

MINUTES  
ARKANSAS LOTTERY COMMISSION  
Monday, August 20, 2012  
10:30 A.M.  
ALC Conference Room  
Third Floor  
124 West Capitol Avenue  
Little Rock, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Steve Faris, Smokey Campbell, Bruce Engstrom, Raymond Frazier, Mike Malone, Dianne Lamberth, and Patty Shipp were present. A number of staff members were present including Director Bishop Woosley, Julie Baldrige, Jerry Fetzer, Mike Smith, Patti Vick, Valerie Basham, Robert Stebbins, Lance Huey, Jeremy Smith and Joanna Bunten. Derrick Smith, of Mitchell Williams law firm, was also in attendance as outside legal counsel.

The first order of business was consideration of the draft minutes of the July 30. By motion of Commissioner Shipp,- seconded by Commission Hammons, the minutes were approved without dissent.

Next, Chairman Pickard recognized Director Woosley for his regular report (included in file). He noted that there was a drop in sales and in net proceeds, caused partly by a new accounting system for unclaimed prizes, making a \$500,000 difference; and that there had been one \$1 Million winner and \$1.4 Million in Play It Again winners. He noted high gasoline prices and the heat wave and drought as more responsible, in his opinion, than the traditional low seasonal sales, although that didn't help. He talked about the large Powerball jackpot. He then opened the topic of the Decades of Dollars game and how several large wins had depleted the prize reserves. He asked whether the Commissioners wanted to take the amount under the unclaimed prize reserved and pay it back gradually or take it out as a prize expense of this month, the second choice which would take \$159,000 out of the current month. Discussion followed, including a statement by the Director that while Decades of Dollars had produced about \$1.9 Million in profits, winner awareness is very important in the state, and the game will do much better once there is an Arkansas winner. By motion of Commissioner Engstrom, seconded by Commissioner Frazier, the Commission voted without dissent to take the \$159,000 out of unclaimed prize reserves and pay it back gradually.

Internal Auditor Matt Brown was recognized. (Information in file). He noted that he would be making a decision on the Auditor position soon. He said that he would be discussing the Three-Year Audit Plan soon in a meeting with the Audit and Legal Committee.

Audit and Legal Committee Chair Smokey Campbell presented the record for the meeting July 30. Personnel Committee Chair Patty Shipp presented the record for the meeting July 30. Higher Education Committee Chair Raymond Frazier presented the record for the meeting July 30.

Commissioner Malone remarked that he had participated in one of the Retailer Rallies held the week before in Fayetteville and that the retailers present were excited, enthusiastic, and appreciative. Director Woosley said that about 200 retailers who attended the rallies held in El Dorado, Fayetteville, Jonesboro, and Little Rock tell Lottery representatives what works in their

business from the perspective of the Lottery. He noted that Commissioner Pickard also welcomed retailers to the Jonesboro Rally, Commissioner Malone presented the welcome in Fayetteville, Representative Matthew Shepherd welcomed the group in El Dorado, and Representative Barry Hyde welcomed both Little Rock groups. Representatives Hyde and Shepherd are both members of the Legislative Oversight Committee.

It was announced that the Lafayette County Sheriff had won the Aloha pontoon boat worth \$70,000, and Commissioner Engstrom urged the Director and Staff to promote more Arkansas products. He said he had heard many comments on the street about the Aloha party barge.

Chairman Pickard said that the Committee structure had served the Commission well and added transparency to the process. He noted that the Commission has a Retail Committee but does not have a Committee to interact with vendors. He said that he believed such a Committee would increase Commission knowledge and understanding of what ALC vendors do for the Lottery. He said that although a number of Commissioners were present during the previous major vendor contracts were presented and accepted, there was a great deal more understanding of the processes by current Commissioners because of experience and the maturity of the Arkansas Lottery. He also pointed out that the process for new major vendor contracts begins in only three years and said he believed a Vendor Committee was a good idea, creating a nucleus of people who understand the Vendor process clearly. Commissioner Engstrom said he was in favor of the idea because it avoids the delegation process. Commissioner Faris said it would produce more transparency in contractual issues. Commissioner Engstrom moved that there be created a Vendor Committee. Discussion followed with a second by Commissioner Faris. Commissioner Pickard said that the Committee members would not only work on the contracts but also would enhance vendor relations. Commissioner Campbell attached an amendment that the Director and the Auditor should sit on the Committee. Commissioner Malone expressed concern that such a Committee could circumvent the staff. The motion was approved with Commissioner Malone dissenting.

