

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JUNE 18, 2009

Chairman D'Anton called the Commission meeting into session at 11:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman
Robert Slater, Vice Chairman
Trina Glass, Commissioner
Munr Kazmir, Commissioner (by phone)
Robert Smartt, Treasurer's Designee

William Jourdain, Acting Executive Director
Marc Krefetz, Dep. Attorney General
Joseph Neal, Governor's Auth. Unit

STAFF

Regina Arcuri
Marilyn Blazovsky
Lou Cleary
Nancy Coccia
Denise Coleman
Dominick DeMarco
Yoke DiGiorgio
Karen Kokoll
Foster Krupa
Dolores Matos
Steve Palmieri
Mary Ann Rivell
Ray Ryan
Margaret Square
Nick Wiener

VISITORS

Regina Fedorenko, Division of Law
Mark Fraser, Brushfire
John Leonardi, Brushfire
Nicole Micheroni, Division of Law
Shane Soranno, Guest of Chairman D'Anton

After the Pledge of Allegiance, Chairman D'Anton 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 D'Anton requested a motion to approve the minutes of the May 21, 2009 Commission Meeting. Vice Chairman Slater made the motion, which was seconded by Commissioner Kazmir. Chairman D'Anton asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Jourdain stated that the sales for the month of May totaled \$221.6 million, which is a decrease of 1.0% compared to last year's total monthly sales. He stated that the Pick 6 had a very good jackpot which rolled into the \$20 million area and total sales were a 46.7% increase over last year during the same month.

Acting Executive Director Jourdain stated that the daily game sales have stabilized and was slightly above last year at 1.1% which was led by Jersey Cash 5.

Acting Executive Director Jourdain stated that our jackpot games are about 10% below last year.

Acting Executive Director Jourdain stated that we are 0.1% below the budgeted target for the State contribution for FY'09.

Acting Executive Director Jourdain stated that the receipts and deposits that the Finance Unit received for the month of May totaled \$241 million.

Acting Executive Director Jourdain stated that the balance in the unclaimed prize reserve account is \$28.6 million.

Acting Executive Director Jourdain stated that the current balance in the annuity investment accounts totaled \$569 million.

Acting Executive Director Jourdain stated that the number of weekly retailer settlements as of the last week ending settlement date for May was 6,034.

Acting Executive Director Jourdain stated that there were no on-line promotions during the month of May.

Acting Executive Director Jourdain stated that the Mega Million jackpots, which rose starting in mid April and continued through the first week of May, were supported by spot radio, cable and TV advertising. He stated that when the Pick 6 jackpot reached \$19 million in mid May we initiated the awareness with spot radio advertising.

Acting Executive Director Jourdain stated that the sales staff is supporting the in-store promotions and there was a two hour Pick 6 promotion held at Wegman's in Princeton on May 27th. He stated that Wegman's daily lottery sales increased from \$700 to \$1,300 on May 27th.

Acting Executive Director Jourdain stated that the Retailer/Customer Call Center handled 1,846 incoming calls during the month of May.

Acting Executive Director Jourdain stated that there were 120 security investigations conducted by the Security Unit and there were 102 random field inspections conducted at retailer locations.

Acting Executive Director Jourdain stated that there are 6,162 retailer licenses issued as of May 31, 2009.

Acting Executive Director Jourdain stated that the Public Information Office continued the outreach campaign to area organizations, making preparations for upcoming Speaker's Bureau events throughout the summer.

Acting Executive Director Jourdain stated that the Public Information Office coordinated and staffed along with the Sales Department, a radio van promotion in Princeton for the ongoing Pick 6 jackpot roll.

Acting Executive Director Jourdain stated that Senate Bill 2015 and Assembly Bill 4102 revises the New Jersey State tax statute 54A to include New Jersey Lottery winnings over \$10,000 as taxable income. He stated that it is going through the on-going budget process.

Acting Executive Director Jourdain stated that there were no special events for the month of May.

Acting Executive Director Jourdain stated that the IMS unit developed a software program to support the Security Department in their random field inspection audits.

Acting Executive Director Jourdain stated that the IMS staff is also developing a software program that will transmit the Jersey Cash 5 and Pick 6 results to New Jersey Network in the event that New Jersey Network will be unavailable to conduct those nightly drawings because of pending state temporary layoffs.

Acting Executive Director Jourdain stated that the Lottery VIP Club increased its membership last month by 1,835 new members and the total enrollment now is 156,851 active members.

