

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MAY 21, 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)
James McGuire, Commissioner

William Jourdain, Acting Executive Director
Marc Krefetz, Dep. Attorney General

STAFF

Joe Bacso
Marilyn Blazovsky
Lou Cleary
Nancy Coccia
Denise Coleman
Dominick DeMarco
Yoke DiGiorgio
Robert Kersey
Karen Kokoli
Foster Krupa
Steve Palmieri
Mary Ann Rivell
Ray Ryan
Margaret Square
Nick Wiener

VISITORS

Joan Mueller, Brushfire

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 April 16, 2009 Commission Meeting. Commissioner McGuire made the motion, which was seconded by Commissioner Glass. 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 April totaled \$222.6 million, which is an increase of 5.6% compared to last year's total monthly sales. He stated that the sales increase was led by our Pick 6 and Mega Millions jackpot games.

Acting Executive Director Jourdain stated that the daily game sales had a decrease of 0.7% from last year.

Acting Executive Director Jourdain stated that our jackpot games are 1.1% ahead of our budgeted target and the daily games are 0.2% below our budgeted target.

Acting Executive Director Jourdain stated that we are 1.0% 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 April totaled \$200 million.

Acting Executive Director Jourdain stated that the balance in the unclaimed prize reserve account is \$24.5 million.

Acting Executive Director Jourdain stated that the current balance in the annuity investment accounts totaled \$581 million.

Acting Executive Director Jourdain stated that at last month's meeting there was a concern as to whether the insurance companies are insured who have our annuities. He stated that the New Jersey Life and Health Insurance Guarantee Association (NJLHIGA) offers protection of our annuity accounts and would take over the troubled companies' policies and resume the responsibilities. He stated that the NJLHIGA may provide coverage directly by continuing the insurance policies or issuing replacement policies with the Guarantee Association. He stated that the NJLHIGA may also work with other state Guarantee Associations to develop an overall plan to provide protection.

Commissioner McGuire asked how many contracts there were in the 20% of the portfolio with New York Life.

Acting Executive Director Jourdain stated that he did not have that number but that there are numerous contracts with these companies.

Vice Chairman Slater requested that a list be made of all of the contracts that we have and how many are over the threshold of \$500,000.

Acting Executive Director Jourdain stated that this can also be grouped by company to see what the exposure would be at each company.

Vice Chairman Slater stated that if a company defaults, the money owed to the prize winner would not be owed all at once as it is spread out annually for over a long time. He stated that this makes the present value or the cost of that a lot less.

Acting Executive Director Jourdain stated that we can identify what the future liability is by company and by year and what the difference is between future and present value.

Acting Executive Director Jourdain stated that Treasury securities are now purchased for the annuities.

Commissioner McGuire asked if these are out of state contracts does the New Jersey Guarantee Association cover those out of state contracts or do they go to the States where the contracts were located.

Fiscal Manager Steve Palmieri stated that as long as they are licensed in New Jersey they will be covered.

Acting Executive Director Jourdain stated that we now provide a six month window of weekly retailer settlements. He stated that we will provide the number of the actual banking transactions we perform on the retailer network on the last week of the month.

Acting Executive Director Jourdain stated that we supported the Mega Million jackpots which started in mid April and continued through the end of April with spot radio, cable and TV advertising.

Acting Executive Director Jourdain stated that the sales unit report that they are still experiencing above average retailer terminations and every sales person is focusing on prospecting for new retailer locations.

Acting Executive Director Jourdain stated that the retailers were happy to hear about the new terminals that will be coming in late summer.

Acting Executive Director Jourdain stated that 7-Eleven is planning on opening 19 new stores before the end of this year.

Chairman D'Anton asked how we are tracking the sales force on new prospects.

Acting Executive Director Jourdain stated that we usually see that by the number of license applications that are received by the Security unit which is in section 4 of the report. He stated that we received 61 new license applications during last month and 39 new licenses were issued.

Chairman D'Anton requested that it be broken down corporate vs. mom & pop.

