NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, FEBRUARY 20, 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
Al Alvarez, Commissioner
Munr Kazmir, Commissioner (by phone)
Robert Slater, Commissioner (by phone)
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director
John Custodio, Deputy Executive Director
Roger Gibson, Deputy Attorney General
Peter Simon, Governor's Authority Unit (by phone)

VISITORS
Sarah Brennan, Northstar
Lou Cleary, Northstar
Joan Mueller, Brushfire
Russ Knapp, Northstar
Foster Krupa, GTECH
Gordon Medenica, Northstar
Bill Murray, Northstar

STAFF
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Karen Kokoll
Frances Lioudis
Dolores Matos
Rick Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square

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 January 23, 2014 Commission Meeting. Commissioner Alvarez made the motion, which was seconded by Treasurer Designee Roger Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger stated that ticket sales for the month of January totaled $215.45 million. January's weather has negatively impacted sales.

Executive Director Hedinger noted that year to date sales are 6% ahead of last year.

Executive Director Hedinger reported that the receipts and deposits for the month of January were over $231 million.

Executive Director Hedinger stated that there were 125 Electronic Fund Transfer failures during the month of January that totaled over $400 thousand. The Accounts Receivable Unit settled 86% of the prior month's failures. The Accounts Receivable balance as of January 31, 2014 is $3.3 million.

Executive Director Hedinger noted that the balances in the unclaimed prize reserve accounts are over $17 million.

Executive Director Hedinger reported that the current balances in the annuity investment accounts total $229.2 million.

Executive Director Hedinger stated that Instant Product Sales were negatively impacted by the weather during the month of January.

Executive Director Hedinger noted that the three top non-core instant game sales during January were "$150,000,000 Cash Spectacular", "20X Cash" and "Merry Millionaire." Core games made up about 46% of total instant sales with "Crossword", "Super Crossword" and "Quarter Million Crossword" contributing over $24 million in sales. Big Money Spectacular had over $13 million, "100,000,000 Spectacular" had over $9 million, "Diamond Spectacular" had almost $5 million, and "Bingo" had over $2 million in sales.

Executive Director Hedinger reported that the new "Win For Life" family of games contributed over $9 million in sales for the month.

Executive Director Hedinger stated that we introduced four new instant games during January.

Executive Director Hedinger reported that advertising supported the "$150,000,000 Cash Spectacular" game that began in January.

Executive Director Hedinger noted that in January the Power Play enhancement for Powerball was added. That is the feature where if you spend an extra dollar, you can purchase the Power Play feature, and all prizes are multiplied except for the jackpot prize.

Executive Director Hedinger stated that we started planning for a Pick 3 Green Ball promotion to begin in March. This is very popular among our players.

Executive Director Hedinger reported that we began drafting rules for a potential new regional "Win for Life" draw-based game that would begin in mid-May. New York would also be joining us in this game.

Executive Director Hedinger noted that we now have more than 110,000 Lottery Facebook "likes" at the end of January.

Executive Director Hedinger reported that on January 7th, Northstar had a special "Win For Life" incentive drawing for retailers who complied with certain counter displays to earn additional compensation.

Executive Director Hedinger stated that all drawings for January were completed according to procedures and with no abnormalities.

Executive Director Hedinger reported that Media and Public Relations were very active during the month with many press releases issued.

Executive Director Hedinger noted that we had a Press Conference in Lakewood on January 17th at Singin Oil. One lucky player had won $20,000 playing the 20X Cash game two weeks apart from one another. Both tickets were purchased at the same retailer.

Executive Director Hedinger stated that our Responsible Play Program worked along with the Council of Compulsive Gambling for their National Problem Gambling Awareness Week in March.

Executive Director Hedinger reported at the NASPL conference in September will we have some sessions that deal with responsible gambling. We will involve people from the Council along with Lottery staff to present what Lotteries are doing as far as responsible gambling is concerned.

Executive Director Hedinger stated that we continue to monitor legislative activity for anything that could affect the New Jersey Lottery.

Executive Director Hedinger noted that there will be numerous Speaker's Bureau Events in January. There are a number that are being held in February.

Executive Director Hedinger reported that there were 172 security investigations and 80 random field inspections during the month of January.

Executive Director Hedinger stated that the Licensing Unit received and processed 195 applications and 119 licenses were issued. At the end of January, there were 6,858 licenses issued.

Executive Director Hedinger reported that we collected over $1,790 for the month of January through our efforts with the Division of Taxation.

Executive Director Hedinger noted that the Operations Unit has assisted with Network connections for the new Warehouse area. We have relocated staff due to reorganization.

Executive Director Hedinger reported that we are meeting with NEC to discuss replacing our telephone system.

Executive Director Hedinger stated the Lottery website and consumer support group responded to email requests that came in.

