

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JULY 16, 2015

Chairman Ragazzo 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

Frank Ragazzo, Chairman
Patrick Toscano, Vice Chairman
Robert Slater, Commissioner (by phone)
Thomas Tucci, Commissioner (by phone)
Tom Neff, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General
Christopher Howard, Governor's Auth. Unit

STAFF

Denise Coleman
Duane Daniels
Karen Kokoll
Megan Mazzoni
Richard Pagnani
Steven Palmieri
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

VISITORS

Russ Knapp, Northstar
William Murray, Northstar
Sarah Brennan, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Jon Renner, Brushfire
Desiree Hardy, Brushfire
Chris Havard, Ferrara

After the Pledge of Allegiance, Chairman Ragazzo 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 Ragazzo requested a motion to approve the minutes of the June 18, 2015 Commission Meeting. Commissioner Tucci made the motion, which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that we passed \$3 billion in sales for the first time in FY15. The billion dollar barrier marks are great barriers to surpass. We finished the year very strong.

Executive Director Hedinger reported that this upward trend in sales is a result of all the efforts that we have put in place from the expansion of the retailer network, enhanced marketing support, the innovation in technology and partnering with Northstar.

Executive Director Hedinger noted that we had growth in sales of 8% in April, 5% growth in May and 7% growth in June. Those are significant increases in sales.

Executive Director Hedinger stated that the audit of the Northstar expenses will begin very shortly. The Lottery's audit will be conducted after that is completed.

Executive Director Hedinger reported that receipts and deposits for the month of June were \$193 million.

Executive Director Hedinger noted that the electronic fund transfer (EFT) failures totaled \$380 thousand.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for June were over \$28 million.

Executive Director Hedinger reported that the balances in the annuity investment accounts total \$183.5 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 June were "\$5,000,000 Cash Extravaganza," "\$500,000 Fortune" and "Double Diamond Spectacular."

Executive Director Hedinger reported that the Core and Family Games made up \$91 million in sales.

Executive Director Hedinger stated that the three new instant games that were introduced in June were "Cash Explosion," "New Win for Life" and "\$500,000 Fortune." The new games made up more than 11% of sales for the month.

Executive Director Hedinger noted that in instant game activities, advertising surrounded "Escape to Margaritaville." We also promoted the new "Win For Life" and the "\$500,000 Fortune" games. "Cash Explosion" was promoted on our website, through social media and various other places.

Executive Director Hedinger reported that the "Monopoly Millionaires' Club" TV Game show itself is an advertisement for the Lottery. In our area, they feature New Jersey players or lottery tickets. They alternate that advertising with New York. Additional shows will be taped in August and the show will be back on the air in the fall.

Executive Director Hedinger stated that we had higher sales in June for online product games. The slightly renewed interest in the jackpot games can be attributed to the fact that people have a few more dollars because of the lower gas prices. There is a slight surge in people coming back to Lottery games.

Executive Director Hedinger stated that Pick-3 and Pick-4 sales were up year over year by nearly 4% and Jersey Cash 5 sales were up 13%. It's particularly good to see those games improve in sales or have sales increases because those are the games that are very hard to lift. They contribute a very high gross profit. It's important that those games stay healthy and we constantly work to tweak those games or promote them in a way to keep those sales up.

Executive Director Hedinger stated that we had the first anniversary of CASH4LIFE in June. In that year, we have grown to four participating states and two more states are actively planning to join by the end of the year. Tennessee wants to join in November and Maryland is planning to join in the beginning of next year. Every time we add a new state to the game, we get a chance to re-energize it.

Executive Director Hedinger noted that Fast Play, a new game, is going to be launched on August 2. It's similar to an instant game coming out of the online terminal. Training for staff and retailers will be held in late July.

Executive Director Hedinger reported that our social media continues to grow.

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

Executive Director Hedinger stated that all of our pools were closed according to procedures with no abnormalities.

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

Executive Director Hedinger reported that we have been working with the Council on Compulsive Gambling in New Jersey on our responsible play program. As previously mentioned, we are applying for World Lottery Association Level 4 Certification for responsible gaming. In order to get Level 4 Certification, we have to conduct research and must be audited to assure the WLA that all of the things that we say we are doing about responsible play, we are actually doing. In that regard, Gaming Laboratories International, who is certified by the WLA to conduct such an audit, has been hired to audit our process and our application. They will interview Lottery staff and Commissioners. Our application is due to be submitted by October 1.

