

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, SEPTEMBER 17, 2015 (AMENDED)

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
Albert Alvarez, Commissioner
Robert D'Anton, Commissioner
Robert Slater, Commissioner
Tom Neff, Treasurer Designee

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

VISITORS

Russ Knapp, Northstar
William Murray, Northstar
Lou Cleary, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Bryce Rudolph, Widewaters 360
Nicole Wasserman, Ferrara & Co.
Desiree Hardy, Brushfire

STAFF

Regina Arcuri
Duane Daniels
Judy Drucker
Janice Eckstein
Karen Kokoll
Frances Lioudis
Megan Mazzoni
Richard Pagnani
Steven Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

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 August 20, 2015 Commission Meeting. 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.

DIRECTOR'S REPORT

Executive Director Hedinger stated that August sales improved over the prior year. Cumulatively, sales increased 3.5% for the year.

Executive Director Hedinger noted that we are still lagging in the transfer of revenue. Instant games dominate the sales but they have a lower revenue contribution than the online game sales. Our online games, however, are growing and they contribute more to our net profit.

Executive Director Hedinger reported that new games have been introduced to account for the lingering problem with jackpot sales. Fast Play and CASH4LIFE were introduced in the last fourteen months to help make up for the jackpot games.

Executive Director Hedinger stated she is expecting to see continued incremental growth in both sales and revenue as the year continues.

Executive Director Hedinger reported that receipts and deposits for the month of August were \$175.5 million.

Executive Director Hedinger noted that there were 106 electronic fund transfer (EFT) failures totaling almost \$264 thousand. The Accounts Receivables Unit settled or closed 87% of EFT failures from July.

Executive Director Hedinger stated that the cumulative outstanding accounts receivable balance at the end of August was \$3.12 million.

Executive Director Hedinger noted that the balances in the unclaimed prize reserve accounts for August were almost \$34 million.

Executive Director Hedinger reported that the balances in the annuity investment accounts total over \$176 million.

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

Executive Director Hedinger reported that the Core and Family Games made up almost \$80 million in sales.

Executive Director Hedinger stated that the three new instant games that were introduced in August were "Quick Change," "Double Match" and "\$10,000 Payday." The new games made up 4% of sales for the month.

Executive Director Hedinger noted that instant game activities were promoted on our website, through social media and various other places.

Executive Director Hedinger stated that for online product games, Pick-3 and Pick-4 sales through August are averaging over 6% higher than the prior year.

Executive Director Hedinger reported that Jersey Cash 5 sales were 18.2% higher than in FY15.

Executive Director Hedinger noted that we ran a Pick-3 Bonus Coupon Promotion from the end of July through early August. We periodically do promotions for the Pick-3 and Pick-4 games. They often repeat, but we believe that is the reason why we have kept these games steady and growing incrementally rather than suffering the declines that most jurisdictions have experienced.

Executive Director Hedinger stated that "Fast Play" launched on August 2 with four games. It started during the outage incident in the beginning of the month and, in spite of that, it has done phenomenally well. These games go out for a short term and a new game replaces it when it needs to be refreshed.

Executive Director Hedinger noted that we had a CASH4LIFE promotion where players had a chance to win a free \$1 "Fast Play" ticket.

Executive Director Hedinger reported that two new states will be joining CASH4LIFE. Tennessee will join around November 1 and Maryland in the beginning of the next year. With each new state that joins, there is the chance to promote the game again and bring it back into players' minds.

Executive Director Hedinger stated that we continue promoting our social media presence through Facebook, YouTube, Twitter and Google+. That is going to be the way we reach players in the future.

Executive Director Hedinger reported that we increased our VIP Club registrations during the month of August by 3,623. We now have more than 318,000 active members.

Executive Director Hedinger noted that since the inception of the Million Dollar Replay game in 2011, there have been 163,820 people that have registered for the VIP Club. It has recorded over 33 million entries since it began.

Executive Director Hedinger reported that all drawings for the month of August 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 noted that on August 4 we held our "Not 18 Yet? No Bet" joint press conference with the Council on Compulsive Gambling of New Jersey at the Acme Market in Lawrenceville.

Executive Director Hedinger reported that on August 14 we held a "Fast Play" press conference and launch event at the Frank S. Farley Service Plaza on the Atlantic City Expressway. For one hour, all drivers going Eastbound received a free toll going through the toll plaza. It was a very successful event.

Executive Director Hedinger stated that there will be a Powerball game change in early October.

Executive Director Hedinger noted that there were many press releases issued in the month of August.

Executive Director Hedinger stated that staff completed arrangements for our sponsorship of the 29th National Conference on Problem Gambling.

Executive Director Hedinger reported that we are working with the CCGNJ for our sponsorship of their Statewide Conference luncheon.

