

MINUTES
ARKANSAS LOTTERY COMMISSION
Tuesday, October 7, 2009
1:30 p.m.
Arkansas Lottery Commission Board Room
124 West Capitol Avenue, Little Rock, AR

The meeting was called to order by Chairman Thornton. All Commissioners were present: Commissioners Thornton, Lamberth, Pickard, Smith, Shipp and White in person and Commissioners Hammons, Malone, and Ward-Jones by teleconference. Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldrige, Bridgette Frazier, Bishop Woosley, and Patricia Vick. Internal Auditor Michael Hyde also was present.

Chairman Thornton expressed the Commission's appreciation to the staff in putting the ASL on track to gross \$100 million for scholarships in the first year, adding that the likely \$30 million in scholarships produced by the end of 2009 would exceed the total scholarships funded annually by state government prior to the establishment of the Lottery. The minutes from the September 11 meeting were reviewed and unanimously approved.

Mr. Passailaigue and Mr. Barden gave Commissioners an overview of the introduction of products. Four more instant tickets will be introduced on October 20, including a \$1 Money Bags game with a maximum prize of \$2,000; a \$2 Money Madness game with a maximum prize of \$18,000; a \$2 Crazy 8's game with a maximum prize of \$18,888; and a \$5 Super 7s game with a maximum prize of \$77,777. Further, on October 31, Arkansas retailers will begin selling Powerball® tickets, with a Midnight Madness launch event, details to be released as the planning progresses. Also, on November 10, four more new instant tickets will be introduced. And on December 14, there are plans to launch the first Arkansas draw game, Cash 3. Also mentioned were prospective games such as raffle, Hot Lotto by Multi-State Lottery Association and a southern regional lotto game.

Director Passailaigue reported on the ASL Budget and Expenditures. To date, the expenditures totaled \$16,468 to the end of FY 2009 on June 30; and \$2,144,314 for FY 2010, for a total owed to the Department of Finance and Administration of \$2,160,782. This expenditure is less than half of the amount the legislature made available for startup costs, and less than one-third of the total \$9 million that could have been requested. The Director said the loan would be repaid in full on October 15, 18 days after the first ticket went on sale.. Also, he presented a preliminary budget from September 28, 2009 through September 27, 2010. He estimated sales at \$400 million, prizes at \$241.7 million, commissions at \$26 million, gaming costs at \$14.930 million, administrative, advertising and other expenses at \$15.564, leaving net proceeds at \$102.37 million.

Ms. Middleton reported that the Springdale Claim Center would open in early November, most likely November 2; that the Jonesboro Center should follow in December, and that Camden negotiations were well underway after being renewed when the original site fell through.

Mr. Andy Babbitt of Legislative Audit addressed the Division's report on the ALC for FY 2009, noting good communication with Internal Auditor Michael Hyde and Controller Philip Miley, with the expectation that they will provide assistance when needed.

Mr. Hyde then presented a draft of the Internal Audit Charter and a report to the Commission. He said he would perform two audits during the last four months of 2009, including instant tickets internal control and retail settlements; would review and monitor projects; and would prepare a 2010 Internal Audit plan.

The ALC Legal Committee report was presented next following a meeting earlier in the day attended by members Commissioner Smith, Commissioner Hammons and Commissioner Shipp, as well as by Commissioner Lamberth and Commissioner Pickard. Commissioner Smith proposed ALC approval of an Invitation For Bid for Directors and Officers coverage. This proposal, by motion of Commissioner Smith, seconded by Commissioner Lamberth, was approved unanimously. Next, by motion of Commissioner Smith, seconded by Commissioner Hammons, the permanent adoption of the Rules of Practice and Procedure was unanimously approved. Last, the proposal to begin the permanent rulemaking process for the Operational Rules – currently in place on an emergency basis – with public and commission comment, was unanimously approved by motion of Commissioner Smith, second by Commissioner White.

In other business, the Commission discussed the 10-member Retailer Advisory Council. Commissioner White proposed that in addition to Commissioner suggestions, the Retail Committee would help with suggestions for appointees, and would ask for input from the Marketing and Sales Representatives, thereby presenting the Chairman with a pool of possible appointees. Chairman Thornton agreed, and by motion of Commissioner White, seconded by Commissioner Pickard, the proposal was approved unanimously.

Chairman Thornton then read laudatory letters regarding the Arkansas Lottery Commission and its startup of the Arkansas Scholarship Lottery from Representative Barry Hyde, Co-Chair of the Legislative Oversight Committee, and from Representative Linda Tyler, an LOC member.

There being no further business, the meeting was adjourned. No date was set for the next meeting.