

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING, DECEMBER 19, 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  
Robert D'Anton, Commissioner  
Robert Slater, Commissioner  
Roger Cohen, Treasurer Designee  
  
Carole Hedinger, Executive Director  
John Custodio, Deputy Executive Director  
Roger Gibson, Deputy Attorney General  
Aimee Manocchio-Nason, Deputy Attorney General  
Kerstin Sundstrom, Governor's Auth. Unit (by phone)

#### STAFF

Regina Arcuri  
Duane Daniels  
Michael DeCheser  
Judy Drucker  
Janice Eckstein  
Karen Kokoll  
Jean Lin  
Steve Palmieri  
Debbie Raub  
Mary Ann Rivell  
Margaret Square  
Fran Lioudis

#### VISITORS

Lou Cleary, Northstar  
Russ Knapp, Northstar  
Gordon Medenica, Northstar  
Bill Murray, Northstar  
John Leonardi, Brushfire  
Mike Linhorst, Bergen Record

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 November 19, 2013 Commission Meeting. Commissioner Ragazzo made the motion, which was seconded by Commissioner Slater. Chairman Tucci asked if there were any comments and there being none the motion carried.

#### DIRECTOR'S REPORT

Executive Director Hedinger stated that November completed the second full month with Northstar NJ, in terms of Sales and Marketing.

Executive Director Hedinger reported that sales appear to be less for November 2013 in comparison to November 2012; there is a distortion because of the very large Powerball jackpot that ran through November 2012.

Executive Director Hedinger stated that sales and profits are up.

Executive Director Hedinger noted all of our numbers games are up; there is healthy growth.

Commissioner Tucci asked if we will see this same skew next year because of the current Mega Million jackpot. Executive Director Hedinger stated that it is possible.

Commissioner Slater stated that he is concerned with instant games competing with on line gambling. Current findings of instant sales in light of on line gambling. Executive Director Hedinger stated it just begun and we will look at any possible effect on instant sales.

Vice Chairman Ragazzo asked about the \$55 million in Powerball sales. A discussion was held.

Commissioner D'Anton asked the percentage of Powerball sales. A discussion of how many million dollar winners we had during the run took place.

Executive Director Hedinger stated she is very optimistic about how sales are going this year. It has been a very smooth transition.

Executive Director Hedinger noted that the receipts and deposits for the month of November were almost \$175 million.

Executive Director Hedinger reported that there were 102 Electronic Fund Transfer failures during the month of November.

Executive Director Hedinger noted that the Accounts Receivable Unit settled 83% of the failures from October.

Executive Director Hedinger stated the Field Account Adjusters visited 252 retailers and collected \$220,000.00.

Executive Director Hedinger noted that the outstanding accounts receivable balance was \$3.1 million.

Executive Director Hedinger stated that the balances in the unclaimed prize reserve accounts are \$9.8 million.

Executive Director Hedinger reported that the current balances in the annuity investment accounts total \$238 million.

Executive Director Hedinger stated that the three top non-core instant game sales during November were over \$13 million and the core instant game sales totaled more than \$56 million.

Executive Director Hedinger reported that the new "Win For Life" family of games sales during November were \$25.7 million.

Executive Director Hedinger noted that due to the combined launch of the four Holiday Instant games in October, there were no new instant games launched during the month of November.

Executive Director Hedinger reported that advertising to support the new Holiday instant games began November 29<sup>th</sup> and will run through the month of December.

Executive Director Hedinger stated that the on-line product activities included the finalized development for a Powerball Pro Football "Hall of Fame" promotion for December, in which players can win a trip to Ohio for the Hall of Fame induction in May.

Executive Director Hedinger noted that we are continuing to work on the Powerball Power Play enhancement that will begin in January.

Executive Director Hedinger reported that we now have more than 110,000 Lottery Facebook likes.

Executive Director Hedinger stated that the two most watched videos for the month of November were our "Behind the Ball: You've Won, Now What?" and our "Behind the Ball: Behind the Scenes of a New Jersey Lottery Television Commercial" videos.

Executive Director Hedinger noted that all of our social media outreach continues to grow.

Executive Director Hedinger stated that we had a special drawing on November 1st for a multi-state Halloween Raffle. There was also a special Retailer Incentive drawing held on November 12<sup>th</sup>.

Executive Director Hedinger noted that we were active with the Responsible play program. Our representative participated in a CCGNJ teleconference board meeting and we worked with their Executive Director to do a joint press release to discourage the gifting of lottery tickets to minors during the holiday season.

Executive Director Hedinger reported that we continue to monitor legislation that may affect the Lottery regarding the Anonymity Bill. The Bill was proposed and conditionally vetoed by the Governor a few months ago and we were asked to provide relevant information on states that have anonymity and the effects it could have on the NJL.

Commissioner Tucci asked how other states handle anonymity. Executive Director Hedinger stated four states have full anonymity, two have partial and all the others have no anonymity.

Executive Director Hedinger noted that we had a number of Speaker's Bureau Events during the month of November in various locations in the state.

Executive Director Hedinger stated that we participated in an event with a grand opening of a Wawa in Jackson to kick off Wawa's sale of lottery tickets.

Executive Director Hedinger reported that there were 118 security investigations and 71 random field inspections during the month of November.

Executive Director Hedinger noted that the Licensing Unit received and processed 113 applications and 106 licenses were issued.

Executive Director Hedinger stated that there are 6,772 licenses issued as of the end of November.