Executive Director Hedinger noted that the VIP Club increased its membership with 2,683 new registrations during the month of January and now has an enrollment of more than 270,000 active members.

Executive Director Hedinger reported that the Million Dollar Replay requires that you enter your non-winning instant tickets through the VIP club and that has stimulated membership.

Executive Director Hedinger stated that we had our grand prize drawing for the 2013 Million Dollar Replay in February for the four groups of finalists from quarter-final drawings that we held during 2013. We gave away the top 15 prizes, with the grand prize of $1,000,000.

Executive Director Hedinger reported that there were 29 Social Security number matches with various Departments for arrearages. Twenty-nine claims were processed and garnished because of these current or previous matches totaling more than $31,000. Thirteen of those garnishments went to satisfy child support arrearages. Seven claims were released from previous matches. Since inception in 1992, the New Jersey Lottery has collected over $6.7 million for various programs.

Executive Director Hedinger stated that the Validation Staff received and sorted 4,363 claim forms during the month of January. They entered 4,816 claim forms into the system. Claims totaled over $20 million.

Executive Director Hedinger reported that the Instant Ticket Inventory Control Section updated the status of returned tickets. We are going through a clean-up process with retailers returning old inventory. We now have a conveyer belt that Northstar installed in our warehouse which will go into production soon. This will electronically scan packs of tickets as they go down the conveyer belt. This cleanup will allow better inventory management by the retailers and stimulate retail sales.

Executive Director Hedinger noted that the Retailer/Customer Call Center handled over 3,000 incoming calls during the month of January and made over 400 outgoing calls.

Executive Director Hedinger reported that the Warehouse staff coordinated various trips to Motor Pool with our vehicles. They accepted and made deliveries. They did their normal Warehouse activities.

Executive Director Hedinger stated that our Warehouse has been reorganized. One of the people affected by the Northstar contract moved from our Sales department to the warehouse. She now manages the warehouse staff and has done an excellent job in getting that staff more structured and organized.

Executive Director Hedinger reported that the facilities coordinator worked with Nexus to ensure the maintenance of the building was accomplished satisfactorily. There were some repairs to be made to the

fire sprinkler system. The annual physical inventory of our assets was completed and submitted to the State.

Executive Director Hedinger noted that Northstar now has a total of 108 employees.

Executive Director Hedinger stated that the retailer count has increased by 152 since October 1st. There are over 6,500 active retailers as of January. Northstar has added more retailer training sessions.

Executive Director Hedinger stated that Wawa installations continue. There are 171 additional stores to be completed by March 31st, 69 are already in operation as of January 31st. That project is moving along very well.

Executive Director Hedinger noted that Northstar is developing co-marketing activities with Quick Chek and Hess.

Executive Director Hedinger reported that Northstar conducted some consumer focus groups in January to research how our players feel about our games.

Executive Director Hedinger stated that we have assigned our contract with Brushfire Advertising to Northstar. They extended the contract to June 30, 2014. They will conduct a procurement process to award a new contract to begin in July.

Executive Director Hedinger noted that Northstar had a grand opening event on January 28th for an After School Advantage Computer lab that they installed at the CYO of Mercer County. There will be four After School Advantage Computer labs installed throughout the State during 2014.

Executive Director Hedinger reported that each of the Commissioners received copies of the July, August and September financial statements.

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

Chairman Tucci asked if there were any comments.

Commissioner Slater asked about the Brushfire contract. A discussion was held.

Chairman Tucci stated that Northstar is doing a great job with activities and the increase in retailers. He has noticed a big change when he goes into stores.

Commissioner Alvarez asked if Northstar's procurement process is the same as the State of New Jersey's process. A discussion was held.

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

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 "5X Money." Commissioner Kazmir 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 "10X Money." Commissioner Kazmir 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 "20X Money." Commissioner Kazmir 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 "50X Money." Commissioner Kazmir 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 revised game rules governing the $1 "Win For Life", $2 "Win For Life" and $5 "Win For Life" instant tickets. Commissioner Kazmir made the motion which was seconded by Commissioner Alvarez. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the revised general rules governing instant ticket games. Vice Chairman Ragazzo made the motion which was seconded by Commissioner Alvarez. Chairman Tucci asked if there were any comments and there being none the motion carried.

Commissioner Slater asked if the fiscal contribution percentage is annual. Executive Director Hedinger stated that it is.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

There was no Executive Session.

ADJOURNMENT

Chairman Tucci asked for a motion to adjourn the meeting. Vice Chairman Ragazzo made the motion which was seconded by Commissioner Slater. The motion carried.

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 February 20, 2014.

IN WITNESS WHEREOF, I hereby set my hand on

the 20th day of March, 2014

Carole Hedinger

Carole Hedinger
Executive Director