Executive Director Hedinger stated that a meeting was held with the new CCGNJ Executive Director, Neva Pryor, who replaced Donald Weinbaum. We have a very close relationship with the CCGNJ.

Executive Director Hedinger stated that we continue to monitor any proposed legislation that might affect the Lottery. There was proposed legislation regarding the Courier bill which would allow companies to buy lottery tickets on behalf of third parties and deliver those tickets to those people. We would be charged with regulating that and we have expressed our concerns about that legislation. We are actively involved with the Treasurer's Legislation Liaison to make sure they know our position.

Executive Director Hedinger reported that we are also following a proposed bill regarding student loan lottery.

Executive Director Hedinger noted that there were a great number of lottery events scheduled in June. There are many scheduled for July. Northstar is very active in having a team of people to take part in these events.

Executive Director Hedinger stated that there were a number of Speaker's Bureau Events completed in June.

Executive Director Hedinger reported that there were 199 security investigations initiated during the month.

Executive Director Hedinger stated that 196 random field inspections were conducted.

Executive Director Hedinger noted that the Licensing staff received and processed 109 applications and 34 licenses were issued.

Executive Director Hedinger reported that there are 7,655 licenses issued as of June 30, 2015.

Executive Director Hedinger reported that we collected a total of \$920.23 for the month of June through our efforts with the Division of Taxation. We have collected almost \$47 thousand for FY15.

Executive Director Hedinger stated that the IMS staff is working with DORES with changing our IP (Internet Protocol) addresses.

Executive Director Hedinger noted that work needs to be completed with updating our servers.

Executive Director Hedinger reported that we are also working on investigating a new Internal Control System server (ICS). The ICS servers are connected to the gaming system to prove our gaming system every day.

Executive Director Hedinger noted that we are working with AT&T to make sure that in the event of an emergency, the telephones at Lottery Headquarters would automatically be routed over to the back-up site.

Executive Director Hedinger reported that we responded to 393 email requests and inquiries from VIP Club members during the month.

Executive Director Hedinger stated that the VIP Club has increased its membership with over 4,400 new registrations during June. We now have an enrollment of over 310,000.

Executive Director Hedinger noted that since the inception of the Million Dollar Replay game, more than 160,000 have registered for the VIP Club.

Executive Director Hedinger reported that the Million Dollar Replay game has recorded over 32 million entries since it began.

Executive Director Hedinger noted that the Validation staff received and sorted 4,997 claim forms during the month of June with an additional 401 walk-in claims. More than 5,000 claims were entered into the system and over 4,900 were edited. During the month, 4,712 claims totaling \$17,993,777 were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 25 Social Security number matches. Nine were for student loan payment defaults and there were no matches for low income home energy assistance. There were 35 claims that were processed and garnished because of current and previous matches totaling \$35,611.95; 15 of them went to satisfy child support arrearages and seven 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 3,054 incoming calls during the month. They made 93 outgoing calls to retailers. They handled 148 requests for assistance with instant ticket pack status changes. They handled 1,354 winner claim status calls during the month, with 298 of these calls answered at the front desk.

Executive Director Hedinger stated that the warehouse staff accepted deliveries, performed normal courier runs and provided the Lottery promotion truck to Northstar, when necessary.

Executive Director Hedinger reported that the Facilities coordinator worked with safety inspectors in our warehouse. There are a number of repairs that need to be done.

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

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Tucci stated he is pleased that things are starting to turn around financially.

Vice Chairman Toscano asked about upcoming promotional events and a discussion was held.

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

NEW BUSINESS

Executive Director Hedinger introduced Margaret Square, the new Deputy Director of Operations, to the Commissioners.

Chairman Ragazzo requested a motion to approve the revised game rules for "Million Dollar Replay." Vice Chairman Toscano made the motion which was seconded by Treasurer Designee Neff. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the revised rules for the "VIP Opt-In Drawing." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

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.

Chairman Ragazzo requested a motion to approve the twelve on-line game rules for "FAST PLAY." The games for approval are: "Fast Cash," "Lots of \$50s," "Piggy Bank Bucks," "Red Hot Numbers," "Smokin' Hot Cash," "10x the Cash," "In Between," "Slots of Fun," "All About the Bens," "Cashword," "Blackjack" and "Bling Bling Bucks." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

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

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Wild 10's." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

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

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

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman Ragazzo 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 July 16, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 20th day of August, 2015.


Carole Hedinger
Executive Director