NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JULY 18, 2013

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 (by phone)
Robert D'Anton, Commissioner
Munr Kazmir, Commissioner (by phone)
Robert Slater, Commissioner

Carole Hedinger, Executive Director
Kellie Pushko, Deputy Attorney General

STAFF
Regina Arcuri
Lou Cleary
Denise Coleman
Duane Daniels
Judy Drucker
Janice Eckstein
Robert Kersey
Karen Kokoll
Foster Krupa
Jean Lin
Dolores Matos
Richard Pagnani
Steve Palmieri
Mary Ann Rivell
Margaret Square

VISITORS
Catherine Goss, Brushfire
Russ Knapp, Northstar
John Leonardi, Brushfire
Gordon Medenica, Northstar
Bill Murray, Northstar

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 June 20, 2013 Commission Meeting. Commissioner Kazmir made the motion, which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Executive Director Hedinger reported that on June 20 the contract with Northstar was executed. She stated that this is the last fiscal year that Lottery will report the results of operations strictly from Lottery efforts. She stated that in a few months we will start transitioning in the Northstar sales and marketing efforts and the Director's report every month will include the efforts from our collaboration.

Executive Director Hedinger reported that we had another record breaking year in sales and net revenue. She stated that we did $2.821 billion in sales which was $60 million more than the previous year. She stated that if we were not hit by Hurricane Sandy those sales would have been $2.851 billion, $30 million higher, and our net revenue would have been, at a minimum, $10 million higher. She noted that we were never able to recoup those lost sales.

Executive Director Hedinger stated that the year-to-date sales are up for Pick 3, Pick 4 and Jersey Cash 5. She stated that those sales were in a gradual decline year over year and we have totally reversed that decline which has taken a couple of years of effort to get those games on the positive side.

Executive Director Hedinger stated that the receipts and deposits for the month of June were $357.4 million.

Executive Director Hedinger reported that there were 76 electronic fund transfer failures for the month of June.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts are $24.6 million.

Executive Director Hedinger stated that the non-core instant game sales during June were $13 million and the core instant game sales totaled over $67 million.

Executive Director Hedinger reported that planning has begun for a $10 Instant Match Promotion, a Pick 3/Pick 4 Red Ball Doubler Promotion, a multi-state Halloween Millions Raffle and Mega Millions Game Enhancements.

Executive Director Hedinger stated that Lottery Facebook continues to be one of the most popular Facebook pages of all the State Lotteries with over 84,000 likes at the end of June.

Executive Director Hedinger reported that the most viewed video on You Tube for the month of June was "Behind the Ball" which is a behind the scenes look at a live lottery drawing.

Executive Director Hedinger stated that on June 14 she presented a $30,000 bonus check to the Lottery retailer for selling a Mega Millions jackpot ticket.

Executive Director Hedinger stated that preliminary planning began with the Council on Compulsive Gambling's annual "Not 18 Yet? No Bet" awareness campaign which will be held in early August.

Executive Director Hedinger noted that there were three Lottery events held in June which were the RiverFest in Red Bank, the Seafood Festival in Belmar and the Kite and Color Festival in Buena.

Executive Director Hedinger reported that the Governor conditionally vetoed the anonymity bill and we have until the end of the year to provide him with information on anonymity bills throughout the nation and what possible affect they have had on lottery sales and revenue.

Executive Director Hedinger stated that we are continuing to monitor the sales increases of the 7-Eleven stores with jackpot signs compared to the 7-Eleven stores without jackpot signs.

Executive Director Hedinger reported that the sales staff has been working with Kmart on their master application to get lottery terminals in 37 New Jersey stores.

Executive Director Hedinger stated that the Retailer/Call Center Services Unit handled 2,594 incoming calls during the month of June.

Executive Director Hedinger reported that there were 112 security investigations and 111 random field inspections during the month of June.

Executive Director Hedinger stated that there are 6,635 licenses issued as of June 30, 2013.

Executive Director Hedinger reported that meetings were held with Northstar to begin the process of transitioning the NJ Lottery website to Northstar's environment.

