

**SOUTH CAROLINA EDUCATION LOTTERY  
BOARD OF COMMISSIONERS MEETING  
MINUTES  
November 12, 2008  
10 A.M.**

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held at 10 a.m. on Wednesday, November 12, 2008, in the third-floor conference room (#352) located at 1333 Main Street, Columbia, South Carolina, with the following Commissioners participating:

Tim Madden, Chairman\*  
Jimmy Bailey, Jr., Vice Chairman  
Moffatt Burriss, Treasurer  
Ashley Landess, Secretary\*  
Dr. Edward Keith  
Boykin Rose\*

Commissioners Quattlebaum and Spells were unable to participate due to scheduling conflicts and Commissioner Stevens was unable to participate due to illness.

At the request of Chairman Madden, Vice Chairman Bailey chaired the meeting as he was present in Columbia.

The Vice Chairman called the meeting to order.

**Approval of Minutes**

The Vice Chairman called attention to a minor change to the August 13, 2008 minutes in the last paragraph on page 2, in the version submitted in the meeting materials packet. A new copy of the minutes was provided to each Commissioner prior to the call to order. The corrections were purely grammatical and not substantive.

On a motion of Commissioner Burriss, seconded by Chairman Madden, the minutes of the August 13, 2008 meeting, as amended, were unanimously approved.

**Government Finance Officers Association Award Presentation to SCEL**

The Vice Chairman recognized Richard H. Gilbert, Jr., CPA, State Auditor, to present an award from the Government Finance Officers Association of South Carolina. Uvette Pope-Rogers, Controller, accepted the award on behalf of SCEL. The award is the highest recognition for governmental financial reporting and signifies SCEL's achievement for the comprehensive annual financial report (CAFR) for fiscal year ending June 30, 2007. This is the third consecutive year that SCEL has received this award.

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\*These members participated via teleconference.

## **Election of Officers**

The Commission bylaws provide for the election of Board officers in the fourth quarter of each calendar year. Current officers are: Tim Madden, Chairman; Jimmy Bailey, Jr., Vice Chairman; Moffatt Burriss, Treasurer; Ashley Landess, Secretary; and Lisa Stevens, Executive Committee, Member-At-Large. The Vice Chairman announced that Lisa Stevens has decided not to seek re-election to the Member-At-Large position on the Executive Committee due to her recent treatment and recovery from lung cancer. The floor was opened for nominations.

## **Motion Adopted**

Commissioner Rose moved to re-elect the current slate of officers for another term with exception of the Member-At-Large of the Executive Committee. Commissioner Burriss seconded the motion, which was unanimously adopted.

Without objection, the election to fill the vacancy for the Member-At-Large seat on the Executive Committee was deferred until the new year.

## **Reports**

### **Marketing Report and Quarterly Advertising Review**

David Barden, Director of Marketing and Product Development, reported on marketing and advertising activities. Staff recently concluded two busy weeks at the State Fair. SCEL did not have a presence at the State Fair in 2007, but negotiated a more favorable sponsorship rate than previous years for 2008 which resulted in significant cost savings. Total sales were nearly \$167,000, the second highest at the fair.

The 2008 demographic study is currently in progress. The Marketing and Retailer and Relations Committee will schedule a meeting in January to review the results, which will then be forwarded to the Board. Chairman Madden reminded the Board of the Executive Director's decision in November 2007, to continue an annual demographic study until directed otherwise by the Board, even though it is no longer required by law.

Mr. Barden updated the Board on several items related to online games. Staff continues to evaluate the performance of Palmetto Cash 5 and review the strategic plan in order to meet the goals established for the current fiscal year. Staff is considering requesting that the Board add an additional draw (Saturday) to Palmetto Cash 5 to the current schedule (Monday, Tuesday, Wednesday, Thursday, and Friday evenings at 6:59 p.m.). Also under staff review is the viability of a new regional game with other southern lottery states. Staff will report the progress on these concepts to the Marketing and Retailer Relations Committee. Finally, staff is developing new Point-of-Sale (POS) materials for the upcoming Powerball® matrix change starting January 2009. The advertising efforts will focus on updating and replacing all forms of media with the new matrix.

