

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, DECEMBER 17, 2015

Vice Chairman Toscano 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 (by phone)
Patrick Toscano, Vice Chairman
Robert Slater, Commissioner
Albert Alvarez, Commissioner (by phone)
Tom Neff, Treasurer Designee

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

STAFF

Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Frances Edwards
Karen Kokoll
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell

VISITORS

Russ Knapp, Northstar
William Murray, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Kara Schirmer, Ferrara & Co.
Nicole Wasserman, Ferrara & Co.

After the Pledge of Allegiance, Vice Chairman Toscano 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.

Vice Chairman Toscano requested a motion to approve the minutes of the November 4, 2015 Special Commission Meeting. Chairman Ragazzo made the motion, which was seconded by Commissioner Alvarez. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

Vice Chairman Toscano requested a motion to approve the minutes of the November 17, 2015 Commission Meeting. Chairman Ragazzo made the motion, which was seconded by Treasurer Designee Neff. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger reported that the results for the month of November show continued growth in sales and revenue. It was another positive month.

Executive Director Hedinger stated that for November, and year to date, there is growth in our Pick-3 and Pick-4 games. These games make up a very large part of our portfolio and they are the ones that tend to decline historically over time. We achieved a reversal of the decline and a growth in those sales.

Executive Director Hedinger noted that total jackpot game sales are still lagging considerably behind year over year. However, Powerball is even year over year. A year ago, Powerball was much lower than the year before. To be even with the prior year is good, but it doesn't signify real growth in that category as yet. However, everything is working very well to achieve our target this year.

Executive Director Hedinger reported that for the fiscal year our profit from the various games is at 29.9% net contribution to the state. If we factored in the full effect of unclaimed prizes, which are unknown at this point, we would be over 30%.

Executive Director Hedinger stated that receipts and deposits for the month were over \$264 million.

Executive Director Hedinger noted that there were 108 electronic fund transfer (EFT) failures totaling almost \$357 thousand. The Accounts Receivables Unit settled or closed 80% of EFT failures from October. Field Account Adjusters visited 361 retailers which resulted in the collection of \$200 thousand.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance was \$3.42 million. Our bad debt reserve is \$2.86 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for November were almost \$9.4 million.

Executive Director Hedinger noted that the balances in the annuity investment accounts total over \$171.1 million.

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

Executive Director Hedinger noted that the three top selling non-core games for November were "\$5,000,000 Cash Extravaganza," "100X the Cash" and "Season's Gold." They made up over 20% of the total sales for the month.

Executive Director Hedinger reported that the Core and Family Games for the month totaled over \$77 million in sales.

Executive Director Hedinger stated that the three new instant games that were introduced in November were the holiday tickets that are currently on sale. Holiday game sales are higher than they were in the prior year.

Executive Director Hedinger noted that there are commercials airing for the holiday games.

Executive Director Hedinger reported that we ran a CASH4LIFE promotion, which resulted in an increase in that game. There was a free CASH4LIFE play given with the purchase of \$10 worth of jackpot games. It was very successful.

Executive Director Hedinger stated that we introduced the Close Enough wager on November 22 for the Pick-3 and Pick-4 games. The basic game did not change but we added a new way to bet. For 50 cents, you can select three or four numbers and if you miss on any of those numbers by one digit, up or down, you can still win a prize. This has shown an increase in Pick-3 and Pick-4 sales.

Executive Director Hedinger noted that Fast Play continues to sell well. There were 12 Fast Play games on sale at the end of November.

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

Executive Director Hedinger noted that we responded to 146 email requests received from the VIP Club.

Executive Director Hedinger stated our website had over one million visitors for the month.

Executive Director Hedinger reported that our VIP Club continues to grow. We received 2,900 new registrations during November. We now have an enrollment of more than 328,000 active members.

Executive Director Hedinger noted that the Million Dollar Replay game has recorded more than 35 million entries since inception. It is extremely popular.

Executive Director Hedinger stated that the final drawing for the Million Dollar Replay game will be held in February. It will be combined with a celebration for the Lottery's 45th anniversary, which is in the planning stage right now. We will draw the final 15 winners from this year's qualifiers and hold an off-site event and invite Retailers that have been with us for 45 years.

Executive Director Hedinger reported that all drawings for the month of November 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 there were many press releases issued. We received a lot of press over the Monopoly Millionaires' Club TV game show since we had contestants on that show.

Executive Director Hedinger reported that the top reactive social media post for November was '*Jesus has been playing the NJ Lottery*' and that attracted a lot of attention.

Executive Director Hedinger stated that in November we worked with the Council on Compulsive Gambling of New Jersey and their Executive Director. That is the month where we have a press conference and issue press releases on not gifting lottery tickets to minors over the holidays. It is legal to gift tickets to children, but needs to be done responsibly by explaining the risks involved in gambling as well as the possible rewards.

