

North Carolina Education Lottery Commission Meeting

Meeting Minutes

Tuesday, March 6, 2012

Commissioners in Attendance:

Robert A. Farris, Chairman
Carla N. Archie
Pamela M. Whitaker
Judge Marlene Hyatt

Commissioner Participating via Phone:

Barry Dodson
Larry Spears

Staff in Attendance:

Alice Garland
Lou Ann Russell
Bill Jourdain
Sam Hammett
Walter Ingram
Terri Fowler

The North Carolina Education Lottery Commission meeting was held Tuesday, March 6, 2012, at 12:30p.m. at the Charlotte Regional Office of the NCEL, located at 5029A West W.T. Harris Blvd., Charlotte 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 NCEL are used to supplement, not supplant education dollars in our state. The Chairman then presented the minutes of the December 14, 2011, North Carolina Education Lottery (NCEL) Commission meeting for approval. There being no changes to the minutes, Chairman Farris declared the minutes approved.

Audit Committee Report

Commissioner Archie presented the Audit Committee report.

- Three (3) audits were finalized in the last quarter: Contract Compliance; Retailer Services and Instant Ticket Inventory. Some recommendations were offered to improve controls and effectiveness. Overall, processes were deemed adequate. Reports were provided for information only.
- Appropriate progress is being made on the security audit. Internal audit will continue to follow up on any recommendations and report them to the commission as necessary.
- Field work is underway for three (3) additional audits: human resources recruiting; benefits and compensation; payroll/travel and motor fleet
- Internal Audit and the security staff participated with Delehanty Consulting to perform a security audit on Scientific Games.
- North Carolina Office of State Auditor has not issued a final report regarding an anonymous complaint on the NCEL handling of GTECH liquid damages.
- Committee went into closed session for an annual confidential meeting with the Internal Auditor.

Operations/Personnel Committee Report

Commissioner Whitaker presented the Operations/Personnel Committee report.

- Discussion of the salary and jobs classification review by the committee.
- Procedures for conducting employee annual evaluations were discussed.
- The committee conducted the performance evaluation of the Executive Director during a closed session.
- A resolution was adopted regarding NCEL employees receiving merit pay increases based upon satisfactory job performance once the State lifts the salary freeze requirement. (resolution is attached).

Chairman Farris made a motion that the Commission enter into closed session to conduct a performance evaluation of Alice Garland, Executive Director. After a closed session, Commissioners resumed the open meeting and continued onto the Finance Committee report.

Finance Committee Report

Bill Jourdain, Deputy Executive Director, Finance, Administration and Security, presented the FY 2012 financial report through January 2012. Total assets were \$105.6 million. Tickets sales for the month of January totaled \$131.3 million. Net revenue for the State of North Carolina in January totaled \$35.9 million. FY2012 sales are at \$879.8 million, which is currently 9.1% ahead of budget. FY 2012 Net Revenue through January 2012 totaled \$255 million, and is currently 5.6% ahead of budget.

Ms. Lou Ann Russell, Deputy Executive Director, Marketing, Advertising and Communications, presented an overview and recommendation of the negotiated terms in MDI's proposal for the Player Rewards Program. The negotiated terms provide for two (2) phases with a planned budget for the first phase. The budget for the second phase will be presented to the Commission for approval prior to implementation. Commissioner Dodson made a motion for the adoption of the negotiated terms. Commissioner Spears seconded the motion. The motion carried.

Executive Director

- Alice Garland, Executive Director, presented the Key Performance Indicators.
- Ms. Garland reported that the first meeting of the Retailer Advisory Board took place in February and the meeting went well with active participation by the retailer representatives. The meetings will take place on a quarterly basis.
- Ms. Garland updated the Commissioners on the recent Court of Appeals' decision regarding the unconstitutionality of HB 80 banning sweepstakes machines. The State has the option to appeal the decision to the North Carolina Supreme Court.
- The current contracts with WRAL and WITN for drawing production services and/or televising of drawings have been extended to the end of the Fiscal Year. The ultimate goal is to get all contracts on the NCEL's Fiscal Year term.

Lou Ann Russell presented the quarterly Advertising/Marketing update.

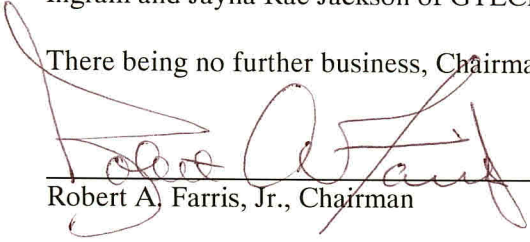
- Carolina Gold was launched on September 27, 2011 and has been very successful.
- Holiday scratch-off tickets were launched in October and November.
- Extreme Green launched on December 20, 2011 and has performed very well.
- The \$4 Million Cash Blowout Game launched on January 10, 2012 and one of the \$4 Million top prizes has already been claimed.
- The new \$2.00 Powerball launched on January 15, 2012 and has been very successful.

- NASCAR Ultimate Fan launched on January 31, 2012 featuring a host of prizes surrounding NASCAR events.
- Bass Pro Shops games launched on February 21, 2012, which included a promotional event at the Bass Pro Shops store in Charlotte and a Facebook promotion for camping gear and Bass Pro Shops gift card prizes.
- Maximum Green launched on February 21, 2012. This game is being partnered with Extreme Green.
- The week of March 5, 2012 is National Problem Gambling Awareness Week. All media is dedicated to this effort for the week.
- Lucke-Zone update: current membership is 105,000. The Lucke-Zone is also used to conduct player surveys. This helps with game development and possible enhancements to the site.

The Bantam Corporation presented the results of the 2012 Consumer Market Research.

Sam Hammett, Deputy Executive Director of Sales presented the T.A.G. (Train Act Grow) program to the commission. The program is designed to grow lottery sales. The "Tag Team" provided the Commissioners with a detailed overview of the T.A.G. program. Presenters were Terri Fowler, Walter Ingram and Jayna Rae Jackson of GTECH.

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


Robert A. Farris, Jr., Chairman

6/19/2012
Date