

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JUNE 20, 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
Patrick Toscano, Vice Chairman (by phone)
Robert Slater, Commissioner (by phone)
Matt Spadaccini, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Beth Lee Mitchell, Assistant Attorney General
Robert Kelly, DAG
Nicholas Kant, Gov. Auth. Unit

STAFF

Regina Arcuri
Duane Daniels
Michael DeCheser
Judy Drucker
Frances Edwards
Janetta Foy
Claudio Graziano
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

VISITORS

Russ Knapp, Northstar
Foster Krupa, Northstar
Sarah Brennan, Northstar
John Renner, Brushfire
Chris Havard, Ferrara
Nicole Lobkowitz Wasserman, Ferrara

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 May 23, 2017 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 we are nearly at the end of our Fiscal Year. Results through May, while on paper, might not look promising but we are meeting our revenue target this year. It is likely that we will exceed that revenue target. Sales may be less but our profit is at least equal to the year before. This is due to very tight management of our game portfolio to maximize profit. It's not our top line that counts, it's easy to grow sales on the top line, but it's very hard to grow profit on the bottom line. So that is what we focus on and by the end of June, when we get our final report and our audited results, we will have exceeded our target and have a very satisfactory year. We won't have bragging rights for sales among the lotteries, there will be some that will have better sales results but we will have some of the best revenue results that lotteries can have. That is what counts.

Executive Director Hedinger noted that in our fiscal year 2017 profit from games we're running just slightly above the 30% mandate. That does not count the final tally of unclaimed prizes that will roll into that. We are not in danger of being below our mandate.

Executive Director Hedinger reported that receipts and deposits for the month were \$201.8 million.

Executive Director Hedinger noted that there were 100 electronic fund transfer (EFT) failures totaling \$365.9 thousand for the month. The Accounts Receivables Unit settled or closed 93% of EFT failures from April and collected \$238.3 thousand.

Executive Director Hedinger stated that the cumulative outstanding accounts receivable balance at the end of May was \$3.5 million. The total of bad debt reserve is \$3.4 million.

Executive Director Hedinger reported that the balances in the unclaimed prize reserve totaled \$21,594,932.

Executive Director Hedinger stated that the balance in the annuity investment accounts is \$140.1 million. The S&P ratings have not changed since last month.

Executive Director Hedinger noted that the three top selling non-core games for May were "\$5,000,000 Fortune," "100X the Bucks" and "Multiplier Mania." They contributed \$37.9 million or 24% of sales for the month.

Executive Director Hedinger reported that the Core and Family Games contributed \$71.9 million or 44% of total sales.

Executive Director Hedinger noted that three new instant games were introduced in May that contributed \$19.7 million or 12% of total sales. There were three new games presented for Commission rule approval and subsequent vendor production.

Executive Director Hedinger stated that there was no instant game advertising during the month of May.

Executive Director Hedinger reported in our Online Product activities, the new add-on for CASH4LIFE was launched. It doubles the non "life" prizes. The prizes below the \$1,000 a day for Life and the \$1,000 a week for Life were doubled if a person purchased the new add-on for a dollar to qualify for that doubler. Any kind of promotional or marketing attention that CASH4LIFE receives tends to bring the product up for a short period of time, then player interest kind of drops off again. At the NASPL Director's Conference there was a CASH4LIFE meeting of all the states that are involved and every state experiences the same thing. Although, New York and New Jersey lead in per capita sales for that game and they remain very strong, we all experience the same thing where if we do any kind of promotion, the game is very responsive. Other states are looking to see how the doubler feature affects overall sales so they can add the feature.

Executive Director Hedinger stated that two new Fast Play games were added in May and two Fast Play games were suspended. We remain at 25 Fast Play games that are available for sale.

Executive Director Hedinger noted that in May we produced four million dollar winners in the State. Two were from Powerball and two from Mega Millions. We also had other high prizes from Jersey Cash 5. They were distributed throughout the state as far south as Salem County and as far north as Bergen County. It was nice to see four new million dollar prizes given out in May.

Executive Director Hedinger reported that our social media stats continue to be very healthy every month. We get a lot of attention on all of our social media platforms.

Executive Director Hedinger stated that we responded to 189 email requests and inquiries from VIP Club members and users.