Mr. Barden recognized Jordan Moore, SCEL Graphic Artist, who was the recipient of the North American Association of State and Provincial Lotteries (NASPL) Ott Brown Scholarship Award at the recent NASPL Annual Conference held in Philadelphia. Ernie Passailaigue presented Ms. Moore with the award and extended his congratulations.

To facilitate the quarterly advertising review,<sup>1</sup> print media items and a DVD containing broadcast spots were included in the meeting materials provided to Commissioners in advance of the meeting. A website link is also available for Commissioners to view, prior to airing, all major media campaign commercials produced by Mad Monkey. Among the other items reviewed were:

- Radio – Beneficiary Message, Deal or No Deal™ 2008, Players’ Club “Football Promotion,” and Palmetto Cash 5
- Television – Deal or No Deal™ 2008, Beneficiary Message, and “Play Responsibly”
- Video Market Place – Summer Escape<sup>SM</sup> 2008 and Beneficiary Message
- Play station posters – Powerball®, \$100,000 Super Cash Holographic Ticket, and Holiday Tickets

Additional advertising materials were presented, including: a “Play Here” pump sign, a Carolina Riches<sup>SM</sup> and Carolina Millionaires Club writing surface (for retail counter space), a Palmetto Cash 5 CDU piece, a broad-based general beneficiary message, and a focused USC beneficiary message fan.

No objection or concern was expressed regarding the advertising material 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.

### **Executive Director’s Report**

Mr. Passailaigue recognized Leslie Vang, Director of Information Technology, to provide a brief overview of the recent conversion of SCEL’s online gaming system from Scientific Games, Inc. to Intralot USA, Inc. The central online gaming system encompasses or impacts all facets of lottery operations. Ms. Vang first welcomed Scientific Games personnel and thanked them for their substantial efforts in assisting with the conversion. She then introduced Lee Wilson, Intralot’s South Carolina Project Manager. He introduced the Intralot personnel in attendance. Ms. Vang also introduced members of SCEL’s Information Technology staff who played an integral and essential role in the successful conversion. She gave highlights surrounding the two-year process from the development of the Requests for Proposals (RFP) through the effective conversion cutover date of November 4, 2008. The highlights included: training of more than 5,500 retailers, in 19 cities, in less than 30 days; creation of 45 permanent and 20 temporary jobs in South Carolina; 3,580 satellite dish installations and 25 cellular modems; 2.3 million lines of code written; and recycling of approximately 4,200 pieces of equipment.

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<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.”

Mr. Passailaigue reported that there appeared to be no missed sales and no incorrect instant ticket validations.<sup>2</sup> He praised SCEL staff for developing the RFP, the RFP evaluation team, and all staff for their exhaustive efforts and outstanding work in making this conversion as seamless as possible. Cost savings and productivity increases available over the term of the new contract should lead to a significant positive financial impact for all SCEL stakeholders and, more importantly, the beneficiaries of lottery proceeds. The equipment and software offered by Intralot may also open up new marketing opportunities for SCEL, such as the video display units which may ultimately enhance the overall net transfer to the Education Lottery Account (ELA).

Mr. Passailaigue also reported that Dusty Rhodes, Director of Finance, continues to attend the Board of Economic Advisors' (BEA) meetings. Mr. Rhodes was recognized to provide the Board with a brief overview of the BEA's projections. He noted that to date General Fund appropriations have been reduced by 8 percent for FY09 to offset a decline in revenue, while SCEL's revenue forecast of \$252 million and \$8.4 million in unclaimed funds remains unchanged.

