

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, APRIL 16, 2015

Chairman Tucci called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Thomas Tucci, Chairman
Frank Ragazzo, Vice Chairman
Robert D'Anton, Commissioner (by phone)
Patrick Toscano, Commissioner (by phone)
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roza Dabaghyan, Deputy Attorney General
Christopher Howard, Governor's Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
William Murray, Northstar
Foster Krupa, Northstar
Lou Cleary, Northstar
Sarah Brennan, Northstar
Joan Mueller, Brushfire
Nicole Wasserman, Ferrara
Chris Havard, Ferrara

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Judith Drucker
Janice Eckstein
Fran Lioudis
Dolores Matos
Megan Mazzoni
Richard Pagnani
Steven Palmieri
Deborah Raub
Mary Ann Rivell
Margaret Square

After the Pledge of Allegiance, Chairman Tucci announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act, and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman Tucci requested a motion to approve the minutes of the March 19, 2015 Commission Meeting. Commissioner Toscano made the motion, which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that jackpot sales are down from last year. But, little by little, month by month we are closing some of that gap.

Executive Director Hedinger noted we are maintaining our 30% contribution. If we had the usual level of lotto games, that contribution level would be well above the 30% level.

Executive Director Hedinger reported that receipts and deposits for the month of March were \$221.5 million.

Executive Director Hedinger noted that there were 138 electronic fund transfer (EFT) failures totaling \$476 thousand. The Accounts Receivable Unit settled or closed 87% of EFT failures from February.

Executive Director Hedinger reported that there were 372 retailers visited by Field Account Adjusters, 54 of those resulted in the collection of \$222 thousand.

Executive Director Hedinger stated that the cumulative outstanding accounts receivable balance as of March 2015 was \$3.4 million.

Executive Director Hedinger noted that the balances in the unclaimed prize reserve accounts for March were over \$20 million.

Executive Director Hedinger reported that the balances in the annuity investment accounts total \$195.6 million.

Executive Director Hedinger stated that the S&P ratings have not changed since last month.

Executive Director Hedinger noted that the three top selling non-core games for March were "\$5,000,000 Cash Extravaganza," "Double Diamond Spectacular" and "\$2,500 Frenzy."

Executive Director Hedinger reported that sales for Core and Family Games contributed a large percentage of sales for the month.

Executive Director Hedinger noted that the "X" Family of games made up 5% of sales, "Bingo" made up 5% of sales and "Win For Life" made up 4% of sales.

Executive Director Hedinger stated that the four new instant games that were introduced in March were "Escape to Margaritaville," "Super Tic Tac Toe," "Gold Bar Bingo" and "Double Diamond Spectacular." The new games made up 8% of sales for the month.

Executive Director Hedinger reported that advertising supported "Super Tic Tac Toe," "Double Diamond Spectacular" and "Escape to Margaritaville." The "Frenzy" family of games was promoted on NJ.com.

Executive Director Hedinger noted that we had our first \$5 million winner in the "\$5 Million Cash Extravaganza" game.

Executive Director Hedinger stated that for the online product games, we had a very unique string of jackpot hits during the month of March. Mega Millions was hit on March 24, Powerball was hit on March 21 and again on March 25 and Pick-6 XTRA was hit on March 23 and 26.

Executive Director Hedinger reported that Powerball doesn't begin to fund the top prize until it reaches approximately \$110 million jackpot and it got hit twice before it could reach that level. That impacts the net profit that the states can receive from these games because they have to fund the portion of the top prize that hasn't been fully funded through sales. Mega Millions funds itself from the second draw because the jackpots are calculated differently.

Chairman Tucci asked how many draws it takes of not having a winner for Powerball to fund itself?

Executive Director Hedinger stated that the game starts with a jackpot of \$40 million and it goes up a minimum of \$10 million per draw until it is self-funding. It takes approximately 7 or 8 draws to reach that point.

Vice Chairman Ragazzo asked if that means there is a \$60 million short fall at the second draw?

Executive Director Hedinger stated that if Powerball gets hit during the early draws, the jackpots haven't been funded and you have to make up the difference. Powerball adopted the strategy of beginning at a \$40 million jackpot with \$10 million increases (until self-funding occurs) to grow jackpots more quickly. A jackpot of \$100 million once attracted a lot of attention and it doesn't any more. It's proven by the fact that even at \$110 million, they are not always funded.

Executive Director Hedinger noted that the CASH4LIFE game is still going very well. Pennsylvania joined the game last week and Virginia will be joining the game in May. With only New York and New Jersey supporting that game, and with the winners we had as soon as we launched, we have been trying to catch up to get to the proper prize payout level for that game.

Executive Director Hedinger reported that we had our annual Pick-6 Green Ball promotion from March 23 to April 5. There was a nice rise in sales as players love the Green Ball and Red Ball promotions. They have been very successful and it is one of the reasons why our Pick-3 and Pick-4 games are so healthy.

Executive Director Hedinger stated that the biggest fan reaction to a Facebook post in March was for International Women's Day "Do you remember Hela Young?"

Executive Director Hedinger noted that all drawings for the month of March were completed with no abnormalities.

Executive Director Hedinger stated that Studio B is in full production mode for CASH4LIFE. With Pennsylvania and Virginia joining it was very important that we have a dedicated studio for that game.

Executive Director Hedinger reported that March was proclaimed Problem Gambling Awareness month by the Governor and a press conference was held at the Lottery on March 4. It was attended by executives from the Council on Compulsive Gambling of New Jersey. This is our annual event to promote responsible gaming and make people aware of where they can obtain help with problem gambling.

