

**SOUTH CAROLINA EDUCATION LOTTERY  
BOARD OF COMMISSIONERS MEETING  
MINUTES  
November 10, 2011  
10 A.M.**

The Board of Commissioners of the South Carolina Education Lottery held a meeting on Thursday, November 10, 2011, at 10 a.m., in the seventh-floor conference room (CBRE) located at 1333 Main Street, Columbia, South Carolina, with the following members participating:

Tim Madden, Chairman  
Moffatt Burriss, Treasurer  
Sam Litchfield, Secretary  
Dr. Edward Keith  
Karen Ballentine  
Peter Bristow  
Nancy Latham  
Lee Edwards

The Chairman called the meeting to order and welcomed new Board member Lee Edwards, appointed by the President *Pro Tempore* of the Senate. He also announced the resignation of Deedee Vaughters, appointed by the Governor.

**Approval of Minutes**

On motion of Commissioner Burriss, seconded by Commissioner Keith, the August 10, 2011, Board minutes were unanimously approved.

**Powerball® Rules (Matrix and Ticket Price Change)**

Mrs. Bethea explained the proposed matrix and ticket price changes to the Powerball® game approved by the Multi-State Lottery Association (MUSL).<sup>1</sup>

The theme for the “New” Powerball® is: “Bigger jackpots. Better Odds. More millionaires. America’s biggest game.” Wednesday, January 18, 2012, is the first draw date for the enhanced Powerball® game, which includes:

- Starting jackpot of \$40 million (up from \$20 million);
- Odds of jackpot win, 1 in 175.2 million (reduced from 1 in 195.3 million);

---

<sup>1</sup>A copy of the proposed rule revisions were included in the materials sent prior to the meeting.

- \$2 wager with the option to purchase PowerPlay® for an additional \$1; and
- PowerPlay® will have fixed prizes rather than a “multiplier” feature.

### **Motion Adopted**

Commissioner Bristow moved to adopt the Powerball® game rule changes, as presented. Commissioner Ballentine seconded the motion, which was unanimously adopted.

### **Reports**

#### **Sales Update**

Ann Scott, Director of Sales and Retailer Relations, briefed the Board on current sales trends for FY12. First quarter results represented the highest quarterly sales ever for SCEL (\$259M vs. \$252M in the 1<sup>st</sup> Qr. of FY07). FY12 gross sales (July through October 2011) are \$348,871,805 with an increase in instant game sales of \$21.9M and \$4.8M in online sales compared to the same period in FY11. The trend toward more instant game sales (66.9% of gross sales) is continuing.

Ms. Scott also reviewed specific product historical trends. The Palmetto Cash 5 (PC5) sales trend showed how the game has reacted positively to game enhancements, specifically adding additional draws. The recent addition of a Sunday draw, making PC5 a daily game in FY11, has increased sales as projected. Although PC5 sales have improved and are stable at this time, staff continues to explore game enhancements or new game concepts if the sales trend warrants a change in the game. Mega Millions®, added in January 2010, was expected to be interchangeable with Powerball® with sales gravitating toward the game with the highest jackpot at any given time. Players, however, remained loyal to the Powerball® brand and have been slow to embrace Mega Millions®. Mega Millions® sales have yet to match Powerball® sales for comparable jackpots; however, Mega Millions® sales have trended higher since the \$290M jackpot in January 2011.

Board members posed various questions to which staff responded or agreed to obtain answers.

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

Jay Johnson, Director of Marketing and Product Development, reviewed the advertising material presented to the Board in advance of the meeting. One DVD for this quarterly review<sup>2</sup> included:

- Television Broadcast: Mega Millions® jackpot awareness, Wheel of Fortune®, Spring, Summer, and Fall Instant Tickets; and
- Play Information Display: Wheel of Fortune® and iHeartRadio®.

The second DVD included: Wheel of Fortune® play station poster, buckslip, ticket topper, window poster, outdoor digital billboard, and sandwich board poster, August, September, and October Games play station poster, November Games play station writing surface, Holiday

---

<sup>2</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.”

Games play station poster, stocking, and wobbler, Dog Dollars Instant Ticket outdoor digital billboard, and a Lucky Numbers Instant Ticket outdoor digital billboard.

In addition, Mr. Johnson presented a storyboard for a national ad for the enhanced Powerball® game, which allows each state to “personalize” the message. Utilizing this ad will be significantly less expensive than creating and producing an ad locally.

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.

Mr. Johnson also presented the “Instant Ticket Security Documentary” video, currently available on SCEL’s website for the public to view. Scientific Games International, Inc. (SGI) granted SCEL unprecedented access to the instant ticket printing facility in Alpharetta, Georgia. The video is part of SCEL’s transparency effort to demonstrate the security and integrity underlying our games to players and the public.

### **Financial Update**

The Chairman recognized Dale M. Rhodes, Director of Finance. From the start of the fiscal year through the date of the Board meeting, SCEL has transferred approximately \$86M to the Education Lottery Account (ELA); more than a third of the total Board of Economic Advisors’ (BEA) estimate for FY12.

The allocation of total revenue (The Lottery Dollar) from July 1 – October 31, 2011, was:

- 63.2% Prizes
- 26.2% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.6% Gaming Costs (Vendor)
- 1.2% SCEL Internal Administrative Costs
- 0.8% Advertising

### **Executive Director’s Report**

Mrs. Bethea attended the annual North American Association of State and Provincial Lotteries (NASPL) conference in Indianapolis, Indiana, in October. Development of a “National Game,” a new multi-jurisdictional, unlike Powerball® and Mega Millions®, is ongoing and could launch as early as next fall.

Internet gaming legislation pending in Congress remains a challenge for the lottery industry and could change the long-held view that gaming issues are to be determined by state law rather than federal law. NASPL and individual lotteries are working with Congress to explain the position of the industry.

Although SCEL has no enforcement role concerning video gaming devices and cannot advise a retailer as to whether a given video gaming device complies with the law, SCEL is reminding licensed retailers that if a magistrate determines a gaming device is illegal, SCEL can suspend or revoke the retailer's lottery license.

The solicitation for Banking Services has concluded with the award to Wells Fargo by the Procurement Office. While the banking services contract has always been a "net gain" (the interest earned exceeds the fees expended), the fees in the new contract are significantly lower.

SCEL's tenth anniversary celebration begins with a press conference in front of the Columbia Office on Friday, January 6, 2012 at 2 p.m. Promotions highlighting the \$2.5 billion transferred to the ELA and more than 930,000 scholarships awarded along with other special events are planned throughout the year.

Finally, Mrs. Bethea mentioned the indictments resulting from an investigation conducted by the Bureau of Alcohol Tobacco and Firearms and Explosives (ATF) of an illegal cigarette trafficking scheme. The federal government froze certain retailer sweep accounts and SCEL is working to gain access to these funds. SCEL immediately stopped doing business with the affected retailers pending further review.

**Other Business**

The Chairman congratulated Mrs. Bethea on her recent election as Secretary of NASPL.

The Chairman will appoint a Nominating Committee. Board members interested in serving on the Committee or who would like to assume a leadership role were asked to contact the Chairman. Election of Officers will occur at the February Board meeting.

There being no further business, the meeting was adjourned.

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

\_\_\_\_\_  
Sam Litchfield, Secretary

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](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.