Chairman D'Anton requested if we could also have GTECH check to see if there are any major chains that are selling lottery in other states but not in New Jersey.

Acting Executive Director Jourdain stated that the Retailer/Customer Call Center handled 1,937 incoming calls during the month of April.

Acting Executive Director Jourdain stated that there were 102 security investigations conducted by the Security Unit and there were 130 random field inspections conducted at retailer locations.

Acting Executive Director Jourdain stated that there are 6,142 retailer licenses issued as of April 30, 2009.

Acting Executive Director Jourdain stated that the Public Information Office began development of press strategy to assist in the business transformation process.

Acting Executive Director Jourdain stated that all drawings were held in accordance to established procedures. He stated that the drawing unit conducted 2 opt-in drawings during the month of April.

Acting Executive Director Jourdain stated that the Drawing Unit made preparations and finalized procedures to conduct the midday drawings at Lottery Headquarters.

Acting Executive Director Jourdain stated that there were two special events with retailers held during the month of April.

Acting Executive Director Jourdain stated that the IMS unit completed preparations of having the Lottery's midday draw conducted at Lottery headquarters.

Acting Executive Director Jourdain stated that the Lottery website had 3.8 million visitors during the month.

Acting Executive Director Jourdain stated that the Operations Unit had 28 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 all on-line game pools were closed according to procedures with no abnormalities.

Acting Executive Director Jourdain stated that the Instant Ticket Inventory Control Section updated the status on 12,225 pack returns from the 17 instant games that ended.

Acting Executive Director Jourdain stated that the Facilities Unit reports that the ADT 2010 annual audit was completed.

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

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 Commissioner McGuire and seconded by Vice Chairman Slater. The motion carried.

NEW BUSINESS

Chairman D'Anton asked for a motion to approve the instant ticket game rules for "Extreme Riches," "Extra Spin Slingo," "\$50 Fall Fest," "\$500 Frenzy," "Tail Gator" and "Matri Money." Commissioner McGuire made the motion, which was seconded by Commissioner Kazmir. Chairman D'Anton asked if there were any comments.

Vice Chairman Slater requested that on any of the instant tickets that have an annuity it should state on the back of the ticket that the annuity is secured by US Treasury notes.

Acting Executive Director Jourdain stated that it will be done from this point forward.

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

Acting Executive Director Jourdain gave a presentation on the cross selling of the Mega Millions/Power Ball.

Vice Chairman Slater requested that we find out exactly what the law allows for placing horse racing bets on-line or by telephone.

Acting Executive Director Jourdain stated that he will reach out to the NJSEA to see what type of infrastructure they are working from and if there is a statute in place that allows them to do it and then we can see if the statute can be applied to Lottery.

Acting Executive Director Jourdain stated that the only thing that is still outstanding from a Lottery perspective is the unlawful internet gambling act which is a federal law that is still out there which basically prevents credit card transaction being processed for gambling wagers.

MISCELLANEOUS

Acting Executive Director Jourdain stated that this was the first full week of non-televised mid-day drawings. He stated that we estimated a savings of approximately \$100,000 annually in operating expenses.

Acting Executive Director Jourdain stated that Friday, May 22 will be the first temporary layoff day for the Division of Lottery and our offices will be closed as well as the rest of the Department of Treasury. He stated that we are advising players through a press release and our website that the ticket sales and drawings will continue as scheduled. He stated that the retailer network has also been advised through a terminal message.

PUBLIC COMMENT

There was no public comment at this meeting.

EXECUTIVE SESSION

There was no Executive Session.

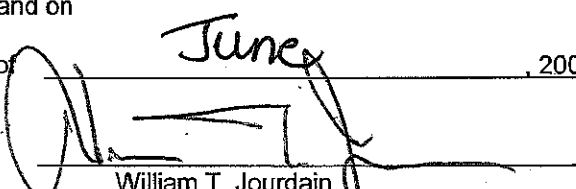
ADJOURNMENT

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 May 21, 2009.

IN WITNESS WHEREOF, I hereby set my hand on

the 22 day of June, 2009.


William T. Jourdain
Acting Executive Director