Mr. Passailaigue presented an overview of SCEL's sales from July 1, 2008 through October 31, 2008, including revenue comparisons for each type of product offering for the same time frame in 2007. Total revenue was \$12.9 million above prior year-to-date sales due to an increase in instant ticket sales of \$17.2 million, which offset a \$4.3 million decrease in online sales (mostly attributable to Powerball®). Revenue for the first four months of FY09 (\$323.5 million) puts SCEL on target to meet the budgeted sales goal of \$943 million. Through October (a third of the Fiscal Year), SCEL has transferred \$83.7 million to the ELA, 33.2% of the BEA's FY09 revenue transfer estimate of \$252.4 million.

Mr. Passailaigue reported on the "The Lottery Dollar" breakdown for FY09 through October 31, 2008. It is distributed as follows:

- 62.3% Prizes
- 26.7% Net Proceeds
- 7.1% Retailer Commissions and Selling Bonuses
- 1.8% Gaming Costs (Vendor)
- 1.4% SCEL Internal Administrative Costs
- 0.7% Advertising

Mr. Passailaigue briefed the Board on the recent activities in the lottery industry as a whole. The North American Association of State and Provincial Lotteries (NASPL) Annual Conference was held in October in Philadelphia. As President of NASPL, Mr. Passailaigue attended<sup>3</sup> the World Lottery Association Annual meeting in Rhodes, Greece, which concluded his term. He will continue to serve on the Executive Committee of NASPL as Past President for the next year. Mr. Passailaigue reminded the Board that he was recently elected Chairman of the Powerball® Game Group and Vice President of MUSL. Consequently, he has attended meetings to discuss the process of integrating Florida into the Powerball® group. Discussions are on-going to move the Powerball® draw from Des Moines, Iowa, to Orlando, Florida, at Universal Studios. This move could

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<sup>2</sup> Subsequent to the meeting, additional research determined that were a very small number of tickets were read incorrectly. The error was addressed and resolved on the same business day the problem was identified.

<sup>3</sup> As NASPL President, NASPL paid the travel expenses of Mr. Passailaigue.

open-up partnership opportunities for all MUSL lotteries. Mr. Passailaigue also mentioned that Arkansas recently voted to establish a lottery with a potential launch date sometime in 2009.

In August 2002, the Board authorized the Executive Director to sign a Letter of Intent and to expend \$27,000 to participate in the Intentional Lottery Alliance (ILA). The Letter of Intent provides the option to withdraw at a later date and participation does not commit SCEL to any activity outside the Alliance. As reported in April, 2003, for various reasons, the initial efforts to develop a multi-jurisdictional game did not come to fruition. Recently, several European and U.S. lotteries renewed discussions for a game with a \$5 price point, a monthly draw, and a minimum jackpot of \$200 million. If Georgia and North Carolina participate in ILA and SCEL does not, SCEL's overall revenue could be negatively impacted. In order for SCEL to participate (assuming the game continues to develop), a statutory change to authorize the Board to move forward is needed. Mr. Passailaigue sought direction from the Board as to how to proceed. After discussion, it was the consensus of the Board for Mr. Passailaigue to take no action at this time except to have the legal staff prepare draft legislation. The Chairman will then follow-up as he deems appropriate to facilitate Board review.

### **Other Business**

The Chairman will disseminate meeting dates for calendar year 2009 to all Board members.<sup>4</sup>

There being no further business, the meeting was adjourned.

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/s/  
Timothy E. Madden, Chairman

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Jimmy Bailey, Jr., Vice Chairman and  
Acting Secretary

As required by Section 30-4-80, the notification of this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Commission 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.

<sup>4</sup> Subsequent to the meeting, the following meeting schedule was adopted for 2009: February 11<sup>th</sup>; May 13<sup>th</sup>; August 12<sup>th</sup>; and November 4<sup>th</sup>. It is anticipated that each meeting will be held at 10:00 a.m. in the first floor conference room at the Headquarters office located at 1333 Main Street, Columbia, South Carolina.