

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, AUGUST 22, 2017

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
Robert Slater, Commissioner (by phone)
Christopher McDonough, Commissioner
Matt Spadaccini, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Cliff Rones, Deputy Attorney General
Nicholas Kant, Gov. Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Jon Renner, Brushfire

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Judy Drucker
Frances Edwards
Janetta Foy
Megan Mazzoni
Richard Pagnani
Steve Palmieri
Mary Ann Rivell
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 July 25, 2017 Commission Meeting. Commissioner Slater made the motion, which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that we started off the new fiscal year. We are meeting our budget for July but we are short of last year's sales of \$300 million. Every bit of that is attributable to the difference in the Mega Millions and Power Ball games from July 2016. At next month's meeting there should be an increase as we have been selling very well in August for the rising jackpots that we have been experiencing.

Executive Director Hedinger noted that Quick Draw, with only two weeks of sales, had about \$1.25 million in sales. That's a very good start for a soft launch.

Executive Director Hedinger reported that in Fiscal Year 2018, profit from lotto games was 41.92%. Profit from instant games was 21.97%. We are at the 30% net revenue contribution that we need to meet each month.

Executive Director Hedinger stated that receipts and deposits for the month were \$242 million.

Executive Director Hedinger noted that there were 91 electronic fund transfer (EFT) failures totaling \$264 thousand for the month. The Accounts Receivables Unit settled or closed 82% of EFT failures from June. Our Account Adjusters visited 286 retailers and collected \$226 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance at the end of July was \$3.5 million. The total of bad debt reserve is \$3.2 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve totaled \$1,389,846.

Executive Director Hedinger noted that the balance in the annuity investment accounts were \$137.5 million. The S&P ratings have not changed since last month.

Executive Director Hedinger reported that the three top selling non-core games for July were "\$5,000,000 Fortune," "100X the Bucks" and "\$500,000 Riches." They contributed \$37.2 million or 24% of sales for the month.

Executive Director Hedinger stated that the Core and Family Games contributed \$64.8 million or 43% of total sales.

Executive Director Hedinger noted that four new instant games introduced in July. They contributed \$17.1 million or 11% of total sales.

Executive Director Hedinger reported that there were four new games presented for Commission rule approval and subsequent vendor production.

Executive Director Hedinger stated that instant game advertising activity supported "Super Casino" that ran through the month of July.

Executive Director Hedinger noted that in online product activity, the big event of the month was the launch of Quick Draw on July 17. We launched at 401 retailers. It was very successful and the game has been selling well. We will be expanding with additional retailers. We are receiving interest from retailers who now see that it is out and are interested in having it in their establishments.

Executive Director Hedinger reported that we had a number of high tier winners in July. There were a few \$1 million winners but we had some really nice Jersey Cash 5 XTRA winners all over the state in excess of \$500,000.

Executive Director Hedinger stated that our social media stats continue to be very healthy.

Executive Director Hedinger noted that we responded to 370 email requests and inquiries from VIP Club members and users.

Executive Director Hedinger reported that our website visitor summary doesn't change much from month to month, it stays very consistent with well over one million users every month, staying about two minutes each session.

Executive Director Hedinger stated that the VIP Club increased its membership with 4,395 new registrations during the month. We now have 421,968 active members.

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

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

Executive Director Hedinger stated that the Public Information Office disseminated Lottery news in July that received more than 74.6 million daily views with an estimated advertising value of more than \$700 thousand.

Executive Director Hedinger noted that there were a great number of press releases issued. Many of them had to do with the launch of Quick Draw.

Executive Director Hedinger reported that in our On-line Winner Awareness Content, we provide Northstar the information to be posted on the social media sites. The biggest post for the month was the story about the couple who are raising their grandchildren and won \$1 million. That went worldwide. It was a wonderful story.

Executive Director Hedinger stated that we continue to monitor all of our Legislative activities.

Executive Director Hedinger noted that we continue to work hard on our Responsible Play Program. In July, Mary Ann Rivell went to Portland, Oregon for the National Conference on Problem Gambling. She indicated that it was a very rewarding and worthwhile conference to attend. Representing Northstar was Bob Kersey and Tim Rolwood. We had three people attending those breakout sessions and conferences as part of our continuing strong commitment to responsible play.

Executive Director Hedinger reported that there were three of Speaker's Bureau Events completed in July and there are a number scheduled for August.

Executive Director Hedinger stated that there were a great many Public Promotional Events held in July and there are many scheduled for August. Summertime is a busy time of the year and we added extra promotions because of the launch of Quick Draw.

Executive Director Hedinger noted that there were 134 security investigations initiated during the month.

Executive Director Hedinger reported that 198 random field inspections were conducted at retailer locations.

Executive Director Hedinger stated that the Licensing unit received and processed 78 applications and 33 licenses were issued.

Executive Director Hedinger noted that at the end of July, there were 8,177 licenses issued.

Executive Director Hedinger reported that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$6,882.57 in arrearages collected.

Executive Director Hedinger stated that in Technology we are working with IGT and the Multi State Lottery Association (MUSL) because MUSL is creating MARS, which is MUSL Automated Reporting System. MUSL collects the data on the sales of Powerball from all of the states and they are instituting a more automated reporting system. Our team, along with IGT, is working to implement that application.

