

distributed. The motion was seconded by Mr. Orbison. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Abstain

THE RESULT WAS FOUR VOTES IN THE AFFIRMATIVE, ONE ABSTAINED AND NONE OPPOSED. THE MOTION PASSED.

IV. EXECUTIVE DIRECTOR'S REPORT. The Executive Director deferred his comments until later in the meeting.

V. LEGISLATIVE UPDATE. (Exhibit C) Mr. Scroggins gave an oral presentation with regard to legislative actions that directly affect the Lottery Commission and any applicable updates associated with said legislation.

VI. REPORT OF AUDIT & FINANCE COMMITTEE. Mr. Eden offered an oral report regarding the Lottery Commission's current financial standing.

VII. DISCUSSION AND POSSIBLE ACTION REGARDING CONTRACTS:

a. (Exhibit D) A motion was made by Mr. Eden and seconded by Mr. Orbison to approve the HR / Payroll Services renewal contract with the Office of State Finance as presented, appending that the amount not exceed \$30,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

b. (Exhibit E) A motion was made by Mr. Orbison and seconded by Mr. Paul to approve the Legal Services contract renewal with the Attorney General's Office as presented, appending that the amount not exceed \$30,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.

THE MOTION PASSED.

- c. (Exhibit F) A motion was made by Mr. Paul and seconded by Mr. Orbison to approve the Legal Services contract renewal with Andrews Davis as presented, appending that the amount not exceed \$10,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

- d. (Exhibit G) A motion was made by Ms. Edwards and seconded by Mr. Eden to approve the Office Lease renewal contract with 38th & Santa Fe, LLC as presented, appending that the amount not exceed \$160,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

- e. (Exhibit H) A motion was made by Ms. Edwards and seconded by Mr. Orbison to approve the Gaming Services contract renewal with Scientific Games International as presented. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

- f. (Exhibit I) A motion was made by Mr. Eden and seconded by Mr. Paul to approve the External Auditor contract renewal with Cole and Reed as presented, appending that the amount not exceed \$40,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

- g.** (Exhibit J) A motion was made by Ms. Edwards and seconded by Mr. Orbison to approve the Sales management system renewal contract with OrderPad as presented, effective July 24, 2012, appending that the amount not exceed \$48,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

- h.** (Exhibit K) A motion was made by Mr. Paul and seconded by Ms. Edwards to approve the Draw auditor services contract with Wright McAfee and Company as presented, appending that the amount not exceed \$17,000 for fiscal year 2013. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

VIII. DISCUSSION AND POSSIBLE ACTION REGARDING THE FISCAL YEAR 2012 AND FISCAL YEAR 2013 BUDGETS FOR THE OKLAHOMA LOTTERY COMMISSION. No action.

IX. DISCUSSION AND POSSIBLE ACTION REGARDING THE HOLDING OF AN EXECUTIVE SESSION, PURSUANT TO TITLE 25 O.S. §307 B.1, FOR THE PURPOSE OF DISCUSSING PERSONNEL ISSUES RELATING TO THE EXECUTIVE DIRECTOR.

Mr. Paul made a motion to enter executive session. The motion was seconded by Ms. Edwards. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

X. ROLL CALL AND ANNOUNCEMENT OF QUORUM TO RETURN TO OPEN MEETING.

The Chair declared the Board to be back in open session. The Chair ordered a roll call to establish quorum.

Board members present were:	Jerry Eden;
	Charlotte Edwards;
	James Orbison;
	William Paul;
	Blake Virgin.

Based on the result of the roll call, a quorum was declared present by the Chair.

XI. DISCUSSION AND POSSIBLE ACTION(S) REGARDING THE EXECUTIVE SESSION.

Mr. Paul made a motion to accept the Executive Director's resignation, effective March 31, 2012. The motion was seconded by Mr. Orbison. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

Ms. Edwards made a motion to appoint Rollo Redburn to the position of Interim Executive Director at a compensation rate of \$140,000 annually, to be effective during the entirety of his term as Interim Executive Director. The motion was seconded by Mr. Paul. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

Mr. Virgin made a motion to elect Messrs.' Paul, Orbison and Charlton to a temporary committee tasked with finding an official replacement for the position of Executive Director, with Mr. Paul holding the position as Chair of said committee. The motion was seconded by Ms. Edwards. The Chair ordered a roll call with the following results:

