

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, OCTOBER 23, 2018

Acting Executive Director Carey called the Commission meeting into session at 10:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman (by phone)
Patrick Toscano, Vice Chairman (by phone)
Gary Terwilliger, Division of Investment Designee
Dini Ajmani, Treasurer's Designee

James A. Carey, Jr., Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Edmund Caulfield, Governor's Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
Jon Renner, Marketsmith, Inc.
Nicole Lobkowitz, PureRed
Robert Acosta

STAFF

Regina Arcuri
Jill Dawson
Fran Edwards
Dean Ialacci
Kalliopi Kostis
Charlene Mello
Perna Mukhija
Daniel O'Brien
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
Melissa Williams

After the Pledge of Allegiance, Acting Executive Director Carey 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.

Acting Executive Director Carey requested a motion to approve the minutes of the August 21, 2018 Commission meeting. Vice Chairman Toscano made the motion, which was seconded by Investment Designee Terwilliger. Acting Executive Director Carey asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Carey stated that he would provide the report for September's results and activities and then report on the results and activities in August.

Acting Executive Director Carey noted that the Mega Millions jackpot for the drawing on October 23 is at \$1.6 billion, which is the highest jackpot in world history. The Pick-6 game is currently at \$23 million, the highest it has been since June 2009. The Powerball jackpot is now at \$620 million, which is the sixth largest jackpot in United States history.

Acting Executive Director Carey reported that on October 19th Governor Murphy nominated him to serve as Executive Director of the New Jersey Lottery.

Acting Executive Director Carey noted that during the month of September total net sales for all games were \$260.72 million, an increase of 1.8% over the results of September 2017. The results in September were driven by the Mega Millions jackpot, which has been rolling since July. Mega Millions had sales of \$16.03 million, which was a 75% increase over sales in September 2017. Lotto sales in total were \$37.97, which was a 25% increase over the results of September 2017.

Acting Executive Director Carey stated that the daily machine games totals were \$76.61 million, a decrease of 1.5% from September 2017. Instant game ticket sales were \$146 million, a decrease of 1.4% from the prior year.

Acting Executive Director Carey reported that the contribution to the State for September was \$78.39 million. Fiscal Year to date contribution to the State was \$244.98 million, 2.4% over the budgeted amount.

Acting Executive Director Carey noted that Fiscal Year 2019 profit from lotto games was \$51.4 million or 40.86% of net sales of \$125.91 million. The profit from daily games except instant games was \$85.4 million or 39.78% of net sales. The profit from instant games was \$97.5 million or 21.22% of net sales. Total to date FY19 contributions, including 30% of the current estimated forfeited prizes, were 30.55% of sales, which is consistent with Lottery's statutory mandate to contribute at least 30% of gross sales to the state.

Acting Executive Director Carey stated that receipts and deposits for the month of September were \$204.3 million.

Acting Executive Director Carey reported that there were 98 electronic fund transfer (EFT) failures totaling \$284.6 thousand or 0.14% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 79% of EFT failures from August. Field Account Adjusters visited 292 retailers and collected \$286.5 thousand.

Acting Executive Director Carey noted that the cumulative outstanding accounts receivable balance as of September 30 was \$3.8 million. The total amount of bad debt reserve was \$3 million.

Acting Executive Director Carey stated that the balances for all unclaimed prize reserve accounts as of September 30, 2018 totaled \$7.5 million.

Acting Executive Director Carey reported that the current balance in the annuity investment accounts totaled \$124.2 million.

Acting Executive Director Carey noted that the three top selling non-core games for September were "\$5,000,000 Lucky 7's," which generated \$15.4 million in sales, "1,000,000 Lucky 7's," which generated \$7.4 million in sales and "\$200 Million Cash Bonanza," which generated \$6.2 million in sales.

Acting Executive Director Carey stated that total sales for Core and Family Games for the month was more than \$95.3 million. The "Lucky 7's" family of games had \$36.3 million in sales.

Acting Executive Director Carey reported that on October 1st, the Lottery expanded the sale of Quick Draw to the entire retail network of over 7,000 retailers.

