

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes

Tuesday, September 18, 2012

Commissioners in Attendance: Robert A. Farris, Chairman
Keith Ballentine
Barry Dodson
David Kirby
Jody Tyson
Ray Warren

Commissioner Participating via Phone: Carla Archie
Pamela M. Whitaker

Staff in Attendance: Alice Garland
Lou Ann Russell
Bill Jourdain

The North Carolina Education Lottery Commission meeting was held September 18, 2012 at 12:30p.m. at NCEL headquarters, located at 2100 Yonkers Road, Raleigh, NC.

Opening and Approval of Minutes

Chairman Farris called the meeting to order and reminded the Commission that they operate under the state's code of ethics. He also reminded commissioners that funds raised by the North Carolina Education Lottery (NCEL) should be used to supplement, not supplant education dollars in North Carolina.

Chairman Farris recognized newly appointed commission members, Keith Ballentine, Jody Tyson, Ray Warren, and David Kirby. The Chairman then presented the minutes of the June 19, 2012 NCEL Commission meeting for approval. There being no changes to the minutes, Chairman Farris made a motion to approve the minutes and Commissioner Warren seconded. Chairman Farris declared the minutes approved.

Chairman Farris randomly chose the NCEL Employee of the Year from the quarterly recipients of employee recognition. This year's winner is Debra Collins. Debra is a Sales Representative.

Audit Committee Report

Commissioner Archie presented the Audit Committee report:

- The SSAE#16 GTECH report was presented.
- SOC2 report is more detailed way of providing information. Audit Committee approved that Internal Audit will begin investigating costs associated with this type of reporting.
- Internal audit finalized: (1) Human Resources and Payroll and (2) Advertising.
- Security Audit that is performed bi-annually is currently underway.
- Fixed assets inventory is complete.
- Auditing of instant and online prize validations is nearing completion.
- Instant ticket inventory has begun.
- End of game processing for nine games that ended in July was completed.
- The financial audit conducted by Cherry, Bekaert & Holland should be available at the December Commission meeting.

Operations/Personnel Committee Report

Commissioner Whitaker presented the Operations/Personnel Committee report.

A new proposed NCEL policy, 4.28 - Longevity Policy, was presented. This policy would allow NCEL employees with at least 5 years of service to be eligible for a yearly longevity payment based on their current year salary. After discussion, Commissioner Whitaker made a motion to approve the policy as written. Commission Dodson seconded. The policy passed.

Finance Committee Report

Commissioner Dodson presented the Finance Committee report. FY12 generated net revenue of \$459.5 million for education. This was an increase of \$23.3 million from last year. The NCEL is allocated 8.0% of total revenue to spend on operating costs; however, only 4.29% of total revenue was spent during FY12. Net revenue earned for education in the month of July 2012 totaled \$36.1 million.

The NCEL is exploring the possibility of using Treasury Bills to fund the annuities. Wells Fargo would oversee the funds. The NCEL is working with the State Treasurer's office regarding policy and procedures. A memorandum of understanding is being prepared and the Commission will be kept up to date on the progress of the potential change. Lastly, there were minor budget adjustments to the previously approved FY13 budget. Changes were salary adjustment numbers and pension plan employer costs. Chairman Farris made a motion to approve the committee report. Commissioner Warren seconded. The motion carried.

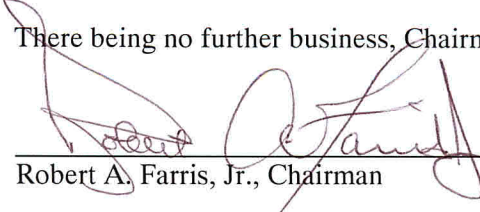
Executive Director Alice Garland, Executive Director presented the following information:

- Key Performance Indicators were presented.
- Contracts greater than \$90,000 were presented.
- Cherokee visit: The Executive Director and Government Affairs Director recently met with Tribal leaders regarding lottery being sold on the Boundary. Talks were very positive and NCEL leaders are confident sales will begin in the near future.
- NC State Fair: Ongoing talks with State Fair leaders have been unsuccessful. Commissioner Dodson is assisting with this effort.
- The annual update on problem gambling was presented by Smith Worth from DHHS.
- Bill Jourdain, Deputy Executive Director of Finance, Administration and Security presented the FY12 review.
- Subscription Update: The goal is to present information to Commissioners at December meeting that will allow the subscription process to begin.
- Executive Director provided status on her performance expectations.

Lou Ann Russell, Deputy Executive Director Marketing, Advertising and Communications provided the drawing station update. Currently, the Wilmington draw station market does not have a television station provider airing NC Education Lottery drawings. NCEL staff is continuing to work with stations to try and provide a drawing show service.

Lou Ann Russell provided the quarterly marketing update for July –September 2012. The goal is to achieve \$1.6 Billion in sales this fiscal year. There will be a focus on attracting new players via different advertising strategies; ensuring players know exactly where the proceeds go, and offering the benefits of playing. Ms. Russell also updated the Commission on the effort to revamp the Carolina Cash 5 game. The campaign has been very successful so far. New instant tickets that are being launched were presented to Commissioners. An update on Luck-e Zone was provided. Beginning October 1, 2012, Luck-e Zone members can enter non-winning instant tickets to receive reward points.

There being no further business, Chairman Farris adjourned the meeting.



Robert A. Farris, Jr., Chairman

12-3-12

Date