Executive Director Hedinger stated that we continue to monitor any proposed legislation that might affect the Lottery.

Executive Director Hedinger noted that there were a great number of events scheduled in August.

Executive Director Hedinger reported that the promotion team at Northstar is very active in getting out to promotional events.

Executive Director Hedinger noted that there were many Speaker's Bureau Events completed in August. The Director's Report lists all of the events and promotions held each month along with those proposed for the coming month.

Executive Director Hedinger stated that there were 188 security investigations initiated during the month.

Executive Director Hedinger reported that 162 random field inspections were conducted.

Executive Director Hedinger noted that the Licensing staff received and processed 81 applications and 26 licenses were issued.

Executive Director Hedinger reported that there are 7,712 licenses issued at the end of August.

Executive Director Hedinger stated that AT&T has completed two services that will redirect select phones from Lottery headquarters to our back up site in the event of an emergency.

Executive Director Hedinger noted that the Validation staff received and sorted 4,845 claim forms during the month of August with an additional 386 walk-in claims. More than 5,300 claims were entered into the system and over 5,500 were edited. During the month, 5,252 claims totaling \$19,546,488 were paid to winners, including annuity payments.

Executive Director Hedinger reported that there were 36 Social Security number matches. Four were for student loan payment defaults and there were no matches for low income home energy assistance. There were 24 claims that were processed and garnished because of current and previous matches totaling \$24,276.69; ten of which went to satisfy child support arrearages and one claim was released from a previous match.

Executive Director Hedinger stated 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 4,140 incoming calls during the month. They made 78 outgoing calls to retailers. They handled 432 requests for assistance with instant ticket pack status changes. They handled 1,292 winner claim status calls during the month, with 211 of these calls answered at the front desk.

Executive Director Hedinger reported that the Warehouse staff continues to process game end returns.

Executive Director Hedinger noted that the Facilities coordinator worked with Nexus to make certain the maintenance and any repairs to the building were accomplished satisfactorily.

Executive Director Hedinger stated that Northstar's employee count is at 130, with 93 in Sales, 21 in Marketing and 16 in Administration.

Executive Director Hedinger reported that the Monopoly Millionaires' Club TV game show is back on the air. A New Jersey player is one of the finalists on the first episode.

Executive Director Hedinger stated that all five "Escape to Margaritaville" drawings have been completed.

Executive Director Hedinger updated the Commissioners on the Northstar outage on August 1. We have calculated the amount of the loss sales to be approximately \$1 million. The revenue from the \$1 million is about \$300 thousand. The range in loss sales would run from about \$1 million to \$1.3 million. The range of revenue lost is \$300 thousand to \$400 thousand. We assess service credits according to the contract and we are calculating this now. Vice Chairman Toscano asked if it is the liquidated damage clause that was previously discussed. While this is embarrassing to have happened, as far as the economic impact, we are whole.

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Slater asked about the 30% state contribution and a discussion was held.

Commissioner D'Anton asked how Northstar will fund any shortfall in the state contribution and a discussion was held.

Commissioner Slater asked about instant ticket prize pay-out percentages and a discussion was held.

Commissioner D'Anton asked what percentage do Powerball and Mega Millions contribute to our portfolio and a discussion was held.

Commissioner Alvarez asked about the exhibit wall and a discussion was held.

Commissioner Alvarez stated that the Lottery should consider having social media presence on Instagram and Periscope.

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

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

NEW BUSINESS

Chairman Ragazzo requested a motion to approve the revised Mission Statement. Commissioner Slater made the motion which was seconded by Vice Chairman Toscano. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the revised game rules for "100X the Cash." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. 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 instant ticket game rules for "Holiday Cheer." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. 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 "Frosty Fun." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. 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 "Holiday Sparkle." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. 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 "Season's Gold." Vice Chairman Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the five on-line game rules for "FAST PLAY." The games for approval are: "Electric 8's," "\$2 Jersey Jackpot," "9's In a Line," "\$5 Jersey Jackpot" and "\$10 Jersey Jackpot." Vice Chairman Toscano made the motion which was seconded by Commissioner D'Anton. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Executive Director Hedinger distributed a "Stacked Deck" pamphlet regarding the Responsible Play Program. Bill Murray gave a brief presentation.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

There was no Executive Session.

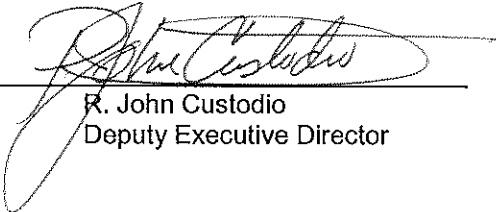
ADJOURNMENT

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 September 17, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 16th day of OCTOBER, 2015.



R. John Custodio
Deputy Executive Director