Acting Executive Director Carey noted that through the end of September, the Lottery ran a Jersey Cash 5 promotion with Northstar. The jackpot started at \$100,000, instead of the normal starting jackpot point of \$75,000.

Acting Executive Director Carey stated that there were a number of high tier winners throughout the state in September. The September 4th Jersey Cash 5 drawing had one \$380,993 winner in Passaic County. The September 9th Jersey Cash 5 drawing had one \$560,328 winner in Morris County. The September 14th Jersey Cash 5 drawing had one \$571,193 winner in Middlesex County. The September 23rd Jersey Cash 5 drawing had one \$538,792 winner in Bergen County.

Acting Executive Director Carey reported that Lottery's Facebook page now has 125,656 likes.

Acting Executive Director Carey noted the New Jersey Lottery's top three most watched YouTube videos included "How to Play-NJ Lottery Pick-3/Pick-4 Fireball," "How to Play – NJ Lottery Quick Draw" and "NJ Lottery Pick-3/Pick-4 Fireball Box Bet Type."

Acting Executive Director Carey stated that at the end of September the Lottery had 10,489 Twitter followers.

Acting Executive Director Carey reported that the VIP Club increased its membership with 3,732 new registrations during the month of September. The VIP Club now has an enrollment of 486,075 active members.

Acting Executive Director Carey noted that all drawings for the month of September were completed with no abnormalities.

Acting Executive Director Carey stated that all on-line pools were closed according to procedures with no abnormalities.

Acting Executive Director Carey reported that the Public Information Office disseminated Lottery news in September that reached more than more than 5 million daily viewers with an estimated advertising value of approximately \$46,000.

Acting Executive Director Carey noted that the Public Information Office issued a number of press releases. The two largest were the September 6th release "Flanagan's, South Plainfield is Luckiest Bar in Jersey," regarding a promotion for Quick Draw. On September 28th our Public Information Office issued a press release "Fortune Cookie Numbers Pay Off." The Lottery received a significant amount of press coverage on that particular story.

Acting Executive Director Carey stated that representatives of the Lottery attended the CCGNJ Statewide Conference on September 21st.

Acting Executive Director Carey reported that there were a number of Speaker's Bureau Events completed in September.

Acting Executive Director Carey noted that the Lottery and Northstar had a number of Public Promotional Events completed in September including attendance at the Mercer County Italian American Festival, the Miss America Parade and the 2018 Dominican Parade in Paterson. The Lottery also had a presence at the New Jersey Devils games, Red Bulls games and the Hoboken Arts & Music Festival.

Acting Executive Director Carey stated that there were 143 security investigations initiated during the month. There were 205 random field inspections conducted at retailer locations.

Acting Executive Director Carey reported that the Licensing unit received, processed and approved 71 applications. There were 65 licenses issued.

Acting Executive Director Carey noted that the IMS Department completed its monthly test of the ES wireless terminals and there were no issues.

Acting Executive Director Carey stated that the Lottery is working the Division of Revenue and Enterprise Services in Treasury to develop a plan to replicate Lottery data and increase drive storage.

Acting Executive Director Carey reported IMS and Facilities will be working to install a computer room temperature probe and water bug at the back up site to monitor the computer rooms and gaming systems.

Acting Executive Director Carey noted that the Validations staff received and sorted over 3,573 mailed claim forms during September and processed an additional 298 walk-in claims. During the month of September there were 4,045 claims totaling \$12,912,736.35 that were paid to winners including annuity payments.

Acting Executive Director Carey stated Northstar's personnel count at the end of September was 141 employees. Total number of active retailers is 7,159. There were approximately 1,600 Quick Draw retailers in September. Lottery is now selling Quick Draw through the entire network. Northstar's sales team continued to focus on recruiting new Quick Draw retailers, driving Quick Draw sales higher by focusing on building weekly sales, continuing to run Quick Draw promotions and posting jackpots as a reminder to players.

Acting Executive Director Carey then briefly covered some highlights from the Director's Report for September, which discussed results and activities in August.

