

MINUTES
ARKANSAS LOTTERY COMMISSION
Thursday, August 19, 2010
2:45 p.m.
Wyndham Riverfront Hotel
2 Riverfront Place
North Little Rock, Arkansas

The meeting was called to order by ALC Chair Dianne Lamberth. Commissioners Smith, Pickard, Campbell, Malone, Shipp, Ward-Jones and White were present. Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldrige, Bishop Woosley, Lance Huey, Joanna Bunten and Patricia Vick. Internal Auditor Michael Hyde and Auditor Whitnie Hall also were present.

The minutes from the July 7, 2010, meeting were reviewed by motion of Commissioner White, second by Commissioner Ward-Jones, unanimously approved.

Prior to the Commission meeting, the Commission held a 90 minute oral hearing pursuant to the Administrative Procedure Act for the purpose of hearing comments from the public concerning the proposed amendments to the ALC Operational Rules, regarding Ticket Vending Machines (TVMs). Twenty-three individuals made comments, as recorded in a list attached to these Minutes.

Commissioner Lamberth recognized Jerry Cox, director of the Arkansas Family Council to make additional remarks regarding the TVMs, and he discussed his position. A letter to the Commission from Mr. Cox was received and is attached to these Minutes.

The Chair opened an informal discussion of the changes to the Operational Rules, considering both the oral comments offered during the hearing and written comments received by the Commission during the public comment period from July 15, 2010 until August 13, 2010. She recognized Commissioner Smith, Chair of the Legal Committee, who presented a summary of the substantive changes. Director Passailaigue was asked about TVM use in other states. He responded that, if the rule changes are approved, Arkansas would become one of 37 American lotteries with TVMs. He said no more than 5 states, probably fewer, had the age verification capability that the Arkansas TVMs would have. Commissioner Shipp questioned the wording in the proposed changes, and the Commission discussed the following: the definition of age validation in Section 7.1(b), the requirement in Section 7.2(c) that the TVM would be in a work area "normally" staffed, the general question of sufficient specificity to encompass differently equipped machines that might be acquired in the future, and the term "continued lottery play" in Section 1.35(d). Director Passailaigue noted that additional machines could not be acquired without action by the Commission. A brief discussion ensued regarding a study of the demographics and habits of the player base, and the Director verified that would be contracted out, as part of the current budget, after the end of the first 12 months of lottery sales. Commissioners Smith and Shipp discussed the possibility of immediate adoption of the proposed amendments, with additional changes brought forth at an upcoming meeting. Commissioner Pickard commented on the need for thorough training of retailers with the TVMs, including intensive training regarding monitoring for age verification. Director Passailaigue commented on the excellence of the Arkansas

business community and retailer base on which to rely. Commissioner Malone addressed the need for the machines to be in a location that is staffed at all times. By motion of Commissioner Smith, seconded by Commissioner Pickard, the language was revised to specify "a government-issued form of identification" in Section 7.1(b) and to remove the word "normally" from the proposed "normally staffed" language in Section 7.2(c), and the motion passed unanimously. By motion of Commissioner Smith and second by Commissioner White, the proposed rules, as amended, were adopted and directed to be forwarded to the Legislative Oversight Committee.

Director Passailaigue then presented his report, focusing on FY2011, prize percentage as is related to unclaimed prizes and to net proceeds. Vice President Barden next introduced Advertising and Marketing Director Bunten for a presentation on the marketing of the ASL: three promotional events weekly; two summer motorcycle events; and direction to the website to learn of other promotional events. There currently are 49 games in play.

Internal Auditor Hyde reported the completion of 16 audits, with three substantially complete.

Commissioner Pickard reported that the Higher Education Committee had met and elected him chairman. He also asked that Dr. Purcell and Ms. Tara Smith be thanked for their efforts regarding the scholarships. He also praised the financial aid professionals at colleges and universities around the state for their performance of the additional workload imposed by the lottery scholarships. Commissioner Malone spoke about the current week, with students beginning or returning to college, and said it had been a proud week for him. Commissioner Campbell reported that he had a name to recommend for the vacancy on the Retailer Advisory Board and directed Ms. Baldrige to convey the information to the Chair. An Audit Committee meeting following adjournment was confirmed.

Vice President Middleton introduced Valerie Basham, the new ALC Human Resources Director, to the Commission, stating that Ms. Basham comes from Odessa and has more than 15 years of HR experience.

The Commission discussed the date for the next meeting and agreed to meet at 1:30 p.m. on September 30.

The meeting was adjourned.