

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MAY 23, 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 (by phone)

Carole Hedinger, Executive Director (by phone)
John Custodio, Deputy Executive Director
Robert Kelly, DAG
Tom Huth, Gov. Auth. Unit (by phone)

VISITORS

Russ Knapp, Northstar
Bill Murray, Northstar
Foster Krupa, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
John Renner, Brushfire

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Frances Edwards
Claudio Graziano
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Richard Pagnani
Debbie Raub
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 April 18, 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

Deputy Executive Director Custodio stated that sales are down a little for the month of April. We are only down 2.9% overall from last year. Again, we live and die by our jackpots. We are in the middle of a Powerball roll right now and if it continues to roll, it will assist us greatly.

Deputy Executive Director Custodio noted that for FY17 our profits from lotto games is \$145.2 million or 40.22%, profits from the daily games except instant is \$297 million or 39% and our profit from instant games is \$323 million or 21.17%. Total to date, FY17 contributions, including 30% of the current estimated forfeited prizes, is 30.27% of sales.

Deputy Executive Director Custodio reported that receipts and deposits for the month were \$186.3 million.

Deputy Executive Director Custodio noted that there were 86 electronic fund transfer (EFT) failures totaling \$262.4 thousand for the month. The Accounts Receivables Unit settled or closed 90% of EFT failures from March.

Deputy Executive Director Custodio stated that the balances in the unclaimed prize reserve totaled \$20,573,809.

Deputy Executive Director Custodio reported that the balance in the annuity investment accounts is \$140.2 million.

Deputy Executive Director Custodio noted that the three top selling non-core games contributed \$36.4 million or 23% of sales for the month. The two highest non-core games are the \$30 games, which is fantastic for us.

Deputy Executive Director Custodio stated that the Core and Family Games contributed almost \$80.9 million or 51% of total sales.

Deputy Executive Director Custodio noted that four new instant games were introduced in April. We also had four new games presented for Commission rule approval and subsequent vendor production.

Deputy Executive Director Custodio reported that there was a lot of instant game advertising during the month of April. The commercials are excellent and they are doing a great job penetrating the market.

Deputy Executive Director Custodio stated that in our Online Product activities, two new Fast Play games were added in April and that brings the total to 25 available in the market.

Deputy Executive Director Custodio noted that there were five high-tier winners in April. We created three new millionaires in New Jersey. One in Monmouth County, one in Passaic County and one in Middlesex County.

Deputy Executive Director Custodio reported that our Facebook "likes" in April were 120,514. We are extremely active in all of our social media platforms.

Deputy Executive Director Custodio noted that the VIP Club increased its membership with 4,542 new registrations during the month. We now have 409,232 active members.

Deputy Executive Director Custodio stated that all drawings for the month of April were completed with no abnormalities.

Deputy Executive Director Custodio noted that all of our pools were closed according to procedures with no abnormalities.

Deputy Executive Director Custodio reported that the Public Information Office disseminated Lottery news in April that received more than 26.8 million daily views with an estimated advertising value of more than \$248 thousand. What Judy Drucker and her staff do, we don't pay for, and it's just our media that goes out. It is really unearned but it's fantastic and we're saving a lot of money for the Lottery.

Deputy Executive Director Custodio stated that there were many press releases issued during the month.

Deputy Executive Director Custodio noted that we continue to monitor all of our Legislative activities.

Deputy Executive Director Custodio reported that in our Responsible Play Program, we began to work with Northstar and the Council on Compulsive Gambling on modifying our Stacked Deck Educational Program.

Deputy Executive Director Custodio stated that there were a few Speaker's Bureau Events completed in April and there are several scheduled for May.

Deputy Executive Director Custodio noted that there were many Public Promotional Events completed in April and there are many scheduled for May.

Deputy Executive Director Custodio reported that there were 153 security investigations initiated during the month.

Deputy Executive Director Custodio stated that 178 random field inspections were conducted at retailer locations.

Deputy Executive Director Custodio noted that the Licensing staff received and processed 126 applications and 54 licenses were issued.

Deputy Executive Director Custodio reported that at the end of April, there were 7,946 licenses issued.

Deputy Executive Director Custodio noted that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$5,315.67 in arrearages collected. The total collected for this fiscal year is \$28,773.65.