Executive Director Hedinger noted that we also had a conference call with Epicor, who provides our back office/general ledger system, to create new general ledger accounts now that we have been transferred to Pensions. We need to have a set of books for any activity that relates to what is due the state and all the new activity that will be part of Pensions.

Executive Director Hedinger reported that we are also bringing back a consultant, who will start on September 5, whose expertise when she worked here before was in the general ledger and finance area. She will be tasked with making sure that the new set of books is set up accurately and that all the transactions that have transpired since July 1 will be accurately posted to the proper areas.

Executive Director Hedinger noted that the Validations staff received and sorted 4,898 mailed-in claim forms during the month of July with an additional 416 walk-in claims. They entered 4,605 claims into the system and 4,115 were edited. During the month, 4,224 claims totaling more than \$18 million were paid to winners, including annuity payments.

Executive Director Hedinger reported that there were 20 Social Security number matches in July. Twenty-two claims were processed and garnished because of current and previous matches totaling \$19,188.82. There were three released claims from previous matches. Since inception, we have collected more than \$7.9 million in arrearages.

Executive Director Hedinger stated that the Retailer/Call Center Services Unit handled 6,257 incoming calls during the month. There were 62 outgoing call made, including new retailer welcoming calls and calls to congratulate Retailers selling top prizes. There were 183 requests for assistance with instant pack status changes. They also handled 2,456 winner claim status calls during the month of July of which 292 were answered at the front desk.

Executive Director Hedinger noted that the Warehouse unit received and shipped out packages. They received over 5,000 packages for the month.

Executive Director Hedinger stated that the Facilities unit is reporting that the improvements to the New Jersey Lottery have been finished. That was done in a most non obtrusive way with very little interruption to staff. It was extremely smooth for such a large operation.

Executive Director Hedinger noted that you will see the Northstar activities that took place during the month at the end of the report.

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

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that we are already 46.7% behind the budget and asked how the budget is projected.

Executive Director Hedinger stated that we create the budget and we create it in advance.

Chairman Ragazzo asked about the retailer's obligation of identifying minors purchasing lottery tickets in the "Not 18, No Bet" campaign.

Executive Director Hedinger stated that we instruct our retailers not to sell to anyone under 18. We train them to ask for identification, if necessary. We also train them and give them the remote access to the vending machines, so that if they see someone that appears to be too young, they can deactivate the vending machine and stop it. We have a very extensive training program so that our retailers understand that they are not to sell to people under 18.

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

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. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Holiday Sparkle," "Holiday Lucky Times 10," "Holiday Spectacular," "\$150,000 Poker" and "\$10,000 Bonus." Commissioner Slater made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Commissioner McDonough asked if there is any issue with the "\$150,000 Poker" instant game in relation to the poker game that was recently pulled.

Executive Director Hedinger stated that this game will clearly state on the ticket what the high card hand means. It'll remove that confusion that occurred in the poker game that we pulled. New Jersey players know how to play real poker. They assumed that that game was a real poker game, as if we were sitting around the table playing, and it wasn't. These rules clearly state how you win and will say it on each ticket.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The game rules for approval are "Blizzard Bingo" and "Hit \$500." Commissioner Slater made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Executive Director Hedinger announced that Matt Spadaccini, the Treasurer's Designee, has been promoted to Chief of Staff for the Treasurer.

Chairman Ragazzo and Commissioner Slater congratulated Matt Spadaccini.

Executive Director Hedinger stated that a former Lottery Commissioner, Dr. Anthony Caputo from South Orange, passed away on July 24. He was a Commissioner from 1997 until 2005. He was an excellent ophthalmologist. He was world renowned. He devoted his practice to eye diseases in children, the smallest being newborn. He also traveled the world with Project Orbis International, which was a flying eye hospital. He went all over the world treating children in some of the worse conditions, in the poorest countries. He would train doctors there, in some cases how to do simple operations that they didn't know how to do. He was a devoted family man, a very good man. He was a very fine Lottery Commissioner. He also served on the New Jersey Racing Commission. He loved thoroughbred racing. He opened eye institutes in New Jersey in Newark and devoted his practice to prevention of eye diseases in children.

Commissioner Slater stated that he served the whole time with Tony Caputo and he proposed that there be a memorial plaque made in Commissioner Caputo's honor. He was an invaluable Commissioner.

Executive Director Hedinger stated that we will look into that.

EXECUTIVE SESSION

There was no Executive Session.

PUBLIC COMMENT

There was no Public Comment.

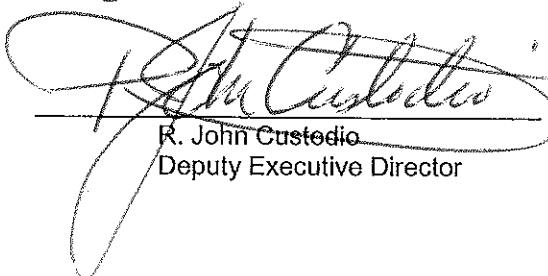
ADJOURNMENT

Chairman Ragazzo asked for a motion to adjourn the Public meeting. Commissioner Slater made the motion which was seconded by Commissioner McDonough. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on August 22, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 26TH day of SEPTEMBER, 2017.


R. John Custodio
Deputy Executive Director