In other business, Commissioner Frazier asked about the ALC Business Plan under development, and Director Woosley said it was about 80% completed and might be ready for presentation at the next meeting.

Chairman Pickard announced the next meetings as September 17 in Fayetteville, October 15 in Little Rock at 10:30, with a meeting in November or December and another, at ASU in Jonesboro, in January or February. He also reminded the Commissioners that the Personnel Committee would meet immediately upon adjournment. There being no further business, the meeting was adjourned.

# Arkansas



## Scholarship Lottery

**Report from the Director**  
**September 17, 2012**

# Comparative Income Statements

## August 2012, 2011

GAAP Basis Income			Favorable/ <span style="color: red;">(Unfavorable)</span>	Percentage <u>Variance</u>
<u>Statement</u>	<u>August 2012</u>	<u>August 2011</u>		
<b>Revenues</b>				
Instant Tickets	\$ 27,334,244	\$ 32,101,263	\$ (4,767,019)	-14.8%
Online Tickets	7,640,561	5,962,656	1,677,905	28.1%
Retailer App/Fidelity	<u>46,994</u>	<u>47,084</u>	<u>(90)</u>	<u>-0.2%</u>
<b>TOTAL Revenues</b>	<b><u>35,021,799</u></b>	<b><u>38,111,003</u></b>	<b><u>(3,089,204)</u></b>	<b><u>-8.1%</u></b>
<b>Operating Expense</b>				
Instant Prizes Net	18,573,155	22,280,900	3,707,745	16.6%
Online Prizes Net	3,838,000	2,994,752	(843,248)	-28.2%
Retailer Commissions	1,944,674	2,145,949	201,275	9.4%
Gaming Contract Costs	1,660,659	1,940,724	280,065	14.4%
Advertising	252,059	351,505	99,446	28.3%
General and Admin.	611,049	709,180	98,131	13.8%
Other Agency Services	<u>110,000</u>	<u>109,440</u>	<u>(560)</u>	<u>-0.5%</u>
<b>TOTAL Operating Expenses</b>	<b><u>26,989,596</u></b>	<b><u>30,532,450</u></b>	<b><u>3,542,854</u></b>	<b><u>11.6%</u></b>
<b>Operating Income</b>	<b>8,032,203</b>	<b>7,578,553</b>	<b>453,650</b>	<b>6.0%</b>
<b>Interest Income</b>	<b><u>26,427</u></b>	<b><u>25,810</u></b>	<b><u>617</u></b>	<b><u>2.4%</u></b>
<b>Income Before Transfers</b>	<b>\$ <u>8,058,630</u></b>	<b>\$ <u>7,604,363</u></b>	<b>\$ <u>454,267</u></b>	<b><u>6.0%</u></b>
<b>Net Proceeds</b>	<b>\$ <u>7,193,286</u></b>	<b>\$ <u>7,543,554</u></b>	<b>\$ <u>(350,268)</u></b>	<b><u>-4.6%</u></b> Note A

Note A – 2012 Net Proceeds excludes unclaimed prize expense of \$339,013 that will recognized at year end June 30, 2013; 2011 includes unclaimed prize expense.

