

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING
MINUTES
May 9, 2012
10 A.M.**

The Board of Commissioners of the South Carolina Education Lottery held a meeting on Wednesday, May 9, 2012, at 10 a.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following members participating:

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

Chairman Madden and Commissioner Ballentine participated by phone. Vice Chairman Keith, chaired the meeting.

The Vice Chairman called the meeting to order.

Approval of Minutes

On motion of Commissioner Burriss, seconded by Commissioner Bristow, the February 8, 2012, Board minutes were unanimously approved.

Audit Committee Report

The Audit Committee¹ met on May 9, 2012, at 9:15 a.m. Audit Committee Chair Peter Bristow was recognized to brief the Board. Audit Services Director, Bethany Parler, and Mr. Bristow met with Elliott Davis shareholder Tom McNeish in March to discuss the preliminary work for the financial audit, set to begin in mid-May. This Audit Committee meeting included a presentation by the external auditor on the scope of the financial

¹ Although committee membership changes are being reviewed at this meeting, the Audit Committee members, previously approved by the Board, are the same as those slated for approval in the next order of business.

statement audit and updates to the Audit Committee Charter. The Committee reviewed and approved changes to the Charter, copies of which are before the Board for further discussion.

Motion Adopted

On motion of Commissioner Ballentine, seconded by Commissioner Burriss, the Board unanimously approved the revisions to the Audit Committee Charter recommended by the Audit Committee.

Standing Committees

Vice Chairman Keith reviewed the proposed membership for the Standing Committees presented to the Board in advance of the meeting. Those needing approval by the Board are the Audit, Legal and Security, and the Marketing and Retailer Relations committees.

Motion Adopted

On a motion of Commissioner Edwards, seconded by Commissioner Bristow, the Board unanimously approved the slate of Standing Committee members as presented.

Fiscal Year 2013 Budget

The proposed FY13 Budget was included in the meeting packet in advance of the meeting. A correction, to reduce one line item, was presented during the meeting. Mrs. Bethea explained the FY13 gross revenue projection of \$984M and the estimated transfer to the Education Lottery Account (ELA) of \$264M (\$2.5M more than FY12). Operating expenses are reduced by \$450K and salaries are down by \$374K. Advertising is budgeted at \$8.7M. The budget also includes a modest one percent cost of living adjustment to offset insurance premium cost increases. The Vice Chairman opened the floor for questions and comments.

Chairman Madden asked the Executive Director to examine whether further reductions of up to a million dollars in advertising could be made without affecting sales.

Motion Adopted

After a brief discussion and comments, on a motion of Commissioner Burriss, seconded by Commissioner Litchfield, the Board unanimously approved the FY13 Budget.

Media Placement Request For Proposals (RFP)

At the February meeting, staff informed the Board of a solicitation being prepared for media placement services. Although there was no previous objection, Vice Chairman Keith explained that, pursuant to Board policy for RFPs in excess of \$50K, it was advisable to entertain a motion for formal approval.

Motion Adopted

On a motion of Commissioner Ballentine, seconded by Commissioner Latham, the Board unanimously approved moving forward with the media placement solicitation.

Advertising Production RFP

Mrs. Bethea explained the current advertising production contract with Mad Monkey is due to expire in September. Approval is requested for a new RFP.

Motion Adopted

On a motion of Commissioner Litchfield, seconded by Commissioner Burriss, the Board unanimously approved moving forward with an RFP for advertising production services.

Reports

Marketing Report and Quarterly Advertising Review

Jay Johnson, Director of Marketing and Product Development, presented broadcast and media advertising material for the quarterly review.² A broadcast DVD provided to the Board in advance of the meeting, included:

- Television Broadcast: Play Responsibly and Muscle Car Money™; and
- Product Information Display: Crazy 8's Add-A-Play, Play Responsibly, and Muscle Car Money™.

The print advertising CD included the following: play station posters (March games, April games, Play Here, May games, and the Muscle Car Money™ Second-Chance Promotion) and writing surface posters (Mega Millions®, Crazy 8's Add-A-Play/Play Responsibly, and Online games). A Muscle Car Money™ buckslip; ticket dispenser topper; window cling poster; t-shirt, and digital outdoor billboard were presented along with a Play Responsibly, and a Money Comb instant ticket digital outdoor billboard.

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

The Vice Chairman recognized Dale Rhodes, Director of Finance. Fiscal year to date, SCEL transferred \$245M to the ELA; more than 97% of the total Board of Economic Advisors' (BEA) estimate for FY12.

Expenditures from July 1 – April 30, 2012, are:

- 63.5% Prizes
- 26.3% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.4% Gaming Costs (Vendor Costs and Supplies)
- 1.1% SCEL Internal Administrative Costs
- 0.7% Advertising

²SCEL'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."

Executive Director's Report

Mrs. Bethea reported the Mega Millions® and Powerball® sales experience during the recent Mega Millions® jackpot run, and the \$5M it added to the transfer total. She congratulated SCEL staff, in particular, the Sales and Marketing personnel, for reaching the FY12 sales goal of \$974M on May 8th, approximately the same time as last year.

Mrs. Bethea reported on the use of SCEL's draw studio, "Studio on Main." Although income for this fiscal year is above expectations, the rate of use has returned to what was anticipated.

SCEL recently participated in the "Monday after the Masters" in Myrtle Beach and "The Heritage" in Hilton Head. Sales at "The Heritage" were \$13K more than last year. The next significant promotional event is the Bojangles' Southern 500 at Darlington Raceway.

The National Game is on the agenda for the North American Association of State and Provincial Lotteries (NASPL) Directors Meeting in June, which Mrs. Bethea will attend. The annual NASPL meeting this fall in Quebec is being held in conjunction with the World Lottery Association (WLA). It is not certain whether SCEL will send a representative.

Mrs. Bethea offered her assistance with committee meetings of the Board. Commissioner Litchfield has tentatively scheduled a Marketing and Retailer Relations Committee meeting for 10:30 a.m. on June 26th, and may call a meeting prior to each quarterly Board meeting.

Finally, Mrs. Bethea concluded her remarks by noting that SCEL's advertising through our production agency, Mad Monkey, has recently won four ADDY® awards and one spot is under consideration for national recognition.

Other Business

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), 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.