Deputy Executive Director Custodio stated that our IMS department has been very busy during the month of April. They were involved in working with IGT as they did their backup testing to their Austin site. As part of the MUSL rules, they have to actually work out of an off-site location and it was successful. In addition to being a requirement of MUSL, it also helps us internally identify any issues that may go wrong during a test. As we move forward, if there was a true emergency, we would be ready.

Deputy Executive Director Custodio reported that the IMS department was also preparing for the MUSL visit at Headquarters.

Deputy Executive Director Custodio noted that the Validations staff received and sorted 4,764 claim forms during the month of April with an additional 375 walk-in claims. They entered 5,488 claims into the system and 6,189 were edited. During the month, 5,081 claims totaling over \$20 million were paid to winners, including annuity payments.

Deputy Executive Director Custodio stated that there were 36 Social Security number matches in April. Twenty claims were processed and garnished because of current and previous matches totaling \$20,908.37. Since inception, we have collected more than \$7.8 million in arrearages.

Deputy Executive Director Custodio reported that the Retailer/Call Center Services Unit handled 6,118 incoming calls during the month.

Deputy Executive Director Custodio noted that the Warehouse unit received 4,778 packages during the month of April. The warehouse staff and the facilities staff were very engaged in preparing for the painting, carpeting and upgrading of Lottery headquarters. They have been very busy in the past two months. The improvements in the Lottery staff breakroom continue.

Deputy Executive Director Custodio reported that the Facilities department completed many requests for installations and repairs of Lottery equipment.

Deputy Executive Director Custodio stated that he would like to recognize Margaret Square, Bob Ptaszenski and Jack Kaminski. They have really done a great job over the last two months in working with the staff and preparing to have everything moved and shuffled around, the cubicles lifted and the painting completed. It has been a big project and he wanted to recognize Margaret and her staff for a job well done.

Deputy Executive Director Custodio noted that in Northstar activities, they have been extremely busy with promotional programs.

Deputy Executive Director Custodio reported that this concludes the Director's Report.

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo asked if there is a minimum amount of sales a retailer needs to have in order to keep them active before the lottery machine is removed.

Deputy Executive Director Custodio stated that Northstar's Sales Department constantly monitors all the retailers. If there is a retailer with low sales, they have a more proactive plan now. Instead of just cutting off a low sale retailer, the sales department will go in to the retailer and assist them with sales material and ways to promote. They run separate promotions to bring the sales up. That is an ongoing process. There is not really a hard set sales number any more as there used to be. At this point they monitor it so closely that they actually send teams out to help them become better salespeople for the Lottery.

Chairman Ragazzo stated that he was unsure of the number, he thought it was flexible. He didn't recall us being as proactive, with all due respect to our employees, as Northstar is in terms of trying to get them to a certain number. He remembered there would be a certain point that the machine would be removed. He said he was glad to hear that we are proactive.

Executive Director Hedinger reported that we were notified the day before that the first "Quick Draw" retailer was installed. We are on our way to launching that game later this summer. It will be very exciting for the Lottery.

Chairman Ragazzo asked if "Quick Draw" uses a separate machine.

Executive Director Hedinger stated it is the same terminal that every other retailer has. The installation just includes the equipment that runs the display of the winning numbers to a television monitor. It's exciting because for years we worked on this game, have planned it and we have now installed the very first retailer. It's a landmark for the Lottery.

Chairman Ragazzo stated that is exciting and he thinks it will be very successful.

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

Deputy Executive Director Custodio 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 "Sizzlin Hot 7's," "High Card Poker" and "\$200 Million Cash Bonanza." 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 is "Naval Battle." 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 amended game rules for "Quick Draw." 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.

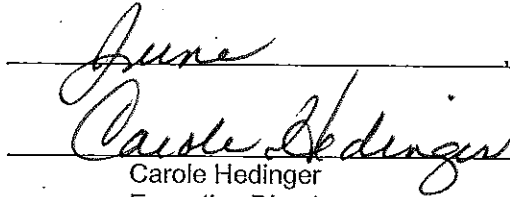
ADJOURNMENT

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 May 23, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 20th day of June, 2017.


Carole Hedinger
Executive Director