Acting Executive Director Jourdain stated that the Operations Unit had 22 social security number matches between the files from the Departments of Human Services and Community Affairs and the Higher Education Student Assistance Authority and Lottery winners.

Acting Executive Director Jourdain stated that the Validation staff received and sorted 3,370 claim forms during the month of May.

Acting Executive Director Jourdain stated that all on-line game pools were closed according to procedures with no abnormalities.

Acting Executive Director Jourdain stated that the Facilities Unit reported that the Annual 2008 Right to Know audit was submitted to Treasury Health & Safety.

Acting Executive Director Jourdain stated that Deputy Director of Security Ray Ryan has decided to resign from State service next month and thanked Mr. Ryan for his years of dedicated service to this Division.

Acting Executive Director Jourdain stated that this concludes the Director's Report.

Vice Chairman Slater stated that at the last meeting there was a discussion about the annuities and the insurance companies and making a list of all the contracts and how many are over the threshold of \$500,000. He stated that we also discussed about grouping them by company to see what the exposure would be in each company.

Acting Executive Director Jourdain stated that out of the 589 total contracts there are currently 326 that are over \$500,000 which is roughly 55%. He stated that we did further breakdown and looked at the 326 and 167 of those contracts are rated with companies that are AA or above and 159 are rated below the AA threshold.

Vice Chairman Slater asked what the dollar amount of the exposure would be of the 159 contracts.

Acting Executive Director Jourdain stated that he will get the exact dollar number of the exposure. He stated that he will get the cash value of what those annuities are worth today. He stated that he will put together an aging schedule to see the total liability with those companies and when they are due to expire and prepare a schedule of the top value amount today and run it to their expiration date.

Chairman D'Anton asked if there were any comments on the Director's Report and there being none asked for a motion to approve the Director's Report. The motion was made by Vice Chairman Slater and seconded by Commissioner Kazmir. The motion carried.

NEW BUSINESS

Chairman D'Anton asked for a motion to approve the "Revised General Rules Governing NJ Instant Lottery Games." Vice Chairman Slater made the motion which was seconded by Treasurer Designee Smartt. Chairman D'Anton asked if there were any comments.

Deputy Attorney General Krefetz stated that the wording needs to be changed in Section 9 to top "tier" instant prize.

Chairman D'Anton asked if there were any other comments and there being none the motion was carried.

Chairman D'Anton asked for a motion to approve the instant ticket game rules for "Casino Royale," "Deuces Wild," "Super Sum," "The Wizard of Oz," "Triple Treat" and "Revised Win For Life." Vice Chairman Slater made the motion which was seconded by Commissioner Kazmir. Chairman D'Anton asked if there were any comments.

Vice Chairman Slater asked if the licenses were in place for "Casino Royale" and "The Wizard of Oz."

Acting Executive Director Jourdain stated that is one of the responsibilities of the Instant Ticket Vendor to ensure that all the licenses are in place and that all trademarks are searched.

Vice Chairman Slater suggested that next to the name of the game on the rules it should state that it was cleared for licensing.

Acting Executive Director Jourdain stated that the copyright or trademark logo goes along with the name and if there are licensing or trademark rights it will be included in the game rules.

Vice Chairman Slater asked about selling more of the \$10 instant games versus the selling of the \$1 and \$2 games.

Acting Executive Director Jourdain stated that it benefits the division and the commission if we offer price diversity. He stated that not everyone wants to spend \$10 on an instant ticket but they would spend \$2 to \$4 on two tickets.

Marketing Manager Krupa stated that we have a strategy in place as each game has a very specific person that might come to play it. He stated that the ticket quantities, the top prizes, the price point, the way the games are played all go into each and every game that attract our markets. He stated that it is a very big, on going, constant strategy of replenishing and appealing to the overall market.

Vice Chairman Slater asked if there are any statistical results that backup this theory.

Marketing Manager Krupa stated that in the monthly report it lists the games and what the sales are in every game for that month. He stated that month to month the new games that you have approved can be seen and where they are in sales.

Chairman D'Anton asked if there were any other comments and there being none the motion was carried.

Deputy Attorney General Krefetz stated that the election of officers will take place and requested a roll call:

Robert D'Anton	Present
Robert Slater	Present
Munr Kazmir	Present
Trina Glass	Present
Robert Smartt	Present

Deputy Attorney General Krefetz asked for a nomination for Chairman of the Lottery Commission. Commissioner Slater nominated Robert D'Anton, which was seconded by Treasurer Designee Smartt. Deputy Attorney General Krefetz asked if there were any comments and there being none asked for a vote which was unanimous. The motion carried.