Acting Executive Director Carey noted that total sales for all games in August were \$273.58 million. Instant games accounted for \$155 million in sales. Lotto games accounted for \$35.21 million in sales. Pick-6 had sales of \$7.59 million, which was 41% over budget. In August, sales started to rise on the Pick-6 game because there was no jackpot winner since February.

Acting Executive Director Carey stated that the contribution to the state for August was \$80.14 million, which was 0.3% under budget.

Acting Executive Director Carey reported that Fiscal Year 2019 profits from lotto games in August were \$35.6 million or 40.53% of net sales of \$87.94 million. The profit from daily games except instant games were \$58.5 million or 39.69% of net sales. The profit from instant games was \$66.6 million or 21.24% of net sales. As of the end of August, total to date FY19 contributions, including 30% of the current estimated forfeited prizes, was 29.91% of sales.

Acting Executive Director Carey noted that the three top selling non-core games for August were "\$5,000,000 Lucky 7's," which generated \$17.3 million in sales, "Million Dollar Multiplier," which generated \$6.7 million in sales and "Dazzling Diamond Spectacular," which generated \$6.4 million in sales.

Acting Executive Director Carey stated that total sales for Core and Family Games for the month contributed more than \$70.6 million.

Acting Executive Director Carey noted that there were a number of high tier winners throughout the state in August. The August 2nd Quick Draw drawing had one \$15,000 winner in Middlesex County. The August 17th Jersey Cash 5 drawing had one \$627,773 winner in Gloucester County. The August 21st Jersey Cash 5 drawing had one \$426,375 winner in Essex County. The August 26th Quick Draw drawing had one \$10,000 winner in Burlington County. The August 29th Quick Draw drawing had one \$10,000 winner in Passaic County. The August 30th Jersey Cash 5 drawing had four \$102,269 winners in Ocean, Bergen, Hudson and Burlington Counties.

Acting Executive Director Carey stated that all drawings for the month of August were completed with no abnormalities.

Acting Executive Director Carey reported that all on-line pools were closed according to procedures with no abnormalities.

Acting Executive Director Carey noted that Public Promotional Events that took place in August included attendance at Red Bulls, Trenton Thunder, BlueClaws and Somerset Patriots games. Lottery also had a presence at the PNC Bank Arts Center and Six Flags Great Adventure.

Acting Executive Director Carey stated that there were 173 security investigations initiated during the month.

Acting Executive Director Carey reported that the Licensing unit received and processed 101 applications. There were 81 licenses issued.

Acting Executive Director Carey noted that the Validations staff received and sorted 4,135 mailed claim forms during August and processed an additional 354 walk-in claims. During the month of August there were 5,800 claims totaling \$23,344,520.28 that were paid to winners including annuity payments.

Acting Executive Director Carey concluded the Director's Reports for the months of September and October.

Acting Executive Director Carey asked if there were any questions or comments.

There were no questions or comments about the Director's Reports.

NEW BUSINESS

Acting Executive Director Carey introduced four new instant games.

Acting Executive Director Carey 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.

Acting Executive Director Carey requested a motion to approve the instant ticket game rules for "Money Multiplier," "Diamonds and Dollars," "\$150K Poker Riches" and "\$3,000,000 Cash Out." Vice Chairman Toscano made the motion which was seconded by Chairman D'Anton. Acting Executive Director Carey asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

Acting Executive Director Carey asked if there were any public comments. Robert Acosta from Somerset County voiced his concerns about the difficulty of winning the Mega Millions jackpot and his belief that there should be more winners of small jackpots rather than one winner of a large jackpot.

EXECUTIVE SESSION

There was no Executive Session.

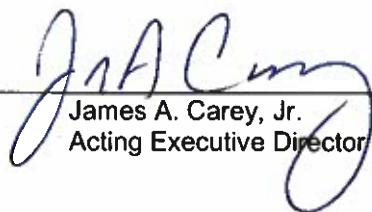
ADJOURNMENT

Acting Executive Director Carey asked for a motion to adjourn the Public meeting. Vice Chairman Toscano made the motion which was seconded by Investment Designee Terwilliger. 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 October 23, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 29th day of November, 2018.


James A. Carey, Jr.
Acting Executive Director