

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes
February 20, 2008

Commissioners in Attendance: John R. McArthur, Chairman
Secretary Bryan E. Beatty
Max Cogburn
Robert A. Farris
Bridget-Anne Hampden
Edwin Speas
Dr. Jim Woodward

Commissioner not in Attendance: Robert Appleton

Staff in Attendance: Tom Shaheen

The Commission meeting was held on Wednesday, February 20, 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 asked for approval of the minutes of the December 5, 2007 North Carolina Education Lottery (NCEL) Commission meeting. Commissioner Beatty moved to approve the minutes. Commissioner Farris seconded the motion. The motion passed.

II. Finance Committee Report

- Commissioner Hampden reviewed the financials through January 2008. NCEL has transferred \$152,374,054 this fiscal year through December 31, 2007 to the Education Fund, and earned approximately \$178 million.
- Tom Shaheen, executive director, reported instant ticket sales were \$15-\$19 million a week for the last five weeks as opposed to \$8-\$10 million a week in earlier weeks. The \$100 Million Cash Spectacular instant ticket is extremely popular with players and has helped increased ticket sales in other games.

ALE Contract Renewal

- Commissioner Hampden presented the ALE contract renewal. NCEL had a two-year contract with ALE from February 2006 to February 2008. ALE has proposed renewing the contract for two additional years through February 2010. The Finance Committee recommended that the new contract be prorated to an 18-month contract to correspond with the NCEL fiscal year. Commissioner Hampden moved to approve the contract renewal with ALE with the amendment that the contract be prorated to terminate with the NCEL fiscal year end June 30, 2009, and the total costs adjusted accordingly. Commissioner Cogburn seconded the motion. After further discussion, the motion passed.

Purchase Approval – Storage Area Network

- Commissioner Hampden presented an overview of the Storage Area Network (SAN). A SAN is a large number of disk drives linked together to form a shared pool of storage. The SAN will provide for storage of all NCEL-owned digital information. The purchase of the SAN will allow NCEL to be 100 percent compliant with the State-mandated Continuity of Operations Plan (COOP). Commissioner Hampden moved to approve the purchase of the SAN. After further discussion, the motion was seconded and passed.

III. Audit Committee Report

- Commissioner Farris reported that the Audit Committee received and accepted final audit reports on advertising, fixed assets and cash receipting. Internal audit is nearing completion of an audit of cash, accounts receivable and electronic funds transfers. An audit of security investigations, including draw procedures, is underway and a telecommunications audit is planned. Of 70 recommendations in the security audit, 58 are closed and have been reviewed by Internal Audit. The remaining 12 are in progress.
- Herb Delehanty, the external security auditor, will be at Scientific Games the week of March 24 and at the NCEL in April to perform the security audit for the current year. The Performance Audit Group from the Office of the State Auditor has not yet issued their report.
- The Key Performance Indicators (KPIs) for internal audit were changed from fiscal year to calendar year to allow reporting to be consistent with the audit plan year.

IV. Personnel Committee

- Chairman McArthur reported that the Personnel Committee met and received a report on BEACON and held discussions concerning trends in employment and turnover issues.

V. Executive Director

- Mr. Shaheen provided an overview of the KPIs. Quarterly sales are less than the projected goal, but year-to-date sales through February 17 are \$17,715,565 ahead of this time last year. The Commission discussed the need to develop revised KPIs at the next Commission meeting.
- In April, Powerball will have a 10X promotion on the power play feature. A mid-day Carolina Pick 3 drawing will be introduced at the end of March with drawings held Monday through Saturday. In late March, the NCEL will introduce an instant scratch-off ticket featuring six Harley Davidson motorcycles as top prizes; three may be won instantly by scratching off the ticket and three will be awarded through second-chance drawings.

VI. Other Business

- The NCEL completed the second beneficiary commercial showing how lottery funds are used. The commercial was produced in eastern NC and will begin airing February 25, 2008. Commission members viewed the commercial which was produced within the guidelines of the NC Lottery Act.
- Chairman McArthur stated that Carla Archie, deputy executive director, legal and security, has resigned to accept another position. Chairman McArthur recognized Ms. Archie for her service to the NCEL since start-up and thanked her for her contribution to the NCEL.

Commissioner Farris requested a formal resolution thanking Ms. Archie for her invaluable assistance in establishing the NCEL. The resolution passed by acclamation.

VII. Closed Session

- Chairman McArthur requested a motion to move into closed session to discuss a personnel matter under NCGS 143-318.11(a)(6) and NCGS 126-22. The motion was made by Commissioner Beatty and seconded by Commissioner Farris. The motion passed.

Approved:

John McArthur, Chairman

Date