

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, October 15, 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 (by phone), Raymond Frazier, Mike Malone (by phone), 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 September 17 and the October 1 meetings. It was pointed out that Commissioner Campbell's name was left off the September 17 minutes and a correction was made. By motion of Commissioner Faris, seconded by Commission Engstrom, the minutes of both meetings were approved without dissent.

Next, Chairman Pickard recognized Director Woosley for his regular report (included in file). He noted that net proceeds with unclaimed prizes added were ahead of September 2011 by more than \$200,000. He said costs are down and draw tickets made up a higher percentage of sales. He noted that at the Lottery's three-year anniversary took place on September 28, the Lottery is showing \$1.4 Billion in sales, \$900 Million in prizes, with \$80.5 Million to retailers and \$286.5 to scholarship funding. He said that the first week of October showed the highest sales of instant tickets since May 2012.

He said that Claim Center sales had totaled \$6,000, with the same overhead, representing some additional income. The Natural State Jackpot is selling briskly, with sales of more than \$1.2 Million in the six weeks since launch, he said. He said that sales were \$14 Million down for the fiscal year but expenses are also \$14 Million down, thus the growth in proceeds. He described plans for the Buy One, Get One (BOGO) free November promotions, where players can buy a 50/50 draw ticket and get a free Hunting for Hundreds instant ticket, with similar promotional plans for December and January. He noted that jackpots are unpredictable and said that, if the winter and spring bring good jackpots, it is possible that the sales will catch up as they did in FY2012 after a very slow fall.

The Commission and the Director discussed of the possibility of a Mississippi Lottery, which would require action by their legislature but has already been approved by their voters in 1992. The Director said it would created additional competition and would have a deleterious effect on Arkansas sales. He noted that as of June, a national premium game was expected to start up in September, and now it has been postponed to 2013. He said the industry was relatively unpredictable.

Commissioner Pickard talked about a meeting he recently attended and becoming aware that internet gaming was already going on in some states and others were rushing to get into the

action, and that this may impact the Arkansas bottom line. Director Woosley pointed out that the federal government is considering federalizing internet gaming and cutting states out completely. The Director said that lottery staff would do everything in its power to meet the projected scholarship goal but that it would be difficult to do so. He said the staff would continue to meet frequently with ADHE officials to report revenues.

The Director then brought forth an amendment of the Intralot contract for Intralot providing, at no cost to the Lottery and in exchange for devices that the Lottery has paid for but cannot use, 600 Product Advertising Displays (PADs) for jackpot awareness, promotional information, and product awareness. He said they would be 17" and 19" units, depending on what is needed in each location. He said that Intralot was providing wiring and the mounts at no charge, and expect installation to begin on January 21. He said that the PADs will go into retailers with high, medium, and low sales. The amendment also allows management to purchase more of the devices should the PADs prove rewarding. Further, it allows the addition of outside advertising to be sold on the displays. Discussion followed about the PADs as well as the efficacy of sales in big box stores. By motion of Commissioner Lamberth, seconded by Commissioner Malone, the amendment was approved without dissent. The Chairman thanked Intralot and Steve Beck, Intralot's regional manager, for their cooperation in this matter.

Internal Auditor Matt Brown was recognized for his report (in file). He said the licensing audit was completed, with no issues, and the outstanding travel review was virtually resolved but has been placed on hold as the CAFR is completed. He said the review of the Claim Centers had proceeded to visits at each facility and was well underway. He said all reviews thus far were moving more quickly than he originally anticipated. He said that Intralot was again voluntarily financing the SOC-1, and that it was essentially complete and had been reviewed .

He said that CFO Jerry Fetzer's team had done a great job on the CAFR and that he didn't see the IA role being too extensive. Commissioner Engstrom paid tribute to Jerry Fetzer in obviating the need for the difficulties of 2011, including the outside accounting firm expense. Director Woosley noted that CFO Fetzer and Advertising Director Bunten and their teams were knocking it out of the park with the CAFR. He said he expected it to be completed in a few weeks. He said both groups had worked very hard.

Chairman Pickard called on Personnel Committee Chair Patty Shipp for a report. She said that there was an issue brought up by Valerie Basham in the interval between the Committee meeting and the convening of the Commission meeting and that she preferred there be no Commission action at this time and that the matter be returned to the Committee.

Chairman Pickard announced the next meeting on December 3 at Arkansas Tech in Russellville, with a January 28 meeting at ASU in Jonesboro, with February 4 on hold if there is inclement weather. He said that there would be a luncheon at 11:30 a.m. and the meeting at 1 p.m. on both occasions. He also reminded the Commissioners that the Vendor Committee would meet immediately upon adjournment. There being no further business, the meeting was adjourned.