# Comparative Income Statements

## Actual Versus Budget

GAAP Basis Income <u>Statement</u>	August 2012 <u>Actual</u>	August 2012 <u>Budget</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	<u>Percentage</u> <u>Variance</u>
<b>Revenues</b>				
Instant tickets	\$ 27,334,244	\$ 30,132,900	\$ (2,798,656)	-9.3%
Online Tickets	7,640,561	6,021,500	1,619,061	26.9%
Retailer App/Fidelity	<u>46,994</u>	<u>52,164</u>	<u>(5,170)</u>	<u>-9.9%</u>
<b>TOTAL Revenues</b>	<b><u>35,021,799</u></b>	<b><u>36,206,564</u></b>	<b><u>(1,184,765)</u></b>	<b><u>-3.3%</u></b>
<b>Operating Expense</b>				
Instant Game Prizes	18,573,155	20,928,368	2,355,213	11.3%
Online Game Prizes	3,838,000	2,968,932	(869,068)	-29.3%
Retailer Commissions	1,944,674	2,041,700	97,026	4.8%
Gaming Contract Cost	1,660,659	1,811,900	151,241	8.3%
Advertising	252,059	368,886	116,827	31.7%
General and Admin.	611,049	664,467	53,418	8.0%
Other Agency Service	<u>110,000</u>	<u>107,600</u>	<u>(2,400)</u>	<u>-2.2%</u>
<b>TOTAL Operating Expenses</b>	<b><u>26,989,596</u></b>	<b><u>28,891,853</u></b>	<b><u>1,902,257</u></b>	<b><u>6.6%</u></b>
<b>Operating Income</b>	<b>8,032,203</b>	<b>7,314,711</b>	<b>717,492</b>	<b>9.8%</b>
<b>Interest Income</b>	<b>26,427</b>	<b>35,100</b>	<b>(8,673)</b>	<b>-24.7%</b>
<b>Income before transfers</b>	<b>\$ <u>8,058,630</u></b>	<b>\$ <u>7,349,811</u></b>	<b>\$ <u>708,819</u></b>	<b><u>9.6%</u></b>
<b>Net Proceeds</b>	<b>\$ <u>7,193,286</u></b>	<b>\$ <u>7,037,992</u></b>	<b>\$ <u>155,294</u></b>	<b><u>2.2%</u></b>

# Comparative Income Statements

## YTD August 31, 2012 Compared to August 31, 2011

<u>Statement</u>	<u>Actual</u> <u>YTD 8/31/12</u>	<u>Actual</u> <u>YTD 8/31/11</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	<u>Percentage</u> <u>Variance</u>
<b>Revenues</b>				
Instant tickets	\$ 55,912,410	\$ 62,927,216	\$ (7,014,806)	-11.1%
Online Tickets	12,812,393	11,091,409	1,720,984	15.5%
Retailer app. fidelity	<u>96,765</u>	<u>105,308</u>	<u>(8,543)</u>	<u>-8.1%</u>
<b>TOTAL Revenues</b>	<b><u>68,821,568</u></b>	<b><u>74,123,933</u></b>	<b><u>(5,302,365)</u></b>	<b><u>-7.2%</u></b>
<b>Operating Expense</b>				
Instant Prizes Net	38,287,927	44,448,873	6,160,946	13.9%
Online Prizes Net	6,417,427	5,463,608	(953,819)	-17.5%
Retailer Commissions	3,847,827	4,160,028	312,201	7.5%
Gaming Contract Costs	3,354,531	3,743,904	389,373	10.4%
Advertising	467,155	584,631	117,476	20.1%
General and Admin.	1,215,233	1,308,837	93,604	7.2%
Other Agency Services	<u>220,000</u>	<u>218,880</u>	<u>(1,120)</u>	<u>-0.5%</u>
<b>TOTAL Operating Expenses</b>	<b><u>53,810,100</u></b>	<b><u>59,928,761</u></b>	<b><u>6,118,661</u></b>	<b><u>10.2%</u></b>
<b>Operating Income</b>	<b>15,011,468</b>	<b>14,195,172</b>	<b>816,296</b>	<b>5.8%</b>
Interest Income	<u>65,911</u>	<u>67,997</u>	<u>(2,086)</u>	<u>-3.1%</u>
<b>Income before transfers</b>	<b>\$ <u>15,077,379</u></b>	<b>\$ <u>14,263,169</u></b>	<b>\$ <u>814,210</u></b>	<b><u>5.7%</u></b>
<b>Net Proceeds</b>	<b>\$ <u>11,945,788</u></b>	<b>\$ <u>14,696,457</u></b>	<b>\$ <u>(2,750,669)</u></b>	<b><u>-18.7%</u></b> Note A

