

MINUTES
ARKANSAS LOTTERY COMMISSION
Tuesday, November 17, 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. Commissioners Thornton, Lamberth, Hammons, Malone, Pickard, Shipp and White were present in person and Commissioner Ward-Jones by teleconference. Executive Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldrige, Bridgette Frazier, Bishop Woosley, Carolyn Cabell, Mary VanLeer, Ken Treadwell, Ivan Hudson, and Patricia Vick. Internal Auditor Michael Hyde and his assistant, Whitnie Hall, also were present.

Chairman Thornton called the meeting to order. The minutes from the October 7 meeting were reviewed and unanimously approved.

Commissioner Shipp gave the Commissioners a report on the Legal Committee meeting November 13 with the assistance of Ms. Frazier. The three issues on the agenda were the Rules of Operation, the Rules of Practice and Procedure and consideration of Directors and Officers insurance for the Commissioners. The Operational Rules were presented for approval as permanent rules with a few minor edits for clarity, Commissioner Shipp explained, as she moved for approval, with a second by Commissioner Hammons, and the Operational Rules were approved unanimously. The Rules of Practice and Procedure, which already have Commission approval in their permanent form, received a number of comments from the Legislative Oversight Committee. In response to these comments, Ms. Frazier reported that the Legal Committee recommended deleting Section 7 and making one other minor change, a four step process. By motion of Commissioner Shipp, seconded by Commissioner Malone, the Commission expunged the vote approving the Rules of Practice and Procedure. Commissioner Shipp then moved to adopt the amendment making the changes described above, Commissioner Lamberth seconded, and the Commission unanimously approved the amendment. Commissioner Shipp then moved to approve the rules as amended. That motion was seconded by Commissioner White and unanimously approved. Last, Commissioner Shipp moved to begin the process for the rules to become permanent, with a second by Commissioner Hammons and a unanimous vote to approve the process. On the question of Directors and Officers insurance, the Legal Committee took no action because only two of the three members had been present, Commissioner Smith recusing. Commissioner Shipp stated that there were so many issues in each of the two bids—from Regions and from Bancorp South—that she wanted the Commissioners to form their own opinions without recommendation from her. The Chairman delayed a vote on the issue until the Commissioners had time to review both proposals.

Chairman Thornton announced his choices for the Retailer Advisory Board and asked for approval of the selections by the Commission. Those named are: Terri Brewer of Plumerville, Kroger; Sarah Diebold of Fayetteville, Friendly Liquor; Carl James of El Dorado, Murphy Oil USA, Inc.; Richard King of Little Rock, E-Z Mart; Steve Lightle of Searcy, B&B Oil Company; Branch Satterfield of Conway, Satterfield Fuel; Ness Sechrest of West Memphis, Flash Markets, Inc.; Connie Townsley of Batesville, White River Petroleum; Harold Tunious of North Little Rock, D&J Mini-Mart; and Joe Dan Yee of Lake Village, Yee Foodland. By motion of Commissioner White, seconded by Commissioner Pickard, the 10 Retailer Advisory Board appointments were unanimously approved.

Internal Auditor Hyde reported that he is working on the Instant Games audit. He said he was planning to audit lottery game revenues and to work on the education trust account. He said he would have a 2010

audit plan by the end of the year. He introduced Whitnie Hall, auditor, who he recently employed as his assistant.

Ms. Middleton, Ms. VanLeer, and Mr. Treadwell presented the model for the Commission Zone, a dedicated space on the Internet which would be a bulletin board on which information for the Commission could be posted regarding all areas of the ASL. The SharePoint state-of-the-art site is a portal to manage business communications and information. The Commissioners were shown the possibilities of the site and asked to contemplate what information they would like to see regularly posted. Executive Director Passailaigue said he expected the Commission Zone to be a site where Commissioners can be plugged in to the ASL on a minute-by-minute basis.

Director Passailaigue presented a 50-day verbal and written report card on lottery sales since September 28, noting instant ticket sales in excess of \$68 million and Powerball® sales in excess of \$3 million. Responding to a question from Chairman Thornton, he said that lottery sales were often seasonal, with the summer traditionally being slower. Mr. Passailaigue also outlined the mathematical facts of the recipients of lottery dollars, the likely retention of millions of dollars that had been going out of state, and the positive implications to Arkansas tax collections. Next, he said he wanted to recognize and reward the performance of the managerial staff (employees exempt from overtime pay) during the startup. He pointed out that other state lotteries pay large bonuses to their lottery managerial staff for these levels of achievement, but that he was proposing additional leave time in recognition of the 24/7 efforts by the rest of the ASL's executive staff. Chairman Thornton asked about the rules that apply to ASL employees such as the Fair Labor Standards Act and general state rules which apply unless rules tailored for the ASL are adopted by the Commission. Ms. Middleton concurred, saying that ASL executives like to stay in step with state regulations and policies as much as possible given the entrepreneurial nature of the enterprise. She said that, following Commission approval, the proposal would be presented to the state Office of Personnel Management.