Executive Director Hedinger noted that we continue to monitor any proposed legislation that might affect the Lottery. There is a bill proposed right now in the Assembly, and it was just introduced again in the Senate, that would make it a 4th degree crime to use a false or someone else's social security number in order to collect a lottery prize. It is already against the law to misuse a social security number and it is a 3rd degree crime. We are in favor of anything that strengthens or makes people aware that there are consequences to using someone else's or a wrong social security number.

Executive Director Hedinger reported that we started working on a Fiscal Note Request on another bill that will allow video lottery terminals at Freehold Raceway. We have been asked to prepare the fiscal impact of that bill.

Executive Director Hedinger stated that she and Russ Knapp testified before the Senate Legislative Oversight Committee on November 24th regarding the Northstar contract. Executive Director Hedinger and Mr. Knapp appeared, gave testimony and answered questions.

Executive Director Hedinger noted that there was a series of Lottery events that took place in November. At this time of the year, many of these events revolve around the Jets and Giants games.

Executive Director Hedinger stated that there are many upcoming events taking place in December.

Executive Director Hedinger reported that there were several Speaker's Bureau Events that occurred in November and one scheduled for December.

Executive Director Hedinger noted that there were 155 security investigations initiated during the month.

Executive Director Hedinger stated that 98 random field inspections were conducted.

Executive Director Hedinger reported that the Licensing staff received and processed 100 applications and 100 licenses were issued.

Executive Director Hedinger noted that there are 7,729 licenses issued as of November 30, 2015.

Executive Director Hedinger stated that we collected a total of \$436.52 for the month of November through our efforts with the Division of Taxation. We have collected over \$15 thousand for FY16.

Executive Director Hedinger reported that our IMS Unit has had some issues with DORES regarding the inability to switch our Active Directory database from our current server to the new server. That affects our Outlook email. It's a problem because-mail is the way we communicate during our drawings, not to mention how much business is conducted through email.

Executive Director Hedinger noted that OIT made a presentation on email security and encryption in November.

Executive Director Hedinger reported that there were a variety of programming matters that were handled during the month.

Executive Director Hedinger noted that the Validation staff received and sorted over 4,500 claim forms during the month of November with an additional 324 walk-in claims. Over 4,500 claims were entered into the system and 4,700 were edited. During the month, 4,447 claims totaling \$16,930,127 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 36 Social Security number matches in November. Twenty-nine claims were processed and garnished because of current and previous matches. Four claims were released from previous matches.

Executive Director Hedinger reported that since inception in 1992, the New Jersey Lottery has collected nearly \$7.4 million for various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 4,239 incoming calls during the month. They made 125 outgoing calls to retailers. They handled 112 requests for assistance with instant ticket pack status changes. They handled 1,069 winner claim status calls during the month, with 171 of these calls answered at the front desk.

Executive Director Hedinger stated that the Warehouse staff accepted a large variety of deliveries, including game end returns

Executive Director Hedinger reported that the floor under the shelving has been repaired in the warehouse. We acquired a Platform Stacker, which will be used to stack boxes on the high level shelves.

Executive Director Hedinger noted that the Facilities coordinator had several preventive maintenance inspections and tests completed.

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

Vice Chairman Toscano asked how many Security investigations are initiated by the unit monthly and a discussion was held.

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

NEW BUSINESS

Vice Chairman Toscano requested a motion to approve the 2016 meeting schedule. Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

Vice Chairman Toscano requested a motion to approve the re-adoption without change of NJAC 17:20 (Rules of the Lottery). Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

Vice Chairman Toscano requested a motion to approve the amendment to general rules governing Fast Play games. Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano 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.

Vice Chairman Toscano requested a motion to approve the instant ticket game rules for "5X the Cash." Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

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

Vice Chairman Toscano requested a motion to approve the instant ticket game rules for "20X the Cash." Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

Vice Chairman Toscano requested a motion to approve the instant ticket game rules for "50X the Cash." Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

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

Vice Chairman Toscano requested a motion to approve the five on-line game rules for "FAST PLAY." The games for approval are: "Bowling Bucks," "Lottery Pong," "Bingo," "Bullseye Bucks" and "Crack the Safe." Chairman Ragazzo made the motion which was seconded by Commissioner Slater. Vice Chairman Toscano asked if there were any comments and there being none the motion carried.

Executive Director Hedinger distributed a copy of the "Guaranty Assignment Agreement" from IGT.

Vice Chairman Toscano commended Executive Director Hedinger on her commitment to responsible gambling in the Retailer Focus magazine.

Executive Director Hedinger asked Michael DeCheser to play our commercials and a Do It Yourself video by Erica Young for viewing by the Commissioners.

Vice Chairman Toscano and Commissioner Slater complimented the Advertising Agency on their great work.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

There was no Executive Session.

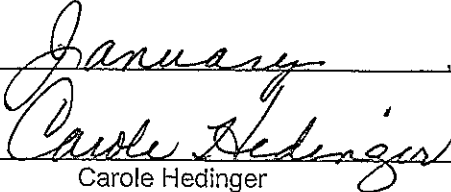
ADJOURNMENT

Vice Chairman Toscano 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 December 17, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 26th day of January, 2016.


Carole Hedinger
Executive Director