Executive Director Hedinger noted that we held a press conference in Linden on March 9 to introduce the winner of the \$5 million top prize in the "\$5 Million Cash Extravaganza" game. This press conference was very well attended by members of the press.

Executive Director Hedinger stated that there were a number of press releases issued during the month.

Executive Director Hedinger reported that the top reactive social media posts for March had to do with very lucky people that won lottery prizes from gifts they received. These are wonderful stories that resonate with people.

Executive Director Hedinger noted that we continue to work with our responsible play program. Our application for Level 4 certification from the World Lottery Association is moving along very well. We will be submitting that later this year and expect that we will become the second lottery in the United States to reach the 4th and final level of recognition of responsible gaming.

Executive Director Hedinger stated that we continue to monitor any proposed legislation that might affect the Lottery. We were very concerned with the efforts on the Federal level to get a bill introduced that would ban internet gambling and restore the wire act. It was a concern to all of the state lotteries because we all would have fallen under the umbrella of doing transactions by wire, which is internet. We do that now with our gaming system. We don't sell tickets on the internet but the transactions go by wire to back up sites that are outside of New Jersey. The wire act could have actually been interpreted to prevent that. So far it's being held off and we do not know if it will come up again. We are watching it very closely.

Executive Director Hedinger reported that the Assembly passed a bill that affects us directly. It requires us to ask neighboring states, which sell multi state games, to share advertising with them. This bill has not been introduced in the Senate.

Chairman Tucci asked about the legislation regarding the delivery of lottery tickets and a discussion was held.

Executive Director Hedinger stated that there are many lottery events held being held in April.

Executive Director Hedinger noted that there were a number of Speaker's Bureau Events completed in March and a great number coming up in April.

Executive Director Hedinger reported that there were 242 security investigations initiated in March.

Executive Director Hedinger stated that 195 random field inspections were conducted.

Executive Director Hedinger noted that the Licensing staff received 97 applications and 123 licenses were issued.

Executive Director Hedinger stated that there are 7,570 licenses issued as of March 31, 2015.

Executive Director Hedinger reported that we collected a total of \$5,144.28 for the month of March through our efforts with the Division of Taxation. The total year to date has exceeded \$40 thousand.

Executive Director Hedinger noted that our IMS staff is working on replacing very old equipment and our current electrical distribution panels.

Executive Director Hedinger stated that the IMS staff also completed setting up a conference call bridge in our new phone system for less than 15 participants.

Executive Director Hedinger reported that on March 9, Northstar took over the New Jersey Lottery's website as per the Services Agreement. The switchover created some problems with the public. The new website is up to date with technology. Some of our players experienced difficulty with the need to update their web browsers. Our 800 Room and Northstar's call center coordinated those calls to assist players in how to upgrade their systems.

Executive Director Hedinger noted that the Validation staff received and sorted over 5,200 claim forms during the month of March with an additional 397 walk-in claims. More than 6,100 claims were entered into the system and over 7,000 were edited.

Executive Director Hedinger stated that there were 39 Social Security number matches. Twenty three claims were processed and garnished because of current and previous matches. Eleven claims were released from previous matches.

Executive Director Hedinger reported that since inception in 1992, the New Jersey Lottery has collected over \$7 million for various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled over 6,166 incoming calls during the month. They made 98 outgoing calls to retailers. They handled more than 2,356 winner claim status calls during the month, with 347 of these calls answered at the front desk.

Executive Director Hedinger stated that the warehouse staff processed and stored 111 boxes of tickets for the February game end.

Executive Director Hedinger reported that the Warehouse staff accepted deliveries during the month.

Executive Director Hedinger stated that the Lottery trailer was made available to Northstar for the Beer and Music Festival held in Atlantic City.

Executive Director Hedinger noted that Fiscal submitted bid proposals for a new industrial shredder.

Executive Director Hedinger reported that the facilities unit coordinated maintenance with the Business Continuity Site.

Executive Director Hedinger thanked Deputy Executive Director John Custodio for all his efforts in getting the Business Continuity Site fully operational. It's very well organized. In an emergency, we can report there and conduct business successfully.

Executive Director Hedinger noted that there are 7,071 active retailers, which is an increase of 11%

Executive Director Hedinger stated that this concludes the Director's Report.

Chairman Tucci asked if there were any questions or comments.

Vice Chairman Ragazzo asked about selling tickets at public events and a discussion was held.

Chairman Tucci complemented and thanked Executive Director Hedinger and her staff for all their hard work. Commissioner Toscano agreed with the sentiments.

Chairman Tucci requested a motion to approve the Director's Report. Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano.

NEW BUSINESS

Executive Director Hedinger certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands.

Executive Director Hedinger stated that she would like to host a Commission meeting at our Business Continuity Site in the near future. Chairman Tucci would also like to host a future meeting in Northern New Jersey.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Quick Change." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Cash Explosion." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Double Match." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Win For Life." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$500,000 Fortune." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

EXECUTIVE SESSION

There was no Executive Session.

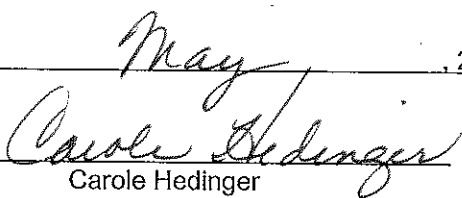
ADJOURNMENT

Chairman Tucci adjourned the meeting.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on April 16, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 21ST day of May, 2015.


Carole Hedinger
Executive Director