

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JANUARY 26, 2016

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)
Albert Alvarez, Commissioner (by phone)
Tom Neff, Treasurer Designee (by phone)

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

VISITORS

Russ Knapp, Northstar
William Murray, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Desiree Hardy, Brushfire
Mike Catalini, Associated Press

STAFF

Regina Arcuri
Joyce Brown
Denise Coleman
Duane Daniels
Judy Drucker
Janice Eckstein
Frances Edwards
Janetta Foy
Karen Kokoll
Megan Mazzoni
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
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 December 17, 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 the month of December was a wonderful month for sales. Total sales for the month were almost 12% higher than the year before. They exceeded budget as well. All the games are showing a growth in sales.

Executive Director Hedinger reported that in December we saw a Powerball jackpot that had reached \$350 million by the end of the month. It was on its way to that \$1.6 billion record. All of the lotto games depend on jackpots, so growth only comes with a rise in the jackpots. We are hoping that the downward trend that began in January 2014 is going to bounce back with those games. They've become an integral part of our ability to make the revenue that we need to make.

Executive Director Hedinger noted that we are at nearly 30% in net revenue to the State. That is without the full factor of unclaimed prizes. By the end of the year, when we do our final adjustment, we should not have any problem reaching that 30% net revenue.

Executive Director Hedinger stated that receipts and deposits for the month were \$215.7 million.

Executive Director Hedinger noted that there were 119 electronic fund transfer (EFT) failures totaling almost \$355 thousand. The Accounts Receivables Unit settled or closed 80% of EFT failures from November.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance was \$3.46 million. Our bad debt reserve is \$2.87 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for December were over \$13 million.

Executive Director Hedinger noted that the balances in the annuity investment accounts total over \$167 million.

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

Executive Director Hedinger stated that the three top selling non-core games made up 21% of sales in December.

Executive Director Hedinger noted that the Core and Family Games for the month made up 48% of sales.

Executive Director Hedinger stated that we introduced four new instant games in December and they made up approximately 8% of total sales. We had a record week in December for instant game sales.

Executive Director Hedinger reported that advertising activities concentrated on instant games and for the "Holiday" family of games. The gifting of lottery tickets during the Holiday season is very popular and we encourage those sales by advertising those games.

Executive Director Hedinger noted that online product activities consisted of introducing a new bet type, Close Enough, which began on November 22 for the Pick-3 and Pick-4 games. Since the launch of that game, we have seen Pick-3 sales increase by 1.8% and Pick-4 sales increase by 3.4% compared to the prior year.

Executive Director Hedinger stated that Powerball was the big story in December. It reached \$334 by the end of the year. We broke the world record for that game. The game changed in early October in order to create larger jackpots and many more of the lower fixed prizes.

Executive Director Hedinger reported that Fast Play games continue to be released on an ongoing basis.

Executive Director Hedinger noted that CASH4LIFE produced several winners in December. It has come alive after a drought of winners. When it began, we had New Jersey winners right away. That game is expanding with more states interested in joining.

Executive Director Hedinger reported that our social media continues to be very active.

Executive Director Hedinger noted that we responded to 212 email requests received from the VIP Club.

Executive Director Hedinger stated our website had almost 1.2 million visitors for the month. Nearly 18% were new visitors, which is very healthy.

Executive Director Hedinger reported that our VIP Club continues to grow. We received over 7,800 new registrations during December. We now have an enrollment of more than 335,000 active members.

Executive Director Hedinger noted that all drawings for the month of December 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 throughout the weekend blizzard, we didn't miss a draw, a live stream or production. We were preempted on television because of the snow coverage but we didn't miss a step throughout the entire weekend. We are very proud of the draw staff for being able to get here and not let our players down. The pools were closed and draws were completed on time without any problems.

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

Executive Director Hedinger stated that our top social media post was "One Ocean County Jersey Cash 5 player won Big Jersey Cash."

Executive Director Hedinger reported that we held a press conference in December to promote responsible giving for the holiday season. We work closely with the Council on Compulsive Gambling of New Jersey every year to promote the message that the Lottery is not child's play and that we do not encourage people to give lottery tickets to minors for Christmas.

Executive Director Hedinger noted that we continue to monitor any proposed legislation that might affect the Lottery. There was a bill that passed that makes it a crime to make fraudulent use of a social security number to collect lottery winnings.

Executive Director Hedinger stated that there were a great number of public events held at malls during the month of December. We got out to all the malls before Christmas and promoted the lottery games.

Executive Director Hedinger noted that there were 153 security investigations initiated during the month.

Executive Director Hedinger reported that 102 random field inspections were conducted.

Executive Director Hedinger stated that the Licensing staff received and processed 93 applications and 94 licenses were issued.

Executive Director Hedinger noted that there are 7,762 licenses issued as of December 31, 2015.

Executive Director Hedinger reported that we collected a total of \$8,193.27 for the month of December through our efforts with the Division of Taxation. For this Fiscal Year, we have collected \$23,593.14.

Executive Director Hedinger stated that IMS staff has been working with DORES to switch our Active Directory. It has been a bit of struggle.

Executive Director Hedinger noted that everything in our Operations Unit worked without any issues. There were no problems in our Claims Processing, Retailer Call Center, Warehouse and Facilities Units.

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

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Alvarez asked about the Fiscal Note Report that was submitted regarding the video lottery terminals at Freehold Raceway and a discussion was held. Executive Director Hedinger stated that we will provide the Commissioners with a copy of the Fiscal Note.

Chairman Ragazzo asked about players who may give away a winning ticket to someone else when they have a social security match 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 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 "Rapid Refund." 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 "Spring Fling Tripler." 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 "Instant Bingo." 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 "Super 7's Slingo." 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 "Casino Royale." 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.

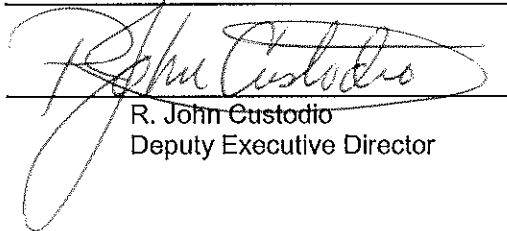
ADJOURNMENT

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 January 26, 2016.

IN WITNESS WHEREOF, I hereby set my hand on

the 23RD day of FEBRUARY, 2016.


R. John Custodio
Deputy Executive Director