Note A – 2012 Net Proceeds excludes unclaimed prize expense of \$814,996 that will be recognized at year end June 30, 2013; 2011 includes unclaimed prize expense.

# ADHE Transfer Analysis

<u>Month</u>	<u>2013 Transfers</u>	<u>2013 Unclaimed Prizes</u>	<u>2013 Budget</u>	<u>Over/Under Budget</u>	<u>Cumulative Balance</u>
July, 2012	\$4,752,502	475,984	\$ 7,522,865	-\$2,294,379	-\$2,294,379
August	7,193,286	339,013	7,451,392	80,907	-2,213,472
September			7,058,362		
October			7,756,011		
November			7,473,772		
December			8,809,750		
January, 2013			8,675,137		
February			8,911,452		
March			9,887,846		
April			7,986,661		
May			9,158,268		
June			<u>8,394,484</u>		
Totals	<u>\$11,945,788</u>	<u>814,997</u>	<u>\$99,086,000</u>		

# Natural State Jackpot



- Game started Monday August 27<sup>th</sup>
- Gross cash sales over \$600,000 through Thursday 9/13/12
- Averaging over \$33,000 a day in sales
- Over \$246,000 awarded in prizes
- \$100,000 Jackpot winner on Thursday 9/13/12
- Retailers have earned approximately \$32,000 in commissions



# \$1,000,000 Riches

- New \$20 Instant game
- On sale - Tuesday, October 2<sup>nd</sup>
- Bigger, Better, Loaded with Prizes
- Includes \$1 Million, \$100,000 and \$50,000 prize tiers.



- **Instant Game Launches:**
  - **Oct. 2, 2012;** Double Dough, Deuces Wild, Buck\$ and Duck\$, Black Pearls, & \$1,000,000 Riches
  - **Nov. 6, 2012;** Hit \$50, Hit \$200, Hit \$500, & Diamond Fortune
  - **Dec. 4, 2012;** Pac-Man™, Junior Jumbo Bucks, Fat Cat Tripler, & Super Crossword
  - **Jan. 8, 2013;** What's Your Number?, Tattoo Doubler, Emerald Riches, & Joker's Wild
- **Upcoming Fast Play Games:**
  - Crazy 8's & Hunting for Hundreds (Oct. 1), Candy Cane Cash & Holiday Cash (Nov. 5), Cash Count Up (Dec. 3), Snowflake Melt (Dec. 17), Bingo & Smokin' Hot Dice (Dec 31), Lucky Loot & 3 Times Lucky (2/4)
- **Player Advertising Displays(PADs) Mid January!**

- **Monthly PFP Multipliers**

- 5x-Pink Panther™ (Sept.), 3x-Diamond Mine (Oct.), 5x-Mardi Gras World™ (Nov.), Greatest Hits! Or Fast Play (Dec.)
- Terminal-generated games **Promotions!**

- **Active Second-Chance Games:**

- AR-141 Harley-Davidson®, Family Feud®, Mardi Gras World™

- **Current PFD's:**

- High-Tech Apple Harvest, drawing date: Oct. 4, 2012
  - Apple Product Bundle
- An Extraordinary Escape!, drawing date: Oct. 4, 2012
  - 3 day/2 night Trip for Two to the Crescent Hotel in Eureka Springs, AR

- **Upcoming/Future PFD's:**

- Family Fun Night (Samsung TV & Wii bundle)
  - Entry Period: Oct. 3, 2012 – Nov. 4, 2012
- Petit Jean Meats & Whirlpool Garage Freezer/Refrigerator