

North Carolina Education Lottery Commission Meeting

Meeting Minutes

Tuesday, March 19, 2013

Commissioners in Attendance:

Robert A. Farris, Chairman
Alice Underhill
Keith Ballentine
Courtney Crowder
David Kirby
Jody Tyson
Ray Warren
Marlene Hyatt
Barry Dodson (*via conference call*)

Staff in Attendance:

Alice Garland
Lou Ann Russell
Bill Jourdain

The North Carolina Education Lottery Commission meeting was held Tuesday March 19 at 1:00 p.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 informed the commissioners that funds raised by the North Carolina Education Lottery (NCEL) should be used to supplement, not supplant education dollars in North Carolina and that such expenditure is controlled by the North Carolina Legislature.

Chairman Farris requested a motion to approve the minutes from the December 4, 2012 Commission meeting. Commissioner Kirby moved that the minutes be approved and Commissioner Warren seconded. The minutes were approved.

Audit Committee Report

Commissioner Hyatt presented the Audit Committee report:

- Executive Director Garland provided the committee with highlights of the recent performance audit.
- Internal Audit has finalized the telecommunications and fraud and investigations audit in the last quarter.
- Nikki Howard, Director of Internal Audit, updated the committee on the status of the prior security audit.
- End of game processes for the twelve (12) games that ended in February were completed.
- Internal Audit worked with Security in the random number generated drawings for the Lucke-Zone drawings for the three (3) drawings held during the quarter.
- The annual requirement for a security audit has been completed.
- SOC1 versus SOC2 processes were discussed. The NCEL will issue a RFP for the security audit, which will include SOC1 and SOC2 audits.

Commissioner Hyatt moved that the security audit be accepted as provided and Commissioner Tyson seconded. Chairman Farris stated that he is very pleased with the wonderful audits the NCEL has received.

Operations/Personnel Committee Report

Commissioner Tyson presented the Operations and Personnel Committee report:

- Caryl James was introduced as the new Director of Human Resources.
- The NCEL currently has 234 full time employees and 14 vacancies, which are in the process of getting filled.

Finance Committee Report

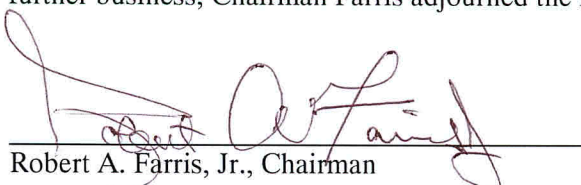
Commissioner Dodson presented the Finance report. Financial reports for January 2013 and the first seven (7) months of FY2013 were presented. Since inception, the NCEL has transferred \$2.7 billion to the Education Lottery Fund.

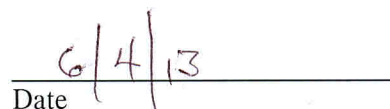
Executive Director Alice Garland, Executive Director, presented the following information:

- Lou Ann Russell, Deputy Executive Director of Marketing, Advertising and Communications presented the FY13 3rd quarter advertising/marketing update that included the following information:
 - New beneficiary brochures are available at retail locations, redesigned to include county-specific information of how lottery dollars are being used locally.
 - Recap of success with second chance drawings and the inclusion of draw tickets in Lucke-Rewards.
 - Overview of new Sum-it-Up feature for Pick 3 and Pick 4, implemented on February 24.
 - The new Lady Bucks, \$3 instant scratch-off ticket, which is performing very well and achieving the highest activation for a \$3.00 price point.
 - Monopoly family of tickets launched on March 26. Monthly second chance drawings for each price point and opportunity for “super-entry” make the promotional program unique for players.
 - Carolina Cash 5 Bonus Bucks promotion has been a big success with an increase in entries with each drawing.
 - Lucke-Rewards membership has increased 102% in three weeks and membership has grown 71% since November 2012.
 - NCEL 200 Camping World Truck Series race will be held on May 17th.
 - The NCEL will be the title sponsor at the NASCAR Truck Series race at Rockingham Speedway on April 14th.
 - Star Trek instant scratch-off tickets will launch on April 16th with a series of \$2 tickets and top prizes of \$20,000.
- Consumer Market Research Presentation by W5 (Andy Willard).
- The Key Performance Indicators were presented.
- Executive Director Garland provided the following information in the legislative update: SB10 is currently in conference committee and the Lottery Commission is still included in the legislation. HB156 (The Honest Lottery Act) is currently in the House Appropriations committee. NCEL Staff and Commissioners have successfully worked with Legislators to rewrite a large portion of the bill.
- HB61 is a rewrite of the State’s Motor Fleet Management operation. The NCEL has 87 State vehicles so we work closely with Motor Fleet Management. The Secretary of Administration is working with the NCEL to ensure our unique vehicle needs are being met.
- The Executive Director also provided an update on her performance evaluation expectations.

The NCEL went into closed session to discuss litigation updates.

Chairman Farris re-opened the public meeting once the closed session had concluded. There being no further business, Chairman Farris adjourned the meeting.


Robert A. Farris, Jr., Chairman


Date