Deputy Attorney General Krefetz asked for a nomination for Vice Chairman of the Lottery Commission. Commissioner Kazmir nominated Robert Slater, which was seconded by Commissioner Glass. Deputy Attorney General Krefetz asked if there were any comments and there being none asked for a vote which was unanimous. The motion carried.

Deputy Attorney General Krefetz stated that Robert D'Anton has been elected Chairman and Robert Slater has been elected Vice Chairman.

MISCELLANEOUS

Acting Executive Director Jourdain gave the Commissioners a copy of a detailed letter that would be going out to the retailer network next week which is a summary of the terminal installation process.

Acting Executive Director Jourdain stated that we have been looking into having a last chance drawing on some of the higher price point instant tickets. He stated that there would be a drawing for a top prize at the very end of the game. He stated that it is still being finalized and the Commissioners should be seeing a presentation on it soon.

Chairman D'Anton asked about the taxes on winnings over \$10,000.

Acting Executive Director Jourdain stated that the legislature moved the bill that would amend the tax code and it will now tax New Jersey lottery winnings on prizes over \$10,000.

Vice Chairman Slater asked if anyone analyzed the impact this would have on sales.

Acting Executive Director Jourdain stated that we have not performed that analysis as this was a directive from the legislature.

Chairman D'Anton asked if this bill has passed.

Acting Executive Director Jourdain stated that the bill is out of committee.

Vice Chairman Slater stated that he feels that we should present what we think is our best estimate of what the impact will be on Lottery sales.

Treasurer Designee Smartt stated that the Governor or the Legislature today would then ask you to find the \$8 million by this afternoon if you don't want to do this. He stated that unfortunately that is where we are in the budget process.

Chairman D'Anton stated that he feels that this should have been thought through. He stated that you don't go and implement legislation without knowing how it is going to impact a \$2.5 billion agency. He stated that if sales go down \$100 million, the state loses \$35 million and then that \$8 million means nothing. He stated that he feels that the Board's opinion should be expressed to the Governor's Office.

Vice Chairman Slater suggested that we send a letter to Senator Buono and Assemblywoman Watson-Coleman who sponsored the bills.

Deputy Attorney General Krefetz stated that there is an internal process for divisions to file comments with the Department.

Commissioner Glass asked if that comment period is only open to the Department or is it open to the public also.

Chief of Communications DeMarco stated that it is open to the public but that this bill moved very quickly.

Commissioner Glass asked Chairman D'Anton if he knew about the comment period.

Chairman D'Anton stated that he did not know about the comment period.

Acting Executive Director Jourdain stated that this legislation was moved in June and the Director's Report is for May but he decided to advise the commission at this meeting.

Commissioner Glass stated that once this is set for public comment, at that point we have a problem with arguing notification because it's been set for public comment. She stated that we need a way to track any issues that will affect the Lottery so that we can respond and comment collectively as a Board, so that we have a voice, and that way we don't have the Executive Director in any conflicting positions.

Chief of Communications DeMarco stated that a notice goes out 5 days before the committee hearing.

Vice Chairman Slater stated that he feels that the budget for next year needs to be revisited to see if there would be an impact on it. He stated that if there is another State that did not have this tax and then implemented one, he would like to see the affect it had on their sales.

PUBLIC COMMENT

There was no public comment at this meeting.

EXECUTIVE SESSION

Deputy Attorney General Krefetz stated that it be resolved that pursuant to N.J.S.A. 10:4-13, the Lottery Commission enter into Executive Session during which the public shall be excluded to discuss matters involving security of the State Lottery and matters that fall within the attorney client privilege and within executive branch privilege. He stated that 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. He stated that a request has been made for Deputy Director Blazovsky to remain for the Executive Session.

Treasurer Designee Smartt made the motion to go into Executive Session which was seconded by Commissioner Glass. The motion carried.

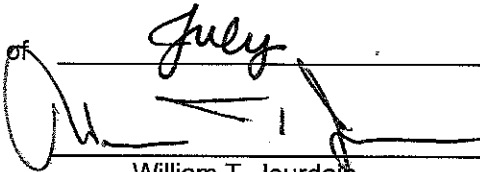
ADJOURNMENT

Chairman D'Anton asked if there was any other business to be discussed in the open public meeting and there being none, asked for a motion to adjourn. Commissioner McGuire made the motion, which was seconded by Commissioner Kazmir. 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 18, 2009.

IN WITNESS WHEREOF, I hereby set my hand on

the 17th day of July, 2009.


William T. Jourdain
Acting Executive Director