannot make an informed decision without having a full understanding of exactly what happened to cause the repetitive winning Holiday Cash Add-A-Play tickets printed on December 25, 2017. To date, Intralot has not provided necessary access and materials for GLI to conduct its independent review of the game. However, moments ago, we have been informed by counsel for Intralot that they are agreeable to cooperate with GLI after SCEL provides some clarifications.

Mr. Chairman, this concludes my report.

The Chairman entertained a motion by Commissioner Munson, seconded by Commissioner Limehouse, to go into executive session as authorized by S.C. Code Ann. § 30-4-70(a)(2), for the sole purpose of discussion and receipt of legal advice pertaining to the Intralot contract and programming error regarding the Holiday Cash Add-A-Play online game and any and all related potential claims from and against any party. The motion was approved. The Chairman announced the specific purpose of the executive session as identified in the motion. The Chairman asked everyone to leave the room except for Board members, Hogan Brown, Bethany Parler, Dolly Garfield, Jorge Bravo, Dan Beatty, and Tim Madden.

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 Limehouse moved, seconded by Commissioner Morris, to direct 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 direct that outside counsel, Tim Madden, be designated the contact person for all communications regarding the December 25, 2017, Holiday Cash Add-A-Play Game. The motion was approved.

The Chairman stated that the Board would reconvene after it received the GLI report to review the results and take appropriate action regarding the payment or non-payment of claims.

Other Business

There being no further business, the Board adjourned the meeting.

The next regular meeting of the Board is scheduled for February 7, 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.