Executive Director Hedinger reported that we collected more than \$9,400 for the month of November through our efforts with the Division of Taxation. The total collected for FY14 is over \$31,000 for back taxes from retailers.

Executive Director Hedinger stated that the Operations Unit met with the Division of Property Management and Construction to aid us in reconfiguring office space for GTECH to occupy. We plan on giving up some of our leased space that the landlord will then lease to GTECH.

Executive Director Hedinger noted that the new pool closing room is completed; which is adjacent to the studio.

Executive Director Hedinger stated that the VIP Club increased its membership with 1,843 new registrations during the month of November and now has an enrollment of almost 266,000 active members.

Executive Director Hedinger noted that the Validation Staff received over 3,200 mail-in claim forms and 279 walk-in claim forms during the month of November. They entered more than 3,400 claims into our tracking system and edited over 3,800 claims for payment. There were 27 social security matches between our files and various agencies for arrearages. Twenty claims were processed and garnished because of matches. There were three released claims from previous matches. Since inception we have collected \$6,736,040.19 in set-off payments for various departments.

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

Executive Director Hedinger noted that the Retailer/Customer Call Center handled over 2,300 incoming calls during the month of November and made 355 outgoing call. They are actively engaged with player and retailer calls. They work very closely with Northstar's retailer call center to ensure a smooth flow of information between our organizations.

Executive Director Hedinger reported that the Warehouse staff conducted their normal trips to Motor pool, accepting and making deliveries, and courier runs.

Executive Director Hedinger stated that the Facilities Unit managed the tasks of keeping our facility running without any problems.

Executive Director Hedinger noted that she will now begin to include Northstar activities in the Director's Report.

Executive Director Hedinger reported that Northstar personnel count is now up to 107 employees; with 75 in Sales. They have incorporated the Lottery's sales personnel and increased it. They have 16 people in Marketing and 16 in other categories. They still have sales positions that need to be filled. The retailers will benefit from the additional services that extra Sales personnel will be able to provide. This will be one of the keys to success of this contract with Northstar.

Executive Director Hedinger stated that all key management positions reporting to the Vice President of Marketing have now been filled.

Executive Director Hedinger reported they continue to rollout the full self-serve vending machines at Wawa stores. As of November, 37 stores have been rolled out. All 240 will be completed by March.

Executive Director Hedinger noted that Northstar has met with representatives of Quick Chek and Hess to discuss marketing opportunities. Quick Chek does not want to go completely full self-service.

Executive Director Hedinger stated that Northstar is going to hold four Retailer Advisory Councils in January. Retailers will be chosen from a broad spectrum to get feedback in order to improve service.

Executive Director Hedinger noted that there are four After School Advantage winners that were selected. GTECH runs an after school advantage program where they outfit computer labs in various locations where there is need.

Executive Director Hedinger reported that there were eight applications made for these labs and four have been selected. They will start rolling them out in 2014. As they roll out, more information and pictures will be provided.

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

Chairman Tucci asked if there were any comments.

Commissioner D'Anton asked if all the retailers get visited. Gordon Medenica responded with details of how often each retailer is now seen.

Commissioner Slater suggested that retailers should attend a weekly sales training class on line. Executive Director Hedinger stated that NASPL 2014 is about the future of Lotteries. And technology like he suggested is something to discuss at the conference.

Commissioner Slater mentioned the Auditor's Financial Statements are behind. He suggested we get a timeline from Mercadien. Steve Palmieri stated that he will get a calendar from the Auditors.

Commissioner Slater questioned the status of on line purchase of lottery tickets. Executive Director Hedinger stated we are going to discuss that with Northstar in January.

Commissioner Slater suggested we look into "co-op" advertising. Executive Director Hedinger mentioned it was looked into years ago but will look into it again.

Commissioner Slater stated he would like us to make an announcement to VIP members to comfort the players on cyber security. Executive Director Hedinger said it will be looked into it.

Commissioner D'Anton questioned the amount of the advertising budget. Executive Director Hedinger and Gordon Medenica answered his questions.

Chairman Tucci asked how many new retailers were added. Executive Director Hedinger stated that in the month 106 were approved.

Chairman Tucci asked how many retailers we are able to have. Executive Director Hedinger explained how the ratio works in respect to population. (1 retailer-1,100 people)

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

### **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 2014 Meeting Schedule. Vice Chairman Ragazzo 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 amended Retailer Bonuses. Commissioner D'Anton 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 "7-11-21." Commissioner D'Anton 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 "Silver, Gold, Platinum 7's." Commissioner D'Anton 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 revisions to instant game "\$2 Million Mega Cash." Vice Chairman Ragazzo 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 "Double Blackjack." 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 "Fire & Ice." Commissioner D'Anton 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 "Power Play Crossword." 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 revised rules for "Big Money Spectacular." Vice Chairman Ragazzo 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.

**PUBLIC COMMENT**

There was no public comment.

**EXECUTIVE SESSION**

There was no Executive Session.

**ADJOURNMENT**

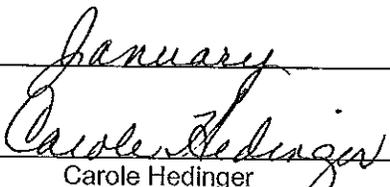
Chairman Tucci asked if there was any other business to be discussed and there being none, asked for a motion to adjourn. Commissioner Slater made the motion, which was seconded by Vice Chairman Ragazzo. The motion carried.

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 December 19, 2013.

IN WITNESS WHEREOF, I hereby set my hand on

the 23<sup>rd</sup> day of January, 2014.

  
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Carole Hedinger  
Executive Director