ROLL CALL VOTE:	Mr. Eden	Yes
	Ms. Edwards	Yes
	Mr. Orbison	Yes
	Mr. Paul	Yes
	Mr. Virgin	Yes

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

XII. NEW BUSINESS. Mr. Scroggins gave an oral presentation with regard to the current standing of the agency and what he would like to see accomplished over the coming years. Mr. Scroggins made the following points:

1. There is a general lack of understanding and concern with regard to the Oklahoma Lottery Commission. Legislators have a tendency to criticize, and not analyze, the agency.
2. The original sales projections for the Oklahoma Lottery Commission were made by highly unqualified, albeit well-intended, individuals with no lottery background whatsoever. Initial sales projections were overstated and unattainable for such a new agency. They looked at per capita lottery sales in states surrounding Oklahoma, while figuring in Oklahoma's population, in order to calculate their figures; regardless of the fact that most, if not all, of those agencies had been in operation for 20 years or more. It is not feasible to assume that a startup lottery can accomplish what that of a 20 year old lottery can. As an example, the State of Colorado did \$440 million; it took them all of 20 years to reach that figure. That being the case, it is unreasonable to assume that Oklahoma could reach that figure in its startup year. Not only was the \$440 million estimate arbitrary and capricious, but an additional 15% was then added to that initial, overly inflated estimate.
3. Profit restrictions totaling 35% of total revenue were then placed on the agency, with no consideration given to the approximately 100 casinos located throughout the state.
4. More importantly, when those initial projections were made, it was under the assumption that video lottery and pull tabs were going to be made available for public consumption as well. Those big ticket items, however, were removed from consideration and are currently not authorized in the State of Oklahoma.
5. All of these issues distorted the estimates, throwing them off by approximately 50%. Had the estimates been more accurate and reflected an appropriate figure of \$200-210 million annually, the agency would have been well within that projection.
6. Another item of concern is Legislative Intent, which states that the agency must have full public disclosure with regard to both operations and finances. Each and every audit year has produced a clean and completely compliant

result. The agency has been awarded five years in a row for its excellence in financial reporting.

7. Regarding net proceeds for education; if the 35% profit restriction were removed, the agency could contribute much more to education than it already does. The almost \$500 million contribution to education thus far could have potentially been closer to \$1 billion. Part of the Legislative Intent states that the agency should maximize its contribution to education but, again, this cannot be done with the current profit restrictions that are in place. Case studies of neighboring states have verified these statistics, as their profit margin was greatly increased once the profit restrictions were eliminated, because they no longer had to continually reduce prizes, which greatly inhibits public participation. As a direct result of profit restriction removal, agency profits were greatly increased which, in Oklahoma, would mean increased educational funding. Legislators have yet to give any real attention or merit to these studies. Legislators bypass the suggestion by claiming that eliminating profit restrictions would have to go before the general public for a vote, even though the law has been altered nine times subsequent to initial inception. It seems logical that a tenth alteration would not require such a vote and is merely pretense.
8. Legislative Intent also states that the agency must be free of political influence; the agency has remained in compliance and has been subject to no political influence whatsoever. What the agency has been subject to, however, is political indifference. The law provides for a Legislative Oversight Committee, which is to periodically review and evaluate lottery success; no such committee has ever been formed, much less put into practice. This is yet another example of criticizing without first analyzing the issue.
9. Not only are there few proponents for the agency, but outright hostility has been verbally expressed, as witnessed by agency officials. There are some that have even gone so far as to state that they did not want this agency to come in being, but the voter's decided otherwise.
10. In conclusion, were the 35% profit restriction to be stricken from the law, the agency could potentially double profits and, as a result, double contributions to education in the State of Oklahoma.

XIII. ADJOURNMENT.

The Board adjourned by general consent.

OFFICIAL MINUTES:

The action taken by the Oklahoma Lottery Commission on the items for consideration after motion duly made and seconded has been noted herein and made a part of these minutes. The Board caused the entire proceeding of the meeting, excepting any executive sessions, to be recorded on a digital audio recording device to be retained as a record in the office of the Board.

Minutes Approved by Board of Trustees on June 19, 2012.

Exhibits are A through K.