Executive Director Hedinger noted that the VIP Club increased its membership with 4,391 new registrations during the month. We now have 413,618 active members.

Executive Director Hedinger reported that since inception of the Million Dollar Replay game in April 2011, 209,482 people have joined. That game has generated most of the additions to the VIP Club. That kind of player engagement is essential to maintaining that core base of players. We have received almost 53 million entries in the Million Dollar Replay game since it started.

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

Executive Director Hedinger noted that all of our pools were closed according to procedures with no abnormalities. Our internal control system balanced for every drawing.

Executive Director Hedinger reported that the Public Information Office disseminated Lottery news in May that received more than 32 million daily views with an estimated advertising value of more than \$328 thousand. The activity of the PIO department is vital to keeping us in the news. It keeps people aware of what is going on at the Lottery. That has a good dollar value in free advertising.

Executive Director Hedinger stated that there were many press releases issued during the month. One of the reasons we get a lot of views is because of some of the headlines on our press releases. One from May 4th was "How Much Dough Can a Pasta Maker Make?" He won a large prize and that was a very clever headline. That resonates on social media because every press release that we do hits all of our points of engagement with the public.

Executive Director Hedinger reported that in our On-line Winner Awareness Content, we provide Northstar's Social Media team with information about our winners that they post to our website and all the appropriate social media. It keeps our player engagement so active.

Executive Director Hedinger noted that the top reactive social media story in May was about the Smith family. The Smith family was the family from Trenton that won the Powerball prize of \$435 million last year. They split the prize up among the family. One of the members of the family had been mentoring young women for quite some time in a limited way, because their finances were limited. But because of the good fortune of that win, they have started a foundation, "The Smith Family Foundation" in Trenton. They are dedicating large sums of money for good causes. One of the things they have done is build a school in Haiti and a church in Bridgeton, NJ. Now they have established this foundation in Trenton where they will give matching grants for economic or educational activities for people in need. They are really giving back to their community in the most effective way. Not just a money give away, but endeavors that are designed to make people self-sufficient. We were invited to attend their grand opening and Duane Daniels and Margaret Square represented the Lottery at their grand opening. We sent a letter, which was read by Duane, acknowledging from the Lottery our appreciation to what the Smith family is doing. It was an excellent event. It's a great thing that they are doing. So often, what we hear about winners is a scandalous story because good news is not publishable. This should have garnered headlines as typical of what lottery winners do, which is to go on with their lives and make lives better overall.

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

Executive Director Hedinger noted that in our Responsible Play Program, we are working with the Council of Compulsive Gambling in New Jersey and Northstar to develop new material for the school education program.

Executive Director Hedinger reported that there were a good number of Speaker's Bureau Events completed in May and there are several scheduled for June.

Executive Director Hedinger stated that there were many Public Promotional Events completed in May and there are many scheduled for June.

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

Executive Director Hedinger reported that 173 random field inspections were conducted at retailer locations.

Executive Director Hedinger noted that the Licensing staff received and processed 170 applications and 60 licenses were issued.

Executive Director Hedinger stated that at the end of May, there were 8,053 licenses issued. Those numbers are increasing because we are licensing the new Quick Draw retailers.

Executive Director Hedinger noted that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$50,148.35 in arrearages collected. The total collected for this fiscal year is \$89,092.

Executive Director Hedinger reported that as far as our Technology is concerned, in May the Multi State Lottery Association (MUSL) was here with their Security Director to audit the Lottery for compliance with their security standards. They have very strict security standards regarding the ability to sell Powerball, which is the game that MUSL operates. We use those same standards for states selling Mega Millions. Since all states sell both games, if they comply with the Powerball standards, they are good with the Mega Millions game. We are waiting for their audit report on any issues they found with our systems or our building security. They are very thorough.

Executive Director Hedinger noted that the Validations staff received and sorted 5,522 claim forms during the month of May with an additional 489 walk-in claims. They entered 5,073 claims into the system and 6,094 were edited. During the month, 5,921 claims totaling over \$19 million were paid to winners, including annuity payments.

Executive Director Hedinger stated that there were 24 Social Security number matches in May. Twenty-one claims were processed and garnished because of current and previous matches totaling \$22,536.34. There were four released claims from previous matches. Since inception, we have collected more than \$7.9 million in arrearages.

