

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes
May 21, 2008

Commissioners in Attendance: John R. McArthur, Chairman
Secretary Bryan E. Beatty
Max O. Cogburn
Robert A. Farris Jr.
Bridget-Anne Hampden
Edwin M. Speas Jr.
Pamela M. Whitaker

Commissioners not in Attendance: Robert W. Appleton
Dr. James H. Woodward

Staff in Attendance: Tom Shaheen

The Commission meeting was held on Wednesday, May 21, 2008, at 1:00 p.m. in the Dr. Charles Sanders Conference Room of the North Carolina Education Lottery located at 2100 Yonkers Road, Raleigh, NC 27604.

I. Opening and Approval of Minutes

- Chairman McArthur called the meeting to order and welcomed Commissioner Pamela Whitaker to the North Carolina Education Lottery (NCEL) Commission. Chairman McArthur presented the minutes of the February 20, 2008 NCEL Commission meeting for approval. Commissioner Speas moved to approve the minutes. Commissioner Hampden seconded the motion. The motion passed.

II. Audit Committee Report

- Commissioner Farris reported the following:
 - A quarterly audit report was provided by Nikki Howard, Internal Auditor.
 - The final Performance Audit Report from the Office of the State Auditor has been received.
 - The NCEL completed the second Security Audit report as required by the Lottery Act.
 - The Audit Committee postponed considering approval to extend the Security Audit contract until the Audit Committee August meeting.

III. Personnel Committee Report

- Chairman McArthur reported that the Personnel Committee adopted changes to the following three policies:
 - Applicant Travel Reimbursement (Policy 4.18) which covers travel reimbursement for director level and above positions or any positions requiring specific lottery expertise.
 - Moving Expenses (Policy 4.19) which specifies guidelines for reimbursement of moving expenses at the director level and above.
 - Attendance and Leave (Policy 4.15) which updates policy pertaining to on-call compensation and equal time off for specific salaried employees below manager level working in excess of their normal hours or on holidays.

Commissioner Beatty moved to approve the policy changes. Commissioner Farris seconded the motion. After further discussion of the policies, the motion passed.

IV. Executive Director's Report

- Tom Shaheen, Executive Director, presented a policy entitled NCEL Executive Director's Authority to Adopt Rules, Regulations, Policies and Procedures Affecting Retailers. The policy authorizes the Executive Director to adopt periodic changes necessary to retailer rules, policies, and contracts, and is granted pursuant to the North Carolina Lottery Act. Commissioner Hampden moved to grant the required authority with the stipulation that a summary of changes be provided to the Commission each time changes are made. Commissioner Farris seconded the motion. After further discussion, the motion passed.

Key Performance Indicators

- Mr. Shaheen provided an overview of the Key Performance Indicators (KPIs) and proposed revisions to future KPIs.

Study of Other Lotteries

- Mr. Shaheen presented a Study of Other Lotteries which compares pertinent NCEL information with seven other lotteries that responded to our requests for information. Requests for information were sent to all U.S. lotteries.

V. Other Business

- Ms. Quan Kirk, Associate Counsel, provided a presentation on the Grant-Thornton Post-Merger Review of GTECH/Lottomatica.

VI. Finance Committee

- Chairwoman Hampden presented the NCEL 2008-2009 Budget. Gross sales are forecasted at \$1.268 billion. Projected transfers to the NC Education Fund are \$385,515,862, or 30.2 percent of total annual revenues. Commissioner Farris moved to approve the 2008-2009 Budget. Chairwoman Hampden seconded the motion. After further discussion, the motion passed.
- Chairwoman Hampden presented a policy granting the Executive Director authority to establish an employee incentive program with the funding for this program to be approved each year with the annual budget. The requested funding for fiscal year 2009 was \$6,500. This authority is granted pursuant to the North Carolina Lottery Act. Chairwoman Hampden presented a motion for approval. After further discussion relating to the policy, the motion passed.
- Chairwoman Hampden introduced an update to the Retailer Rules and Regulations which amended Policy 8.01 – Failed Sweeps Policy. The policy revised the penalties to retailers on the first, second and third occurrence of insufficient funds. Chairwoman Hampden presented a motion for approval. After further discussion of the policy, the motion passed.

There being no further business, Commissioner Cogburn moved to adjourn. Commissioner Hampden seconded the motion. The meeting adjourned.

John R. McArthur, Chairman

Date