NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, OCTOBER 16, 2014

Chairman Tucci 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

Thomas Tucci, Chairman
Frank Ragazzo, Vice Chairman
Albert Alvarez, Commissioner
Robert Slater, Commissioner
Patrick Toscano, Commissioner
Roger Cohen, Treasurer Designee (by phone)

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General
Christopher Howard, Governor's Authority Unit

VISITORS

Lou Cleary, Northstar
Russ Knapp, Northstar
Bill Murray, Northstar
Lori Harris, Northstar
Foster Krupa, GTECH
Joan Mueller, Brushfire

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Karen Kokoll
Jean Lin
Frances Lioudis
Dolores Matos
Megan Mazzoni
Richard Pagnani
Deborah Raub
Mary Ann Rivell
John White

After the Pledge of Allegiance, Chairman Tucci 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 Tucci requested a motion to approve the minutes of the September 18, 2014 Commission Meeting. Vice Chairman Ragazzo made the motion, which was seconded by Commissioner Slater. Chairman Tucci asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger noted that the sales for September totaled $233 million. It lags behind last year's sales because we had a very high Powerball jackpot that ran through last September.

Executive Director Hedinger reported that although last year's sales results were the highest in a five year history, this September's results are the second highest.

Executive Director Hedinger noted that we are decreasing the deficit each month where we are below budget.

Executive Director Hedinger stated that the receipts and deposits for the month of September were $252.3 million.

Executive Director Hedinger reported that there were 109 electronic fund transfer (EFT) failures that totaled over $275 thousand.

Executive Director Hedinger noted that the Accounts Receivable Unit settled or closed 84% of EFT fails from August.

Executive Director Hedinger reported that the cumulative outstanding accounts receivable balance is $3.1 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts for September are over $9.4 million.

Executive Director Hedinger noted that the balances in the annuity investment accounts total $206.8 million.

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

Executive Director Hedinger stated that our instant ticket product sales have had an 8% increase from last year.

Executive Director Hedinger reported that the top three selling non-core instant games during the month were "$2,000,000 Mega Cash," "50X Money" and "$10,000 Pay Day". They contributed 15% of total sales and amount to almost $18 million in sales.

Executive Director Hedinger stated that core games made up approximately 38% of total instant sales with $47.1 million in sales.

Executive Director Hedinger reported that the "Win For Life" family of games contributed approximately 11% to that total with $13 million in sales.

Executive Director Hedinger stated that the three new instant games that were introduced in September were "$1 Monopoly," "$2 Monopoly" and "$5 Monopoly."

Executive Director Hedinger noted that a variety of instant game advertising was completed during the month of September.

Executive Director Hedinger reported that CASH4LIFE continues to perform very well. The game produces 20 cents per capita which is extraordinarily high for a draw game.

Executive Director Hedinger noted that in September there was a Pick 4 Green Ball Double Draw promotion that ran from September 1 through 14. Sales increased 8% over the prior month due to this promotion.

Executive Director Hedinger reported there was a Jersey Cash 5 game change that began on September 14th. The jackpot now begins at $75,000 instead of $50,000 and we added 3 numbers to the matrix.

Executive Director Hedinger noted that the Monopoly Millionaires Club launches on October 19th. There is a large event taking place in Times Square with coverage by Good Morning America.

Executive Director Hedinger stated that all of our social media continues to expand, especially with winner awareness.

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

Executive Director Hedinger noted that all pool closings were closed with no abnormalities.

Executive Director Hedinger stated that there were a number of Media events that took place in September.

Executive Director Hedinger reported that there were many press releases issued last month.

Executive Director Hedinger noted that the top social media posts for September were the first New Jersey CASH4LIFE second tier prize winner and a story about a woman who won $1 million from a Lottery ticket that she received as a birthday present.

Executive Director Hedinger stated that we are very involved with the Responsible Play Program. We are now working on a level 3 certification which requires us to present in detail the steps we take and the programs we have in place for promoting responsible play. We will be submitting a package to the World Lottery Association (WLA) on November 1st for level 3. We have to take more advanced steps to promote responsible play or help retailers identify problem players and refer them to responsible play programs. Even though lottery gambling ranks very low among problem gamblers, we are one of the most proactive at promoting responsible play.

Executive Director Hedinger noted that we regularly monitor any proposed Federal or State legislative activities for anything pertaining to us. There is one bill proposed that would require the Lottery to license bars and taverns to sell Keno games.

Executive Director Hedinger reported that there were a number of events that we took part in September and this will continue through October. At these events, the Lottery trailer often draws some of the largest crowds.