Executive Director Hedinger reported that the Retailer/Call Center Services Unit handled 6,125 incoming calls during the month. There were 195 outgoing call made, including new retailer welcoming calls and calls to congratulate Retailers selling top prizes. There were 127 requests for assistance with instant pack status changes. They also handled 2,608 winner claim status calls during the month of May of which 249 were answered at the front desk.

Executive Director Hedinger noted that the Warehouse unit was busier than usual during the month of May. Between the Warehouse and the Facilities unit, we underwent complete carpeting and repainting of our offices. Every single cubicle had to be broken down and the electronics had to be taken down so the cubicles could be lifted for the carpeting to be installed. This work was done overnight. I want to commend our Warehouse and Facilities staff for working with the contractors that did that work. It was very efficient. We all had to clean out our offices, which was a daunting task. But, it was smooth operation in terms of breaking down everyone's offices and putting them back together the next morning with a very small interruption in everyone's work. We ended up shredding a lot of old documents and are all cleaned out.

Executive Director Hedinger stated that you can see at the end of the report, the Northstar activities that took place during the month, most of which have been incorporated into our report.

Executive Director Hedinger reported that Steve Palmieri is back at the Lottery. Steve retired last year but we have brought him back on a part time basis to consult on three major projects that we are involved with. That includes the Lottery Pension transfer, should that legislation pass, the Courier regulations, which we are in the process of writing and the Quick Draw roll out to make sure that all of our back office is completed properly. We are happy to have Steve back to focus on those three things.

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

Chairman Ragazzo asked if there were any questions or comments.

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. 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 "5x the Bucks," "10x the Bucks," "20x the Bucks" and "50x the Bucks." 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 on-line game rules for "FAST PLAY." The game rules for approval are "Win it All" and "25x the Cash." 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.

EXECUTIVE SESSION

Chairman Ragazzo requested a motion to go into Executive Session. Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. The motion carried. Chairman Ragazzo read the following "Executive Session Resolution:"

Be it resolved, that pursuant to N.J.S.A. 10:4-13, that the Lottery Commission enter into Executive Session during which the public shall be excluded to discuss:

- Any tactics and techniques utilized in protecting the safety and property of the public provided that their disclosure could impair such protection. Any investigations of violations or possible violations of the law, pursuant to N.J.S.A 10:4-12 Section 6.

As to any matter discussed in Executive Session, the subject and nature of the discussion will be timely made known to the public if and when the need for confidentiality ends.

NEW BUSINESS RESUMED

Following the conclusion of the Executive Session, the Commission resumed the public portion of the meeting.

Chairman Ragazzo requested a motion to approve the Lottery Enterprise Transfer Resolution. Commissioner Slater made the motion which was seconded by Vice Chairman Toscano.

Chairman Ragazzo stated that the election of officers will take place and asked for a nomination for Chairman of the Lottery Commission. Commissioner Slater nominated Frank Ragazzo, which was seconded by Vice Chairman Toscano. Chairman Ragazzo asked if there were any comments and there being none asked for a roll call vote.

Patrick Toscano	Yes
Robert Slater	Yes
Matt Spadaccini	Yes
Frank Ragazzo	Yes

Chairman Ragazzo stated that the motion carried and stated that he has been re-elected Chairman of the New Jersey Lottery Commission.

Chairman Ragazzo asked for a nomination for Vice Chairman of the Lottery Commission. Commissioner Slater nominated Patrick Toscano, which was seconded by Treasurer Designee Spadaccini. Chairman Ragazzo asked if there were any comments and there being none asked for a roll call vote.

Robert Slater	Yes
Matt Spadaccini	Yes
Frank Ragazzo	Yes
Patrick Toscano	Yes

Chairman Ragazzo stated that the motion carried and Patrick Toscano has been re-elected Vice Chairman of the New Jersey Lottery Commission.

PUBLIC COMMENT

There was no Public Comment.

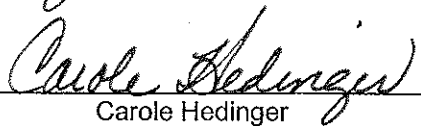
ADJOURNMENT

Chairman Ragazzo asked for a motion to adjourn the Public meeting. Treasurer Designee Spadaccini made the motion which was seconded by Vice Chairman Toscano. 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 June 20, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 25th day of July, 2017.



Carole Hedinger
Executive Director