Executive Director Hedinger noted that the VIP Club increased its membership with 1,572 new registrations during the month of June and now has an enrollment of 256,076 active members.

Executive Director Hedinger reported that the Validation Staff received over 3500 claim forms during the month of June and there were 39 social security matches between our files and various agencies for arrearages.

Executive Director Hedinger noted that all drawing and pool closings were held in accordance to established procedures with no abnormalities.

Executive Director Hedinger stated that since June 20 when the contract with Northstar was signed, we have been very involved with transition activities. She stated that there was a kick-off meeting with all Lottery employees. She reported that the Treasurer and Deputy Treasurer were also in attendance along with Northstar representatives. She stated the meeting was designed to be an introduction of the Northstar operation to the Lottery staff.

Executive Director Hedinger introduced Richard Pagnani who was a Lottery Sales Representative who also has a background in technology. Because we were in need of a person to become a manager in our IMS Department, Rick moved into that position.

Executive Director Hedinger introduced Gordon Medenica who is CEO & Managing Director of Northstar, Bill Murray who is the attorney on the Northstar staff and Russ Knapp who is now the Vice President for Northstar. She stated that Lottery is working very closely with them through the transition and they are already working on the business plan.

Commissioner D'Anton asked about the advertising budget and when it switches over to Northstar if they will create their own budget.

Executive Director Hedinger stated that Lottery started this year with a $22 million budget but we will not be executing that entire budget. She stated that this is the total budget for the year. We will administer the budget until Northstar takes over on October 1 when they will execute the balance of the budget till the end of the fiscal year. We have worked jointly with them on this year's marketing plan.

Executive Director Hedinger stated that the advertising contract is set to expire at the end of the year and it is anticipated that Northstar will procure a replacement advertising contract.

Commissioner D'Anton asked if the organizational charts could be emailed to them.

Executive Director Hedinger stated that she will have them sent electronically to the Commissioners.

Chairman Tucci commented on Frank Ragazzo being chairman of the Lottery Commission for the past two years and thanked him for his work. He stated that during those two years the Lottery achieved the highest revenues.

Executive Director Hedinger stated that working with the Commission these past three years has enabled the Lottery to grow so well. She stated that the support that she has received from the Commissioners has been appreciated.

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

Chairman Tucci requested a motion to approve the Director's Report. 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.

NEW BUSINESS

Executive Director stated that we will have to have a special commission meeting to vote on the "Halloween Millions Raffle" game rules by conference call sometime in the next week. She stated that the games rules could not be prepared in time for today's meeting.

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 "Plants vs. Zombies." Commissioner Kazmir made the motion which was seconded by Vice Chairman Ragazzo. 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 "Triple Tripler." 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 "Bingo Boxes." 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 the $1.00 "Win for Life." Commissioner Ragazzo made the motion which was seconded by Commissioner Kazmir. 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 the $2.00 "Win for Life." Commissioner Slater made the motion which was seconded by Commissioner D'Anton. 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 the $5.00 "Win for Life." Commissioner Kazmir made the motion which was seconded by Commissioner Ragazzo. Chairman Tucci asked if there were any comments.

Commissioner Slater asked about the 75% prize payout.

Marketing Manager Foster Krupa stated that with the adoption of Northstar's business plan that they are proposing and we will be implementing a payout strategy that is slightly different than the standard we have adopted over the years. He noted that there will be a blend of payouts as our new games roll out. He stated that this "Win for Life" is the first of those games that fall under the payout strategy that Northstar and the Lottery has adopted in the business plan.

Commissioner Slater requested that this be reflected in the minutes and that the monitoring results are reported in the future.

Chairman Tucci asked if there were any other comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the revised Mega Millions Game Rules. Commissioner Kazmir made the motion which was seconded by Vice Chairman Ragazzo. 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 asked for a motion to adjourn the meeting. Commissioner Kazmir made the motion which was seconded by Commissioner Slater. 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 July 18, 2013.

IN WITNESS WHEREOF, I hereby set my hand on

the 22ND day of August, 2013.

Carole Hedinger

Carole Hedinger
Executive Director