Chairman Thornton expressed support for the proposal and said he wanted the proposal to be considered by the Personnel Committee and brought back to the full Commission. Vice Chairman Lamberth said that as one of the four Commissioners on the Personnel Committee she wanted to consider the proposal carefully to gain a more complete understanding and examine information, such as the current ASL leave policy. Commissioner Pickard concurred. Commissioner White expressed support for the proposal and said he wanted to hear from the Personnel Committee. The proposal will be brought before the Personnel Committee and that report will be presented at the next Arkansas Lottery Commission meeting.

Ms. Middleton informed the Commission that while working with the Economic Development Commission (EDC) Small and Minority Business Division, she envisioned putting together a Small and Minority Business forum sponsored by the ASL, with the assistance of the EDC. She introduced the new Small and Minority Business Enterprise Coordinator, Ivan Hudson, and noted he developed the plan together within four days of his hiring. The December 7 forum will be geared principally to small businesses owned by women and minorities will focus on how to become certified by the State as a SMB provider and explain the opportunities to do business with the Lottery. The December 7 forum will take place at the Clinton Library. Ms. Middleton said that she anticipated additional forums in other areas around the state.

Director Passailaigue introduced Carolyn Cabell, Director of Product Development, to present information on the *Cash 4* draw game being developed for 2010. Ms. Cabell explained the game, noting that four adjoining states have a similar game. By motion of Commissioner White, seconded by Commissioner Hammons, the *Cash 4* game was approved.

Mr. Passailaigue then discussed the MegaMillions® multistate jackpot game, similar to Powerball®, with Tuesday and Friday drawings. Negotiations to cross-sell Powerball® and MegaMillions® in the respective states culminated in October in a conceptual agreement, with most Powerball® states already agreeing to sell MegaMillions®, and most MegaMillions® states approving to sell Powerball® tickets. Ms. Cabell presented a detailed explanation of MegaMillions® and MegaPlay®. By motion of Commissioner Lamberth, second by Commissioner Malone, the introduction of the MegaMillions® and MegaPlay® products on January 31, 2010 was approved unanimously.

Next, the Director and the Commissioners discussed the *Instant Win and Add On* features for all approved draw games. By motion of Commissioner White, seconded by Commissioner Lamberth, the implementation of this feature to Arkansas draw games was approved unanimously. Mr. Passailaigue described Ms. Cabell's education and work history and complimented her enormous successes of the ASL's Play It Again Club.

Chairman Thornton raised the subject of the next Legislative Oversight Committee meeting on November 24. Mr. Passailaigue noted that he and Mr. Barden were scheduled to be in meetings at the Tennessee Lottery to discuss the Random Number Generator procedures, in advance of the *Cash 3* game to be launched on December 14. Mr. Passailaigue said it appeared that the education and scholarship side would be the center of discussion. The Chairman and Mr. Passailaigue suggested the ASL would be best served by sending if Ms. Frazier, Mr. Woosley, Mr. Miley, and Internal Auditor Hyde as ASL representatives. Chairman Thornton said that he would be present. Commissioner Lamberth said that the Education Committee members might want to be present to hear the scholarship discussions, and Commissioner Pickard volunteered to be present.

Chairman Thornton discussed the calling of future Commission meetings. He noted that Committees can meet at will, and that it was a holiday season. He noted the upcoming February legislative session and reported that a schedule of morning meetings, with a planning session the evening before, was the norm with some other large state agency commissions. He suggested future meeting dates on January 20, March 17, and May 19, with the understanding that other meetings will be called as needed. Commissioner Lamberth said she appreciated the choice of Wednesdays and that she preferred monthly meetings. Commissioner Malone said he liked the early morning meetings. Commissioner Hammons, Commissioner Shipp, Commissioner Pickard all opined that an 8:30 a.m. meeting, with a planning session the previous evening, is a good idea. Chairman Thornton then called a January 20 meeting at 8:30 a.m., with the likelihood of a planning session the evening before.

Director Passailaigue asked for a moment and noted that \$70 million in tickets had been sold in the first 50 days and that the ASL staff was the best in the country. He added, however, that the tickets were sold by Arkansas retailers, our partners, and that Polly Martin, Director of the Arkansas Grocers and Retail Merchants Association, and Ann Hines, Director of the Arkansas Oil Marketers Association, should be recognized by the Commission for their part in producing scholarships for thousands of Arkansans. The Commission applauded Ms. Hines and Ms. Martin.

Commissioner Malone and Commissioner Lamberth said that they would call meetings of the Audit Committee and the Personnel Committee respectively to discuss the issues mentioned during this meeting. It was also decided that Directors and Officers Insurance would be an item for discussion at the January meeting.

There being no further business, the meeting was adjourned.