Executive Director Hedinger stated that on October 28th we will have our third After School Advantage Computer Lab program in Newark.

Executive Director Hedinger reported that we hosted the National Association of State and Provincial Lotteries (NASPL) conference in Atlantic City. Their annual premier event is the conference held in the fall. It attracts Lotteries and related businesses from all across North America. There were well over 750 registrations for the event. This was our first time hosting this event and it was extremely successful.

Executive Director Hedinger congratulated her staff that planned the conference. The Treasurer gave a welcoming address on the opening day of the conference. At most of these conferences there isn't a Government official in attendance, so it was nice to have him there to welcome the Lottery Directors and other attendees and let them know the importance of the revenue they produce.

Executive Director Hedinger noted that there were many Speaker's Bureau Events held in September and many planned for October.

Executive Director Hedinger stated that there were 154 security investigations initiated in September.

Executive Director Hedinger noted there were 207 random field inspections conducted last month.

Executive Director Hedinger reported that the Licensing Unit received and processed 100 applications. There were 104 licenses were issued.

Executive Director Hedinger stated that there are 7,224 licenses issued as of September 30, 2014. Because of the fluidity in the number of machines that are active, there will always be a higher amount of licenses than there are active machines.

Executive Director Hedinger noted that we collected a total of $392.90 for the month of September through our efforts with the Division of Taxation.

Executive Director Hedinger reported that in September Lottery staff were trained on how to use the new telephone system.

Executive Director Hedinger stated that we responded to 82 email requests and inquiries from VIP Club members during September.

Executive Director Hedinger noted that the VIP Club continues to grow. In September we had 1,722 new registrations and are nearing the 280,000 mark with active members. It is important to us to increase these connections because the more connections you have with people the stronger the tie is between the product you are selling and your customer.

Executive Director Hedinger stated that the third quarter Million Dollar Replay drawing had almost two million entries.

Executive Director Hedinger reported that the Validation Staff received and sorted over 4,000 claim forms and 322 walk-in claims during the month of September. They entered over 4,500 claims into the system and edited almost 4,900 claims. Over $10 million was paid out in prizes.

Executive Director Hedinger noted that we continue to receive and update the status of returned instant ticket packs.

Executive Director Hedinger stated that there were 23 social security matches between our files and various agencies for arrearages.

Executive Director Hedinger reported that 15 claims were processed and garnished because of current and previous matches. Five claims were released from previous matches. Since inception in 1992, we have collected over $7 million for child support and various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled 2,350 calls during the month of September. They made 344 outgoing calls to retailers. They handled 781 winner claim status calls during the month, with 226 of these calls answered at the front desk.

Executive Director Hedinger stated that the Warehouse unit has finished processing the August game ends. The July 2013 instant game end cycle is approved for destruction.

Executive Director Hedinger reported that the Warehouse staff accepted a number of deliveries.

Executive Director Hedinger noted that our facilities unit handled several preventive maintenance inspections and repairs.

Executive Director Hedinger stated that scheduled construction on the expanded office space for Northstar continues. The construction process is nearing completion.

Executive Director Hedinger reported that Northstar's employee count is at 124. The number of retailers has increased by 563 since they began operations a year ago.

Executive Director Hedinger stated that because this contract with Northstar is so vastly different than other contracts, we will assess where improvements can be made.

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

Chairman Tucci asked if there were any questions or comments.

Commissioner Slater asked about the NASPL conference and a discussion was held.

Commissioner Slater asked about Security's investigation process and a discussion was held.

Commissioner Alvarez stated he was pleased to see the sale of "AMC's Walking Dead" instant game.

Chairman Tucci asked how many of the 563 new retailers are Wawa stores and a discussion was held.

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

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 Tucci requested a motion to approve the instant ticket game rules for "Chilly Bills." Commissioner Alvarez made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

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

Chairman Tucci requested a motion to approve the instant ticket game rules for "Super Cash Spectacular." Commissioner Alvarez made the motion which was seconded by Commissioner Slater. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Double Diamond Spectacular." Commissioner Alvarez made the motion which was seconded by Commissioner Slater. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the addendum to the "Monopoly Millionaires' Club" TV game show rules. Commissioner Slater made the motion which was seconded by Commissioner Toscano. Chairman Tucci 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 Tucci 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 October 16, 2014.

IN WITNESS WHEREOF, I hereby set my hand on

the 18th day of November, 2014.

Carole Hedinger

Carole Hedinger
Executive Director