

**North Carolina Education Lottery Commission
Meeting Minutes**

**Wednesday, December 13, 2023
WebEx/Teleconference**

Commissioners in Attendance: Ripley Rand, Chair
Cari Boyce
Lindsey Griffin
Joshua Malcolm
Pamela Whitaker
Chris Hayes
Nigel Long

Commissioners Absent from Meeting: Randy Jones

Select Staff in Attendance: Mark Michalko
William Traurig
Frances Little
Eric Snider
Sterl Carpenter
Greg Bowers
Randy Spielman
Terri Rose
Terry Avery
Kimberly Thomas
Hayden Bauguess
Cheryl Sutton
Damen Harris
George Walker

Other Participants: Benjamin T. Spangler, *Assistant Attorney General,
Department of Justice*
April Adams, *Cherry Bekaert Advisory, LLP*

The North Carolina State Lottery Commission meeting was held on Wednesday, December 13, 2023, at 10:00 a.m. via WebEx.

Chair Ripley Rand called the meeting to order and a roll call of the Commissioners was taken. Commissioner Jason Roth and Commissioner Nigel Long were not present at the time of roll call, but later joined the meeting. Commissioner Jones was absent from the meeting. Chair Rand acknowledged there was a quorum.

William Traurig, Chief Legal Officer, read the remote meetings announcement.

Chair Rand made the standard ethics announcements. Chair Rand concluded by inquiring if anyone had a known conflict of interest with respect to any matter coming before the Commission at the current meeting; no conflicts were identified.

Attendees recited the Pledge of Allegiance.

Commissioner Jason Roth joined the meeting after the Pledge of Allegiance. Chair Rand inquired if Commissioner Roth had any conflicts of interest with respect to any agenda items before the Commission at the current meeting. Commissioner Roth advised that he had a conflict with the matter of Digital Instants and would recuse himself from that discussion and action item.

Approval of Minutes

Chair Rand called for a motion to approve the minutes for the Thursday, November 16, 2023, Commission Meeting. Commissioner Pamela Whitaker made the motion and Commissioner Cari Boyce seconded the motion. Chair Rand called for a roll call vote which passed unanimously.

FY23 Financial Audit Review

April Adams, Cherry Bekaert Advisory, LLP, provided the yearly audit executive summary results to the Commission. The report covered results of the audit, internal controls, corrected and uncorrected misstatements, required communication, and upcoming financial reporting changes. There were no questions from the Commission.

Finance Update

Greg Bowers, Deputy Executive Director Finance, Administration and Security, presented the financial update to the Commission. The financial update contained information for the FY2024 financial results through October 2023, including detailed sales by category as compared to last year's budget; distribution of revenue versus last year; sales by category as compared to last year; the percentage breakdown of ticket sales revenue by category; distribution of revenue versus last year for the previous four months ending in October 2023, and distribution of revenue, and financial highlights. There were no questions from the Commission.

Internal Audit Update

Kimberly Thomas, Director Internal Audit, provided an update to the Commission. The update covered audits of prize validation and security investigations, operations audit, the new IIA standards, external security audit preparation, and auditor objectivity independence statements.

Ms. Thomas also introduced newly hired Internal Auditor, Abby Fusca. There were no questions from the Commission.

Commissioner Nigel Long joined the meeting after the Internal Audit Update. Chair Rand inquired if Commissioner Long had any conflicts of interest with respect to any agenda items before the Commission at the current meeting; no conflicts were identified.

Revenue Generating Committee Report

Commissioner Long reported that the Revenue Generating Committee met on December 6, 2023, and covered the standard departmental reports, including the brand management report and product development and digital gaming update. The product development and digital gaming update contained two action items that would be presented before the Commission.

Brand Management Update

Terri Rose, Deputy Executive Director Brand Management & Communications, provided an update to the Commission, containing information regarding the October 2023 launch of four new Power Suite games; various social promotions, including the Daily Draw Games campaign, a new Daily Draw Games mascot,

“Winston,” November promotions, and the Play Smart Gift Smart campaign; Digital Instants launch and promotions; First Tuesday gift cards; December launch items and associated social media for three new games, including the \$50.00 scratch-off; and marketing sponsorships.

Ms. Rose mentioned the North Carolina Education Lottery being recognized in the industry for innovative actions such as storytelling of winners and beneficiaries. As a result, the North Carolina Education Lottery received and accepted invitations to the NASPL and La Fleur’s annual conference to present and share tactics on how such storytelling has been so successful.

Additionally, Ms. Rose presented and described the FY24 Diversity Spending Report, providing information for FY24/MWOB Spend Categories. Ms. Rose answered questions from the Commission.

Product Development Update

Randy Spielman, Deputy Executive Director Product Development and Digital Gaming, presented the product development and digital gaming update to the Commission. The update included information for the Q1 scratch-off game review; FY24 scratch-off performance trends and Fast Play game plan; Digital Scorecard; along with the Digital Instant launch and performance. There were no questions from the Commission.

Contract Review

Mr. Spielman introduced and described the proposed, digital games licensing contract with IWG (Instant Win Gaming) (the “IWG-Digital Content Contract”) to the Commission for approval. Mr. Spielman highlighted IWG as being one of the premier companies in the industry and offering some of the highest performing games. There were no questions from the Commission.

On behalf of the Revenue Generating Committee, Commissioner Long moved to approve the IWG-Digital Content Contract as presented. Commissioner Roth had recused himself from the matter. There was no further discussion and a roll call vote taken, which passed unanimously.

Mr. Spielman went on to present the proposed, licensing and production contract with Scientific Games Licensing for Ultimate Dash (the “Scientific Games Licensing and Production Contract”). Mr. Spielman explained the details and benefits to the Commission. Mr. Spielman also answered questions from the Commission.

On behalf of the Revenue Generating Committee, Commissioner Long moved to approve the Scientific Games Licensing and Production Contract as presented. Commissioner Roth had recused himself from the matter. There was no discussion and a roll call vote was taken and passed unanimously.

Sales Update

Terri Avery, Deputy Executive Director of Sales, provided an update to the Commission. The update covered details from the holiday game summary, new innovative points of sale, Keno on sight promotions, and the \$50.00 game launch. There were no questions from the Commission.

Operations and Personnel Report

Commissioner Whitaker reported the Operations and Personnel Committee met on December 6, 2023. She reminded the Commission that the NCEL’s employee year-to-date turnover rate was 4.68%, and the vacancy rate was 1.0%. The Operations and Personnel Committee discussed and recommended for the Commission’s approval, proposed changes to the Minority Business Outreach Policy (6.01).

Minority Business Outreach Update

Dr. Cheryl Sutton, Director of Supplier Diversity and Outreach, introduced and described the proposed changes to the Minority Business Outreach Policy (6.01) to the Commission.

On behalf of the Operations and Personnel Committee, Commissioner Whitaker moved to approve the revisions to the Minority Business Outreach Policy (6.01), as presented. There was no discussion and a roll call vote taken and passed unanimously.

Sports Betting Report

Commissioner Boyce advised the Commission that the Sports Betting Committee had two items for the Commission: the sports betting update and the Rulemaking Package 2 action item.

Sterl Carpenter, Deputy Executive Director Gaming Compliance and Sports Betting, provided the Commission with a sports betting update, introducing and describing operator, service provider, and supplier applications. There were no questions from the Commission.

Eric Snider, Deputy General Counsel, provided an overview of the proposed action item: Rulemaking Package 2. Mr. Snider introduced and described the background and procedures of the rules, public participation, summary of staff recommendations and next steps. As part of the summary of staff recommendations, Mr. Snider introduced an additional recommendation to amend Rulemaking Package 2 by removing paragraph (g) from Rule 11-004 (Disclosure of Operator; Operator Ultimately Responsible). There were no questions from the Commission.

On behalf of the Sports Betting Committee, Commissioner Boyce moved to adopt Rulemaking Package 2 as amended and recommended by the Sport Betting Committee at the meeting on December 6, 2023.

Chair Rand asked the Commission for any discussion regarding the motion to amend Rulemaking Package 2 as recommended by the Sports Betting Committee. Commissioner Boyce made a motion to amend in order to remove paragraph (g) from Rule 11-004 of Rulemaking Package as recommended by NCEL staff in order for the Sports Betting Committee and the Commission to further study the issues related to the provision. Chair Rand asked for a second for Commissioner Boyce's motion to amend the original motion to adopt Rulemaking Package 2. Commissioner Whitaker seconded the motion. There was no further discussion. A roll call vote was taken on Commissioner Boyce's motion to amend the original motion and passed unanimously.

There being no further motions to amend or discussion regarding the motion to adopt Rulemaking Package 2 as amended, a roll call vote was taken and passed unanimously.

Executive Director Report

Mark Michalko, Executive Director, asked Mr. Traurig for the Legal Report. Mr. Traurig advised the Commission that there was no legal report to share.

Supplier Diversity and Outreach Update

Dr. Sutton provided the Commission with a supplier diversity and outreach update, including a FY24 diversity spend through November 29, 2023; registration of new diverse vendors; active engagement in external activities; vendor presentation; and a success story. Dr. Sutton mentioned that she currently serves

as a board member for the National Association of Women Business Owners (NAWBO) and served as a panelist for NAWBO's monthly networking luncheon. Dr. Sutton advised the Commission that such activities provide direct connection to minority businesses that can supply items to the NCEL.

Additionally, Dr. Sutton mentioned that she is working with the Finance department to generate a report that will breakdown the minority participation according to tagged categories. This initiative will allow for more detailed data in the future. There were no questions from the Commission.

Legislative Update

Hayden Bauguess, Director of Governmental Affairs, provided an update to the Commission which covered actions occurring in the North Carolina General Assembly. There were no questions from the Commission.

Other Business

Mr. Carpenter introduced and described proposed amendments for the sports betting license application to the Commission for approval. Mr. Carpenter clarified that the proposed amendments would not impact individuals in anyway as there had been no applications submitted at that time. Mr. Carpenter answered questions from the Commission.

Chair Rand called for a motion to amend the proposed changes to the Sports Betting License Application. The motion was made by Commissioner Boyce and Commissioner Whitaker seconded the motion. There was no discussion. A roll call vote was taken and the motion passed unanimously. Commissioner Malcolm physically communicated his yes with a thumbs-up gesture.

Closed Session

Chair Rand called for a motion to go into Closed Session to discuss internal matters and seek legal advice from counsel. Commissioner Boyce made the motion and Commissioner Roth seconded the motion. There was no discussion. Chair Rand asked for a roll call vote which passed unanimously. Commissioner Malcolm physically communicated his yes with a thumbs-up gesture. The Commission went into Closed Session and 12:01 and returned at 12:15.

Meeting Adjourn

Chair Rand called for a motion to adjourn. Commissioner Roth made the motion and Commissioner Boyce seconded the motion. There being no discussion, Chair Rand asked for a roll call vote which passed unanimously. The meeting adjourned at 12:17 p.m.

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Chair Ripley Rand

1/25/2024
Date